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Nielsen Holdings Plc (NLSN)

Analyst Day

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MANAGEMENT DISCUSSION SECTION

Sara Rebecca Gubins

Senior Vice President, Investor Relations, Nielsen Holdings Plc

Hello, everyone, and welcome to Nielsen's Fourth Annual Analyst Day. My name is Sara Gubins and I've just joined Nielsen as the Senior Vice President of Investor Relations. I spent the last 15 years at Bank of America Merrill Lynch as a sell-side equity research analyst where I lead business services coverage. That included covering Nielsen since the IPO. I'm thrilled to be here and I look forward to working with all of you.

On behalf of the entire company, I want to welcome everyone who made the trip to be here in person and everyone listening and watching on our webcast. Let me pause here to highlight our forward-looking statements which, of course, you've all seen before.

So, turning to the agenda. We've narrowed our focus this year. We want to spent time on our key initiatives, focus on your key areas of interest and make sure that we are answering your questions. We have several Q&A sessions throughout the day.

Our key messages for the day include the continued fundamental importance of measurement and Nielsen's place at the core of it, our confidence in our strategy and ability to adapt to an ever changing environment, and our strength in execution.

We're going to start the day off with a presentation from our CEO, Mitch Barns, and a financial update and outlook discussion from our CFO, Jamere Jackson. After that, we will turn to buy which we know is a key area of focus for you.

Our President and Chief Operating Officer, Steve Hasker will provide an update on the state of the marketplace; and Andrew Somosi, our Executive Vice President of Buy Product Leadership will do a deep dive into the connected system and update you on our progress over the last year.

We know that it's important to hear outside perspectives on our key initiatives, and we're delighted to follow Andrew's presentation with a fireside chat with Karen Fichuk, our President of Lead Markets; and Mike Terpkosh, VP of Store Services at SUPERVALU to talk about the connected system. SUPERVALU is one of the connected system's five charter clients.

After a break, we'll turn to watch. Steve Hasker will come back for a market overview and then Megan Clarken, our President of Global Product Leadership, will provide an update on our progress in total audience as well as the next stages for total audience measurement and is linked to the connected system. After Q&A, Mitch will come back up for closing remarks.

At Nielsen, we believe that citizenship provides value to our shareholders. As you may recall, beginning last year, we decided to make a donation on behalf of all of you attending today. This year, we chose Junior Achievement Worldwide, an institution whose mission is to inspire and prepare young people to succeed in a global economy. As you can see from the stats on this page, Junior Achievement has a global reach and clearly fits into the core of Nielsen's corporate social responsibility objectives, which is to have an impact in the marketplaces and communities where we live and serve. Your attendance today is having a real impact, so thank you again for coming.

After the presentations, we all look forward to seeing you downstairs at Nielsen Interactive. We have 11 demonstration areas, over 30 experts ready to give you a closer look at our innovative products and platforms; and if that's not enough, lunch.

The demos are divided into three areas: the connected system, Nielsen marketing cloud, and our priority initiatives. In each of these three sections, you will find examples of products that contribute to the innovative offerings we are putting on the table. We hope that you will find today informative and helpful. We're working hard to address your areas of focus.

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

Dwight Mitchell Barns

Chief Executive Officer & Director, Nielsen Holdings Plc

Good morning, everybody. Welcome. Thanks so much for joining us. We're just thrilled that you're here. Look, we know you come with questions, after all you always do. Last year, we know more of the focus was on our watch business and specifically on our Total Audience Measurement initiative. And over the past 12 months, our teams, they've executed on that initiative and they've executed extraordinarily well. They designed and delivered an elegant system that delivers perfectly on the market's current needs, but also it's a system that's robust and flexible enough that it'll continue to deliver on the market's needs as they evolve in the future. I'm incredibly proud of how well our teams have executed on that initiative.

I'll have a few more words to say about our Total Audience progress and share a few highlights in just a few minutes, and Megan Clarken will come up later this morning and she'll have a lot more detail to share with you in terms of where we are and where we're going next. This year, though, I know that more of your focus is on our buy business. So let me dive right into that.

On our third quarter earnings call, we said that we were seeing some trends in the marketplace that are more challenging. In fact, those trends are accelerating in the marketplace, and so what we said is we're responding to those trends in two main ways. One is we're accelerating our efforts on our Connected System initiative, that's especially with a big focus on the U.S. marketplace and you'll hear more about our Connected System initiative a little bit later this morning from Steve Hasker and Andrew Somosi.

The second thing we're doing is we're realigning our analytics portfolio to better fit with the direction that we see the market going. So, let me give you more detail on what we're doing there and how I think about that. I'll focus on the U.S. When I think about analytics portfolio in the U.S., I think of it as having two main parts: the first part is what I think – what I refer to as every day analytics. These are the analytics that focus on our client's pricing, promotion and assortment questions, very important questions. And these analytics also will be integral parts of the Connected System as it rolls out to the marketplace and so as such, these analytics are very, very important part of our future.

By the way, our business in these analytics areas is very healthy and growing, and we also have a number of other analytics products, and some of those are also doing very well, but there are a few analytics products in this other category that don't fit so well with where we're taking our business in the future. And so as we said on our third quarter earnings call, we'll look to divest a few of those products.

Let me tell you about three products that we've identified for divestiture. The first is a consumer segmentation product, the second is a custom survey research product, and the third is a small consulting business. These are all in fact all three U.S.-based products. They're all great products. They have talented, committed teams who are supporting the clients of these products every day but they simply don't fit very well with the direction we're taking our business. And so, we're looking to divest these products.

Collectively, they represent a relatively small percentage of our global buy revenues, and when Jamere comes up after me, he'll give you the numbers on that. Now, regarding that first product I mentioned, the consumer segmentation product, we recently reached agreement with a buyer for that product and we expect that deal to close at the end of this month. Regarding the other two products, we're in active discussions with potential buyers and we'll update you as that continues to unfold. But on our third quarter earnings call, we said we were going to move aggressively on these components of our analytics portfolio that don't fit so well with the future of our business. And that's exactly what we've done.

Next, let me take a step back and walk you through how I see, how I think about our buy business, first at a high level and then I'll walk you through each of the key parts. I'll also focus in on where the Connected System fits into the future for our buy business.

So first, starting at a global level, I'll separate our buy business into emerging markets and developed markets. Our business in emerging markets is solid, high single-digit growth. You see a number of the key emerging markets here, eight of them listed on the slide. In fact, in most of those eight markets, our business is growing double-digits this year in 2016.

By the end of 2016, we expect emerging markets to add up to more than $1 billion in total global revenues. We expect 2017 to be another good growth year for our business in emerging markets. As many of you will recall, over the past several years we've consistently been investing in better coverage and better granularity in our core measurement business in emerging markets, and those investments have continued to pay off and we expect that they'll continue to pay off into the future as well.

Next, developed markets. Here it's a little bit more of a mixed picture. Our business is seeing growth this year in 2016 in Europe, Canada, and the Pacific which for us consists of Australia and New Zealand. But in the U.S. our business is down this year. So let's focus in a little bit more on the U.S. What I'll do is I'll break it down by segment, client segment. When we think about our manufacturer clients in the U.S., we typically think of three main client segments: the largest global clients, the mid-tier client segment, and the small clients. So, I'll walk through them one by one.

First, with the largest global clients, our position within this particular client segment is very strong. We have a very high market share of the overall business in this segment. It's in large part thanks to our global footprint which no one comes anywhere close to. We're in over a 100 countries around the world so almost every single one of the largest global clients chooses to work with Nielsen in the U.S. So, our position is strong but growth has been more challenging not only for us but also for these clients. They've been challenged to find top line growth in the marketplace.

In addition, many of these clients have been contending with the so-called 3G effect, zero-based budgeting that puts a lot of cost pressure on their business and a lot of that, of course, reflects back on to our business. And one more thing, there's also been some client consolidations in this particular client segment over the past couple of years, and that has not been favorable to our business. So, when you add it all up, we've seen minimal growth in this segment despite the fact that our position remains as strong as ever in this client segment.

Now, looking forward, the Connected System will help in a big way here. It'll add more speed and efficiency on the side of our clients and will also help them find more growth in what will continue to be a challenging growth environment for these clients and it'll also add more efficiency on our side as we deliver our products to clients in this segment.

Let's next turn to the mid-tier client segment. Sure, the overall market is solid. These clients are tending to find a little bit more growth than what is the case for the largest global clients. Our market share in this particular client segment is not as strong as it is with the largest global clients and so that spells opportunity for our business in 2017 and beyond. And in fact the Connected System will help us here; it'll help us to compete more effectively to grow our market share over the next couple of years.

Finally, the third client segment. As a group, these clients are performing relatively well in the marketplace, and one reason for that is these clients are on trend. What I mean by that is over the past couple of years, in particular in the U.S., consumers have been shifting more of their purchases to local and specialty products which is a better fit with the product portfolios of clients in this segment, and so they've been seeing more growth in their business than the clients generally in the other two client segments. And similarly, our business has been growing in this client segment.

The Connected System, going forward, will help us continue that growth with these clients. For the existing small clients, the Connected System will make it possible for them to lean in more to subscribe for more of their categories and more of their brands because the Connected System, in essence, lowers the access cost, the starting price, if you will, for all of the clients in the marketplace but that's especially important for the smaller companies.

The Connected System will also help us bring more of these smaller clients into our client portfolio because as that access cost is lowered, clients who previously could not afford to subscribe will now be able to afford to subscribe, and so it will increase our volume of business in this particular segment. Okay. So that's my high-level look at our buy business and as I said before, Andrew Somosi, Steve Hasker, they'll have more for you a little bit later this morning when they come up.

But for now, let me just add one more thing about our buy business. This is a business we've been in for over 80 years. In fact, it was the business that was founded, invented, if you will, buy our founder, Arthur Nielsen, Sr. back in the 1930s. We've been the global leader in this business for a long time, in part because nobody comes anywhere close to our global footprint. But also because over the years, we have continually renewed and remade our business to keep pace with changes in the way our clients are running their business and to keep pace with changes in the marketplace overall. And that's what we're doing all over again with our Connected System initiative.

For us, the Connected System, for starters, it taked shape as a concept a couple of years ago and we first introduced it to all of you last year at our Analysts Day in December of 2015. Let me remind you a little bit about the Connected System and Andrew will tell you a lot more in just a little bit.

The Connected System integrates our core measurement data with those everyday analytics that I mentioned earlier and it combines them all in one system. The core measurement data helps our clients to understand what's happening, in other words, is my market share going up or going down, and our analytics then help them to understand why that change is occurring and also what should I do next. That's what the Connected System is all about. And importantly, it integrates all of these things into one system, all anchored back to one source of truth and it continuously is updating itself, both the inputs and the outputs from this system.

Now some of you that might sounds simple, but let me assure you this is actually a very complex and challenging initiative for us to pursue and it's going to require great execution by our teams. But we know we can do it. In fact, you know we can do it because you've seen us do something similar over the past couple of years on the watch side of our business with our Total Audience Measurement initiative. That was also a similarly challenging and ambitious initiative, and our teams have executed extraordinarily well. We're on that same path now in our buy business with our Connected System initiative. For our clients, it'll bring more speed and efficiency, and for Nielsen it'll all add up to a stronger, higher-margin business.

With that, now let me turn to our watch segment and walk you through some of the highlights for 2016 associated with our Total Audience Measurement initiative. Now the funny thing is when we talk about Total Audience, normally we go straight to the new digital measurement products and we focus just on those. But I just want to remind you we still measure television around here. So, let me start there.

Our flagship national TV measurement product remains as strong as ever in the marketplace, and we're taking steps to make it even stronger in 2017 and beyond. One of those steps you heard us talk about earlier this year, we've made moves to license return path data also known as set-top box data from both DISH and Charter. We'll incorporate that return path data in both our national TV and local TV audience measurement products going forward. That'll improve the stability of the ratings and the granularity of the data for our clients, both big positives.

We'll also incorporate out-of-home viewing in our TV ratings going forward for both national and for local. We'll do that by leveraging the PPM technology that came into our product portfolio through our acquisition of Arbitron a few years ago. That'll help us capture the out-of-home viewing of television content, previously an unmeasured portion of the viewing audience, which will help our clients monetize that audience more fully than they have been able to up to this point.

Next, digital ad ratings. Our digital ad ratings product is now in 25 markets around the world, and by 2017 you'll see us go to 35 markets around the world. Fantastic global footprint emerging around digital ad ratings. And that global footprint is one of the reasons why one of the world's biggest advertisers, Procter & Gamble, switched their digital advertising measurement business to Nielsen earlier this year. You've also seen our relationship with a number of other big players in the marketplace expand throughout 2016.

Let me just give you one more example, Hulu. Previously, we measured audiences for Hulu when they were viewing through laptop computers or through mobile devices. But in 2016, we expanded that relationship with Hulu so we're now capturing their audiences who are viewing through connected devices, things like Roku or Apple TVs or Smart TVs. It's a great progress on digital ad ratings.

Let me now move to the content side, starting with subscription video-on-demand. More than 50% of U.S. households now subscribe to a subscription video-on-demand service like Netflix. We're now measuring more than 15,000 program episodes that can be viewed on these platforms, and there's incredibly strong demand from our clients for this type of measurement.

Next, Digital Content Ratings. We moved to syndicated reporting of our digital content ratings metric back in September. This was a very important move because that meant, for the first time, clients could see apples-to-apples comparisons of video content viewed on a digital platform to video content viewed on a traditional television platform. Truly cross-platform comparability on an apples-to-apples basis with the launch of our Digital Content Ratings into the marketplace. Only Nielsen can do that.

It also resulted in expansion in our relationship with Facebook. Going back several years, our Facebook relationship revolved mostly around digital ad ratings, and that's been a great relationship for us. But in 2016, it moved over also to the content side with our launch of Digital Content Ratings, which is helping to measure video viewing on Facebook's platform including Facebook Live.

And the other component of our Total Audience Measurement framework, Total Content Ratings. We moved to syndicated reporting of Total Content Ratings in August of this year, and we'll expand that to include agencies in the first quarter of 2017. That then becomes the final component moved to syndicated reporting of our overall Total Audience Measurement framework. And what that means is we're well-positioned, poised and ready to play a big role in the 2017 upfronts, for both buyers and sellers in the marketplace. 2017 will be our 75th year in the audience measurement business, and it's shaping up to be one of most exciting years in that long history for our company.

Last, before I leave the watch business, I have to say a word about Nielsen Marketing Cloud. Just as a reminder, this is where we bring together the full range of our watch assets to help drive more precision and ROI for advertising in the marketplace.

The Nielsen Marketing Cloud has been seeing great uptick from clients and it's helping to drive very strong growth in our marketing effectiveness practice where it fits in our business. Marketing effectiveness is up about 20% through the first three quarters of the year, so we're thrilled with our progress here and we expect that progress to continue into 2017 and beyond.

Earlier, Sara walked you through the agenda, and I think you saw from the agenda we're very focused this year on our three big strategic bets: Connected System, Total Audience and the Nielsen Marketing Cloud, and I hope you walk away today with answers to all of your questions about those big initiatives for our company, and I hope you walk away with more clarity than you've ever had before about where we are and where we're going to go next.

I also hope you take away three key messages. So, let me walk you through what those three key messages are from me. The first, the fundamentals of our business remain very strong. Independent, third-party measurement remains as essential as ever for clients in both watch and buy. Our global footprint remains as big a competitive advantage for our company as it ever has been. We're in over 100 countries around the world, those 100 countries represent about 90% of global population and global GDP and that covers about 80% of global advertising spend. We have a largely contracted, syndicated, scalable business model that produces margin leverage that enables us to invest in future growth while also returning cash to our shareholders.

Number two, we are crystal clear about where our clients want us to go next in our business, and so for that reason we're highly confident in our strategy. Total Audience on the watch side is now a proven concept and we've also proven our ability to deliver on that concept. It's an incredibly difficult, complex program and a few years ago, and even recently as a year ago, I know many people still wondered whether or not we could do it. And even if you thought we might be able to do it, you certainly doubted. You doubted whether or not we'd be able to deliver it on schedule; we did. Connected System is next, and it's similarly a complex, challenging program. In fact, it's every bit as challenging as Total Audience. But our team is 100% okay with that. Good leaders are drawn to big challenges. We're up for it.

And number three, we're up for it because we believe in our ability to execute on these things. We're proven executors. What we know is that great strategies are only as valuable as your ability to deliver them to the marketplace, and to do that well it takes talent, teamwork, grit, and a leadership culture to deliver. And that's what we have.

Okay. To close, let me just take a couple of minutes and share with you my view of what some aspects of the future look like for Nielsen. First, measurement. 2017 will be our 94th year as a company, and it'll also be our 94th year with measurement at the center of our business. This is not going to change. Independence, granularity, coverage, quality – these things don't go out of style. So measurement will continue to be the center of our business. While that won't change, there will be some things that will change steadily with discipline over time, and it'll mostly be about how we go about producing and delivering that measurement to our clients in the marketplace. So, let me describe a few of those things for you.

First, today, most of our measurement products draw from one data source and we do as much as we can to produce the best quality, the most useful measurement products from that single data source as we possibly can. Already in some parts of our measurement portfolio and going forward in more parts of our measurement portfolio, you'll see us incorporate multiple data sets in order to produce even better measurement than was ever possible in the past. We'll integrate those different data sets together to produce more coverage, more granularity, more usefulness for our clients.

Now, to be able to do that well requires incredible data integration skills. It requires world-class data science skills and talents. We have those. It also requires what we call reference data. You'll hear more about that from Andrew before of it. One way to think about reference data is it's the connecting tissue that allows you to put data sets together that weren't originally designed to be put together. We're loaded with a wealth of reference data at our company. So, this is what the future of measurement looks like, integrating multiple data sources to do more and better than what you could do if you only drew from one data source.

Now, fact of life is more and more in the future, no one company will own all of the data sources that it wants or needs to produce the best possible measurement for the industry. And so, that's going to mean that we'll need to be taking more open approaches to our products and engaging more often in collaborative models in the marketplace. We're already doing that in several parts of our business and you're going to see us continue to move that direction. It's very important.

Another thing that will continue to evolve in our product portfolio is you'll see us move from what today are still mostly point solutions to connecting those point solutions and delivering them as systems for our clients, systems that link our core measurement with those analytics that help drive improvement for our clients. The Connected System for our buy business definitely is taking that design.

But in many respects, Total Audience is a system, and the Nielsen Marketing Cloud is also a system. So systems really now dominate the architecture of our product portfolio going forward. Systems are also stickier and they also inherently are subscription-based businesses which stabilizes our revenue streams making them less lumpy going forward. You'll see that continue to unfold for us.

Now, as that happens, you'll also see our commercial model move from being what it is today still a very much a professional services business model to evolving over time to being much more of a data-as-a-service and software-a- a-service business model. More efficient on the Nielsen side, more efficient on the client side.

