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Nielsen Holdings Plc (NLSN)

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Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

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MANAGEMENT DISCUSSION SECTION

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

We got to get going. I'm Andrew Steinerman, Business, Education & Professional Services Analyst. My 21st year of covering this act. This is the Nielsen presentation within the Ultimate Services Investor Conference. This is the Info Services track. Right after this is my interview with Michael Bloomberg, CEO of InfoServices company. So, please join us for that as well. I just want to point that our info services data book, which is in quarter of the table, that's our service reply, I want to welcome all the lineals and folks here. Amy [ph] Green (00:30), my friend Sara Gubins, who has just become an IR, long-time competitor for me. We've been for a long-time, and Jamere Jackson, CFO. So, it's going to be pretty dialog oriented. I'm going to start by asking Jamere questions, but I'll definitely leave plenty of time for your questions as well.

Welcome back.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

Good to be back. Can you believe a whole year's back? It goes by really fast. Every 90 days is an adventure. It's good to be back.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Totally.

QUESTION AND ANSWER SECTION

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

So, let's just start on Watch. We know there is a [indiscernible] (01:11) on Buy. Where...

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

I'm disappointed. I actually thought you would start with Buy for the first time in the three years since I've done this. But...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

It's okay. We have plenty of time on Buy. So, on Watch, where do you think the medium term organic revenue growth outlook is for the Audience Measurement subsegment of Watch?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. It's going to be mid-single digits. I mean...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Organic.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

...organic, yeah. So, the way to think about it is, including in that Audience Measurement number is our local business that grows in sort of low-singles. It has been sort of flat with low-singles for a while. Our national businesses is pretty healthy. So, we're pretty confident that generally the Audience Measurement portion of the business in total when we look at the mix between local and national, and any other growth you think in the portfolio should grow mid single-digits going forward.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Right. And that's on a sustainable basis, right?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Yes.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

And as we are successful in TAM and as the media industry adapts TAM, should that help organic revenue growth lean forward in Audience Measurement?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

It should. And you've already seen it, quite frankly. If you think about our Watch business just going back three years or four years ago, and this is a business that was growing in three zip code, maybe four zip code in total and you've seen us over the last couple of years have a growth year business. And that is because, number one, our initiatives around Total Audience Measurement have been delivering. The digital portion of that portfolio has helped us produce the growth to your number. The things that we've been doing with marketing effectiveness has helped us grow our business a little bit faster. And that's offset roughly \$1 billion of revenue in the portfolio that grows at sort of low single-digits when you look at audio and when you look at sort of a local business.

So, those two are about \$1 billion of the \$3 billion in Watch and we're still growing it at mid-single. So, I feel pretty good about the health of the portfolio overall.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Thanks. And has TAM helped the media industry yet? So, not your advertisers and advertiser solution, but has the media industry been helped by TAM yet?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Absolutely, and it's going to get better quite frankly. So, you think about where we've been focused. We've been focusing on measuring all content across all screens and platforms, right? And all ads across all screens and platforms and it's critical because that is how the media industry, if you will, monetizes \$70 billion of inventory if you will. And so, all of those things that we've been focused on as a company in terms of our innovations have been really focused on helping our clients monetize those inventories better, and so, in the fourth quarter of last year Digital Content Ratings came to the marketplace. We then started working on Total Content Ratings, which will be syndicated in the very near future here, and then once we do that we will have the industry equipped with all of the tools that they need to have a different discussion around the currency and to help them monetize all of that inventory that is so valuable to them.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

I've got the exact words you said about the upfront for 2017. So this is a spring season when media industry sells their ads in advance. But it was something like what play an important role, words like that. What does that mean that TCR or DCR will play an important role in this coming upfront?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, our role in the industry quite frankly is to first and foremost to develop the measurement capability that enables our clients to measure all of those audiences across all screens and platforms, and that's what we've been hard at work doing over the last couple of years or so. So, when I said, all the products are in place in the marketplace, we've basically given the marketplace the assurance that we'll be able to measure all of the things that are important that enable them to monetize those audiences.

Now it's up to the industry to determine what they want to use as currency from all the products that we actually offer. So, for example, in the 2006-2007 timeframe it was a situation where the currency definition changed. You had media buyers and sellers basically coming together to determine what they were actually going to use as currency to trade on. And so, our role in that process is again to develop all of the metrics and all of the capability, bring the industry together and share with them those capabilities and then enable the buyers and sellers to come up with a currency definition that they're using in the upfronts and based on the dialogue that we've seen from both sides of the aisle if you will, we expect there to be our total audience measurement capabilities to be a big part of the 2017 upfront.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Right. So, just to just make sure we get [indiscernible] (06:24) what an important part means. So, so far the agencies have not seen the data. Like full syndication goes to agencies January so it's sort of hard for them to make a commitment before they see...

