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CORPORATE PARTICIPANTS

Megan Clarken
President-Product Leadership

Andrew Somosi
Executive Vice President-Product Leadership

OTHER PARTICIPANTS

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

MANAGEMENT DISCUSSION SECTION

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

[Abrupt Start] ...keep going. I'm Jeff Meuler, Baird's Information and Education Solutions analyst. Our next presenting company in this room is Nielsen, the leading measurement and analytics company behind what consumers buy globally and what media they consume. With us from the company is the President of Global Product Leadership, Megan Clarken; and its EVP of Product Leadership, Andrew Somosi; as well as Amy and Monica from the IR and Finance teams in the front row.

With that, I'll hand it over for a quick overview from each of them, and then we'll get into Q&A.

Megan Clarken
President-Product Leadership

Thanks for that. Good afternoon, everyone. My role at Nielsen is to look after Product Leadership for the watch side of our organization. And so that includes all of the currency metrics, but many other things as well. So I thought I'd just give you a really quick overview of the product portfolios that I look after. And note that this is a product portfolio, which is either in or expanding to over 30 markets around the globe, where we currently hold a privilege currency position for TV audience measurements. This is a disclaimer which I have to put up there, and now I'm going to quickly go past that.

Our product portfolio is a relatively simple one. You probably know us best for reach measurement, the measurement of GRPs, which is the currency measurement for media advertising. And that's really the last box on this diagram. We actually do a lot more than that and so, as we talk through today, you'll see that we take that measurement and we use it in many other places.

It starts for us by being fed back into the planning services, so now, we're back across the left-hand side of the chart here. We make that data available for all media owners and marketers to be able to plan their advertising

spend and we'll be able to see how they're positioning and competing against their this competition in the marketplace.

And then we go into an area of activation, which is a new area for us. It's an area that we've created into what we call our Marketing Cloud, and it came about through the acquisition of eXelate to respond to world of direct response or audience buying, so targeting. And where we provide measurement and had done traditionally for brand advertising, the big push for us today is to resolve for a world of targeted or audience size, where measurement becomes not just about the measurement of reach and frequency, but also the measurement of brand effectiveness and sales lift, and the ability to actually produce data whereby marketers can target, very specific individuals and to activate that buy through the eXelate pipes that goes straight into the ad servers, in which serve the advertisers to very specific individuals to their digital devices.

And then, we offer measurement on that environment. As I said, brand lift, sales effect or sales lift and then ultimately GRPs, reach and frequency by age and gender, and then all the data from that measurement flows back around into the cycle again. So, we have a broad suite of products that I look after, that respond to both brand advertising and more and more audience buying in a targeted dynamic environment.

I'm going to pass it across to Andrew, and he will take you through the buy side of our business.

Andrew Somosi

Executive Vice President-Product Leadership

Thanks, Megan. Good afternoon, everybody. My name is Andrew Somosi, and I lead the product teams for our buy side, which is our manufacturers and retailers. And I'll do the same. I'll give you a little bit of an overview of what we do. Very simply put, we're in the business of measuring and improving the market performance of our manufacturer and retailer clients. We do this in over 100 markets around the world.

And you can think of our solution as essentially having four components that are represented on this chart over here. At the very top, so we start and end always with what's happening, the measurement for our clients. And we continue to invest in all these markets to make sure that we're being as comprehensive possible. So, as many of you know, e-commerce, for example, now is an important channel for many of our manufacturers and we're making investments to be able to measure that. So, let's start with the what's happened.

The second piece of that is why, right? So, our clients spend a lot of time trying to figure out why their numbers, why their performance is changing, so they can actually make decisions and help improve that performance. So, we're increasingly automating the analytics to be able to accelerate the time to make decisions, either because of explaining how actions that our clients took or competitive actions or overall market trends are actually explaining why their share numbers have changed.

So, from what to why, and then increasingly we have been making investments to be able to help our clients go to the next stage, which means simulating and actually taking actions. And so, there are a set of products, many of them are software and services products that we offer around things like new product innovations and bringing new products to market, sales effectiveness which means, hey, where are my products distributed either in given stores or online, assortment change of the price and promotion and all of the advertising effectiveness, product and solutions that Megan had just referenced.