As that happens, of course, like many other companies in the world, we'll be more technology-centric. We'll employ more automation, including machine learning in our business. When you add all that up, what it means is more speed, efficiency and value for our clients; a stronger, higher-margin business for Nielsen and incremental shareholder value.

Jamere is going to come up next, and he'll walk you through the financial story. After he finishes, I'll join him back up on stage for Q&A, and I look forward to that. I also look forward to talking with as many of you as possible after the morning's presentations in our Nielsen Interactive Exhibit Area down on the lower level. And once again, thanks for joining us today.

Sara Rebecca Gubins

Senior Vice President, Investor Relations, Nielsen Holdings Plc

Next up, to address our financial goals and capital allocation is Chief Financial Officer, Jamere Jackson.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

I think the financial books are being passed around, and I always get a chuckle out of this crowd whenever that walk-on music is actually played. It's actually one of my favorite songs of all time. While the books are being passed around, I wanted to just give you a little bit of update on what I'm going to do this morning. I'm going to give a little bit of historical financial look back to set some context for what we're seeing in 2016 and 2017. I'll then go into our guidance for 2016 and 2017. I'm going to spend a little bit more time on the revenue build-up for 2017 and give you a deeper look into the portfolio for each of our segments. I'll then go into capital allocation, and I'll wrap up with our long-term financial framework.

Many of you have seen this chart before, and we're certainly proud of the historical financial performance of the business and the consistency and the resiliency of the Nielsen business model. And in fact, that resiliency is best indicated in our revenue track record where through the end of 2016, we will have delivered 42 consecutive quarters of constant currency revenue growth.

And over this time period, we've invested in our key growth opportunities, we found new things to measure, we've expanded our product and service portfolio, and we've added coverage. And this has driven a 6% compound annual growth rate from 2011 to 2016.

We enjoy this syndicated business model where disciplined pricing and cost-out initiatives have driven almost 3.5 points of margin expansion from 2011 to 2016, this has helped our adjusted EBITDA grow 9% compounded annually from 2011 to 2016. This resilient revenue growth and a strong margin expansion has delivered an incredible free cash flow profile for the company where our free cash flow has actually grown 18% compounded annually from 2011 to 2016, and importantly, we've expanded our free cash flow conversion by 18 points from 2011 to 2016. And this has generated over $3.7 billion of free cash flow.

And this free cash flow gives us the ability to execute against a balanced capital allocation approach that gives us tremendous flexibility to grow our business and return over $2.5 billion back to shareholders from 2014 to 2016. This is a great business, and we're well positioned to deliver strong shareholder returns in 2017 and beyond.

Let me move to guidance, first, I want to reiterate our 2016 guidance is consistent with our October 2016 earnings call. We have added our GAAP net income per share guidance to this page, and everything else remains exactly as we've presented it in October, highlighted by total revenue growth of 3.5% to 4%, 30 basis points of adjusted EBITDA margin growth, adjusted net income of $2.73 to $2.79 a share.

Let me move into 2017. And the first thing I want to do is actually spend a little bit of time on both our watch and our buy segments to give you the revenue build-up to 2017. And let me start with our buy business. Our total core buy business in 2017 is going to grow 2% to 3%, and our total buy business is going to grow plus or minus 50 basis points. And now, let me walk you through the pieces. On the left-hand side of the page, you'll see our 2016 revenue stack. At the bottom of that revenue stack, you'll see just a little under $200 million of revenue. This represents the red assets or the 3% to 4% of revenue that I talked about on our October earnings call that we want to aggressively move away from.

As Mitch mentioned, in this bucket, we have three products and services. One is our U.S. consumer segmentation business, which we're actually exiting. And we're continuing to evaluate U.S. consumer survey research and CPG consulting. So, in 2017, based on that exit, we're expecting this bucket to be down 40%. That leaves our total core buy business growing 2% to 3%, highlighted by the emerging markets growing to 8% to 10% as we continue to invest in coverage and we see strength from both local and multinational clients in those markets.

And our developed business is going to be down 1% to 1.5%. And here, we're simply planning for a tougher environment as we see flat volume and pricing that our U.S. clients are actually experiencing. We're also focusing, as Mitch mentioned, on our own internal productivity initiatives. And so, we're planning for a tougher environment here, particularly in some categories like food and personal care, we're also expecting fewer new product launches in 2017.

So, just to recap our buy business. Total core buy business, up 2% to 3%. Our total buy business will be plus or minus 50 basis points. We've ring-fenced the red assets, and those red assets are about 5% because we've added our CPG consulting business there. But we've ring-fenced those assets. And you see the dynamics in our emerging markets, continued momentum, and we're planning for a tougher environment in our developed buy business.

Let me spend just a minute on our core buy portfolio mix, and this is in response to some questions that many of you have had over the last quarter or so, as I've been out on the road doing investor meetings. And so, what I thought I'd do to be a little bit more helpful is to give you a product and services view of that total buy revenue.

So, on the left-hand side of this chart, you'll see core measurement at 75% of our business. Let me be very clear, core measurement is absolute must-have data for our clients. This is the way that our clients run their business. This is the strength of the Nielsen business, and our core measurement business is actually going to grow low-single digits in 2017.

We have about 15% of the product mix in our everyday analytics that Mitch talked about. These are the products that help our clients understand business drivers and where to take action. And in 2017, we see everyday analytics grow in low to mid-single digits.

The final bucket is innovation where we help our clients forecast and evaluate new product initiatives. We see this also growing low to mid-single digits. So, this gives you a feel for our core buy portfolio mix in 2017, and hopefully, this is helpful as you think about our company moving forward.

Let me move to our watch business. Our total watch business is going to grow 4.5% to 5.5% on a constant currency basis in 2017. And, again, let me walk the pieces. So, on the left-hand side, you'll see the revenue stack. At the bottom, you'll see just under $200 million in the corporate or other watch bucket. I'll remind you in that bucket is our legacy digital rankings business which is gradually being replaced by digital content ratings over time. We have two assets in the telecom space, one of which evaluates telecom network performance. And then, we've added a third small product, which is our neuroscience content asset that we put in the other bucket, and we're evaluating those for fit with the portfolio in 2017. So, in 2017, we actually see this bucket being flat, relative to 2016.

Moving up the stack is our audience measurement of video and text. We expect that bucket to grow 4% to 5% in 2017, and it's driven by three dynamics. The first is our national television business is really strong. We've had tremendous success there behind our Total Audience initiatives, and we expect that business to grow really strong into 2017.

Second bucket is our local TV business. We expect that business to be flat in 2017. We're actually coming off a year where we had an election year and the Olympics, we typically see that business flatten out a little bit in the year following that.

And then, the third is our digital initiatives. Digital content ratings and digital ad ratings which is again part of our Total Audience Measurement initiative. We have tremendous momentum there. So, 4% to 5% on audience measurement of video and text, if you think about this on an organic basis, it's in line with what we've seen in 2016.

The next bucket is audio. We're expecting the high-margin audio business to be flat in 2017. And marketing effectiveness growing 15% to 20%, as we see continued demand from both publishers and advertisers as part of our marketing effective practice. So, our total watch business will grow 4.5% to 5.5%.

Now, that I've given you sort of the revenue build-up for 2017, let me give to you the full picture. You will notice on this page that we have made a change. We are actually providing GAAP net income guidance, in 2017, we're going to report on and we're going to guide on a GAAP net income basis.

Now, we've thought long and hard about this, and to be hopeful, we're going to continue to provide relevant non-GAAP metrics to help you understand the underlying operating performance of our business. So, for example, we will continue to provide constant currency revenue growth. We will continue to provide an adjusted EBITDA margin that is consistent with the way that we've reported it in the past. And we will continue to provide the adjusted EBITDA margin growth.

I've also included on the right-hand side of the page several metrics that should help you sort of model our company using this framework. And we've included several pages in the appendix that give you reconciliations and actually help you with some of the changes that we've made in the two segments.

So, for our 2017 guidance, we expect our total core revenue to be 3% to 4% on a constant currency basis. We expect total revenue to be 2% to 3% on a constant currency basis, and the difference there is the business that we're actually exiting. The adjusted EBITDA margin will be 30 to 40 basis points, and we're doing this in a year where we're actually investing in growth initiatives in both our watch and our buy segments. Our GAAP net income per share is $1.40 to $1.46 per share. And finally, our free cash flow will grow 3% to 4%. And again, this is in a year where we're investing in both our watch and our buy segments. Our free cash flow is actually growing in line with our expected EBITDA performance.

So, this gives you a feel for what our 2017 guidance actually looks like. And I hope all the additional metrics that we've provided on the page and in the appendix are helpful. And in addition to that, you know where to find our IR team to help walk you through some of those dynamics as well.

Let me move to foreign currency. I just want to remind you that we report on a constant currency basis. We generally don't take on transaction risks. So, what you see on this slide is the impact of foreign currencies from a translation standpoint. On the left-hand side of the page, you can see that we have roughly 39% of our currencies outside the U.S. dollar. So, if current spot rates go constant, then we expect the 160 basis points' drag on revenue and 120 basis points' drag on adjusted EBITDA for 2017.

Moving to capital allocation, as I indicated earlier, we will continue to execute against the balanced capital allocation approach. On the left-hand side of the chart, you can see our long-term free cash flow deployment framework where the dividend, which is a centerpiece of our free cash flow deployment framework, is 45% of our free cash flow, and we intend to grow that in line with earnings. We're going to flex 40% between buybacks and tuck-in M&A opportunities. And the remainder to service the debt. And this gives us tremendous flexibility, as I've indicated, to grow our business and return cash back to shareholders.

And you're seeing from 2014 to 2016, where we've generated over $2.3 billion of free cash flow, we expect to return well over $2.5 billion back to shareholders and we've increased the dividend, which is the centerpiece of our return of capital strategy by 94% since its inception. And we remain committed going forward to delivering incremental shareholder value with balanced capital allocation.

Let me wrap up with our long-term financial outlook. And while 2017 is a transition year for us, we are continuing to target a long-term outlook that's very consistent with what you've seen from us in the past, and that's highlighted by consistent mid-single-digit revenue growth. We expect to expand our margins by 50 basis points, double-digit GAAP EPS growth, driven by strong operating earnings and the ability to continue to do share buybacks. We're going to continue to focus with intensity on free cash flow, where we'll convert roughly 45% to 50% of our adjusted EBITDA into free cash flow. And as I said earlier, we're going to grow the dividend in line with earnings.

This framework should be familiar to you because this is the Nielsen that you've always expected. Thank you.

And with that, I'm going to invite Sara and Mitch to the stage for some Q&A.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

We will now begin our first Q&A session.

QUESTION AND ANSWER SECTION

Sara Rebecca Gubins A
Senior Vice President, Investor Relations, Nielsen Holdings Plc

Great. Thanks. So, we've got about 20 minutes for Q&A with Mitch and Jamere. Our IR team is in the audience with three microphones. And so, please wait for a mic to ask your question. Please state your name and company before asking your question. Manav, do you want to start off?

Manav Patnaik Q
Analyst, Barclays Capital, Inc.

Hey, guys. Good morning. It's Manav Patnaik of Barclays. So, one question for each of you. Mitch, the first one, just in terms of the initiative to build the connected buy system and comparing that to the watch piece. I guess the question is more, like, how reactive has this been as opposed to proactive? There's a lot of challenges you cited, I mean it sounds like they've been going on for a while. So, why have all of the sudden [ph] that has popped (44:31) up here?

And then, Jamere, for you, thank you for the GAAP in the disclosure, but I think the one thing that I've always asked for which is missing is the organic numbers. I know there's a lot of moving pieces in there, but maybe if you can shed some color on the organic top line.

Jamere Jackson A
Chief Financial Officer, Nielsen Holdings Plc

Will do.

Dwight Mitchell Barns A
Chief Executive Officer & Director, Nielsen Holdings Plc

On the first question, thanks, Manav. Well, of course, it's reactive to the marketplace, to our clients, and where things are going in their business and how they want to change the way they're running their business in the future. It always has to start with our clients and we respond to that. We're also projecting forward into the future, too.

But let me take you back to December of 2013. I don't know if you were here at our Analyst Day then. Well, we actually talked about this concept in December of 2013. I used a word back then, which probably didn't land with too many people. I was talking about the need to make our product portfolio interoperable. Interoperable. Well, the smart people in our company said, don't use that word. Let's call it connected. It's a way better word.

So, we were on it several years ago. It's just that concept took a little time to gel, and it had to gel not only in a form that we felt we can deliver on. But also, it had to gel in a form that would ring true with where our clients are today and where they're going to go next. So, that's the way I would describe that to you. And what we're – where we find ourselves now in that process is we've started to put it in our clients' hands. We have five charter clients, and Andrew Somosi will tell you a little bit more about that. And we're going to expand it further as we go forward. So, we're in the most exciting part of this initiative that is now already a couple of years into its life. And we have very exciting future for it ahead.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. The only other thing that I'd add to that is that, as our teams have been out with our clients, many of our clients have actually been working on similar kinds of initiatives unsuccessfully quite frankly. And so, we've been in and around the connected conversations for a while. And as our plans have come together, we've shared those with clients in a very, I would say, a methodical way. That's the word that we use a lot in Nielsen.

And so, we wanted to make sure that we were investing in a way that was consistent with where our clients wanted us to go. So, I wouldn't say it's reactive at all. But these things take multiple generations to sort of come to fruition. In terms of organic growth, so the only thing that we have in the numbers that is inorganic is just the stub period from the Repucom acquisition, which is roughly 50 basis points of growth in the number. It's just the stub period from Repucom.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

A

Andrew?

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Thank you, Sara. Jamere, just the transition year going from non-GAAP to GAAP on [ph] ENI (47:17) and I tried to look through the Appendix. I couldn't see it. I was wondering if you can help us bridge the gap, $1.40 to $1.46, to our traditional [ph] ENI (47:28) calculation.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, a couple of things. One is we've laid out sort of the metrics that are there. It's probably the one thing that you continue to need from [ph] an ENI (47:39) standpoint. It's just the cash tax expectations. As we said before, the cash tax number is expected to go from the mid-teens to sort of the low-20s by 2020, and we indicated that you should start stepping that number up in 2017 and beyond.

So, I'd be – if you want to completely bridge back to the [ph] ENI (47:59) metrics, I'd plug in a cash tax number that's in the high teens for 2017, Andrew, and that should get you pretty much home.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Right. And wait, wait. I need one more. On that same question, the GAAP EPS excludes the $100 million to $110 million of restructuring charge, right?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

That's correct.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

So, what would be the EPS effect of adding back the cash restructuring charge?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

So, I think your question is – well, there are two restructuring numbers that we've actually given you. One is the book restructuring charge, which is very different from the cash restructuring charge. So, the way the restructuring charges actually work is, obviously, you book the accrual in one year and then you pay the cash into next year.

So, the reason you see the number that's a little bit higher in next year is because of the restructuring charges that were taken in 2016. So, the book number is the number that's actually in the GAAP number, and that should get you home.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

And if you add back the EPS effects, $60 million to $70 million of restructuring, what is that on EPS?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

So, take $60 million to $70 million of restructuring and take it over our share count of 350 million or 360 million shares, that should get you to the answer, all right?

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Good thing you're an accountant.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

A

[ph] Kendra? (49:11)

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

Q

Hi. Thanks. Todd Juenger with Bernstein. Appreciate the couple of new buildups inside the buy revenue mix. So, thank you for that. Although like most good deeds, I might be a little more confused than I was before. I was hoping you could – because there's a third construct we used to use, which we sometimes refer to as sort of discretionary versus I guess core, although core is another new term in here.

I'm wondering how we could map what we used to think of as discretionary buy or sometimes it was called, I think, insights to analytics part of buy, how does that match some of these new constructs like core, everyday and innovation?

And I asked because I know a lot of us here are concerned about the risk that we perceive to this more discretionary part of the buy mix, which I think we used to think was as much as – almost 1/3 of the buy revenue. And so, anything you can give as to how that matches the new constructs and why we should may be not to be so nervous about the discretionary portion. Thanks.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. Very simply put, we've always viewed analytics, both everyday analytics and the innovation bucket that I laid out and the things that are in sort of the corporate other as more discretionary for our clients. Again, 75% is core measurement. That is mission-critical data, must-have data that our clients have to have every single year.

And then, they use the analytics to help them understand why their market shares are where they are and, more importantly, in many cases, to take actions against that. And then. the innovation product set is really to help them forecast and evaluate their new product launches. So, think of everything sort of outside of the 75% as being largely discretionary. And discretionary isn't necessarily a great word to use because, again, if you're a client and you're looking at your retail market share, you absolutely have to understand where that market share came from, what are the actions that you need to do with things like price promotion assortment, how do you go activate against that.

And so, we've used the word discretionary. But quite frankly, it's probably a little bit of a misnomer because all of these data sets actually helped our clients run their business. We call them discretionary because, at different points in time, clients can say, I need to buy a little bit more of this, a little bit less than that, et cetera. So, that's the way to think about it. So, this notion that all of that discretionary revenue somehow falls off the cliff is not going to happen because the client actually can't go run their business, and both Mitch and I know that from being inside big CPG companies that not only that we look at the retail market share data, but we were in the offices with the sales and marketing crowd, with the market research crowd or the product supply crowd with a whole bunch of other analytics and say, what do we do next and how do we go run our business?

Dwight Mitchell Barns A
Chief Executive Officer & Director, Nielsen Holdings Plc

One of the thing about discretionary, too, is as the Connected System unfolds in the marketplace, those analytics become integrated into that subscription product. And so, the lumpy nature of what we've called discretionary in the past starts to fade as it becomes more part of what the client has contracted and subscribed to receive from us. That's another reason why discretionary really isn't necessarily the best word for us to talk about our business going forward.

Sara Rebecca Gubins A
Senior Vice President, Investor Relations, Nielsen Holdings Plc

Toni?

Toni M. Kaplan Q
Analyst, Morgan Stanley & Co. LLC

Hi. Toni Kaplan from Morgan Stanley. In a buy slide, where you talked about developed down about 1% to 1.5% next year, it's predicated on the assumption of flat volume and price in the U.S. And I just wanted to understand a challenging environment, increasingly challenging for your customers, how confident are you in the expectation that you'll be able to maintain, sort of, flat pricing and volume? And just in general, how has that been trending this year?

Jamere Jackson A
Chief Financial Officer, Nielsen Holdings Plc

Yeah. So, just to clarify – and I probably didn't clarify it enough when I was onstage. When I referred to flat volume and pricing in the U.S., I'm actually talking about the dynamics that our clients are experiencing. So, both of those comments were more client driven, if you will. So, if you look at sort of in the marketplace, you'll see in the U.S. marketplace flat volume, flat pricing. You'll see in clients focused on cost and productivity initiatives. And so, given that backdrop, we're simply planning for a tougher environment in 2017, and we think that's the right way to approach it.

And we see that, again, more in certain categories than others, and we see that more as it relates to new product launches versus some of the other things that you would see in the everyday analytics bucket. So, it's a reflection of the environment that we're in, and we're just simply planning for a tougher environment in 2017.