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Sure.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

...the data. So I think this upfront is more like a test case. There will be guarantees, they will be negotiating, but it's not going to be a broad adoption of TCR as the digital currency or am I underestimating what this upfront can look like for TCR?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

So, the devil has always been the details and you're right about one thing, I mean, no one in this industry waits for a full agreement on what a currency is, before they actually start using metrics to monetize their audiences, the most recent example is before we have our digital metrics and capabilities in place, you have publishers who are basically using server log data and anything else that they can get their hands on...

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Right.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

...to help them monetize inventory...

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

[indiscernible] (07:21) negotiates them.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

So, but the market works most efficiently when there is one referee on...

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

No doubt about it.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

...and there is a single standard unified, verifiable currency, right? And so, and that's what both sides want is a currency that they can operate very efficiently in the marketplace, which is why we have a lot of confidence that the industry will make some moves. You've seen big publishers say very publically on their earnings calls that they expect Nielsen's Total Audience Measurement solutions to be the basis for 2017 upfront and you also have big agencies do the same thing, and so we have a lot of confidence that that is the case. But again, our role in the process has been to develop the metrics and the capability to bring both size together to give them reasonable assurance that we can do it and to move them in that direction.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

So, when you go to kind of full syndication in the first quarter this year, where will the major publishers and broadcasters and web publishers be in that syndication? Will there be any big holes on the content side?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, I would say at this point, we have basically all of the major brands are in some form of adoption of the metrics if you will. We've worked with over 160 brands or so at various stages of the implementation process if you will, and I would say that there's good progress and good momentum there.

Now, there is some work that need to be done, quite frankly on the client side...

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Right.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

...in terms of being instrumented for some of the measurement capability and those clients are doing that work, but the most important thing for clients is to understand what the new metrics are and what they mean to their business and so typically what we find clients doing is trying to understand as they look at impact data.

And what are the new numbers mean, how do I think about it in terms of monetizing my inventories and what my business plan should be around those things. So, to the extent that you're helping them find more eyeballs, you won't find much friction in terms of adopt a new metrics, but the time that it takes to understand what it means for your business is one that clients don't take it lightly.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

So, I totally get that we're in the last mile of kind of technology implementation or use the SDK term. You get all the SDKs in place and that's tough work. But are there any major broadcasters that have either, let's say, slowness to get again to the adoption business reasons, why they wouldn't want to be in the syndication or does every major brand want to be in the syndication?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Yeah, every brand wants to be in this syndication. I think the issue is always around how fast can certain brands go and their internal work process is in terms of being instrumented, et cetera, but [indiscernible] (10:29)...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

How long is the last mile?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Everybody wants to have an opportunity to monetize all the eyeballs that are necessary to...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Okay, great.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

...since that is new in their content.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Guess what, we're up to Buy.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Awesome.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

So, the type of announcement that you made on the third quarter conference call, I think it's usually kind of more commensurate with an annual review. It's something that we might see at Analyst Day, but you really took a big strategic pivot on Buy on the third quarter conference call, why did you choose as a team to do it with that timing?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Well, I think a couple of things. One is, this management team is a pretty transparent bunch in terms of what we see and how we think about operating our business going forward, and so some of the language that we typically use around our discretionary Buy business, things like being lumpy or expecting a snap back in a few quarters,

quite frankly when we look at what's going on in the environment and the conversations that we're having with our clients and sort of our own development roadmap, if you will. We wanted to be very transparent about what we see and how we see it, and what the game plan is going forward. So, in the past in our Buy business, the roadmap was a lot around building our coverage and capabilities in the emerging markets that's been the growth driver for our Buy business for a while. You've heard me talk very candidly about this being a two-speed world where the growth in the emerging markets is significantly higher than the developed markets. And now going forward, what we see in our developed markets business is that we have to accelerate our development of the Connected Buy system to future proof our business to connect our analytics portfolio more closely with our retail market share portfolio and we want to be very transparent about the work that's ahead of us.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

How did the CPG companies just changed their gears so quickly? I mean, don't forget it's like when we were at last Analyst Day together, it's actually kind of a good period for CPG spending on analytics which is the business that we're really talking about within Buy and here we are, and really it was just three quarters and all of a sudden they've switched?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Well, I think, a couple of things is, first of all, in the fourth quarter of last year was a pretty, healthy...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Yeah.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

...spending rate for CPGs. I actually told a number of people, and I believe I said it on our earnings call, that the discretionary revenue in that quarter was a little spicy, I said the first quarter was stable and we started to see a little bit more softness in the second quarter...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Right.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

... leading up to the third quarter. So, typically you will have some lumpiness in that environment. I think what our clients have been really focused on, just getting some of the pressures and some of their end markets, is how do I get more efficient and productive really in all my spend. So, you've seen things like the 3G effect, if you will, with some of the mergers that have happened but even the clients, quite frankly, that won't use words like the 3G effect, they've all had some measure of productivity or efficiency initiatives in terms of looking at how do they go take out cost, how do they get more efficient about, spending in all areas. Quite frankly, even a business like ours, that is, pretty stable and consistent and steady, and is really important until the way that our clients run their business. We're certainly not immune in those dynamics when clients undergo that. So, the way that's manifested itself in terms of the impact on our business is that our clients are really reassuring us around the value of our

retail market share business. It's steady, consistent, subscription-based revenue that is clear to the way they run their business every day.