We do that ourselves, but increasingly we are much more open and we funnel our data off to the third parties, who might be providing solutions to our clients because we recognize that the fastest pace that we can deliver innovation to our clients could be also by making our data as widely distributed so that other people can build

applications on top of them. So, this is very much in the guise of – you're all familiar with the B2C example of iTunes, right, and having being able to build apps on top of the platform or salesforce.com in the B2B world.

Our aspiration, too, is we want to have our data running and coursing through as many different outlets as possible. Some of those will be our own improvement applications, some of those are going to be client applications and some of those can actually be third-party applications. So, that's the third piece.

Underpinning all this is our data exchange and one of the things that's most exciting to our clients about that is, one, how open it is, so the ability to be able to ingest, not just Nielsen or other third-party data and then the ability to be able to pump out the analytics again to those three environments, our own applications, client environments and third-party environments. And then two is the interconnections between all these things.

So, again, think of all this as one continuous improvement loop, that starts with the what, explaining to why, going to helping our clients improve, all supported with a flexible and dynamic technology infrastructure. And we do this again for our manufacturers and retailers in over 100 markets.

QUESTION AND ANSWER SECTION

Jeff P. Meuler

Robert W. Baird & Co., Inc. (Broker)

Q

All right. Great intro. The last couple of years at Investor Day, you've kind of shown boxes in terms of what you measure and then some empty boxes in terms of what you're still on the roadmap towards measuring, the grid. And it's been getting filled in, increasingly quickly. So, what's remaining in terms of major areas of media consumption that Nielsen is not measuring today?

Megan Clarken

President-Product Leadership

A

The good news is that we completed the build of Total Audience at the end of last year, which meant that for every box in that grid, so every type of area where consumers are accessing content or consumers are accessing ads, we're able to measure it. So, we're able to measure pretty much everything. So now, the ball is kind of on the publishers' side to get implemented and get the software implemented for measurement. And we've seen enormous progress in the last six or eight months around that. We said that we would bring Digital Content Ratings to market with its first syndicated release at the end of May and that happened.

And so, we now have participating publishers seeing each other's data for Digital Content Ratings. And our plan to bring total content ratings, which is the combination of their TV audiences with their digital audiences together into a syndicated product, is still on target to be released at the end of quarter three. And all of this is being underpinned by an infrastructure that is completed. So, we are able to measure everything, and through the course of this year, have been working with the publishers and content owners to implement the software to be measured.

Jeff P. Meuler

Robert W. Baird & Co., Inc. (Broker)

Q

Right. And any little uses, so I'm thinking like SVOD, out of home, any specific subsets that are not measured as well as you would like today?

Megan Clarken
President-Product Leadership

A

Well, the SVOD component has been interesting. As you know, the two biggest SVOD providers actually stripped the Nielsen watermarks off the content, make it very difficult for us to measure. The good news is that we are able to measure that content now through a form of signature matching, and we're measuring over 8,000 episodes of programming that's appearing through the SVOD providers that are stripping off the watermarks So, we're making great progress there.

Out of home, we have the PPM technology that enables us to do that, and through the course of this year, we're working on bringing more out of home measurement to our traditional TV ratings. The capability is there. Again, it's how do we introduce that data set into the ratings in a way that the marketplace will accept it and in the time when the marketplace is ready to see that ratings trend break.

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

Q

And then can you talk about the major improvements to the measurement and methodologies so more electronic, bigger panels, et cetera?

Megan Clarken
President-Product Leadership

A

Yeah. I mean, the core about TV measurement has always been the panel and earlier this year, we doubled the size of the panel. So, we went from 50,000 people to 100,000 people. We've introduced modeling methods that enable us to better inform demographics and marketplaces where we haven't been able to provide demographics to the quality that we do in our national markets. A

And we've replaced many markets, traditional diary services with electronic measurements through the getting of this year as well, which we'll continue to do. We also struck a deal with Dish a few months back where we'll introduce RPD data, return path data into the currency, again, at the right time and in the right format just to continuously make sure that the measurement that we provide for TV is the best that it can be, is the most granular that it can be. And it's able to account for an ever fragmenting media landscape. And so, we will continue to add to that business.