Dwight Mitchell Barns A
Chief Executive Officer & Director, Nielsen Holdings Plc

But the same metrics work for our business. Back to your original point, which is price, volume and share. Those are the things – those are the levers that either cause our revenues to go up or not go up. And price, we charge a little bit more for the same things. Volume, they buy more products in our portfolio or share clients that previously weren't working with us now work with us in. Those are the three – same three levers to our business as they are for our clients' business.

Sara Rebecca Gubins A
Senior Vice President, Investor Relations, Nielsen Holdings Plc

Go ahead.

Brian W. Wieser Q
Analyst, Pivotal Research Group LLC

Hi. It's Brian Wieser from Pivotal Research here. How much of the [indiscernible] (54:51) in the third quarter would be attributable to the businesses which are being divested? As you mentioned, it sounds like [indiscernible] (55:01) those businesses were down by 40%. Can you just talk a bit about how much it's more, for lack of a better word, predictable the overall buy business becomes post those divestments? Thanks.

Jamere Jackson A
Chief Financial Officer, Nielsen Holdings Plc

Yeah. I would say those businesses that were in that bucket – so, if you look at consumer segmentation and you look at survey-based research, some of those businesses were actually down double digits in the third quarter. And so, those are the most discretionary portions, to use that term, of our portfolio. And that's where we said, listen, our clients typically plan that work on an annual basis and you can see that work sort of slide to the right by a quarter or two.

But given the dynamics over the past year or so, we saw those things fall a lot more than normal and not in a normal lumpy way. And so, that's a big piece of the volatility that we saw in the third quarter, and it aligns with again where we're heading in the future.

Dwight Mitchell Barns A
Chief Executive Officer & Director, Nielsen Holdings Plc

And the reason why those are some of the most discretionary is, while what those products provide to our clients is important, it's rarely urgent. It's not urgent to update the segmentation about how I think about the market. It's important to eventually get to, but not urgent. And so, when you see these cost pressures, the 3G effect, the zero-based budgeting sweep-through, they defer those kinds of things. And it shows up in our revenues for those products, those particular products.

The everyday analytics, though, a little bit more robust. Like, they are more essential. They are more like core measurement. In fact, they are linked to core measurement. Whereas, these three products that we put on the table for divestiture, they were really not linked to our core measurement whatsoever.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

A

Andre?

Andre Benjamin
Analyst, Goldman Sachs & Co.

Q

Thanks. Andre Benjamin, Goldman Sachs. So, last year, you guided about to 6% to 7% for the audience measurement piece of the watch buildup. This year, that guidance [indiscernible] (56:55) despite the launch of Total Audience and the fact that [indiscernible] (57:00) assuming that now gets embedded and people paying for that over the next couple of years. So, I was just wondering why we should assume that [indiscernible] (57:07) your biggest initiative is actually syndicating next year? Does that reflect both the local comps or something else [indiscernible] (57:15)

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. There are three dynamics there. One is you'll recall that, in 2016, we had a couple of acquisitions actually rolling through there. So, on an organic basis, the number is actually pretty comparable. In terms of what we see in the marketplace, again, our national business is very strong. That's based on the progress that we're making with our Total Audience Measurement initiatives.

As I said, local, which – local is actually about 1/4 of that number and that number being flat. So, we've actually overcome sort of a flat local business and still been able to grow at a pretty healthy mid-single digit number. That's a testament to what's happening in national, and it's also the strength of our digital content ratings and digital ad ratings initiatives, which Mitch talked about and you're going to hear a little bit more about later today. So, we've got great momentum there, and we feel pretty good about the 4% to 5%. So, not really a deceleration when you sort of back out the inorganic things that were happening inside that number this year.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

A

Laura?

Laura Martin
Analyst, Needham & Co. LLC

Q

Hey. Let's talk about, sort of, the income statement. Talk about your view [indiscernible] (58:21) ecosystem. So, you're costing The Walt Disney Company billions of dollars right now. And, I guess, the question is a lot of the content guys think they're getting paid for subs that you say they're losing. So, the question is, in a world where you have a panel format of 50,000 and maybe cable is taking share from telco or from satellite, can you really measure accurately subs compared to what the fully distributed networks are getting and how do you think about your role in the ecosystem and your responsibility to market caps of companies much larger than you?

And then my second point on ecosystem is Facebook, very bad numbers, apologies for getting video measurement wrong by like 1/3 for the last three years. Is that – are you seeing a pivot in how digital advertisers are requiring more third-party measurement because of somebody is not only a fraud sort of at large but also somebody even the really most transparent digital delivery at Facebook?

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Yeah. Thanks, Laura. On Disney and particularly ESPN with those subscription numbers, as many of you might recall, when our initial numbers came out and it showed some acceleration in the declines in those subscription numbers, we were challenged by Disney and ESPN, in particular, as often happens when clients see a negative trend in the numbers, we get challenged. That's just the nature of the business. We respect that, and we do everything we can to chase down every question our clients have, which our teams did in that particular case. And what we found was we stand by the numbers, and we put them back out into the marketplace with no change whatsoever to them.

The trending of those data are really the key, right? We're measuring, we're looking at the marketplace exactly the same way day after day, month after month. And the trends, we feel, are very solid in the marketplace. Clients don't like them when their trends are negative. We usually don't get as many challenges when the trends are positive. And so, again, just a fact of life if you're in the business that we're in, and we accept that and we respect that.

We have people we you are welcome to talk to a little bit more about it today. In fact, one of our leaders who oversees a lot of our media analytics that responds to client issues is a gentleman named Glenn Enoch. He spent the largest part of his career at ESPN. He'd be very knowledgeable on this issue. He'll be in the Nielsen Interactive Exhibit area after this morning's presentations.

On Facebook, yeah, that was an interesting set of events that unfolded. It started around the time of Advertising Week that occurred here in New York in the fall, and it really generated a lot of focus during Advertising Week when the industry all convenes in one place for several days and highlighted the importance of what we do, which is independent – emphasis on independent third-party measurement for the marketplace.

Facebook, I have to give them a lot of credit in terms of how they talk about it. They were very open. They acknowledged the error in the data, and they said what they were going to do to respond to that. They also mentioned the importance of their relationship with Nielsen and the importance of independent third-party measurement. And I give them credit because they've been on that cause and they've been consistent in that being an important philosophy for their company going back since we started to work with them around 2009 or 2010. That's the reason why they came to us in the first place is because they recognize the importance of independent third-party measurement measuring their platforms, being the best thing for their business in the long run.

So, that's the way we look at it. Maybe it wasn't favorable for Facebook, but I think it highlighted the importance and the value of what Nielsen does.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

A

We have time for one last quick question. Dan?

Daniel Salmon
Analyst, BMO Capital Markets (United States)

Q

Hi, guys. Dan Salmon from BMO. One for each of you. Jamere, in the long-term free cash flow allocation, you still have 40% dedicated to buybacks and tuck-in acquisitions. Then, I look at 358 million estimated share count for 2017. Could you just help us size up acquisitions versus buyback, what's in the numbers for next year?

And then, just, Mitch, in your opening comments, you talked a little bit about those three big initiatives product-wise, but you also mentioned machine learning as just the bigger theme across the company. Could you give us some examples about where that's starting to work its way into your business?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Sure. Yeah. On the free cash flow allocation, so, in any given year, we literally will look at our priorities to say, is this year where we'll have some really attractive tuck-in acquisitions that we're going to go execute against or do we take more of that free cash flow and actually allocate it to a share buyback? Where we are in the current planning cycle is that we're still sort of flexing that, too, and we're going to maintain some flexibility.

So, when I think about where we are with our existing buyback authorization, we have a little over $400 million left. So, plenty of dry powder to go execute against it. And again, if we continue to hold our leverage target in that 4 times area, we've got plenty of financial firepower to continue to do all the things we've done from a share buyback standpoint.

So, like any other year, we'll flex between the two. We obviously have a longer list of tuck-in kinds of opportunities that we'll look at. And then, we'll give you the cadence on what the tuck-in profile looks like versus buyback as we move through the year.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

And, Dan, on machine learning, I'll give you one example. Mostly, these are showing up initially in the operations processes of our business, where we might have used lower cost or offshore labor in the past and can then develop machine learning and automate some of those processes, at least a portion of the process going forward. And you'll see it in a number of parts of our business.

Let me give you one example. In our sports business, Nielsen Sports, by the way, they'll have a booth in the Nielsen Interactive area. Let me remind you what they do, at least, in the core of their business. What they're doing is they're looking at televised live sporting events, and they're looking for the appearance of brands or logos or signage on the telecast of that sporting event, and they capture that. And then, they add some reference data to it and then they report that to the clients of those brands.

So, one way to do that is you just choose a lot of manual labor. And another way to do that is, as that process unfolds, you can start to then build databases and apply machine learning to those databases and automate a portion or ideally eventually the entire process.

So, there's an example of Nielsen Sports. We're loaded with additional opportunities on that front to apply machine learning in our business. We have a few people here more knowledgeable on this than me, and I would encourage you to find them in the Interactive Exhibit area after the morning's presentations. James Powell, our Chief Technology Officer; people from our data science organization – [ph] Manek (01:05:11) is probably here as well. And so, they'd love to tell you about it more.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

A

Okay. I think...

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Thanks for the question.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

A

I think, with that, we're going to stop and continue with the presentations. Thank you.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Thanks.

MANAGEMENT DISCUSSION SECTION

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

Our next section is about the state of the marketplace for global buy. Please welcome President and Chief Operating Officer, Steve Hasker.

Stephen Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

Okay. Well, thanks again for being here, and thanks for listening. What I'm going to do over the next couple of minutes is make some comments on what we see in the FMCG marketplace both here in the U.S. in the developed markets and the developing world; and then, secondly, talk a little bit about what we're doing about it, which is a lead into the deep dive into the Connected System that Andrew Somosi will provide.

So, I think the theme here is that our clients' businesses, whether they'd be FMCG manufacturers or grocery retailers, are undergoing unprecedented change. Whether it's the rise of interactive platforms, particularly mobile and access to mobile devices, smartphones; whether it is the emergence of a middle class in the developing world; whether it is the acute pressure on the middle and working classes in our lead markets, our developed markets; or whether it's the big data deluge, what we see is unprecedented change exerted on the supply chains on the price points and on the competitive dynamics in amongst our client base.

And what we see is – one of the effects of this is the largest incumbent players are feeling that pressure most acutely. The local giants in developing markets are extracting tremendous growth. Niche players in markets like the U.S. that have focused on farm to table, they're focused on particular ethnic or demographic groups, products that are new and innovative are seeing interesting and explosive growth. So, it is not all depressing. There is a tale of two cities here. And one of the challenges and opportunities for us is to make sure we shift our product portfolio and our solutions to be able to serve the entire ecosystem in a more effective way.

So, where is the growth occurring? Well, obvious point to everyone, emerging markets growing faster double or more developing markets growth, and you see that reflected in our growth over the last three to four years [ph] 8% and a bit compared to 2% (01:07:40) in the emerging markets compared to the developed markets. Developed for us is North America, it's Australia, New Zealand and Western Europe.

Similarly, smaller FMCG manufacturers here in the U.S. are growing faster. So, if you break this on volume sales of north of $1 billion, south of $1 billion, small and medium is south of $1 billion in the U.S. per year growing at 4.2%; whereas, the largest players, north of $1 billion growing at just over 1%. And that really does play into the way we think about the opportunity and our solution set. We think this trend will continue. We don't think that the large players will necessarily be able to accelerate that growth in any short period of time.

However, FMCG EBITDA margins are expanding. So, why do you call this the 3G effect? There is a – there's been a significant uplift over time in cost consciousness and the resulting expansion in margins quarter-on-quarter. And I think this is a double-edged sword for us. Firstly, to the extent that any of our data or analytics are discretionary was the word used in one of the questions or are less differentiated, we experience price pressure, cost pressure.

However, the – one of the things this is doing is it's freeing up more spend on advanced data and analytics. And we see that in terms of larger budgets on data and analytics in sales and the sales team, sales effectiveness, the brand teams and marketing effectiveness in loyalty and supply chain. So, there's an opportunity in here that is afforded by these expanding margins.

So, how are our clients trying to win in this environment? And this is both large and small clients. What are they doing? Well, we think they're doing at least five things. The first is they are better aligning their teams, working very hard at their own internal organizational alignment. We have always helped global manufacturers inform how different countries are performing. But clients that are organized, for example, by brand or by category also need to understand geography and vice versa.

So, depending on which is the lead organizational vector that they pursue, Nielsen has a key role to play in helping aligning their teams. And in order to win, they need to have superb organizational alignment That is the differentiating factor for those that are leading versus those that are following.

The second is move faster. Decisions are taken closer to the edge and they're taken in much shorter periods of time. So, one of the things we'll talk about as part of the Connected System is accelerating the pace at which our data, both the market share data and the linked explanatory analytics are delivered.

Thirdly, know your consumers. So, it's not lost on anyone that a player like Dollar Shave Club has a one-to-one relationship with consumers and that is very different than that which is enjoyed by most FMCG manufacturers. And so, it creates an opportunity and a challenge for our clients to know their consumers better. And if you think about where the watch side of our business comes in, as a result of the acquisition of X-Play, as a result of the build-out of the marketing cloud, as a result of our relationship with players like Facebook, we are able to provide this to both manufacturers and retailers. So, we can provide turnkey solutions to allow them to better know their consumers and their shoppers.

Fourthly, win in all channels. So, the emergence of e-commerce is one of the great disruptive challenges and opportunities for manufacturers and retailers in this sector. And the opportunity here is to win in all channels, not just traditional bricks and mortar and not just e-commerce. Manufacturers and retailers need to understand the shopper as they travel from a mobile device to a tethered PC in and out of the store, shop in and out of home and the same for the manufacturers with their consumers.

And then, last but not least, prove the ROI. So, one of our missions is to take guess-work and gut feel out of decision-makers, of researches, of brand managers, supply chain managers and sales executives. And this is, I think, a point that's true of both the watch and the buy side. What Nielsen can do uniquely is to look holistically at the ROI. So, every day we wake up, we read a different digital publisher saying that the ROI of a particular program was X or Y. So, in other words, spend $1 with them and you get $7 in sales.

The problem with those analyses is that they do not incorporate all of the different inputs that a particular consumer consumes before they go and buy a product, and Nielsen is positioned to reach across both traditional and bricks and mortar and to reach all of the different media touch points to help inform the ROI. So, whether this is the ROI in store execution or brand advertising or any activity through the supply chain, we are uniquely positioned to do this.

And as you look at the Connected System, this is one of the things that we're very focused on, which is providing a holistic picture of the ROI of different investments by different parts of our client base on the buy side.

So, what does our buy environment look like? What does our business look like? So, if I focus on the entire business but with a real look at the U.S., where we're feeling the most pressure, there are a number of challenges that we have to overcome. So, with a business that's in 106 markets that serves almost 100% of the major global MNC manufacturers, we have exposure to some of these lower growth areas.

Now, we also have exposure to developing markets. We're in 106 markets and don't face the same level of competition in a very large portion of those markets, but we have exposure to the two slower growing areas, which is the developed markets and the multinationals. And we also have, as Jamere talked about, project-based analytics businesses that we're increasingly getting out of.

The second is increasing retailer data costs and competition. So, one of the things that is true is intense competition for the retailers, intense competition for the retailers. It's always been intense. It's gotten more so over the last couple of years, as consumers have become more and more cost conscious. One of the things that retailers try to do is pass that on in the form of increased data corporation costs. Up until now, we have been able to manage that very effectively by providing additional value-added services in kind, and we believe we will continue to be able to manage this. But it's definitely a trend that we've seen over the last 12 or so months.

Thirdly, our primary clients are mostly researchers. We enjoy tremendous relationships with the centralized marketing intelligence groups with the research groups within our manufacturer and retail clients. However, what we need to do is branch out beyond that. We need to branch out to sales executives, to loyalty executives and to brand managers and have direct relationships with them in addition to the researchers.

And then, last but not least, our core measurement and our everyday analytics are not linked. So, in other words, the core data arrives on a regular frequency. It is essential data, but it is not linked to the explanatory analytics.

So, moving from the challenges to the strengths. There are a couple of things that have always been true and that are still true today. The first is that our core measurement is deeply embedded. This is must-have data. This is must-have data. Sales executives throughout this industry are incented based on Nielsen data. There is no getting rid of it. It is deeply embedded, and it comes through the research organization and then filters out across the entire organization. It is used to drive tens of thousands of decisions every day across our client base.

Secondly, we have a unique global footprint. I'd say we've got exposure in 106 markets, we've got exposure to all of the major developing markets and the growth that comes with them. But when it comes to global multinationals, it is not an accident that we've won everyone and we retained everyone. We are the only player in 106 markets. So, when they need a global read on their market share, there's only one place for them to come.

Thirdly, Mitch mentioned the comprehensive product reference data. So, we've been in this business for about 75 years. And throughout 75 years, we have been coding every single consumer packaged goods that's released in every market in which we operate. We have stored that data. We have cleaned that data. We have refreshed that over time. And we invest a lot of money in continually enriching that database. It is a huge competitive advantage that is a cornerstone of the Connected System, and Andrew will talk about reference data.

And then, last but not least, we have our much loved multi-year contracts. If anything, we see those multi-year contacts extending in terms of their duration, and that's the business model we know and love and we will continue to push.

So, what is the opportunity on the buy side of the business for us? Well, first and foremost, it's to go from unconnected core measurement and explanatory analytics to a data and software-as-a-service offering that integrates the core measurement with the everyday analytics. So, today, we answer the question through the data, what happened? What happened to my market share? Did it go up or down? How did it look in different regions? How did it look for different SKUs with different retailers? We are going to, through the Connected System, very simply extend utility of that data to not only answer the question what happened, but why did it happen and what should I do next. And that is why the data increases in its stickiness and its usage across our client base.

On a daily basis, we'll have brand managers and sales executives directly accessing Nielsen data to understand what happened, why did it happen and what should I do next. And Andrew will bring this to life in some of the applications that we have built and, equally importantly, some of the third-party applications that we're building in. So, that's the first component of our opportunity.

The second component is to expand beyond the research community, expanding beyond the research community. So, we will continue to work very deeply every single day with the senior researchers within grocery retail and FMCG manufacturers. However, we will have direct relevance and relationships with brand managers, sales executives [indiscernible] (01:18:03) of loyalty programs.

And then, thirdly, an offering that today is skewed towards the large MNCs. And the reason it's skewed is we deliver these very, very heavy databases on a periodic basis and then we support that with the analytics. Some of those analytics are everyday, some of them are more periodic. But for a smaller client, the accessibility of that integrated solution offering is significantly less than it is for a larger client. And the move that the Connected System allows us to make is to reduce the price point and increase the accessibility of a much larger client, much [indiscernible] (01:18:42) number of clients, not only here in the U.S. with small- to medium-sized manufacturers, smaller retailers, but equally importantly local giants in developing markets who today are able to take the market share data, but not do as much of the explanatory analytics.

