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# EDITED TRANSCRIPT

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## CORPORATE PARTICIPANTS

**Steve Hasker** *Nielsen Holdings plc - President, COO*

## CONFERENCE CALL PARTICIPANTS

**Toni Kaplan** *Morgan Stanley - Analyst*

## PRESENTATION

**Toni Kaplan** - *Morgan Stanley - Analyst*

All right. So, we're doing to get started. Good afternoon, everyone. I'm Toni Kaplan, the business services analyst at Morgan Stanley, and I'm pleased to have with me Steve Hasker, President and COO of Nielsen. And Amy Glynn for IR is here as well.

Before we get started, I just want to let everyone know that all important disclosures, including personal holdings disclosures and Morgan Stanley disclosures, appear on the Morgan Stanley public website at [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures) or are at the registration desk.

So, just a bit of background on Steve. He's overseen the development of total audience measurement as well as marketing effectiveness at Nielsen. So, before becoming COO in January of this year, he was President of global product leadership, and before that oversaw the watch business.

So, Steve, thanks so much for being back with us this year.

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**Steve Hasker** - *Nielsen Holdings plc - President, COO*

Thanks, Toni.

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**Toni Kaplan** - *Morgan Stanley - Analyst*

In December, you were named Global President and COO, and so just wanted to find out what are your new priorities? What are you most excited about in the year ahead?

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**Steve Hasker** - *Nielsen Holdings plc - President, COO*

So, look, we're focused on a couple of things. The first is total audience, so just ensuring that, now that that's built, now that that's launched, that two things happen. The first is more and more clients, both TV networks and pure play digital video providers, use it and they're instrumented for it, start seeing the data and eventually start trading on it.

And the second thing is that we continue to facilitate a process across buyers and sellers to update the C3 and C7 audience currency -- national audience currency metrics, if not for this 2016 upfront then for next year's 2017 upfront. We've built the product. We're certainly ready for this year, but if it takes to next.

So, that's the first set of initiatives. It's very much around total audience. And the second is to enhance our buy-side core product. So, we measure sales of the consumer packaged goods in 106 markets around the world. And that data is integral to the decision making processes, the incentives within consumer packaged goods companies and within the retail community.

And there are a couple ways in which we're expanding that product set and enhancing its value. The first is expanding its coverage to include new channels like e-commerce. And we've made some announcements in recent weeks about that.



And the second is to make that data more actionable. And there's a pretty simple playbook we're applying to do that, which is to take that dataset and to link it to three sets of explanatory variables we have.

First is we have the world's leading set of products around measuring product innovation success. The second is we have a unique position in measuring marketing effectiveness as a result of our watch position. And the third is we have invested over the last five or six years in various analytics products around the in-store execution price promotion assortment.

And the plan is to have that retail market share metric that everybody uses be not only a measurement of what happened but also why it happened. We've put together a prototype. That prototype is built. We're showing it to clients now. We've been in and around the marketplace for a month or so with it. And we're pretty excited about where that might lead us.

So, those are really the two things. It's very much product initiatives first and total audience, and the second is what we're calling total consumer and that connected buy system.

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**Toni Kaplan** - Morgan Stanley - Analyst

Great. And just fitting it on total audience and the upfronts, which you mentioned, how should we think about what success looks like? So, is there a certain target, or like how would you view success for total audience this year?

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**Steve Hasker** - Nielsen Holdings plc - President, COO

I think we're already feeling very good about total audience. We're feeling very good about the reception that the product's gotten and, from our perspective, the stability and robustness from the product and its various forms, the content ratings, the ad ratings.

So, I think really for us we're very focused on working side by side with all of our clients to get them instrumented, many of them now are, and to work on interpreting and analyzing and using the data. And a great many of them, we're now in those conversations.

They're looking at the data on a daily basis. We're going through that data. And so, it's really just a case of rolling through that process and being I think structured and thoughtful and helpful to clients as they think about migrating from a C3-C7 type of metric to something that is broader in its definition.