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

Q

Andrew, what can you do to accelerate or to increase the amount of revenue that we're generating in the buy business directly from retailers? Like what are some new products that you're creating that you sell directly to retailers?

Andrew Somosi
Executive Vice President-Product Leadership

A

Yeah. Look, so I mean, we have bucket of two kinds of opportunities, right. One of them is around doing more with our existing set of products and then new services that we have. I still think that we have quite a ways to go even in terms of our core measurement, the market measurement for our retailers who care really about understanding their performance relative to their competition.

And secondly, very, very important is what's happening online, right. So that omni-channel view is incredibly important, and so the advances that we're making in market measurement for e-commerce are very, very

important to the retailers. We provide e-commerce measurements already in six markets around the world going to 10 by the end of the year including the U.S. and that's incredibly important for the retailers.

Now that in and of itself is nice and it's important, but they also want to understand like what do I do with this, how can I improve the performance that I have, and so some of the newer services and solutions that we offer are around exactly that. So, for example, there is an enormous amount of pain point in dealing with the sheer amount of digital assets related to taking all those UPCs and putting them online and maintaining them in a consistent basis, so that if somebody goes shopping online on a retailer site, it's a compelling consumer experience.

Well, we have a solution that actually helps manage the digital assets so, literally, the pictures, all of the data that you might see about sort of [ph] diapers (13:16), for example, on [indiscernible] (13:18) we manage those and we help maintain those and create a collaboration actually between the manufacturer who might create the product and the retailer who might be selling it online.

So again, the emphasis both on continuing to increase the value of the core measurement services that we provide but, at the same time, our aspiration is much more also to go into the performance improvement line and helping our retailers and our manufacturers, the new services that helped and really captured the full value of where the market's heading like in e-commerce.

Jeff P. Meuler

Robert W. Baird & Co., Inc. (Broker)

Q

Okay. And then in terms of getting data from e-commerce providers, can you talk to the Alibaba partnership? And then in the U.S., how important or critical those have become over time that Amazon contributes the data or what do you do as an alternative?

Andrew Somosi

Executive Vice President-Product Leadership

A

Yeah. And again, back to the 10 markets, right, so the structure that we have in our markets are a little bit different, right. In China, you referenced Alibaba, there are three or four major players like Alibaba that we work with in various ways. As a general rule of thumb what we found so far is that to create a scale approach. We use multiple sources, so sometimes we will use the straight point-of-sale data from our manufacturers to the extent that they provide it.

In some other cases, we will harvest to the tunes of millions of records of directly sourced data from consumers, that could be e-mail receipts, for example, that we will then decode and put into our systems. At times, we will also scrape data or use third parties of scraped data. So we'll use a variety of ways. The fact that we in a – given the market, we may not have cooperation, that doesn't necessarily stop us. So, for example, use example of Amazon in the U.S., we would love Amazon at some point to become a full cooperator. They do cooperate with us and work with us in a number of other business lines. But we have – are launching that service in the U.S. that's going to cover e-commerce measurement even though today Amazon does not participate.

How do we do that again? So we leverage multiple sources. We use our own existing Homescan Panel. We've developed a secondary panel that gets us deeper into Amazon-specific data. And then we use third parties who harvest to e-mail receipts from hundreds of thousands of consumers that creates millions of records back to us. And we're able to put that together and deliver to our clients a visibility on e-commerce performance that includes Amazon, that is consistent between online and offline. And I think both on the watch and buy side, one of the most important and differentiated value propositions is our ability to provide consistent views of the market independent of whatever channel that might be.

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

Q

Okay. Megan, the currency redefinition conversation is a complex one, with potential winners and losers. Just any update that you can provide, and other deliverables that the market is still asking Nielsen to provide it with or significant refinements to what you're providing today?