When it's linked and when it's a data-as-a-service product, we believe that accessibility will go up very significantly. And the net result of all this is increased efficiency between the buyers and sellers of fast-moving consumer goods. That's the net result. So, the supply chain will become more efficient. And that's something starting here in the U.S. that each and every one of our clients want to see from us.

So, how do we think about the size of this opportunity? Well, I don't have a dollar value as to what it will look like in the years to come, but here's how we think about it in terms of the modeling we've done and the quantification we've done. So, if I think about four different very broad categories of activity that we're accessing, the first is retail or core measurement. This includes our scanner products, our panel products. We'll look at the loyalty solutions and the analytics around that. So, it's not just around the RMS. It's a broader set. And we enjoy a very healthy market share here. But there is more for us to get as we link these things together.

Now, the underlying growth dynamics. There's tremendous demand for better coverage, e-commerce, hard discounters and so forth in many markets, and that's something we're working on. But nevertheless, to the extent that this data is disconnected and periodically delivered, there is price pressure on it. So, that's why we have an underlying growth dynamic that is mixed.

What the Connected System does in moving from what happened to why did it happen and what do I do next is, basically, it takes this core measurement and the movement they're in and it explains it in terms of what – was it as a result of better product innovation, better marketing spend effectiveness and promotional activity or better in-store execution?

And so, we believe we are going to be able to extract share from a very, very fragmented series of providers in sales effectiveness in areas like innovation, supply chain and in marketing effectiveness. There isn't a single significant client today that doesn't want to simplify the number of providers that they get from these analytics. So, when we look at this opportunity, in sales effectiveness today, our clients, small, medium, large, we think are spending about $1 billion on different price promotion, assortment sales effectiveness activities with a whole swath of players.

Similarly, in innovation, supply chain and other areas like systems implementation, they're spending north of $1 billion. And our innovation business that directly explains performance is a very small slice of this, which is the innovation performance management slice, and you'll see a version of that downstairs that has received tremendous accolades from the clients that we're piloting with and that we've shown it to.

And then, last but not least, marketing effectiveness is at the core of our business. It is our watch data. It is the Nielsen marketing cloud. And the amount of data and analytics that we provide to the FMCG industry is relatively modest today. And we think that, by linking it back to the market share information, we're going to be able to access a very significantly higher portion of that budget.

So, why are we investing in this program? Well, the first is our clients are asking us to. They're saying, I need better coverage of my retail market share data, firstly; and. secondly, it needs to be [ph] activatable. (01:22:18) I need to be able to take actions as a result of that data. It needs to tell me what to do rather than just what happened. That's the first reason.

The second reason is, even in the U.S. where this industry is under the most pressure, we see significant share gains as a result of building, rolling out and implementing the system. And that's really why we're going after it.

So, with that, I'd like to welcome Andrew Somosi to the stage, and he's going to do a deep dive into the system itself. Thank you.

Sara Rebecca Gubins

Senior Vice President, Investor Relations, Nielsen Holdings Plc

Next up, to walk us through the Connected System, please welcome EVP-Buy Product Leadership, Andrew Somosi.

Andrew Somosi
EVP-Product Leadership, Nielsen Holdings Plc

Good morning. My name is Andrew Somosi, and I lead the product teams for the buy side of our business, our manufacturers and our retailers. And it was just about a year ago when I was here at Analyst Day and we first shared the vision for the Connected System of linking together market measurements and performance improvement. And we talked about the benefits for our clients, the benefits for Nielsen and what we expected to accomplish this year.

So, I'm really glad to be back and to share with you how we've been building the foundations this year in terms of the architecture and the components and how we've been working together with – in a very different way with our five charter clients.

You'll have to a chance, just after my presentation, to hear directly from Mike Terpkosh with SUPERVALU, one of the charter clients on the retailer side. And I definitely urge you to go downstairs to the Nielsen Interactive area and see the demos so you can touch and feel some of these apps and the components that I'll be sharing with you today. And just like last year, we'll talk a little bit more about what to expect in this next coming year and also what it means for Nielsen.

So, you've seen the slide and Mitch have showed this slide before, Steve is talking about the importance of connecting the market measurement to what, the why, why it's happening and ultimately to the what next which is the specific decision. So, in fact, for those of you who were here last year, you would have seen pretty much the exact same slide because this framework is powerful and it's resonating with our clients.

So, I'm going to take you through afterwards what – how this has evolved now into the architecture and framework of the Connected System. But before we do that, let's take a look from the perspective of our clients. Let's roll the video.

[Video Presentation] (01:25:12-01:27:10)

So, one way to think about the Connected System is something that you're very familiar with and we all use every day, which is our smartphones. And the reason that you love your smartphones is because Apple and Google have developed open systems. So, lots and lots of developers are developing all sorts of apps for all the myriad of use cases that we all have in our lives. And imagine for a second, had Apple decided to develop a closed system and only Apple developing apps, surely, we would have a lot fewer and a whole lot less interesting apps to have in our phones. So, that concept of having an open system is really important and it is a very important hallmark of the Connected System.

I'm going to take you now through the architecture of the Connected System, and I'll deep dive on each of the solutions. I'll use the following page as a tracker in the coming pages. But each of the components and the apps I'm going to show you are all downstairs, too, so you can get a hands-on feel in the Nielsen Interactive section. It does begin with the data, starting, of course, with our buy data, our total consumer data. This has always been at the heart of what we do and it continues to be. And I'll touch on how we continue to innovate with our e-commerce measurements in this respect.

But equally as important and uniquely differentiated for Nielsen is we now have the opportunity to bring in our Total Audience watch data into this framework. That's what allows us to pinpoint the impact the different kinds of drivers, media drivers, sales drivers, new products are having on the outcomes for our clients.

But it's not just Nielsen data. In today's world, it spans beyond that. It needs to include our clients' data. It needs to include public data, macroeconomic factors, weather, gas prices. And equally important, other partners who may bring in valuable content. So, having the Nielsen data and the [indiscernible] (01:29:06) critical.

But data alone is not enough. In fact, it's not all that valuable unless you could make it do something. The data exchange provides a set of services that helps to integrate, enrich and provision that data into all sorts of application environments. And I'll show you a very concrete example of how that integration works.

Visualization is important, too, to get more quickly to the what's important. You'll see that in the demos downstairs. You'll see how important alerts and exception-based reporting has become. You don't want to sift through lots and lots and lots of data. You want to get pinpointed really quickly to what matters, which brings us to business drivers. Steve was talking about this. This is the brains. This is the brains of figuring out what are the positive and negative drivers of performance, including all the levers that our clients are pulling on as well as what the competitor is doing as well as what's going on in the broader market environment.

This is also what allows us to lower the cost of access, as Mitch was saying, to – within our existing large clients and to smaller clients because these analytics are now cascading and flowing through the apps. And just like the analogy around the smartphone being an open system, again, the openness comes into play when we're talking about apps.

So, yes, as Nielsen, we want to be able to build great apps in innovation, in marketing, in sales. You'll see a lot of those downstairs, and I'll show you one concrete example in my presentation. But that also applies to the third parties, to the external environment.

So, a couple of months ago, we announced the Connected Partner Program. Think of that as the App Store essentially for us, which enables third parties to much more easily tap into our data through data exchange and create all sorts of new capabilities. So, again, the notion is we're building apps, but we're opening ourselves up far more to clients and third-party environments all with the objective of being able to bring innovation faster to our clients.

So, let's look at each of these pieces. Let's start with e-commerce. So, again, just like last year, we said that total consumer data, the full view of what consumers are buying in as many markets as possible is a critical foundation element for Nielsen as a measurement company. And I'm really proud to say that we are now active in 11 markets. And last year, we committed to building out e-commerce comprehensively and with a high level of granularity in the United States. And I'm really excited to share with you that we are now live with that.

In fact, here are some of the high-level insights from our U.S. e-commerce work. [indiscernible] (01:31:50) will be downstairs in the Nielsen Interactive booth if you want to go deeper. But to give some high-level figures, e-commerce is now representing approximately 3% of total sales across of various categories that we cover. It is growing at 20%, representing a really important part of what our clients are looking to, to achieve the growth that Steve was referring to. And Amazon is accounting for anywhere between 40% and 70% of e-commerce.

So, I'm very excited about the data. But, again, data is only one part. Our buy data, our watch data, the openness to other data sources, if you can't integrate the data sets, it is not that valuable. So, I'm going to move on to an example of one of the services in the data exchange called enrichment studio, and it is intended to be used, as Steve also pointed out, by a new kind of user within our clients, who is managing and stewarding the data and the value of data coming together.

So, how does that happen? So, to be able to put data together, I think – actually, most of you are pretty familiar with this. Imagine that you have two spreadsheets where you're modeling 50 companies on each spreadsheets. But it turns out that the names of the companies are different and sometimes the companies appear on one but not the other. In addition, you have a whole lot of columns describing the financial performance of the companies. But the definitions actually of what does financial metrics mean are not always consistent.

So, what do you do about that? Imagine that problem at scale when you're talking not about two small spreadsheets but thousands of tables, millions of rows and those tables continuously updating. That's a challenge, and that's why we can uniquely differentiate ourselves in providing the solution.

So, what's going on here? This application is used by somebody in the tech side and is bringing together the application. It is bringing together the reference data that Mitch and Steve referred to. That's the data about the data, right? And I don't think – Dan, you were asking this question about machine learning. This is where machine learning is really, really key, right? So, the notion, for example, of being able to say this item is this item even though it might have a different name, that's where any differentiation comes in, in terms of being able to harmonize and integrate that data. So, just think of this as one of the services that the data exchange provides.

Business drivers. So, this is the brains of the Connected System that Steve was talking about. This is a screenshot. You'll see it downstairs, too. It is showing the positive and the negative drivers of performance in an automated, fast and comprehensive way. So, in some ways, this is not new. Our clients have been clamoring to get to this, albeit manually and we've been supporting them, stitching together spreadsheets, trying to figure it out, but it takes too much time, it takes too much effort.

This automates it. And as we bring in our watch data, this is where now you would see the media component also being able to express, hey, what happened with media? The notion that Steve was talking about aligning people across the organization is very simple. You have lots of people taking different kinds of actions. But how do you know what was the discrete impact of a particular decision when taking into account all the others? That's why this is the brains. But it is more than that. The analytics that are powering business drivers here are also the analytics that are powering the other apps that power the everyday analytics that Mitch was referring to.

So, I'm going to show you two examples of apps. One is a Nielsen app and one is an app coming from our new connected partners, external apps. So, this app is called Assortment and Space Optimization. Rick Hall downstairs can give you a lot more detail, but it is exactly that. This screenshot shows how a change in the assortment of SKUs could lead to a higher sales. And if you were to scroll down here, you would literally see the items recommended to be added or to get delisted.

Space Optimization, that means the specific translation of those recommendations into what the shelf should look like. How the space should be used. Now, this is really where the power of Connected really comes into play. If a manufacturer is going to have a conversation with a retailer, both sides want to have as fresh of information intelligence. So, as nice as an app might be, if the data is five, six, seven weeks out of date, it's just simply – you're not going to be at your best game.

One of the benefits of the Connected System back to going to the data exchange is that this app is now getting that feed directly. So, you do have the precious information available to be your best when you have this kind of negotiation between the manufacturer and the retailer.

Now, the other part of Connected, as I'm sure you guys are already guessing, is that as these decisions are made in terms of how the assortment of SKUs should look like and how to optimize the space, well, what was the impact of that decision? And again, by itself, you might say, well, I'll just take a look at what happened to the sales. But that's not enough. You got to go back and translate that back into business drivers to be able to say what was the change in performance due to this change in SKUs once you have accounted for all the other possible drivers. That's the power of the Connected System.

Let's turn to the partner apps. So, we announced this program a couple of months ago. We now have 13 partners signed up in this program. And the idea is the same, make it much easier for external parties to tap into our data and create a whole host of new capabilities. I'm going to highlight one example here from Prevedere. Prevedere is a company that specializes in forecast. So, what they do is they tap into our data. They have hundreds of different macroeconomic factors that create forward-looking sales forecast.

Now, they might choose to deliver that directly in [indiscernible] (01:38:00) to our clients or they might – they can choose to put back the data into the data exchange and the visualization you see here, the left-hand side, is showing Nielsen's actual share data. The right-hand side, the dotted portion, is showing Prevedere's forecast, is now again a connected way to bring in a third-party's data to common use, not just for Nielsen but also for the benefit of all the other partners. So, this is about creating a dynamic internal ecosystem for our data within our Nielsen application teams, as well as leveraging a much broader community of partners to create a whole host of apps. This is really, really new.

So, what is really different here? There's three things. First, it is back to the open system. So, the openness in term of Nielsen data, our buy data, our differentiated watch data and also all the external data sources, client data, partner data, public data. It is the openness to [ph] produce (01:39:03) internal ecosystems, our Nielsen ecosystems, more subtle provisioning of the data to clients and the provisioning of these data in open way to third parties far more open than ever. It's the actionability. You saw the example with Assortment and Space Optimization. That's what we mean by everyday analytics. It's that specific, and I hope you'll have a chance to see it downstairs.

But I think [indiscernible] (01:39:27) touched on what's really different and how we're going about this, and Mike will talk about it a little bit, I think is that we have made this a lot more personal. Clients are not just clients. They're people, and there are lots of people and our clients are trying to accomplish a whole host of different things, a whole host of different objectives. And if we can partner with our clients in a much more empathetic way to understands what those needs are and really spend the time, we're going to develop applications ourselves and use cases that are a lot more in line with what we need.

So, it's not just about the what. We love talking about that, but it is also how that's changing. So, we have been working, as I said, with five charter clients over the past year and I'm extremely excited about how excited they are about the Connected System. So, Mike will share some of his thoughts and his experience in working with us this year on the Connected System.

I did want to share with you a couple of thoughts from the manufacturers' side. So, this is one of our other charter clients who specifically said that business drivers will significantly reduce the time that their analysts spend trying to figure out the whys. Whys, right? So, going from the what to the why to the what next.

Another manufacturer said, really is interesting here is that the new way the flexibility and the user design of the apps is going to help a much broader set of users, reinforcing the point that Steve had made about us branching out from the – beyond the research community.

So, what does this mean for us in the coming year? If this year was about building the foundations, partnering with our charter clients [indiscernible] (01:41:06) building the foundations. As Mitch already articulated, earlier this year, we are confirming that we will expand to 20 to 30 additional clients by midyear.

As Jamere had said, we're being very methodical. We're going to be looking very methodically at our development, our client engagement. Steve said our data is incredibly valuable, very embedded. So, we're going to be very methodical about how we roll this out, but we are going to be accelerating them towards end of 2017 to a stronger rollout.

Both Mitch, Jamere and Steve touched on what does this mean for us. And at the end of the day, this is about a stronger, higher-margin buy business. It's stronger because the analytics [indiscernible] (01:41:53) everyday apps that are connected, that are automated, that are subscription based. And that's good because we do intend to have more revenue coming from these apps both from the Nielsen apps and as from the connected partner apps.

But the beauty of the Connected System is that those apps reinforce the underlying value of the core data. That is what's the exact intent that we laid out last year at Investor Day for why we were so keen to continue building the Connected System. More of data-as-a-service, less people in the service.

As we also articulated last year, we will become more cost efficient from a technology architecture standpoint because we're going to be harmonizing the sets of platforms that we currently use across our various geographies and across our various product lines. So, the net of it is pretty simple. Most important is our clients are really excited about the Connected System. We executed as we said we would in building the foundations and testing and learning with our charter clients for this year.

This year, 2017, we're going to expand to an additional 20 to 30 clients, preparing ourselves for the more aggressive rollout as the year ends going into 2018. Thank you very much.

Sara Rebecca Gubins

Senior Vice President, Investor Relations, Nielsen Holdings Plc

Now, Karen Fichuk, President of Lead Markets, will host an interview with one of our charter clients of the Connected System, Michael Terpkosh, VP of Store Services at SUPERVALU. Please welcome Karen and Michael.

Michael Terpkosh

Vice President-Category Strategy & Execution, SUPERVALU Inc.

Good morning.

Karen Fichuk

President-Lead Markets, Nielsen Holdings Plc

Hello, Mike.

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

Well, hello, Karen.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

How are you doing?

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

Doing well, doing well.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

Good. Thank you so much for joining us today. The fireside chat or the conversation with a client, I think, is always the highlight of the day. And I also just want to recognize the fact that you've worked with Nielsen for many, many years. You've been a really strong leader in our retail advisory board. And so, thank you for that.

Bridging a little bit on that experience that you've had with us and the conversations that we've had today, what made you decide to be a charter client and how has that experience been different maybe than other interactions that you've had with Nielsen in the past?

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

Well, I've always had a personal philosophy, as SUPERVALU has, to always try to be on the leading edge of development. And so, the partnership that we've had with Nielsen over the years has allowed us to be one of the early adopters. So, whether it's the answers platform that we use today which, I guess, you'd call it a father or grandfather to the Connected System, where we've used that system quite heavily over the last few years, early adopter on Homescan, the one that became available to retailers.

And so, the idea that Connected System is something that played very well in where we were going at SUPERVALU, looking at trying to get out of that category strategy mode of a long process to try to determine what we want to do with retail and try to get something that was much more collaborative, agile and to be able to work. And where it was really different for us than being on the retail advisory council was the development team of Nielsen coming on site with us and not just getting our opinions but spending time with our merchants, our category managers or analysts to understand how they do their job day in and day out. And that's been critical and what we're excited about seeing the platform being developed.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

So, let's pick up a little bit on that. It's personal, right? So, it's getting down and working specifically with the users. Collaborative, you mentioned that. We talked a little bit earlier today, just about making analytics more mainstream, right, and getting it out there in much more of a self-service way than perhaps we've done in the past, which has been very project-based.

What does that mean for you within your organization? Like, how are you thinking about that and how are you preparing for this change to a more of a self-service world?

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

Well, we definitely need to be able to put on an analyst or category managers desktop, their ability to find answers to questions and challenges that they have. And the speakers earlier today and Andrew alluded to it, it's challenging when you are trying to go through a lot of data to get answers to a question. Is that an issue? Is that an opportunity? And so, we're extremely excited about the idea of putting it on somebody's desk. And then, through the use of the personas which we talked about earlier, really honing in on what does that individual need to be able to do their job.

And we are a very complex organization because we are a retailer and a wholesaler, which means we are trying to find the right answers and the challenges in the marketplace, not only for the stores we own but also try to provide those insights to our independent retailers so they can be more successful.

So, the ability to bring all that data together and those different types of data together that we've used for Nielsen or other providers is very exciting to us to be able to move away from the crunching analytics and to making the decisions faster and making things happen out of retail.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

So, it's all about speed.

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

Speed.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

Speed is the name of the game in today's competitive environment. Okay. So, let's talk a little bit analytics. So, Andrew gave – and we've talked – we've used that word several times today. Andrew gave a really great example. I think of assortment work that we do were maybe from a manufacturer's perspective. But what is it mean when we say, like Nielsen Analytics and how do you think about that? How do you use that? And most importantly, like, what's the impact that it has on your business?