The industry will determine that. We won't determine that unilaterally, but we're trying to be -- both facilitate that process and be as helpful as we can be.

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**Toni Kaplan** - Morgan Stanley - Analyst

Great. And then, just in terms of pricing for total audience measurement, I think you've spoken about how it's being -- it will be embedded in the contract. Is that the optimal pricing? How should investors think about what kind of price uplift that you've gotten?

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**Steve Hasker** - Nielsen Holdings plc - President, COO

Yes. So, we have a business model that's sort of predicated on long term, multiyear contracts with price escalators built in. We like that.

It enables us in any given year to write our operating plans in sort of October-November timeframe with at least -- visibility to at least 70% of the revenues going into the next year. And that's something we're used to. It's something we like. It enables us to be very efficient around our capacity planning and our capital planning.



And with something like total audience, we view that as a significant enhancement to the value we're providing to clients, be they TV networks, digital publishers, agencies, or even advertisers. And what we try to do is to build that value into the contracts as and when they're renewed.

So, what you don't see from us is sort of a sudden uptick in revenue or price in any one year. What I think you have seen over the last couple of years and will continue to see is a nice healthy sort of build into those contract renewals.

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**Toni Kaplan** - Morgan Stanley - Analyst

Okay, great. And then, one question I get a lot is, with TV growing at sort of a slower rate than digital, will that ultimately result in sort of a deflation for the ops, or no because of that contract structure that you just mentioned?

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**Steve Hasker** - Nielsen Holdings plc - President, COO

Well, I think a couple things. Firstly, the answer is no. We're I think a very compelling hedge to sort of some of the disruption and dislocation that's occurring in consumption behavior and ad spend and subscription spend because we measure consumer behavior.

So, no matter where a consumer is watching video or listening to audio or reading text, we have the capability to measure that and to use that data for the benefit of the buy and sell side no matter which particular part of that ecosystem they may more heavily represent.

And we're starting to see the results of this with -- you may have seen the announcement last week with Snapchat. We've been partnering now for a period of time with Facebook, with Google. And so, we're seeing just as much uptake of these new products from the pure play digital providers as we are from the TV networks who are pushing heavily into digital distribution in its various forms. So, that's the first thing.

The second thing is this is an evolving landscape. Consumers, for example, continue to consume more video. They continue to spend more time in each week consuming media. And while we saw I think a bit of a growing sentiment that, from an advertising standpoint, all of the upside was in digital and perhaps not as much in TV, I think what we're starting to see is some health come back into TV advertising.

This market has rebalanced a little bit. And importantly from our point of view, marketers get data that shows on a level playing field, like-for-like, apples to apples, viewing of programming on TV -- on a TV screen and viewing the programming on digital screens in its various forms.

So, A, we're I think a really nice hedge no matter how consumer behavior plays out and how the revenues follow that consumer behavior or not. And secondly, it's a bit more nuanced than perhaps some of the headlines would suggest when you dig beneath the data and look at who's winning and who's losing.

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**Toni Kaplan** - Morgan Stanley - Analyst

Sure. Great. And I think this question sort of leads -- that leads into this question, which is does there have to be one currency across TV/digital, across media consumption? How do you look at that?

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**Steve Hasker** - Nielsen Holdings plc - President, COO

Well, I think it depends a little bit on how you define it. We have always believed and continue to believe that the media market is much more efficient with a single measure of audience reach.

If you look at marketplaces that have one single independent third party currency, and you look at their underlying growth rates and you compare those to markets that either have multiple currencies, no currency, or a captive currency, the growth rate of the marketplace with a single independent third party currency is higher unequivocally. The facts suggest that.



So, we believe that the market operates better, more efficiently, and to the benefit of the players where there is one referee on the field, not multiple, when it comes to reach, which is how many people saw a particular piece of programming or advertising.