Megan Clarken
President-Product Leadership

A

So the conversations are underway, and they are very complex. We're in negotiation between the buy side of the market and the sell side of the market. And so they continue to happen. They are progressing really nicely. So we're pretty happy with where they are and what we like, you said, the data coming out of the total content ratings is starting to instruct some of those conversations. And it's starting to inform the conversations in a way that it was difficult for the buy and sell side to have those negotiations without actually having access to data to be able to prove points to each other.

And so that's now coming through, and I feel as good as we did going into this year about this year being pivotal to getting agreement between the buyers and the sellers to a redefinition of C3, C7. I think there's a couple of levers that are sort of playing themselves out. One is the time shifting, so total content ratings is definitely showing that audiences are progressively getting bigger post that seven-day period. So there's a lever in which the sell side has to play with.

Dynamic ad insertion, so the fact that today's ratings do not allow for any type of content to be included, that has had a change in those ad loads. We can see that there's flexibility in it, open that up to having some array of changing ad load because of the nature of digital now lends itself nicely to being able to dynamically enter.

And then also some of the other rules that are relevant to digital, not as relevant to TV like viewability, finding sort of a common ground to be something that is shared across both a TV screen and a digital device. And finding a commonality there, I think, is one of the other levers that is being played with. But all of these things are doable from a measurement perspective. We're looking for sort of our matching orders from the buy and the sell side negotiations to go and adjust C7 or C3, or whatever that metric is accordingly, and those conversations are playing out pretty nicely.

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

Q

So, there's obviously a lot of fragmentation. You say fragmentation's your friend. Ultimately, do you think that you're going to provide the industry with some sort of metrics where it's C3, C7, C28, or whatever it is and then across the other axis is some of these other factors, but it will be transacted off Nielsen or will it still kind of narrow itself down to a couple or a few metrics that will serve as currency?

Megan Clarken
President-Product Leadership

A

Look, I think, it's about simplicity. I think, as easy as we can make it for a guarantee metric, the better for the entire industry. That it is one measurement for linear content, and another measurement for dynamic content, but that there's only one or two things that can be brought together in a comfortable way to produce a Total Audience metric is the key here. I don't think that there's an appetite for 10 or 20 different numbers. I don't think there's an appetite for much more than one but settling in on that one is what we're laser focused on. And it is an evolution.

It's an evolution to what has been there in a very complex environment to make sure that we can in the most simplistic way be able to provide single metric per guarantee.

Jeff P. Meuler

Robert W. Baird & Co., Inc. (Broker)

Q

And given the desire for simplicity, is there any conversation between the buyers and sellers about a competitor, comScore-Rentrak combination, being in the conversation for what the industry is looking for or are they not even part of the conversation for currency?

Megan Clarken

President-Product Leadership

A

Certainly not in the conversations that we've had with the industry. And I think, I think testament to that is, how long it takes us to change currency, how long it takes us to introduce any kind of change the numbers, how long it's taking us to allow it to have the marketplace allow us to turn Digital Content Ratings onto a fully syndicated product, which include getting the content out, getting the numbers out, to the agency space.

It's testament to the fact that the industry sees this as important as currency and as something that they want to absolutely know that they're very clear and comfortable about before these numbers are exposed to the entire industry. So, certainly, the conversations that we have are all about how does Nielsen provide the industry with a guarantee metric which is relevant to today's consumer.

Jeff P. Meuler

Robert W. Baird & Co., Inc. (Broker)

Q

Okay. And then a question via e-mail from an investor, regarding Nielsen Marketing Cloud, saying it's a step-changing strategy. What's the go-to-market? Do you have the right call points with your customers and sales infrastructure to support this?

Megan Clarken

President-Product Leadership

A

Yeah. The Marketing Cloud is a response to a world of targeted advertising or audience buys. It's a way in which we can bring all of the assets that we have across both watch and buy into one place, and better inform marketing decisions. It provides software that marketers can use to gain access to that content, gain access to knowing whether or not they're going to reach the target audience that they're looking for and what that means to their advertising campaign and actually place that or generate that buy and be measured.