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

Well, Nielsen has been a long-time partner with us as you talked about. So, we really live and die by the Nielsen data. And I put it into several different buckets. So, there's your typical trading area data for us to be able to track our business versus the competition to really benchmark ourselves against what's going on out there in the market. There's the Homescan piece to us, which is another big bucket, which is really that consumer piece, and being able to peel back, look at the competition directly through the Homescan panel. Look at what the consumers are doing and really give us that next layer down of analytics to try to drive our decision process for how we get things done.

Talked about Answers already as another big bucket, which again very collaborative platform for us. A lot of it is online, working with our vendor partners and broker partners. And then, probably that final bucket for us, which is becoming even more and more important, the custom analytics that we do with you. So, whether it's helping us around the assortment, what we're doing on our marketing side, different strategic initiatives that we have, we really have our Nielsen team in that end in most of our project work and how we try to go to market day in and day out.

Karen Fichuk

President-Lead Markets, Nielsen Holdings Plc

So, when we say assortment, the decisions that those people are making are literally, what products am I going to put on the shelf, how much space am I going to give to each of those products? If you get that right, you're going to have tremendous growth opportunities in terms of the right assortment for the right consumers that are coming into the store. If you don't, obviously, lost opportunities or, in some cases, the hardest – one of the hardest challenges we have in the industry today is [ph] just go out of stock (01:49:38) situation that we have, which is the worst situation.

So, in that new world of Connected System, like, how are those decision-making processes going to be different, going from maybe what is a once-a-year conversation, right, when we think about assortment with – between you and your manufacturer or supplier to hopefully something that is a lot more agile and faster in terms of speed?

Michael Terpkosh

Vice President-Category Strategy & Execution, SUPERVALU Inc.

Yeah. A couple of points. One is we believe that connected platform is going to allow us to break out of that once-a-year cycle. So, reviewing a category, making assortment decisions and really get into that strategy piece being a day in, day out part of how we do business. So, the blending together of the strategy and tactics week in and week out for the merchants have to make those decisions.

The other key source is the retailer/wholesaler, we continue to struggle with the thousands of new items and manufacturers bringing to the market every year. And for every item that we need to put on the shelf or put in our warehouse, we typically got to take something else. So, making the right decisions is critical to maintaining your sales or growing your sales.

The other complexity that I see with the consumer is that consumer continues to fracture into a lot of different generations, a lot of different lifestyles. You're not just decided on one item any longer. It's not a matter – am I going to put the next flavor or size of craft blue box on the shelf? I now have to say is it going to be the craft blue box, is it the [indiscernible] (01:50:46) is it some other up-and-coming brand that is starting to trend in certain markets? And so, the complexity of making an assortment decision is getting harder versus getting easier. And so, the platform, I think bringing those data pieces together is going to help us maneuver through that much faster.

Karen Fichuk

President-Lead Markets, Nielsen Holdings Plc

Yeah. And that's our goal, clearly, is not only tell you what happened in terms of those consumer trends and blue box versus other alternatives. But what are you going to do about that? How do then optimize, use that information to optimize the shelf?

Okay. So, turning – here's a little bit from analytics, and you mentioned the consumer. Let's talk a little bit just about the importance of measurement. You said you live or die by the Nielsen market share numbers. But how is that changing, right, in the future, not only the importance but also how you're thinking about maybe your competitive set in a very different way.

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

The big challenge for us again with all the data that we have today as we have a great on-site team that helps us work across a number of different data source as whether it's our own data, it's Nielsen data or working with some other companies. Bringing that all together so that we could be much more nimble and make decisions faster I think is going to be key. The changing consumer, the number of different competitors that are out there, we've got to be able to get out of what I'll call a strategic process into a much more day-in and day-out strategy tactics, whether we're making those decisions or working with a trading partner.

I'll tell you, right now, we have merchants that are sitting back at one of our business units. And they are working on plans that they will roll out in the spring just because of the nature of the beast and trying to get through all that work. We've got to be able to say, okay, I'm sitting in my desk today, and I'm making decisions in a collaborative way and make that happen at retail two weeks from now versus three, four months from now. And that's the piece that is very exciting to me about the collaborative and connected platform is to be able to have folks interacting together and making decisions much faster.

And Andrew made the point and I actually had it in my notes that I was putting together yesterday, we ought to have the expectation that what we put on our folks' desktop works just as well with what our mobile phone does as far as bringing apps together, bringing data together. And one of the challenges that we've had with Nielsen on the connected platform is to say, when you show me an opportunity or an issue, let's make it easy for somebody to then go look at those main drivers. If my sales are up in a category or down in a category, there's a handful of things that's making that happen. Let's present that to them as the next click so they can work through the analytics to make the decisions much faster than they do today.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

Right. Well, that's how your chartered client works. [ph] I didn't know (01:53:34).

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

We're very excited about it. Yes.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

All right. Looking ahead, key pain points, right, over the next couple of years and then maybe we can talk a little bit about how the Connected System will address those. So, as a retailer in this fragmented world, what are some of the key challenges that you see?

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

I think one of the biggest challenges we see is to look at where the consumer is going. You are always going to have competitors. They're going to change over the course of time. There's always some big looming competitor on the horizon everybody's worried about, but the fracturing of the consumer through the generation, so whether you're a baby boomer, you're a millennial or another one yet to be named, the group yet to be named, the challenge of trying to understand the consumer and get them to want to come to your place to buy a product is going to continue to be a huge challenge for us.

And what we see in the grocery industry especially is the baby boomers are empty nesters, so they're doing less in grocery trips. You've got at the other end the millennials who are waiting to get married, waiting to have a family. They're not doing the big trips. And as a result, the industry in general back to very slow growth. You showed the large manufacturers. It's also true on the retail/wholesale side. It's very challenging to try to understand that consumer and get them to buy more from you. So, that's number one.

Second one is I think the collaboration process. As we see consolidation in both the retail business and also in the manufacturer side, we've got to leverage and collaborate even more so with our large manufacturer partners to try to get things done at retail.

And then third for me, which is something that's always been important to me throughout my career, talent is one of those things that also keeps me up at night. It is very difficult to attract, to maintain topnotch talent in the retail business. It's not Google. It's not the Internet. It's not a lot of other things which are much more attractive to folks coming out of college. So, the idea of being able to provide them with platforms that they can use every day I think will help us maintain and attract more talent because we're moving out of just crunching numbers and moving into being very dynamic on the desktop like what's on the video.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

Much more of a digital world, right, collaborative world that they desire to work in. So, we share those challenges with you. I mean, I think our promise is certainly to help you understand that consumer and the purchase behaviors, and we think about that under the total consumer strategy. And then we definitely feel Nielsen plays a role in the industry between the retailers and the manufacturers and the collaboration and bringing together and using the information for mutual benefits. So, we're in it with you, right?

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

Well, you've always been in it. [ph] What else I'll say? (01:56:22) You've been very proactive, not just with us at SUPERVALU but with other retailers, with the Retail Advisory Board over many, many years which has helped us to provide input and steer you to develop new tools, prevent you from maybe developing things that no one wants to buy.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

That's important.

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

That's important. But then also I think one of the reasons that it was very exciting for me to raise our hand early this year about the connected platform was it's the next big thing, and we were looking for the next big thing to try to jump onboard, we can help develop, so it's been a pleasure doing that.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

Right. Thank you. So, we have a couple of minutes. If you're up for it, we can open up some questions to the audience, okay?

QUESTION AND ANSWER SECTION

Toni M. Kaplan
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Thanks. Toni Kaplan of Morgan Stanley. Just wanted to ask about sort of your recent experience in terms of product profile. Are there products, you mentioned custom analytics, that you're purchasing from Nielsen? Are there certain ones that are sort of in vogue right now or where are you sort of expanding custom analytics, where are you pulling back a little bit?

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

A

A good chunk of our custom analytics that we do today could be in specific areas. So, assortment has been one. We have concentrated a lot on working with Nielsen over the last year and a half, should better arm our folks to make better assortment decisions. But another major chunk of the custom work we do at Nielsen is what I would call project-based. And so, I can walk back in the office tomorrow and something may pop up that says, hey, we have a project we need to work on, how do we take our on-site team. And then also what I'll call the virtual team that Nielsen has, sitting here in New York or in Schaumburg that we tap into on a regular basis for that expertise that help us on a project-by-project basis. So, some of it is very thoughtful, strategic, and we move down that path. Some of it is, hey, we've got to figure something out, and let's get it done.

A great example over the last year was we [ph] leaned on (01:58:29) Nielsen pretty heavily, so look at what was going on with the consumers that were getting government assistance because we have stores and retailers and markets that a good chunk of their business comes from bad government EFT money that they get every month, and we were trying to understand what was going on with that because of the change both from government policy perspective and also the change in the consumer to how they were looking to spend those dollars.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

A

And when they were looking to spend it...

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

A

Right.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc A

…right?

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc. A

Right.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc A

I mean, I think so that was some of the key learnings from that…

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc. A

Yeah.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc A

…that are definitely [ph] times of the month (01:59:04), right?

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc. A

Yes.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc A

That's great. Pricing and promotion, right, that's probably – like if I think about across our retail base, those are probably one of the highest demand analytic areas that we have today with retailers.

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc. A

Yeah. Pricing is one that we're starting to do more work in. And you're exactly right. The business [ph] I say I mean (01:59:24) in a state of very little inflation.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc A

Right.

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc. A

So, I'm not getting a bang for my buck by being able to raise the price on the shelf. So, how do I do a better job trying to manage my margin while staying competitively priced in the mind of a consumer?

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

A

Yeah.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Hi. It's Andrew Steinerman of JPMorgan. You mentioned that you've been an Answers on Demand client for years. Now, you're a beta client and Connected Buy. Do you see that Connected Buy will replace your need for Answers on Demand, like when might you sunset Answers on Demand if you feel confident about Connected Buy?

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

A

Ask me in six months. And the reason I say that is we are going into pilot in 2017, and the intent is is that as the platform develops, we will migrate out of Answers to the new platform. I'll tell you it's been an interesting journey. When the Nielsen team came in to work with our merchants and our analysts and work on those personas, it created a lot of excitement. And we're actually a little concerned when we started going, well, how much is Nielsen going to ask about our people from interviews, looking at beta, doing different things? And I will tell you our folks are so excited about it. They're waiting for more. And they are excited to go into pilot next year. So, the answer is, yeah, we'll be sunsetting Answers as this platform comes up, is much more robust, and is bringing together that data which Answers never had. And so, it will be an easy migration for us because the user base is extremely excited to get into it.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

A

Yeah. And I think for the Nielsen perspective, certainly, we're doing everything to bring the capability there, but we're also very sensitive and pathetic about the transaction for your organization especially on the measurement data. Just had a client last week where, I mean, they literally were explaining how Nielsen market share data was used for their bonus program like affecting the bonus and the incentives of some of the executives. So, it's just a key part of what we have to keep in mind as we go through the transition. Any other questions? Got one in the back.

Q

Yeah. Good morning. Had a question related about the whole ecosystem. [ph] One of the key basis always (02:01:38) is promotion versus advertising and where you are putting your dollars around the sales funnel. So, if you're doing this program, does that give you an insight, say, into if Kellogg's is doing a very big top-of-the-funnel brand-building activity and they pulled dollars off of your promotional allotment to say, hey, this had a broader impact on category growth. It was more effective than the promotions that we typically have [indiscernible] (02:02:05) in the past with your primary point of visibility.

Michael Terpkosh
Vice President-Category Strategy & Execution, SUPERVALU Inc.

A

Yes, very fair. It actually also is a good complement to an internal system that we have where we track promotion dollars and different vehicles that manufacturers use with us. And so, over the course of time, as we see either we have negotiated or the vendor has modified how they want to go to market, moving those dollars into different vehicles and different buckets, the Nielsen piece to be able to then look at that from a [ph] lift (02:02:36) perspective, and what's working and not working is very important.

And then from the Kellogg's example, yes, definitely want to look at what Kellogg's has been doing but then also it helps us then look at the other manufacturers in the category and say somebody doing better or is Kellogg's really doing something that is really driving the business that we should look to try to do with other manufacturers in the same space.

Karen Fichuk A
President-Lead Markets, Nielsen Holdings Plc

And I think that's a key opportunity when you saw that business drivers chart as we start to bring in the watch data and the media data, then you really are getting kind of the full view of trade promotion as well as advertising.

I think we're out of time, but thank you so much.

Michael Terpkosh A
Vice President-Category Strategy & Execution, SUPERVALU Inc.

Thank you. It's always a pleasure.

Karen Fichuk A
President-Lead Markets, Nielsen Holdings Plc

Thanks for joining us.

Operator: We will now begin our second Q&A session.

Sara Rebecca Gubins A
Senior Vice President, Investor Relations, Nielsen Holdings Plc

Great. Thank you. So, we're now ready for our buy-focused Q&A session. Let me introduce everybody on the stage. Joining Steve, Andrew and Karen are Pat Dodd, our President of Buy Growth Markets [ph] there at the end (02:04:17); and Konrad Gerszke, President of Buy Global Clients.

If you've got questions about emerging markets, Pat will be a great resource for that. And Konrad can address questions on our global client relationships. And with that, everybody, I'll be out in the audience, so please wait for the mic again, okay?

Ryan Allen Cary Q
Analyst, Jefferies LLC

Hi. Ryan Cary with Jefferies. It's great to learn more about the Connected Buy platform. When we start to think about how it impacts results, is there any impact we're going to see in 2017 or is this much more of an 2018 event? And then even as we think about kind of Connected Buy starting to ramp, is it going to be more like Total Audience, which was kind of a steady growth contributor, [ph] or once it does gets us feel (02:04:55) we'll see a step function in that growth rate? Thanks.

Stephen Hasker A
Global President & Chief Operating Officer, Nielsen Holdings Plc

Ryan, so I'll start. Others will probably add. So, I think more of an 2018 and beyond event. But I think you saw a sense of the excitement from Mike – and thank you for your comments, Mike. We have had a similar level of excitement with all of the clients that are either in pilot or that we've sort of showed the system to. So, 2018 and beyond but we're pretty optimistic about sort of some positive effects sort of starting immediately. So, that's the first part. The second part is this is easier than Total Audience and harder than Total Audience. It's easier than Total Audience insofar as it doesn't require the buyer and the seller to sort of come together, shake hands, and agree on the metrics, right? And that has been the thing that has taken time with Total Audience. So, we've built the system a period of time ago, starting with OCR that migrated to [ph] DIR (02:05:57) then the broader system. We rolled that out across 25 markets. And in a sense, that was the easy part with Total Audience.

The harder part has been to get the sort of the broadcasters, the cable networks, the big media players, and the big agencies to come together and say, okay, this is what we're going to do. And that process is ongoing but moving at accelerating speeds. So, we don't have that with the Connected System. There isn't this sort of need to get the industry sort of tighten to come together and with a secret hand shake at some point.

However, it's harder because while Total Audience was about maintaining our market position in many, many markets, principally this one, the Connected System is a transformation of the business. We're moving from a data plus people as a service business to a data as a service business.

And in a lot of ways, we're actually more excited about this one because it requires a different go-to-market . It requires real emphasis on deployment. My bet is the build is the easy part, and the deployment will be the harder part. And I suppose there's a similarity to Total Audience but both easier and harder.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

A

Bill, could we just wait for the mic?

William A. Warmington
Analyst, Wells Fargo Securities LLC

Q

Bill Warmington with Wells Fargo. So, there were some comments made in Mitch's [ph] segs (02:07:25) that on the mid-tier buy clients and that that is an area where you have lower market share and an opportunity to take share. And so, my questions are basically who's the likely share donor there? Is it IRI or other niche players? And then in terms of contract links there, how often do the mid-tier businesses come up for bid, and then how important is price going to be to win that business and take share?

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

A

A lot of questions in a row. So, let's start. Yes, in the mid-tier space, I think on the core measurement, the primary competitor in that space is IRI. There are a lot of clients, more clients, obviously, in that space than Konrad's world on the global clients. And so, the number and the volume and when they come up, I think represents a really big opportunity for us. I think what Mitch also talked about was the accessibility and the affordable price points for those mid-tier and smaller clients. And so, that's what we believe is the biggest opportunity of bringing the Connected System to those segments.

Stephen Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

A

Yeah, I would add a couple things. I think one of the things that as I look sort of back to a little bit of a history lesson for me as a relative newcomer to the buy business, we have done a superb job of winning the big multinationals. And I think we did that because we're the only player that gives a global read. We also did it because we got very focused on it with people like Konrad dedicated to serve those guys. Whether we neglected the smaller and mid-tier or whether that's just where we forced the competitor to go, I think we could debate that. But there is an opportunity there.

Make no mistake, though, about the Connected System and your comment about price. This is about differentiating that core product in a way that nobody can match, right, including IRI or any other competitor. And so, we're pretty confident that once done, this sort of price compression, while this is FMCG, it never completely goes away, but we think there will be significant relief in terms of the price pressure that we've seen in markets like the U.S. over the last year or two.

Karen Fichuk A
President-Lead Markets, Nielsen Holdings Plc

I think the Connected [indiscernible] (02:09:41) the Connected System also makes those analytics that we were talking about much more affordable and accessible to some clients where it might be out of reach today.

William A. Warmington Q
Analyst, Wells Fargo Securities LLC

Thank you.

Sara Rebecca Gubins A
Senior Vice President, Investor Relations, Nielsen Holdings Plc

Now, Andre.

Andre Benjamin Q
Analyst, Goldman Sachs & Co.

Thank you. Andre Benjamin, Goldman Sachs. Yeah. So, in terms of the coverage, I was just wondering what is your relative coverage footprint for the retailers in the U.S. As you are competing into IRI and others, any material difference there? And then do you have any concern as you try to go downstream, if they're improving their coverage, their ability to then come upstream and compete there against you with the larger clients?

Stephen Hasker A
Global President & Chief Operating Officer, Nielsen Holdings Plc

Andrew?

Karen Fichuk A
President-Lead Markets, Nielsen Holdings Plc

Okay. So, I actually think our overall coverage of the market is better, and it's something that is a key part of our strategy. We talked about that as Total Consumer. One of the best examples of that is a retailer that we recently brought on, Whole Foods. That was public and we announced that in one of our earnings. That's really important as both retailers, our retail clients and our manufacturers look at getting understanding of what's happening in the health and wellness and [ph] on-trend (02:11:02) consumer segments.

So, I think from that perspective, it's better. On the bigger clients and maybe, Konrad, you can add on this one, but global is by far the most important need and question that we get from the biggest clients, and clearly, we continue to have a significant advantage from a coverage perspective there.