Where I think there is room for many metrics, whether you call them currencies or not, is around the ancillary metrics on top of that. So, what was the effectiveness of the particular ad? Did it drive brand recall, purchase intent, likability? Did it drive more product purchase? Did it drive more social commentary and activity?

I think there's room for multiple players. I think there are multiple players in those spaces today, including us, and there will continue to be. But, it's very hard to get away from the need to have a starting point which tells you how many people saw a piece of content upon which everybody can then build their different metrics.

And this is one of the reason we bought eXelate, one of the reasons we've invested heavily in APIs and multiple forms of distribution of that data, to make sure that it is more easily used by buyers, sellers, agencies, other research companies and analytics companies. We want to make sure that that rich dataset is the -- continues to be standard as the world goes cross platform, and that it's increasingly usable data.

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**Toni Kaplan** - Morgan Stanley - Analyst

Great. And then, have you seen any change just given the ComScore/Rentrak merger? Any sort of discussions with customers going differently?

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**Steve Hasker** - Nielsen Holdings plc - President, COO

No. No, I haven't. I mean, I think customers, particularly some of our more traditional TV clients, would always like the idea of an alternative when they come to renegotiate a contract with us. So, there's probably a predilection toward cheering on a competitor no matter at what stage that competitor sits. But, we haven't seen any material change, no.

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**Toni Kaplan** - Morgan Stanley - Analyst

Okay, great. And just moving on to marketing effectiveness, really strong growth last year. How should we think about the long term drivers of that business? I think you're guiding to 15% to 20% constant currency growth again this year. So, how should we think about beyond 2016?

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**Steve Hasker** - Nielsen Holdings plc - President, COO

Yes. I mean, that's certainly the growth rate we've experienced over the last period of time, and we see that continuing. We don't see any reason to come off of that. In fact, we see it continuing into the -- well into the future.

So, why is that? Well, I think the answer is sort of given by what it is. So, the first thing, that marketing effectiveness for Nielsen is selling our watch data in its various forms, reach, resonance, reaction, reach and effectiveness data to advertisers where previously we were focused very much on selling it only to media companies. That's one source.

The second is to take that watch data and to combine with buy data. And we have the great luxury of having huge datasets on both side of that equation. If you take media exposure and purchase information, you put it together, you can inform the ROI of spend. That's the second form.

The third form is to use the eXelate asset, the data management platform and the increased data that comes through eXelate, and to become the platform that sits underneath a lot of the data analytics within our clients, both watch and buy. And we're seeing that as a great connectivity and way to connect media companies with advertisers directly.



And the fourth is it sets us up to have a set of conversations with advertisers, chief marketing officers, brand managers at a set of clients with whom we previously didn't have any relationship.

So, we've been very focused for the better part of 93 years on one or either of CPG manufacturers, retailers, and media companies. And this enables us to talk to financial institutions, quick service restaurants, insurers, you name it, automotive manufacturers, because we have data on the effectiveness of their marketing campaigns.

So, through those three or four new vectors, that adds up to the 15% to 20% growth. I think we've just scratched the surface, and we see lots of upside.

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**Toni Kaplan** - *Morgan Stanley - Analyst*

Great. And you've spoken about using more set-top box data than in the past. Where are we in that process, and what should we expect in terms of the strategy going forward with that?

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**Steve Hasker** - *Nielsen Holdings plc - President, COO*

Yes. We've stated that we've built this sort of total audience system which is a combination of very, very high quality, in-person recruited, truly representative multi-device panels, with the best of breed big datasets like the Facebook registration database.

That is the underpinnings of our business. That's how we measure all digital impressions and its census measurement, combining the panel -- combining a census measure of the number of eyeballs to a content and using the Facebook and other big datasets to measure the demographics.