We have reassurance around the everyday analytics that basically help them drive more brown boxes or more case volumes through the system. So, things like price and promotion, assortment and self-optimization, marketing mix modeling, those sorts of everyday analytics that help our clients figure out how they go move the needle in terms of driving more cases through the system. But they've also been very candid about sort of the focus in shift from doing really broad-based deep dive custom insight study and putting more dollars into those things that are going to help them understand business drivers number one, but more importantly help them drive more case volume in the short and the long-term.

And so, the nature of those discussions quite frankly intensified over the year and as a result of that we're making moves in our portfolio and accelerating our development on future proofing the business.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Okay. Let me just make sure I understand just given the terminology on analytics. So, in the Buy business, it's 30% analytics, 70% subscription measurement, so we're talking about the analytics business. Within the analytics business, you determined kind of 3% to 4% is sunset [ph] (15:40) non-core, I know it's already in decline, but that's going to go away and then that's got to go away and then let's grow the remaining, let's grow at 26% of revenues that's core analytics and I think that would be inclusive of both deep dive analytics and everyday analytics. Did I describe it well?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

No. That is exactly the way...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

That's how it is, right?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Right. And so there are some things that are still deep dive analytics quite frankly that our client still value, so, for example, we have an innovation portfolio of analytics that does deep dive studies to help our clients understand volume and market share related to new product initiatives. And that business can be a little bit lumpy just based on the way clients do innovations in the marketplace and the pace with which they do it, but those are still things that our clients value. And then there are everyday analytics like I said pricing promotion that clients are moving on a short-term basis to figure out how do I move more brown box.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Right, okay. But let's just focus on core analytics, go back to the third quarter, so we're not talking about the stuff that's sun setting, core analytics was down, right?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Yes. The core analytics were down, the place where again you could see some lumpiness in even core analytics but again clients...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Right. It's on demand...

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

...will plan that work and sometimes that work can shift to the right by a quarter or two, but those are things that we have a lot of confidence around. Because those are things that you use to run your business on a day-to-day basis, so if you're a sales professional or a marketing professional and you're thinking about what are the business drivers and what do you need to do next to move cases, there are some things that are just going to be a part of your analytics portfolio.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Okay.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

The way we think about it in the future is that we're going to future proof those things. In other words, take those analytics and connect them more closely on a platform to our retail market share data to make those things stickier and future proof that portion of the business and they'll be less lumpy over time?

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Okay. So, the credit square of all – and you made a couple of comments about 2017 growth, I'm not going to repeat them all, but my question is when you look at the comments you made on the conference call by 2017 growth, when are you assuming the core analytics bottoms?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, the way that I think about 2017 from a growth rate standpoint when I said that, I expect us to be at the lower end of sort of the historical framework...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Yeah. Got it

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

... given in terms of guidance, just based on where we're exiting the year and the environment that we see for the next few quarters up...

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Yeah.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

...if you will. So – and what we're also doing at the same time is we're approving the portfolio of those things and we're going to aggressively go after that 3% to 4% that we talked about.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Understood.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

We're going to aggressively go after that, who knows things out of the portfolio. Some of it, you could actually see yourself and some of it you could go trade, you could go with the partnership. We got a lot of optionality around what we do with some of those things.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

In our core analytics.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

So...

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

When does that sort of fit into that equation?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

...I think, our core analytics are going to grow at a nice low single-digit sort of quick medium-term.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