Konrad Gerszke A
President-Global Clients, Nielsen Holdings Plc

And I think adding back on that for the global clients, the biggest question that they have is to how to allocate resources across categories and businesses on a global basis and do that constantly. If IRI or somebody else would move, as you call it, upstream and try to replicate that footprint, I'm not so worried about it because [ph] we worked (02:11:44) incredibly hard, it's incredibly long term. And we are by far leading the industry on that, and our global clients confirm that by the way. We have very long-term contracts with them and I think that is [ph] a worry (02:12:01) that I don't have at all.

Sara Rebecca Gubins A
Senior Vice President, Investor Relations, Nielsen Holdings Plc

Andrew? Yeah.

Andrew Charles Steinerman Q
Analyst, JPMorgan Securities LLC

Steve, I hope it's okay to go back to the slide where we're talking about core developed buy being down 1.5% to 1% in 2017. My question is what has to happen in the CPG industry for us to feel comfortable with that number? Is it assuming CPG does as it's doing right now or is this really just your execution? What do we have to assume in the CPG industry to feel comfortable with the minus 1.5% to 1%?

Stephen Hasker A
Global President & Chief Operating Officer, Nielsen Holdings Plc

Yeah. So, Andrew, we've been pretty conservative with that estimate. Basically, as Jamere said, we think it's going to be the sort of prevailing industry conditions for our clients continue to be very difficult, but not significantly worse, but certainly not better. And that we execute against our Connected System as I said to the earlier question.

I think we'll start to see real excitement from our clients, but in terms of economics there's no real impact until 2018 and beyond, that's embedded in that assumption.

Andrew Charles Steinerman Q
Analyst, JPMorgan Securities LLC

Okay. Thanks.

Sara Rebecca Gubins A
Senior Vice President, Investor Relations, Nielsen Holdings Plc

Question right here. Yeah?

Valerie Sharice Brown Grant Q
Analyst, AllianceBernstein LP

Hi. Valerie Grant with AllianceBernstein. I have a question related to e-commerce and the changing consumption habits, particularly of millennials. So, to what extent does your household panel inform market share distribution, particularly for Amazon, which I believe does not yet contribute data to you? And how do you see that evolving over time as you seek to be more responsive, because even though the penetration is low [ph] and (02:13:46) a low-growth environment is material to your clients?

Stephen Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

A

Andrew, do you want touch upon the [indiscernible] (02:13:51)?

Andrew Somosi
EVP-Product Leadership, Nielsen Holdings Plc

A

Yeah. Sure. So, the approach we've taken, as we discussed in the e-commerce section it's using multiple sources of consumer-sourced data. So, we are using our panel, we're using third-party – we've built some capabilities specifically around Amazon to be able to get as granular as possible, even if [ph] currently at this (02:14:14) we may not get cooperation from every single e-commerce player.

So, strategy is very, very much robust and [ph] we've actually place in a (02:14:21) lot more details, we have a specific e-commerce booth downstairs that could share more of that. But the strategy is multiple sources to pull together as comprehensive and granular view for e-commerce across the major channels like Amazon.

Stephen Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

A

And just on Amazon, Amazon is a significant client of the watch side of our business. Amazon provides data to some of our other market share products in entertainment, books and music and other things, and they're actually providing data in different parts of the world.

So, we're not naïve. We don't see them cooperating tomorrow, and that's the reason for making an investment in a system that is not dependent on any one particular cooperator, which is what Andrew's team have designed and rolled out starting here in the U.S. in the fourth quarter.

Patrick Dodd
President-Growth Markets, Nielsen Co. (US) LLC

A

Steve, that being said though, in markets like the UK where Amazon is not the leader, other players are, we get cooperation from those players. In Korea we built a system with people providing their information to us on a daily basis. Throughout Southeast Asia, with Lazada, same play that we're going with. So, this multi-sourced way of putting together the information is very key to us using both panels as well as pure truth sets that we're getting from the retailers directly.

Andrew Somosi
EVP-Product Leadership, Nielsen Holdings Plc

A

[ph] And so the fact – to (02:15:40) the enrichment studio, the concept that I showed before about marrying together the reference data that Pat just mentioned, the different kinds of data sources and the machine learning applies exactly the same way for how we do e-commerce as it does for the overarching Connected System application you saw before.

Q

Hi. [indiscernible] (02:16:00). Steve, on slide 20, you talked about increasing retailer data cost. I think I saw some news report that Safeway did an exclusive deal to provide data to IRI, displacing Nielsen. How does the growth to these types of exclusive deals impact your data cost and also the ability to discover the market? Thank you.

Stephen Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

A

Yeah. So, traditionally we have not been in favor of exclusive deals. So, we've had a I think a very sort of long standing and public stance that non-exclusive is healthier for the overall industry because it keeps the costs to all parts of the supply chain down. And so we have observed that policy up until now.

Now, there are exceptions from our part where we had retailers. Karen mentioned [indiscernible] (02:16:46) just a second ago, that have come to us and said look, we just want to provide the data to you. We don't want to provide it to anyone else. And we've pursued that part.

And so, we think it's the most – it's the healthiest path for the industry to pursue. It keeps the cost to all players down. And we'll stick with that path unless and until we see a significant sort of disruption to it.

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

A

And just for the record, Safeway is not exclusive. We work with Safeway and get their information. And there is a difference between – we have all the retailers that participate and contribute to our overall measurement service.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

A

Tom?

Thomas William Eagan
Analyst, Telsey Advisory Group LLC

Q

Great. Thanks. I guess this is for Steve. How would you compare what you're seeing with the data flow in the CPG sector and the demand for data and what's happening with what we've seen in the financial information sector, say, for example, with FactSet and Bloomberg?

Stephen Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

A

It's a great question. I think there's sort of – there's more data in the financial services sector. So, if I look at the amount of data that a Bloomberg or a Thomson Reuters or someone process, there's a – it's more frequent and it is – the volumes are higher. I think that the – sort of a lot of the controls are stricter for obvious reasons, Tom.

But it's an interesting analogy because it's certainly something that Andrew and his team have leaned into pretty heavily to understand. And it's certainly something that a number of our clients have referenced. So, very few of our CPG clients have Bloomberg terminals or aware of this. But I think if there's a direction in which the industry will head, financial services is a pretty good indicator.

Last but not least, we pinched our CTO from Thomson Reuters for this exact reason, right? James Powell is used to dealing with massive amounts of data with very high sort of risks and implications and dealing with real-time data. And that was a skill set that we wanted to bring in. Andrew do you want to add to that?

Andrew Somosi
EVP-Product Leadership, Nielsen Holdings Plc

A

I was going to say the data types and the amount of data, it's more. I mean, there's no doubt, right? There's lots more data being produced. But I think the notion of working actually backwards from the personas that Mike referenced, the different kinds of leaders across different organizations [ph] within (02:19:17) our clients, and then thinking about what could it be the answers and their workflow, the guided workflow that Michael's referring to, and then working backwards [ph] with the analytics (02:19:26) and then the data is actually – that's kind of what we focus on.

So, it's not data for data's sake per se. It's about the usefulness and the usability of that data in the context of the everyday decisions, the everyday analytics that Mike is thinking about every day.

Konrad Gerszke
President-Global Clients, Nielsen Holdings Plc

A

Yeah. From a global client's perspective, you can think about it as today you have a lot of silos, right? You have somebody using financial information, supply chain information, retail direct data, Nielsen or third-party data, and all are in the different silos.

The global clients' requirements to add faster breaks down those silos. And today, they don't have a way to connect across all of those silos. And that's why we are working in that direction.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

A

Manav?

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Hey. It's Manav from Barclays again. So, on the call, I think you mentioned, Jamere, you talked about that businesses that you guys are selling as reason being [ph] more secular (02:20:21) but I guess what I wanted to follow up with the competition questions was are you losing – like, can you talk about the competitive dynamics I guess, is there a share losses going on in there?

And then I just want to touch on with the survey-based business that you guys are selling. It sounds like that's the Harris Interactive business you guys bought several years ago. So, is this that business? And what parts of that just aren't working anymore?

Karen Fichuk
President-Lead Markets, Nielsen Holdings Plc

A

So, I'll start with the – it is the Harris business. I think it's very specific in terms of some of the verticals that are not growing at the rate that we would like and are not – I think in total, the survey business while there are components that are – that we [ph] misconnected (02:21:06) to the core measurement as part of the strategy. Not all that we do in the Custom Research business is or ever will be kind of connected to the Measurement business. And so, that's why we're pursuing the strategy that we are.

Stephen Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

A

And then in terms of the competitive dynamics, I think as we've outlined, we have a unique proposition to the largest clients those that Konrad [ph] serve (02:21:30). So, those that are multi-national. those that won a global read or a multi-market read were very hard to compete with, almost impossible to compete with, I think in that category. That has continued to be very, very stable for us. Where we have not been as focused and where we see opportunity is in the mid-tier to smaller, I mean, that's sort of where our competitor in the Measurement side of things has gone and being pretty successful.

So, over the last period of time, we've seen pressure there and we now see an opportunity as a result of the connected system investments that we're making to take share there and to grow that business pretty significantly.

Sara Rebecca Gubins — A
Senior Vice President, Investor Relations, Nielsen Holdings Plc

Can we take one more question all the way in the back?

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

The pressure's on the final question. Sort of ending at a high level, [ph] just around the (02:22:21) overall pricing in product strategy, I guess, maybe for Steve or whoever wants to comment.

We've heard throughout the morning that most – you guys use words like effort, essential, must have. I think, Steve, you just use the word – in [ph] some (02:22:37) cases, almost impossible to compete with in terms of the majority or the core elements of your buy business.

We've also heard that your customers are certainly under pressure and that's causing pressure on your business. We understand that and we also understand that Nielsen's watch, we generally is to try and to earn price increase through delivering more value. But you guys are under pressure, too, given the essential and almost impossible to compete with nature of the core business, do you think about pressing price harder? Why would you have more pricing power regardless of your customers' own pressures given how essential your data is especially to your big global clients which must represent the lion share of your revenue? Thanks.

Stephen Hasker — A
Global President & Chief Operating Officer, Nielsen Holdings Plc

Yeah. It's a great question, Todd. I think there is an opportunity for us to press pricing harder particularly where we're in that position where we are the only player who can provide a read on so many markets, or we have a particular data set that nobody can replicate.

Having said that, what we see is that our market share product over time has become more easily compared in a particular country where we have a direct competitor, and we've seen pretty intense price pressure in those places. So, I think what we need to do is pull a couple of levers. First and foremost, better differentiate the product through the connected system investment. We are 100% focused on that. That is as intensive focus as total audience ever was or ever will be. And I think based on the last 12 months on the progress, we're building confidence in what we're going to do there and what the impact, thanks to input from people like Mike, will be. That's the first one.

I think secondly revisiting our pricing particularly in the light of that transformation is an opportunity for that. But I want to be pretty conservative about sort of what that opportunity will be in 2017 and 2018 just because of the underlying dynamics in the marketplace and the sort of the pressure that our clients are feeling in different ways.

Patrick Dodd
President-Growth Markets, Nielsen Co. (US) LLC

A

The only thing I'll add to that is that year-over-year we see the best way to get our prices, also to keep investing our products particularly in our developing markets where we can add more coverage, we can add more granularity.

So, the best time for us to take price is along with those enhancements. And that's how we get our long-term contracts, and we bring our clients with us, both the multinational clients, as well as the local giants because they have a chance to trade some subscription out. So, you have to manage that very carefully with all the major investments we're making in both developed and developing.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

Great. Thank you. So, we're going to go to break. But just before that, we wanted to show you a sneak peak of a video campaign that's going to launch early next year. So, let's take a look at the video.

[Video Presentation] (02:25:27-02:27:07)

[Break] (02:27:08-02:38:03)

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

Ladies and gentlemen, please take your seats. Our program is about to resume.

[Break] (02:38:10-02:47:11)

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

Our next section is about the state of the marketplace for watch. Please welcome back Steve Hasker.

Stephen Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

All right. Welcome back, everyone. I hope you had a chance to experience some of the apps and demos downstairs. And I hope you had a chance to ask questions of my Nielsen colleagues and get the right answers.

I'm going to be mercifully brief in giving a really quick view of what's happening in the watch marketplace. And then, I'm going to hand over to the main game, which is Megan, and then a Q&A with many of the leaders of our watch business to talk about totally anything else you'd like to explore within the media side of the house.

So, what I want to do is just give you a sense for some of the things we're seeing. And, as you know, as we roll out Total Audience, [ph] this is (02:48:12) a very important implication for many of you in the room in that the closer and closer this data gets to syndication, the closer and closer it gets to public and Wall Street distribution.

And so, gone will be the days of various players in the media ecosystem throwing out sort of wild and wonderful claims. The real data will be in the marketplace and it will be Nielsen quality.

So, let me go through some of the things that we're seeing in and around our Total Audience data. So, no surprise, Americans are watching less live TV. We see the same trend in many of the 30-plus markets that we measure TV, less live TV. And to the bottom of this chart, you see the nine months, the end of the third quarter 2016. No surprise again, the reduction is most acute amongst teenagers, 12% persons [ph] 12 to 17 years old (02:49:02) in terms of total day usage of television.

When you go at 65 years old and above, we actually see a slight uptick. So, nothing counterintuitive there, but just a reinforcement of the point that live viewing of TV has fundamentally changed. What we see notwithstanding the travails of the NFL ratings through the election cycle, we see sports viewing holding up pretty well, and we see other forms of content being shifted into time, into time shifting in other windows.

So, where is this viewing going? Well, if you look at the reduction in TV time from 2015 to 2016 for persons [ph] 18 to 49 years old (02:49:39), this is the black line, the black bar below the line, radio – connected devices picking up some of that. Where is this viewing going? Well, it's pretty simple. It's going to connected devices. It's going to PC, although less and less so. It's going to smartphones, tablets. That is where this time is being spent. So, in other words, consumers are not opting away from media. Consumers are spending more time in 2016 than they did in 2015 on media; and a growing portion of the connected device, the PC and the smartphone, the tablet viewing, is of course video.

So, there are tailwinds for media companies who produce and distribute the best video here. There are tailwinds that time coming off TV is indeed being picked up through other devices, and an increasing portion of that usage is in video.

So, let's talk about some of the early total audience data. So, this is for a particular program. This is the cumulative audience delivery, the persons [ph] 18 to 49 years old (02:50:43) from week one through – to week six. And there's a couple points to note here.

So, the light blue bar at the bottom, that's live viewing. So, most of the live viewing is indeed in the first week. There's a little bit of re-airing in the second week which lifts it up a little bit, right, and then we see it basically hold constant as it is a cumulative view. DVR is predominant in the first week but then lifts in the second and then holds, and then we start to see digital VOD grow beyond. So, a couple of points here.

The first is the total lift of this program beyond C7, so beyond the first week was around about 38%, and that is not atypical. It's not true of every single genre in every program, but it's not atypical to see, when you look at the entire six-week period, firstly, and secondly, you add in the other devices, you're talking about a 30-plus, 35%-plus lift in audience.

And this, of course, is incredibly important for our media clients who want to monetize every single eyeball. In total audience it enables them to do that with independent third-party measurement that is trusted and used throughout the industry. So, rather than relying on their own several log data, rather than relying on [indiscernible] (02:52:04), this is syndicated data that is trusted and comes from Nielsen.

So, that's the first point. Now, it's not all good news because some have claimed that the audience lift is bigger than this, right? And so, there's going to be winners and losers as this data comes out, but nevertheless, it is a significant lift.

And then the second point I'd make is the digital lift until week 6, 3%. The reason I put this in here is this is the unduplicated lift. So, this is the number of people who did not watch the program in any other window on any other device but were the incremental audience to digital.

For this program, it's a relatively small number, but the point I think is worth raising because we are the only player firstly who can produce this data at scale syndicated, firstly. And secondly, we're the only player who can produce this de-duplicated incremental lift number. And those are two very, very important differentiators from anybody else in the world who is alluding to doing this kind of measurement.

So, if we look week-on-week, this is for another program, the original episode in the first week is in the light blue, right? This was a heavily DVR'd program. So, this was a scripted program and obviously wasn't a sports event.

There was a VOD window that was opened just for the first week that drove a very small portion. And in the total, digital viewing was very, very modest in that first week, which is expected as it's available on the TV set and on people's DVRs. And then, going forward, the DVR portion starts to trail away as a percentage of the viewing in each week and the digital viewing climbs, right? Easy to access, available on digital devices, climbs. So, nothing particularly counterintuitive there, but I think worth noting that digital grows in importance as the weeks develop.

I want to make a point about international. I think last year and particularly the year before when we talked about Total Audience, we were really talking about something that was most prevalent here in the U.S., the loudest clarion calls from the buy-and-sell side of the media ecosystem with regard to Nielsen's – the desire to have Nielsen measure all viewing and publish the numbers which coming here in the U.S. But what we've seen over the last 12 months is the same call occurs in every single market we operate.

So, we measure television in more than 30 markets. We have media measurement assets of different flavors in 45 markets and we, of course, operate in 106 markets. This gives us a unique footprint.

And the fact that we've developed Total Audience for the most sophisticated, most competitive media market in the world, the U.S., means that we have a very significant differentiator when it comes to winning new business with joint industry committees outside of the U.S. And we're increasingly confident that you'll see us start to announce some wins beyond the U.S. borders on the basis of the mousetrap we've built here under the withering glare of buyers and sellers here in America.

Watch, we measure 80% of the global ad spend and DAR, as Mitch mentioned, is now in 25 markets.

Okay. So, the second thing I want to talk about is digital pure play is focusing on video. So, as all of you know, YouTube has been focused on video for many years. YouTube is now a top 20 client of Nielsen. I didn't mention it in there because that is something that's been true now for a number of years in terms of their focus on video and the different experiments that they're running in terms of taking user-generated increasingly, professionally produced content and distributing it.

But what has really come to the fore in the last 12 months since last Analyst Day is publishers, all the other publishers, the major publishers having their number one priority being video. The Facebook with Live, Instagram with Instagram Stories, Twitter live airing NFL games, Snapchat with Discover and a couple of other different products, Hulu with their on-air products. Each and every one of these have digital video as their number-one priority and that leads to Nielsen. And as a result of that, each and every one of these are significant Nielsen clients and growing Nielsen clients.

And so, when Jamere talked about how excited we are about DAR, about DCR, about the digital product set, it's these folks who are really driving that forward for us and demanding more and more from us, which is great to see.

So the last point I'll make before handing over to Megan is the world is going addressable. This will come as no surprise to you. In the digital world, advertising has always been targeted in various ways, and traditional is now catching up in terms of interactive television, addressable television and so forth.

And there's two forms of addressability. One is targeted segments. So the ability for an advertiser to buy a pet lover or an avid hiker. And the second is an ROI or performance-based guarantee. So, I'm only going to pay based on the number of people who bought my products subsequent to seeing the impression.

And what I would say to you is two things with regard to this. This is a tailwind for Nielsen for two reasons. One, Total Audience serves both the reach advertising. It's the reason Procter & Gamble signed up for Digital Ad Ratings in the last 12 months. It's the reason we have most of the major advertisers working with Digital Ad Ratings every single day. It's the reason that our Total Audience Ratings were in such – having such high demand and are growing at the rate they're growing.