The area where we have not yet used big data is in our core TV ratings. We used the panel. The panel is representative. We continue to expand both the size, breadth, and depth of that panel to make sure it ensures its accuracy. What we would like to do is to supplement that with big datasets like return path data from MVPDs.

And we will do that when we see the data at sufficient quality, firstly; secondly, delivered in a timely manner. So, we produce overnight ratings and we'd like to continue to do that. And heretofore the cable companies, for example, have not been able to deliver that data on a daily basis.

And lastly, we want to make sure it's economically viable. We want to fold it into the set of economics that we have around that business today.

So, I am optimistic that we will do that. I'm optimistic that we'll do it sooner rather than later, but I don't have a timetable today.

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**Toni Kaplan** - *Morgan Stanley - Analyst*

Okay, great. And you mentioned Snapchat a moment ago. Basically they chose to use Nielsen's Digital Ad Ratings product. What made them decide that the DAR was the right product? And are there other large mobile platforms that currently using third party ratings and potential for that business?

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**Steve Hasker** - *Nielsen Holdings plc - President, COO*

Well, certainly I don't want to speak for Evan or Imran or anyone at Snapchat as to why they made the decision they made.

I think our proposition is built on a couple of different parts. One is that our digital ratings are exactly comparable to our TV ratings. So, for example, an ad salesperson at Snapchat can now go into the marketplace and describe their audience in a way that's comparable to a TV audience. I think that's a compelling proposition.



I think secondly the system we've built around DAR and content ratings and total use ratings is extremely robust, no matter whether it's a huge advertising campaign or a very, very targeted one, and the data is extremely accurate. It comes out every day and is the basis on which more and more advertisers are demanding audience guarantees and more and more publishers are offering them with great confidence.

So, again, I won't speak for Snapchat, but I think that's the basis. And certainly, when you look at the major mobile video providers, being Facebook, being Google and Snapchat amongst others, they're all using our product set. So, I'm sure there are others who aren't, but the major ones are using it.

And I think they're seeing great benefit in terms of the confidence that that gives advertisers, that they're accountable for their results and those results are comparable to places in which very significant amounts of the total marketing spend is being spent, such as TV.

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**Toni Kaplan** - *Morgan Stanley - Analyst*

Great. And you acquired eXelate about a year ago, actually tomorrow. Can you talk about what you've achieved in year one there and what you're focused on as you go into this year?

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**Steve Hasker** - *Nielsen Holdings plc - President, COO*

Yes. So, we looked at various sort of data, digital data and digital data integration assets for a period of time leading up the eXelate acquisition. What we liked about eXelate was three things.

One, they have an enormous repository of data as a result of all the work they've done over the years which shows consumer propensity to behave in certain ways, purchase behavior, media exposure data. And so, we liked what that asset would add to our various datasets, firstly.

Secondly, eXelate had built a very compelling machine to integrate disparate datasets, so to take some media exposure data and some purchase data and put it together, and in fact were doing quite a lot of work for us prior to the acquisition in that area. And we liked the team. We like the way they did it. We trust them. And so, that was a plus.

And then thirdly, what Mark Zagorski and the eXelate team had done very well was build very significant piping into the programmatic buying and selling ecosystem such that all of their data seamlessly fed demand side platforms, demand management platforms, and trading desks and so forth. And we had not built that, and so we wanted to get hold of it and we wanted to utilize it.

So, since we acquired, we've seen I think three things. Firstly, from a financial standpoint, we like the look of what we're seeing.

Secondly, we're able to launch a couple of new products. So, we're able to take our media exposure data with some auto purchase data that eXelate had had and launch a new product on the basis of that which has gotten good traction. We're also able to pipe many of Nielsen's datasets into that programmatic ecosystem in ways we hadn't done before.

And then last but not least, more and more advertisers and media companies are sort of trying to work their way through what should their data strategy be and what should their data integration platform be. And the ownership of eXelate has allowed us to have a real seat at the table in those conversations and in many cases win that work, and in those cases then be able to directly link our buy-side clients with our watch clients on that platform.