It's a one-stop shop, and we think we have some key differentiators that nobody else has in this space. The quality of the data set, the relationships that we already have with the marketers and the fact that we know what software, we know what questions they have, we know what tools that they need to be able to better do their jobs. And we think that that's the asset that we have, a compressive asset that we have, and so it makes sense for us to surface that through the Marketing Cloud initiative.

Jeff P. Meuler

Robert W. Baird & Co., Inc. (Broker)

Q

Any audience questions? Within the buy emerging markets business, you're now in all of the major countries. So, what are kind of the next stages of investment in terms of granularity?

Andrew Somosi

Executive Vice President-Product Leadership

A

Yeah. So I mean, a couple of things. I mean, not all of our emerging markets are the same, right. So in certain markets like Mexico where there's already a considerable share of the market that's going to modern trade, really our goal is to be able to scale some of the investments and technologies that we are leveraging in our developed markets, and bring them there that are really creating and pushing the needle forward in markets like Mexico, markets like Brazil, markets like Turkey. And so it's taking from the best of breed that we have in developed and bring it to those markets when the share of trade moves from being very, very high traditional trade, to be more modern trade, modern trade being supermarkets, online and so forth.

In other markets that are more – needs to more developing, we actually have the first set of problems that we are solving for our clients. So, for example, we are increasingly using developing products that leverage technologies like satellite imaging to really be able to pinpoint, for example, for a large manufacturer, where in a joint metropolis like Mumbai, where are the greatest pockets of opportunities and otherwise, be really, really difficult to figure out, otherwise simply the infrastructure is not there to solve it.

So, those are the two big kind of ways we're thinking about it. One is, we're leveraging our technology from developed markets when we see that our market is ready to make the switch over and looking more and more like a developed market. And then in more emerging markets, it's leveraging different kinds of technologies to either get greater visibility into where there is real opportunity for our manufacturers or even if it is just making that card business that we have more efficient using technology.

Jeff P. Meuler

Robert W. Baird & Co., Inc. (Broker)

Q

Where are you guys making inroads into Digital Audio? It seems like that's kind of on the slow-go since the acquisition of Arbitron?

Megan Clarken

President-Product Leadership

A

Well, the good thing is that we launched the Digital Audio service, I want to say about six weeks ago, not that long ago. We're now collecting digital exposure data from about 2,600 stations. And we're extending that onto the traditional linear measurement that we have for audio. It's new. It's sort of early stages, but it's been part of the Total Audience strategy all along to extend traditional, be that TV and video, be that audio, radio, will be that text into digital. And so we've made some really good inroads into that with audio in the last few months.

Jeff P. Meuler

Robert W. Baird & Co., Inc. (Broker)

Q

And then, Andrew, on the buy business in developed markets, what are the two or three most important factors to driving sustainably higher growth in that business?

Andrew Somosi

Executive Vice President-Product Leadership

A

I mean, as you heard from Mitch Barns and others, our big bet is the connected system, which you're seeing really here. And really, the key differentiators that we're leveraging here is along, the openness of the platform. It's probably one of the most -- things that our clients are getting most excited about is that they recognize there's enormous amount of data out there, Big Data as they call it. But what they're really interested is not the data itself.

It's how to make better and smarter decisions, right. For all the constituents in the enterprise, right, there are marketing people, there are salespeople, there are R&D people, finance people.

And so our platform, number one, is open in the sense that we can push information in intelligent ways to their applications. And then secondly, it's the connectedness. So what that really means is, historically, we've had a lot of great applications that serve a lot of different constituencies. The system, the connected system that worked in the midst of developing right now, the second key differentiator in addition to being open is that it ties together those different software and data applications that we have.

So the nice thing is, when a client's buying one thing from us, and then the second thing from us, and the third thing from us, each of those incremental products or services, they buy will create incremental value, right. It's getting the entire enterprise to use one Nielsen playbook, because that's kind of what we're most excited about.

Jeff P. Meuler

Robert W. Baird & Co., Inc. (Broker)

That's all the time we have in this room. Please join me in thanking Megan and Andrew for the presentation. And they will be available for a follow-up questions in a breakout session.

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