In addition to that, there is no way to independently verify a targeted campaign, whether it be ROI-based or precision audience-based, unless you have a starting point, which is how many people saw the head and who were they. And I think the reason prevails of both the buyers and sellers in digital media and the calls for independence have been a very significant wake-up call that even when you walk into an addressable environment and you can target individual consumers and you can target individual segments based on [ph] biographics and demos plus (02:58:16), so attributes beyond simple age and gender, you need to have an independent third-party basis to start and that is Total Audience. And so, we're seeing significant demand for the product set in the addressable world.

In addition to that, as many of you remember, we have built a number of products that get us toward this performance-based world. So, the Marketing Cloud, of course, provides a segmentation data, but equally importantly, our Nielsen Catalina joint venture provides the ROI data around consumer packaged goods. And our Nielsen Buyer Insights taking credit card data and matching that up with meter exposure provides ROI around other types of purchase.

So, as you think about a world that has both reach-based advertising, where advertisers with big brands who need to build those brands in the minds of the new consumers and the world of addressable, both of those things are big opportunities for us and we couldn't be more excited about it.

So with that, I'll turn over to Megan and she's going to bring it to life.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

Next up, to walk us through Total Audience: Evolving with the Changing Marketplace is President-Global Product Leadership, Megan Clarken.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

Well, good morning, everybody. It feels like just yesterday that I was standing in front of you for our 2015 Analyst Day, giving you an update on Total Audience. It's not long ago, but actually it is. Twelve months has passed since then and so much has happened. So, today, I'm going to give you an update on the latest.

Actually, I'm going to do three things today. I'm going to start by giving you a reminder of what Total Audience is for those who are newer to the story. And then, I'm going to give you update on our progress. And then, I'm going to finish by giving you an insight into what's next for us and our connection, our link to the connected system that Andrew talked you through earlier.

Well, let's start with that reminder of what Total Audience is. Total Audience is a framework and it came out of a burning need from the industry for us to measure the total audience. And this was driven by the fact that the TV ratings have become no longer reflective of audiences to programming because the TV ratings and the rules that surround them, which we don't set, have not kept up with changing consumer behavior.

So that's time-shifted viewing, viewing of content on digital devices that have a different ad load, viewing of content on subscription platforms that have no ad load at all. So, we said about building a suite of services that would respond to that need, and that is Total Audience.

We built it around four principles, and I'll go through what they are. The first one through cross-platform measurement. So measurement across platforms, across devices, across access points regardless of the business model, so measuring the full consumption of the consumer.

The second principle, comparable measurement across platforms, so measuring apples-to-apples between traditional and digital using the same calculations and providing the same measures. And, last year, I illustrated this through a story that came about Yahoo's measurement of an NFL game. I'm not going to go through that story again today, but if you haven't read that, I would prompt you to read it to illustrate this point.

The third thing that Total Audience is it's the creation of a ratings service which is no longer the domain of just the traditional industry – TV or radio or print – but it's all inclusive. A ratings service that anybody can participate in and it surrounds content types, so video, audio and text or aesthetic.

The fourth principle that Total Audience is, it is the measurement of content as separated from the measurement of the ads because we know that over time, the two will have less and less of a relationship between each other, which is what we see today.

The products that make up Total Audience, there's a number of them. There's actually six of them. So this split's really important to understand. You could think of it as a pyramid and in fact, you can think of it as two triangles. This illustration doesn't show it so well, but let me try to explain.

On the ad side, there are three products. At the bottom, there is C3/C7, the official commercial ratings for television. Next to it is its sister product, Digital Ad Ratings, which is commercial ratings for digital advertising. The two brought together integrated with the audience de-duplicated forms Total Ad Ratings. So, that's the pyramid on the left-hand side.

The pyramid on the right-hand side is three products as well. At the base, traditional TV program ratings, which is used for programmers to understand audiences to TV programs. And then its sister product for digital, Digital Content Ratings. The two of them merged and the audience as de-duplicated creates Total Content Ratings.

Now, we've been focused on that right-hand side, Total Content Ratings, because we do not set the roles that surround that traditional TV commercial ratings, C3/C7. But what we know is that if we solve the right-hand side and meet that burning issue that our clients have raised with us, we can provide the data that helps in the discussions to evolve the C3/C7 numbers. So, that's how it works.

So we said about building this framework a few years ago. And our go-to market plan, this will be familiar to you, was laid out across four different stages: execute, evaluate, adopt and transact. So I'm going to go through our progress against all four.

Firstly, execute. This is about building the underlying platform, the underlying products and we finished that at the end of 2015. Done. We are done when it comes to building out the software and the elegant solutions that sit inside this product suite.

We executed flawlessly against every single milestone put in front of us and we know that we can apply those learning, that discipline to anything that Nielsen takes on in terms of programs big or small. We're done. That piece is finished.

In fact, in 2016, we went into an iterative development cycle. So we used agile principles to glean insights from our clients through the rigorous training sessions that we have with them and the one-on-one feedback that we were getting from them. And the things that we knew that we had to do to continue to evolve and add features and functions to the existing product we had finished building in 2015.

And this year through 2016, we have released over 100 new features and functions into this product suite. Over 100. We are light-years ahead of anybody else who's trying to get into the space.

The second two phases were the hardest two phases for us – evaluate and adopt – because they're the phases that we have less control over. But I'm going to give you an update on the progress here because it has been really outstanding through 2016.

Firstly, evaluate. This is about the implementation of the code on the client side and order for them to be measured in order for them to see the data. This year, we saw over 50 clients, over 50 networks implement the code for VOD measurement. We also saw over 25 networks implement the code into their digital assets to be included in Digital Content Ratings.

We also released a piece of functionality, which is called secondary crediting. Now, this is really important because what that means is that for big digital platforms that are distributing content like Facebook and like Hulu, we're applying secondary crediting. So, they get the credits plus the originating broadcaster gets the credit as well. And what this illustrates is our ability to turn on features in an environment, which is very complex and evolving very, very quickly.

The fourth point here is the best point, I think. This one here says that this year, five MVPDs implemented the code – this is a little complicated, so hear me out – they implemented the code on to their digital platforms where digital viewing was taking place and that programming had a linear ad load that was qualifiable for C3/C7 credit, so currency credit. And we saw a growing roster of networks do exactly the same. So, what this means is that they've actually jumped over that adoption stage and they are now transacting using Total Audience. So, for all of their digital content that is implemented with the code that qualifies for C3/C7 credit, it's running through the system today. It is in the ratings today using Total Audience as the framework.

We had similar wins from the adoption side. It has been a great year for us here as well. I'm just going to call out a couple. Firstly, we had the biggest digital players come onboard for digital content ratings. Facebook is there, YouTube is there, BuzzFeed is there, and Hulu is there. They're all there. And if you had a look in the interactive session downstairs, you might have seen this when you were looking at the digital content ratings interface. So, they're all there and participating.

We also saw a growing amount of campaigns that were being run using Total Ad Ratings and this is a testament to, I think, two things. Firstly, the growing awareness of Total Audience and the fact that we can do cross-platform campaign ratings has not been lost on our clients this year, and they've come onboard and utilized that. Secondly, the unique methodology that we have in place to de-duplicate, truly de-duplicate audiences across platform is not lost in our clients as well.

We have a method, a state-of-the-art method through our privileged partnership with Facebook to be able to de-duplicate audiences across digital devices and the TV set, something nobody else can do, and this is not lost on our advertiser clients.

We went into the Total Audience program with a philosophy that measurement from here on then was a team sport. And in collaboration with our clients and partnership with our clients this year, we've seen so much adoption and so much willingness to come onboard and be a part of this, that we are super confident in our ability to fully syndicate the products in that first quarter of 2017.

It goes without saying that the industry has looked at Nielsen's Total Audience as a very important factor in terms of shaping the future between Total Content Ratings that meets that burning need of the industry to give them a full understanding of their consumers' access to their programming across platforms and help them devise their strategies and differentiate themselves to Total Ad Ratings and the C3/C7 currency and the DAR currency, the ability for us to be so flexible that we can respond to any change the industry gives us in terms of new eligibility rules for C3/C7 measurement.

The data that we produce, the platform that we have built allows us to process the data in a myriad of ways that we can respond extremely quickly to anything that the industry puts in front of us. And so, while we don't fit those currency standards, those currency roles, the fact that we're the custodians of the currency system and we've built such a flexible, elegant platform, means that we're the only ones at the table in the conversations to evolve the C3/C7 ratings. We're the only ones at the table.

So, through these services and Total Audience, it is without question that we have positioned ourselves undoubtedly as the measurement providers today and for many, many years into the future and we are incredibly proud of the work that's going behind that.

So, in terms of that, in terms of finishing the platform and getting ourselves in the driver seat, we're done. But we have plenty of work in front of us because there's an exciting what's next for us. And let me take you through what that is. The world is going addressable. Steve touched on this point. Make no mistake, the world is going addressable. Digital has already been there. It's going to come to TV. It'll just take a little longer to come to TV at scale.

What does addressable mean? It simply means the ability to send an ad to a very specific device, to target a very specific device and, hopefully, the right person on the other end of that device. But let me demystify something. Just because you can target doesn't necessarily mean that you should or have to. And what do I mean by this? Even in an addressable world, there are two predominant ad methods at play, two of them at play. The left-hand side here is the linear ad method, the one-to-many. It's usually around brand advertising or product placement where the consumer base is quite wide. I want to reach as many people as possible. I'm going to throw the net out wide. And I'm going to do it as quickly and efficiently as I can.

The second advertising method on the right-hand side is a targeted method, one-to-one, sometimes called audience buys. And this is usually associated with a call to action and it's usually bought around very targeted niche segments.

Both sides need measurement. The left-hand side is a population-based ad model, so it needs population-based measurement, reach and frequency. And in order to capture the market size, [ph] the percentage (3:13:41), we used age and gender, the simple GRP.

On the right-hand side, we're seeing two things emerging. Let me take you through what they are. Firstly, for premium ads and premium buys, what we're seeing is a need to provide comparable metrics across platforms and we really saw that come to light this year when we won the P&G account, because what P&G needed from their supplier was somebody who could give them comparable metrics across platform regardless of the ad method. And so now, we see P&G implementing our code into all of their digital advertising, regardless of the ad method. In fact, P&G takes us to 24 out of the top 25 advertisers here in the U.S. that is using digital ad ratings as their market currency to be able to provide comparable metrics across platform. So, that's the first thing that we're seeing, that is the standard.

The second thing that we're seeing is brand owners and media owners are coming to us to ask us to lean forward and use our brands and our capabilities to provide a couple of additional metrics, and I'll take you through what they are.

The first one that we're hearing the most about, as Steve said before, is ROI scores, outcome metrics. And so, what we're doing here is we're leaning in our Nielsen Catalina service capability and NBI capability to bring return on ad spend at scale on top of Total Audience.

The second additional metric that the marketplace is looking for is what's kind of called on-target audience percentage scores. So, in other words, the brand owner wants to know, did I actually reached the auto intender as are claimed by the media owner, because the media owner is measuring that using their own walled gardens. So, the brand owner wants independent validation that they actually reached that target audience.

And so, what we're doing here is we're leaning in on our eXelate acquisition, all of our data sets, some 60,000 data sets plus the segments that we have inside of NBI and NCS to provide on-target percentage scores against audience buy impressions. And you're going to hear us refer to that as Demo+.

In order to get any of these additional metrics, the media owner must implement for Total Audience, for base Total Audience services which drives more and more adoption to that system. And this is a system that's already built, it's already in place. So, what this does is add scale and volume to an infrastructure that's already there.

But it doesn't stop there. You see, the measurement data in an addressable world creates [ph] highly value (3:16:51), persons level data. We feed that data into the Nielsen Marketing Cloud where we ingest as much persons level data as we have or as we can get hold of out our clients, our partners. We bring it all into the Marketing Cloud. And that data fuels a number of tools and applications that sit on top of the Marketing Cloud that respond to a buy side need to help inform and predict media buys from their mix models to their ad spend strategies, to their media plans, right through to the activation against those plans, both offline and online activation, to the analytics and outcome metrics that come post buy.

The Nielsen Marketing Cloud lights up a powerful set of tools that speak directly to the Chief Marketing Officer. And it doesn't stop there because this system, the Nielsen Marketing Cloud system, slots directly into the Connected System that Andrew spoke through earlier. You can see its position across the top where we bring a breadth of more assets to our clients, and we bring to that system the power of the Nielsen Watch franchise as we bring it into the workflow of our buy side clients.

Of course, all of this drives more and more and more adoption of Total Audience as we forge those working connections between the buy side and the sell side at advertising. And that's the vision on this side of our business.

So, I'm going to leave you with four thoughts. The first one is this. Total Audience is here. We've delivered everything that we said we'd deliver to expectation. We've built that software. We are done. We've position ourselves in the market now to go use it. We're done. The Total Audience framework, that infrastructure is so elegant that we are layering on top additional metrics that will address very quickly anything that's asked of us in an addressable world. The data that's flowing out of Total Audience is at the heart of the conversations in the industry right now to evolve the currency metrics. Only we have a seat at that table through those discussions. And lastly, the Nielsen Marketing Cloud sits right in the middle of the connected buy system and brings together or helps bring together the marketing strategies for our buy side clients across their four P's – products, placement, pricing and the Watch data into promotion. And the Nielsen market – sorry, the Connected System is what joins the dots between all of these pieces.

So, with that, I am done. And in three words, only Nielsen can. Thank you.

Sara Rebecca Gubins

Senior Vice President, Investor Relations, Nielsen Holdings Plc

We will now have our final Q&A session for the day. Okay. We're now going to start our third Q&A session, which will focus on Watch. On the stage, Megan is joined by Mark Zagorski, the CEO of eXelate and EVP of the Nielsen Marketing Cloud; Lynda Clarizio; our President of U.S. Media Client Services; and Jessica Hogue, SVP of Product Leadership. In Jessica's latest role at Nielsen, she has led the commercial rollout of Total Audience measurement. And so, now, we'll open it up for Q&A.

QUESTION AND ANSWER SECTION

Matthew C. Thornton
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Hi. It's Matt Thornton from SunTrust. A couple here for Megan, I guess. With DCR now out in the wild, I know it's still very early, but do have you any evidence of it displacing kind of the incumbent in that market [indiscernible] (03:21:19) metrics product and any evidence or situations where you displaced that model with clients?

And then, secondly, if you could just maybe give us an update with DAR versus vCE on the verification side? I guess how those two products or kind of competing down with the market and where you win or where you don't and why?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Yeah. Well, I'll start with Digital Content Ratings, and I will pass it across to Lynda to – she runs the revenue side of this. But our Digital Content Ratings has been fully syndicated for not very long and we're bringing clients in really quickly, either they're participating or they're included in it by virtue of effect that we're measuring them through passive measurement or panels.

It is always difficult to dislodge an incumbent. I mean, Media Metrix has been around for a long time. But in conversations with our clients, they see the power of Digital Content Ratings because its ability to be – to roll up to Total Content Ratings and the method that we use to bring an apples-to-apples comparison to TV. The world is competing on video now and digital wants to see themselves alongside video.

And so, what we've done through Digital Content Ratings and Total Content Ratings is enable them to come and play as compared to digital – as compared to TV. So, there is an uptake. And I won't – I can't give you specifics on clients, but we're in conversations with many of the Media Metrix clients to make sure that they can understand the benefits of coming across the Digital Content Ratings. [indiscernible] (03:22:54).

Lynda M. Clarizio
President, US Media, Nielsen - CDW Corp.

A

If I could just add....

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

Lynda M. Clarizio
President, US Media, Nielsen - CDW Corp.

A

I mean, so, it is a product that is different from Media Metrix for the reasons that Megan stated because it provides that comparability to television and the link directly to feeder into Total Content Ratings. So, it is a differentiated product from Media Metrix. And that being said, we do have some clients and this sort of still early days for Digital Content Ratings that just became syndicated at the end, I mean, of this year in Q3.

So, we do have some clients that are using both right now and we have some clients particularly in the social space that had never used Media Metrix to begin with that are using us. So, again, it's early days but we're very hopeful about the opportunity to grow there and the opportunity to displace Media Metrix. Yeah.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Great. Brian?

Brian W. Wieser
Analyst, Pivotal Research Group LLC

Q

Yeah. Thanks, Brian Wieser, Pivotal Research.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Actually, there was a second question there. Can I – I want to make sure I get your question.

A

Yeah, all right.

Lynda M. Clarizio
President, US Media, Nielsen - CDW Corp.

A

Yeah. So Digital Ad Ratings as compared to vCE. As I said before, we now are in a great position. So, 24 out of the top 25 advertisers in the U.S. using Digital Ad Ratings and using them for the purpose that it's meant to be used, for a currency, make good guarantee against that buy. And again, with Digital Ad Ratings, what's unique about it is that it is using a comparable measurement to what's used on TV. And through Total Ad Ratings, they can see cross-platform. So, they can see their reach on digital, and their reach on TV. And so, it's truly differentiated compared to vCE. We see less of vCE when we go out to present to clients now than what we've ever seen before. And there's very little doubt that there is a huge differentiator between the two products. And it's evident in that 24 out of 25 advertisers that have taken it for their currency metric.

Lynda M. Clarizio
President, US Media, Nielsen - CDW Corp.

A

Yeah. And Digital Ad Ratings, DAR, is fueling growth in Total Ad Ratings, TAR, which Megan talked about earlier. And in additional to the international expansion, we're also expanding products around Digital Ad Ratings. We announced a few weeks ago that we're integrating analytics into Digital Ad Ratings. There was a lot of talk this morning about integrating analytics on the buy side of the business. So, we have a subscription product called DAR Publisher Insights which we're offering on a subscription basis to publishers, so they can both get DAR reporting, as well as deeper analytics using all the full capacity of Nielsen data.

Brian W. Wieser
Analyst, Pivotal Research Group LLC

Q

It's Brian here. I've heard mixed messages from both advertisers and agencies on Total Content Ratings, and then presumably that will apply to Total Ad Ratings which I think is not yet out in a while. To the extent that are some discomfort that we've heard on the process by which the data is gathered and whether the data is reflective of actual consumption of content, I wondered if you could talk through how you provide comfort to the research community and the buying community and the selling community importantly that their numbers – the numbers are reflective of reality. I guess that's the first question.

And then second, and maybe related to this, can you – you provided some numbers about the numbers of networks that, if I understood the slide earlier, the number that had installed the STKs as well as the number of MVPDs that have done the same. Is there a way to provide a color in terms of the percentage of impressions or percentage of coverage by people or MVPDs that are fully covered and fully ready to go?

Lynda M. Clarizio
President, US Media, Nielsen - CDW Corp.

A

Jessica, do you want to take that?