And we do that -- we'll do that brand at Nielsen. We'll do that brand at eXelate. We'll do that white labeled with clients. And so, we're not the only player in that space, so I wouldn't every suggest that we will become the only player in that space.

I think there are lots who come at it from different ways. But, we come at it with a pretty unique proposition, which is with truly unique datasets and the ability to integrate those datasets. And so far so good.



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**Toni Kaplan** - Morgan Stanley - Analyst

Great. I'm going to ask one more question before we open it to the audience just switching to the buy-side. We can't have this conversation without talking about it at least once. So, last year we saw some consolidation across the CPG space. How does that impact your business?

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**Steve Hasker** - Nielsen Holdings plc - President, COO

Look, it doesn't really. I mean, our business, it operates in 106 countries and we have vibrant and viable businesses. We've got sort of the major multinationals that have seen some of that and driven some of that consolidation, and also what we call the local giants in markets like India and China and Turkey and Indonesia and so forth.

And so, when you look across the entire portfolio, we're pretty nicely diversified between the local and the multinational. And if some of the multinationals have spun out a clutch of their brands, they've spun it out to other Nielsen clients. And so, that dynamic has been pretty healthy.

I think what everyone's looking for is growth. And certainly we've got some very interesting analytic capabilities to help drive that growth.

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**Toni Kaplan** - Morgan Stanley - Analyst

Great. Let me just see if there are any questions from the audience. If not, I'll continue.

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**Unidentified Audience Member**

Thanks, Steve. The total audience measurement product is made up of a number of different components inside, especially of the new ones on the digital front. Can you talk around the new market opportunities that that may offer to Nielsen, both geographically and from different verticals?

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**Steve Hasker** - Nielsen Holdings plc - President, COO

Yes, sure. So, yes, total audience has a number of different components. One is the TV ratings, the digital ad ratings, the content ratings.

The market opportunity -- in the early going, one of the great things that we saw with DAR was there were a number of major advertisers and medium size advertisers who wanted to buy the product themselves, with or without their agency, and do their own analytics, whereas previously our watch data was sold almost 100% to watch clients, to media clients. So, that was an interesting new data opportunity. And we've seen more and more of that as different marketers want to get different cuts of the data, firstly.

Secondly, we have used the capabilities and scale of our US TV audience franchise and the financials that flow from that, the skills that we accumulate in that business and the relationships, to build total audience.

That product set, we believe, is significantly ahead of anything else in the market anywhere to the extent that anything actually exists. It is significantly ahead. And we like where we stand internationally because there isn't a single media market on the planet that isn't talking about the need for total audience.

This is not one of those things where the US is five years ahead. If you go to Seoul or you go to London or you go to Sydney, you go to Mexico City, you go to Sao Paulo, they're all talking about fragmenting and changing consumer behavior. They're all talking about competition from digital providers, and they're all talking about the need for consistent measurement. And we think that we have a leg up in most if not all of those markets as they contemplate renewing a contract with us or changing providers.



Now, there are other considerations in many markets, political and so forth. But, from a pure product perspective, we're cautiously optimistic about what the next couple of years are going to hold for us, particularly as we plan to continue to invest in this product set.

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**Unidentified Audience Member**

And can I ask another one? Don't roll you eyes, but back onto the currency aspect.

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**Steve Hasker** - *Nielsen Holdings plc - President, COO*

I never roll my eyes.

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**Unidentified Audience Member**

For the last couple years, all you've heard from the media players is Nielsen isn't there with the product, and they're complaining. Every quarter they complain there's no proper measurement in terms of all of this money that's not being monetized off their platform.

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**Steve Hasker** - *Nielsen Holdings plc - President, COO*

Never heard that. What's that you're talking about?