Jessica Ruggeri Hogue
Senior Vice President, Product Leadership, Nielsen Holdings Plc

A

Yeah. Sure. So, great question, Brian. And first, maybe just to clarify that Total Ad Ratings has actually been in the market since about 2012. And they were continuing to see that adoption, but it's available today, campaign-based metrics. And I think what you'll see us do though is push the commercial or the ad ratings data into planning software so that it's accessible at that part of – not just for posting and settlement on the back end, but also for insights and planning purposes. So, just to cover off on Total Ad Ratings, that's very much in the hands of agencies, as well as sellers when they want to use it as well.

And so, looping back to Total Content Ratings and how we've been working with clients. I think what you've picked up on is enablement has very much been a theme for this year. We started off the year making the broad tools that's available to clients. And what you've seen is networks picking up the components of content ratings where it makes most sense based on how they're distributed, what their monetization priorities are. And, of course, it's not for us to stipulate which components of the system anybody uses. And to some degree, those distribution and monetization strategies are in flux. So, the good news is that we have a flexible system that can be deployed. And we've seen that play out in the enablement.

So – but enablement is the first phase. And as you saw, we have roughly 25 networks that have taken the SDK. And they – once they get through that implementation phase, then we can move through to evaluation, and that's where we really lean in into that work because it is new measurements. We recognize and dignify all of those questions to go through and make sure that there is understanding. The measurement methodology, there's no question, it's different. That's why we have the benefit of being a third party and bringing something different to that. But, of course, it's important to work with all of our clients to make sure that they understand it. And that's been, as we go through evaluation at the end of that implementation phase, we're doing that across all of the clients that you would see quantified there.

What I don't have is sort of a coverage estimate for you. But in terms of , where we continue to prioritize adding coverage, I think one of the pieces that Megan commented on in her presentation was this notion of distributed content, right? We've heard over the second half of this year, that's a big priority especially if you look at what's happening in digital platforms. And so it's been – clients have been really responsive to our ability to deliver that, to add to the overall coverage that they see.

Lynda M. Clarizio
President, US Media, Nielsen - CDW Corp.

A

Just looking around. Okay. Manav?

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Hey. It's Manav from Barclays again. Two questions. So, the first one, I think Jamere talked about how the 4% to 5%, 4.5% to 5% organic growth is comparable to last year. But then you talked about all these new sort of live video clients or new expansions of contracts. P&G coming on, I would imagine that's a big deal as well. So, is there areas that have been cannibalized to client? Just help me on this. And maybe there's a longer ramp than we think there is to this business in terms of why we shouldn't see an acceleration.

And then, the bigger picture question for Mark, just generally, at Ad Week there were a couple of those programmatic panels, but quite frankly they were too technical for us. So, just broader picture if you can just help us understand where we are, like what inning and where does Nielsen stand in there.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Well, let me start and then turn it over to Mark...

Mark S. Zagorski
Chief Executive Officer & Director, eXelate Media Ltd.

A

Sure.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

...on the second part of the question. So, we are seeing growth from all of the Total Audience suite of solutions that we're delivering to market. And that's primarily with our national clients, our national TV clients, as well as our digital clients. And we're very excited. Steve talked earlier about the growth we're seeing from our digital clients. But that is being offset to some extent by the flatness that we're seeing in local TV and Jamere talked about that earlier.

So, the answer to your question is yes, we're seeing the growth and that is – that growth is accelerating. But again, there's that flatness we're seeing with local TV. And so, that's how we end up where we do for 2017.

Do you want to take the second part?

Mark S. Zagorski
Chief Executive Officer & Director, eXelate Media Ltd.

A

Sure, sure. It's a great question. And we get it all the time. It's kind of where we are in the spectrum of looking at addressable as well as measuring addressable and activating against that. Put very simply, we're very early. First couple innings, which is great from the prospect of how big we believe this could be, both on the size of the addressable market and the measurement that goes around that. It also means that we're at a time where there's going to be a lot of flux around who's in and who's out, the winners and the losers, but I think we're really well positioned to win here based on the assets that are important and programmatic, which are things like proprietary data, technology that has machine learning, automated learning in it, and access to customers on both the Buy and Watch side. So, it's early going, but we've got all of the best batters right behind us in a lineup, so we're ready to nail it. And I think we're in good shape.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

A

Andrew?

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

[indiscernible] (03:32:22) indicate Total Content Ratings [indiscernible] (03:32:26) indicate Total Content Ratings in the first quarter will include all the major content orders, the major broadcasters like NBC, the major Web publishers like YouTube, all of the [ph] – in there (03:32:40) in the first indication whereas even those indications kind of [ph] fading (03:32:43).

Jessica Ruggeri Hogue
Senior Vice President, Product Leadership, Nielsen Holdings Plc

A

Yeah. So, I think when you go – imagine again that Total Content Ratings have this sort of broad buckets of usage. You got obviously television, but then video on demand and digital, and we've got a broad array. We've got dozens of clients who have implemented across the board. And so, that would include some of our largest clients, of course. And then increasingly, I think Megan and Linda have also underscored that clients like YouTube, other big name digital players are represented both in Digital Content Ratings and in Total Content Ratings. So, you're going to see coverage across the different components that we measure in Total Content Ratings.

The other thing I would underscore is that Digital Content Ratings, obviously, there's a heavy emphasis on video, and we have a strong roster of clients there. But we've also seen, because it responds to the broad digital landscape, and if you look at print publishers who are increasingly moving to a digital format for their content, you'll also see that that part of the marketplace is really well reflected in the Digital Content Ratings suite as well. So, if you take sort of a broader look across the Content Ratings portfolio, we've got strong branding, leveraging the different components to respond to their business priority.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

And then, just for the first syndication – the first quarter syndication, we'll see broad representation from the content owners, no big holes.

Jessica Ruggeri Hogue
Senior Vice President, Product Leadership, Nielsen Holdings Plc

A

So, the point about the syndication that's happening at the end of the quarter is, really, that's the first time that the data will be able to use externally. So, as you know, we've been releasing data through this multiphase release to all of our participating networks and then, increasingly, we'll move that to the agency release as well.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Okay. Thanks.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

A

Tom?

Thomas William Eagan
Analyst, Telsey Advisory Group LLC
Q

Great. Thanks. First, going back to the slide that Steve had, he had VOD with a zero percent incremental contribution. But when you speak to a couple networks like Fox, those [indiscernible] (03:34:40) VOD is much a bigger piece than that. So, I guess I was surprised by that 0%. So, if you could talk about how you'd get to that number and how that could be enhanced. And then, I have a follow-up.

Jessica Ruggeri Hogue
Senior Vice President, Product Leadership, Nielsen Holdings Plc
A

Yeah. I can take that one. So, the interesting thing is we've got all sorts of different use cases when we go into the data today. And, in some case, I think that example was showing a particular piece of content where video on demand, there was no inventory. Meaning there was – the [indiscernible] (03:35:59) product wasn't available in that environment around that platform.

Part of the reason we use that use case is to show that if that content is made available on a digital platform and they can't go and find it in VOD, the consumer is going to go and find that content because they want to see that program. And so, we use that as an example to show the consumer's desire to go and get content on a platform. And when it's available to them – the kinds of growth that we can see on this sort of big television network base.

So to go back to your – I think the core part of your point, which is the scope of usage of video on demand, we absolutely see that in a lot of our – both in our core television metrics as well as in Total Content Ratings. I think one of the insights that we started to show earlier this year is if you look after a seven-day window, VOD is, in fact, what gives many, many programs a substantial lift, and we're always cautious to say that that lift varies by genre, obviously that content being available on that platform. But our earliest data does indicate that VOD is very much a growing usage bucket, if you will, for programming for consumers.

Thomas William Eagan
Analyst, Telsey Advisory Group LLC
Q

Great. And for Megan, when Facebook came out and corrected their metric, the ANA later came out and asked them for MRC accreditation. So, I guess my question is – that's a very difficult process as you know – might you guys work with Facebook to help them create a product that could facilitate accreditation?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc
A

Facebook are both a partner and a client for us. What we're focused on is MRC accreditation of our measurement because we have a third-party independent measurement provider. And Facebook acknowledged that. So they appreciate the fact that we have MRC accreditation, and they use that to bring that to their environment. So in terms of us helping them to get MRC accreditation, I would switch them to focus on an MRC accredited system, which is Nielsen.

Thomas William Eagan
Analyst, Telsey Advisory Group LLC
Q

Right.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc
A

There's one in the back.

Q

Yeah. Just a couple of questions on Total Audience. Again, in terms of the distributors, so one can read and [indiscernible] (03:37:15) that you only have 22% of the cable company [ph] as it looks (03:37:19) lined up for this? Is that – I assume that it's ramification of them trying to collect the tax for the advertising that goes to the new technology. So, how much of a hindrance is that to getting broad adoption. And then, I assume that you have – we met with all the new, over the top providers for [ph] life (03:37:39), like Sling and DirectTV Now, and that their [ph] VOD use (03:37:44) would also be captured. Wonder if you can address that. Thanks.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

[indiscernible] (03:38:45).

Jessica Ruggeri Hogue
Senior Vice President, Product Leadership, Nielsen Holdings Plc

A

So, I think I understood the question. Just in terms of distributor usage, you mentioned ad measurements, and so I think the slide specifically talked about their uptake of the [ph] STK (03:38:57) to enable crediting of linear eligible ad measurement. So, yes, so we have five that are cooperating with us, and I think obviously where we've seen network clients prioritizing and underscore the role that measurement plays in having that coverage. So, we've seen those cooperatives want to be measured, and increasingly, we'll continue to have those conversations as well.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

So, I guess, it's always been a matter of the pressure coming on them from the broadcasters as well. Because now that Total Audience is in play, there's this realization that we can measure content on digital devices that has a linear ad load. And as I said, we're seeing a broader and broader adoption of networks take that up to implement the codes so they can actually get credit for that viewing of their digital assets that carry C3/C7 qualifiable ad load. And so, we're just seeing that intake be picked up over time as some sort of realization occurs.

Lynda M. Clarizio
President, US Media, Nielsen - CDW Corp.

A

And these vertical virtual MVPDs that you're referring to, I mean, they're all clients of ours and we're seeing a lot of interest, growing interest in them participating in Total Audience.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

A

Okay. Great. I think we've got time for one last very quick question in the back.

Q

Thank you. [ph] Anthony (03:39:29) [indiscernible] (03:39:30). I just want to try – yeah, I'll try to make it quick, but just trying to understand as best as possible how far away we are from this Total Audience metrics being something that's in high demand from your clients in and of themselves to really being the currency upon which TV and digital ad buyers and sellers transact?

So, you mentioned the MVPD as a qualifiable credit. I'm wondering at what point does the TV world adopt it more ubiquitously and then is there an analogy here on the digital side? So, do the digital players like the Facebooks, like the YouTubes, ever agree to move away from the sort of create-your-own-home or first-party data way of operating to moving towards TAR, Total Audience Ratings, on the digital side in a more widespread way? Yeah, that's my short question.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

That's a short question. I'll give you a longer answer. So, the first part of the question, in terms of demand from our clients – our clients have been demanding this for some years in order to have third-party independent measurement of all of their programming because as I said before, the TV ratings are becoming less and less reflective of that. So, there is no shortage of client. Every single client that gets in front of us wants this.

It's about how do they implement for it and what priority do they put on the implementation of it so that they can strategically utilize it. So, there is no shortage of the demands for this in the industry. And only Total Audience enables them to do this. In terms of trading, Facebook and Google are clients today. They do implement Digital Ad Ratings across their own advertising.

And so, this notion of grading your own homework has become less and less of a point because they've had the pressure being put on them by the advertiser to actually have third-party measurement across their platforms. We've seen this in a number of times. We saw with Unilever; Google, some years ago; we see it more and more with P&G now that P&G is a [ph] DAR (03:41:45) client. So, this pressure from the advertiser for a third-party independent measurement will continue to come and will continue to get in the way of media owners grading their [ph] home (03:41:55) homework.

We see that on the advertising front for the digital publishers, but we see it as well on the TV side, where walled gardens are being put up to try and grade homework where there's audience buys. I was talking about that before in the presentation. And the need from the buyers and the sellers to have Nielsen come and be a third-party validator of that audience buy is stronger today than ever. So, I feel incredibly – we feel incredibly confident that trade will continue to happen on both C3/C7 and [ph] DAR (03:42:31), and Nielsen will be at the heart of that trade.

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

A

Great. Thank you very much.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Cheers.

MANAGEMENT DISCUSSION SECTION

Sara Rebecca Gubins
Senior Vice President, Investor Relations, Nielsen Holdings Plc

We welcome back Mitch Barns.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

Okay. Just a few minutes and I have a couple of closing comments, and then I'm looking forward to talking with as many of you as possible in our Nielsen Interactive Exhibit area. But before we go there, a few closing comments.

First, in our Buy business, I want to just reiterate, emerging markets continues to be very solid, high single-digit growth. Developed markets, 2017 will be a bit of a transition year, in particular for our U.S. business. But it's a transition that leads to a stronger, higher margin business. And as Steve Hasker showed with his slide, it's not only a stronger higher margin business, but the way we're going about navigating through that transition, it's a transition that takes us to a much bigger pie of opportunity. So, it's going to be well worth it. Certainly, well worth it for us, we believe well worth it for all of our investors as well.

Our Watch business, 2017 will be our 75th year in the audience measurement business, and we are just perfectly positioned, poised to play a big role firstly in the upfront in 2017. But also, look, we're going to be able to contribute to our client's business, both the traditional media conglomerates, the digital world; the players on both sides of the buyer and seller table – the entire ecosystem. It will be a year of growing and significant impact for our Total Audience Measurement program.

You're also going to see our Watch – Total Audience Measurement framework start to play a bigger role, feeding into our Connected System. We get – highlighted that for you in that slide. It will be a little bit through the capabilities of our marketing cloud. But just very simply put, the Watch assets are a big differentiator for us on the Buy side of our business, in particular in developed markets where our clients do have small alternatives.

But none of those alternatives, none of those alternatives in developed markets for our Buy side clients, the fast-moving consumer goods companies include the kind of Watch assets that we can bring to bear and having them flow through that Connected System, helping drive better performance for our clients.

In these challenged markets, markets that are challenging for growth, in particular for the biggest global players, this is really one of the next big and great opportunities for our company to pursue. Let me just move this stool. I'm about to fall backwards. Yeah. Should have done that when I got up here. Why did you put that there, Sara?

Finally, I touched on it earlier when we began the morning the three key messages I hope you walk away. I wanted just take one more shot at them so that I have double chance that you're going to remember them. First one, fundamentals of our business, they remain the same. This is the same Nielsen, as Jamere said. Independent third-party measurement, its unmatched global footprint and syndicated scalable business model that produces that margin leverage that enables us to invest in our future growth and return cash to our shareholders.

Second, we have a crystal clear understanding of exactly what our clients want us to do, where they need us to go, and that is what gives us confidence that we have the right strategies, the right three big strategic bets that you've heard a lot more about today. Yeah. Connected System, that's the next big one, the Total Audience, Nielsen Marketing Cloud – these are going to continue to develop and grow in their impact.

And third is that all three difficult and challenging and complex and ambitious programs: Total Audience, Nielsen Marketing Cloud and the Connected System, but hopefully you've seen us demonstrate, especially through Total Audience development over the last couple of years, that we have a proven ability to execute on big, challenging programs.

Did you hear what Megan said? She said not only have we executed but, through it all, we've also brought out more than 100 new features to our Total Audience measurement system during the course of 2016. And it's unbelievable. I saw what that team, our Nielsen team, had in front of them when they began 2016. Frankly, I would have been happy if they had accomplished two-thirds of it. Three-fourths of it, I would have been ready to sing their praises. It delivered on virtually everything and then some, 100 new features, just stunning.

And I'm extraordinarily proud of them. And by the way, it's that same team, that same talent in our organization, that now turns its focus, not away from Total Audience, but again turns its focus to the next big challenge, and that's our ability – or our opportunity, really, to execute on the delivery of the Connected System for the Buy segment of our business.

And look, I'm confident. I'm confident we're going to be able to do it again. Why? Because, as I said earlier, we have the talent, the teamwork, the grit – I love that word. I love that quality in people. Ultimately, we have the leadership culture required to do it. And that is ultimately the source of my confidence. It's the people of Nielsen, not just the people you've seen up on stage here, this morning, or the people you'll be able to meet after we finish in a few minutes here at the Nielsen Interactive Exhibit area, but really the teams that support and are behind all of these people as well, the people all across Nielsen. That's what gives me confidence.

So, one final thing I just want to touch on before I wrap it up here. Hopefully, we've made it crystal clear for you on the Buy side of our business, how we think about analytics as part of our portfolio. Analytics will be as, in fact, even more important in our business in the future as it ever has been in the past. I hope you go away with that crystal clear understanding of that. And then, also we have great analytics capabilities that already are producing strength and growth for our business, including in the United States.

As Michael Terpkosh said, it's not about analytics, whether or not they're going to be important in the future. There's no doubt that they will. In fact, they play an even bigger role. It's more a question of, what type of analytics? And I think he said it best, Michael Terpkosh from SUPERVALU. He said, it'll be less about the kind of analytics that help you figure out what to do next year. It'll be much more about the kind of analytics that help you figure out what to do two weeks from now or next week, or maybe tomorrow. In other words, the everyday analytics.

And the more closely they are connected to the core measurement that our clients – that essential core measurement that our clients need to understand what's happening in their business, the more closely those analytics are integrated with that core measurement data, the more essential, the more valuable, the more useful that they will be.

So, that's Nielsen. Look, we have four core values that we talk a lot about internally. Our core values are open, connected, useful and personal. You've heard all four of those words today in various forms as our leaders have been up here on stage, talking about our three key strategic bets. You've heard us talk about how we'll have a much more open approach, open platforms, collaborative business model, that's what it's all – that's all about.

You've heard a lot more about how our products – not just our products, but also our people will increasingly be connected one to another. And that's all about making them more useful, both our people and our products. And ultimately, hopefully, maybe you didn't hear about this directly but hopefully you felt it in terms of the way we talk about and think about our business. And that is our fourth value that it's personal for us. Our leaders and our teams are incredibly passionate about what they do.

One of the best things about Total Audience is, as it's emerged inside of our company over the last couple of years, is how – and the people working on that Total Audience initiative, in particular, the product teams, they felt like they're working on the most important thing in the world. And if you talk to some of the younger people, in particular, in our company, who've had the joy of working on those initiatives over the last few years, man, they've had a ball. They've just had a ball because it's personal to them. Now, that same sense of feeling, that same booming energy is emerging in our company on the Buy side of our business around the Connected System initiative.

And we look forward to updating you on our progress on Connected System, our continued progress on Total Audience, and continued evolution in growth of our Nielsen Marketing Cloud on our future earnings calls and every other time that we have a chance to talk with each and every one of you.

So, with that, thanks again for joining us this morning. We look forward to talking more with you in the Nielsen Interactive Exhibit area. And we just appreciate it and thanks. Have a good day.

Sara Rebecca Gubins

Senior Vice President, Investor Relations, Nielsen Holdings Plc

The presentations have now concluded. Please join us downstairs for lunch in Nielsen Interactive.