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**Unidentified Audience Member**

(Laughter). Now that it's here, what's -- can you talk to the pushbacks and the pain points that -- I know you'd have to look at the data and see what it's actually delivering. But, you'd think, given this monetization opportunity, they'd be really moving forward pretty aggressively to make it up.

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**Steve Hasker** - *Nielsen Holdings plc - President, COO*

Yes. So, look, we've heard those criticisms loud and clear. We have -- we are very proud of what we've built. We love to look at it. I hope there's not any arrogance about it. We recognize that it's a leading product, but we're going to continue to invest in it.

Now that it's rolled out, there are a couple of kinds of conversations going on. With those who are fully instrumented, as I mentioned before, we're in pretty deep conversations helping them interpret the data. Why is this program or this day part up or down relative to the C3 ratings? What's happening here? What would account for this difference, why this week's different than last week, all of those sort of very healthy conversations.

They're also starting to look at the data and say, okay, if the currency metric is changed from C3, C7 in national TV advertising to selling something else, what's the most advantageous form of that for them, right? And there's all -- you can tell there's a lot of analytics, a lot of sort of strategy setting going on around that.

I think where the friction is going to come is in two places. One -- and it's a little bit sort of the reality as provided by this data versus the perception that they may have created inadvertently or deliberately in the marketplace. One is, is the audience lift as big as the market, whether it be the advertiser, the investor, whomever it might be, was led to believe or has developed a belief around, firstly.

And then secondly, for that audience lift, is the upside in monetization as much as everyone might have believed? Because there's two issues, right? One, different programs, different genres show very different lifts in terms of digital viewing and time shifted viewing, firstly.



And then secondly, media companies have, to varying degrees, monetized some of that audience already. They're selling on their server log data. They're selling on media metrics data. They're selling on double click data or selling on a promise.

And so, I think where we get pushback, it will be because people are, if they are, underwhelmed by the upside relative to the perception. And that's the reality of what we do. I mean, we faced it many years before my time when we folded cable into the broadcast ratings, right?

We faced it when we rolled DAR out. And there was a number of digital publishers who had made promises to the marketplace about the number of soccer moms they were delivering or the number of this or that, and digital ad ratings told a very different story.

So, I'm not saying we're good at it, but we're very used to sort of getting caught in that crossfire. And the one thing that we are good at is just staying true to what we believe is the right set of metrics and being very transparent about the methodology and about the results.

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**Toni Kaplan** - Morgan Stanley - Analyst

There was a question right behind.

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**Unidentified Audience Member**

It's question on the buy-side. Can you talk a little bit about your efforts online and measuring online retailers? I know maybe a year to two ago you were making some progress with the leading one in the US. Any updates there?

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**Steve Hasker** - Nielsen Holdings plc - President, COO

Yes. So, we made an announcement last week where we sort of formally described the technique that we've developed and are now rolling out in a number of markets including the US, which is a combination of getting e-commerce retailer cooperation where we can. So, for example, we have a very strong relationship with Alibaba in China, with JD in China, with a number of e-commerce providers in India, a number of e-commerce providers here in the US. So, that's one part of the story.

The next part of the story is to use a couple of techniques like our own panel data and basically e-commerce receipt, e-mail receipt information, and to put the picture together, because ultimately what manufacturers want is a complete picture of all their distribution.

And even though e-commerce today for many consumer packaged goods is a very small portion of the overall -- their overall sales, it's growing. It's where the growth is coming from.

So, to your question, that's what they're asking for. We've developed a methodology to do it. We're rolling it out. And we're increasingly optimistic based on the results we see in the early days and based on the places where we have more and richer data.

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**Toni Kaplan** - Morgan Stanley - Analyst

So, we're actually out of time. So, thanks so much, Steve, for coming --.

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**Steve Hasker** - Nielsen Holdings plc - President, COO

Thanks, Toni.

**Toni Kaplan** - Morgan Stanley - Analyst

And doing this. And thanks to everyone for coming.

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