But, I'm saying right now, they're down, does it need to be flat next year for you to be at the low-end of historical range total company like the mid core that sort of fit, what have to happen to core analytics?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. It's the low singles and you can still get the sort of the break comes that I left on the third quarter call.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Right. And then, you're also including like how you treating the sun-setting. Is that in the organic number or are we going to all of a sudden take that 3% to 4% of your sun setting again do a one-off adjustment?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, you'll see us get a lot more clear and clean on our Analyst Day presentation, but we'll clearly layout things that we're sun-setting so that you could see the core underlying organic growth of the Buy business. We'll give a little bit more detail than we've given in the past. We typically have talked about emerging and developed, we'll give a little bit more color on the portfolio just so that there's some clarity around what are the pieces that were sun setting, what does it mean for our business to grow organically and what are the things quite frankly and more importantly are going to be connected to our Connected Buy system in the future, that is going to future proof our Buy business in total.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Okay. And how much are you assuming, Connected Buy really kind of ramps in terms of revenue?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Yeah so, meaningful revenue contribution will be in 2018. We have five pilot clients today. We expect to get that number probably closer to 20 pilot clients by the end of next year. Those pilot clients that we have today are literally helping us develop the product. We're getting great feedback from those clients. We put a demo version of that product in front of our client advisory board and the feedback has been tremendous. So we're on the right path in terms of what our clients actually need. And now we have the hard work of developing the system and building up the client use cases associated with it and we're pretty excited about that journey.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Right. And help me with the business model, is this a subscription business model? How are you going to charge for it with Connected Buy?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Yeah so, subscription-base recurring revenue will be a big piece of it. There will be some analytics that will still be volume based but they'll be a lot stickier because they'll be on the Connected platform versus than being treated more as point solutions or one-offs. And so, we like the business model because quite frankly it enables us to move a little bit away from a really heavy people as a service business model and move more to date as a service or software as a service. And there's a better margin profile associated with that over the long-term.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Okay. And do you feel like if a client got connected by subscription, they might do more of analytics in house, which might hurt your core analytics?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

No, here's the thing that really stands out to me. The feedback from our clients, and we've seen this over time, is that to the extent that we take our analytics portfolio and connect that more closely to our retail market share data, they mix those analytics more valuable. In other words, those analytics help amplify our measurement capabilities. And so, we actually see the opposite impact actually happen. Now listen, analytics are always – have always been competitive and we're not the only analytics provider to our clients today, which is another reason why we're developing this connected partner program that we announced for. We're basically opening up our platform to enable other applications or other analytics providers to help us serve our clients better. And that's a nice business model for us as well, because those are things that we don't necessarily have to buy, but our clients see some value associated with them and we can include them on the platform, earn some revenue and have a pretty good margin profile associated with that business as well.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

And then on Connected Buy, how much investment do you see in that product, because I remember when you did a product called the Answers or it was Answers on Demand, there was a lot of investment. I know it was several years ago, but are we already absorbing the investments in Connected Buy and we saw Connect Buy on Analyst Day a year ago. How should I think about that in the investment side?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

So some of it's already in our run rate today, typically from a CapEx standpoint and we're in the 6% to 6.5% of sales, and so we'll continue to be within those principles going forward and we should be able to execute this program without changing that profile.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Okay. No problems. Let's now open it up for questions?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Oh boy, you can't be shy here. Go ahead, sir.

Q

Can you give us a little bit more granularity at the definition of at-risk revenue. Are we talking about the entire Buy or we talking about just the 3% to 4% or we talking about the 30%?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, what we've said is that we're going to aggressively move away from about 3% to 4% of the revenue in our Buy business, so call that a \$100 million to \$120 million. And when I say aggressive you're going to see us do something there in the next six months to 12 months, right.

And the reason that we want to be really clear about that is, that is the portion of the portfolio quite frankly that is the most discretionary if you will in the place where we see clients literally reallocating spend from there to every day analytics. So, that's the way to think about it.

But the core every day analytics that clients use to run their business, those are things that are going to be around the portfolio for a while. Now, typically, you'll see us sunset certain portions of the portfolio. We've got a pretty broad portfolio, we typically will sunset certain things and around analytics the portfolio. But those core analytics have been around for a while and will be around in the future.

So, 3% to 4% is the immediate, and here's what we're going to do in the next 6 months to 12 months. That's the most discretionary pieces of Buy portfolio and we're going to accelerate the Connected System to take those analytics and connect them to retail market share more closely.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Let me ask you a question you're not going to like.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

It wouldn't be the first time, I'm afraid.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Could you break out for us, when you said that the remaining 26%, which will grow on core analytics and not the sun setting stuff, what's the breakdown between every day analytics tactical stuff and more deep dive stuff like product innovations?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

You really, you really didn't...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

You can say [indiscernible] (25:34) if you want.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

...I mean, but I'll give a little bit of color on it, right. And I'll give a little bit more color at Analyst Day because it will be less confusing when there's a picture up on the...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Definitely, with the slides.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

So – but, the way that I think about and in the remaining piece, I'll take the 3% to 4% out of the way.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Yes.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

I think about the remaining piece of our analytics portfolio is, I would say, that over a half of that is everyday analytics if you will, right? And there is another piece of that, that is a little bit more discretionary, a little bit more deep dive in nature, like innovation that I talked about...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Right.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

... that makes up the lion's share of the rest of it and that innovation portfolio we call it basis. It's been around for a...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Yeah I know.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

It's been around for a while...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

That used to be the head of the basis.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

...that used to be the head of basis. So, I would say, that's the other big chunky piece of that...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Right.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

... of that business, as well.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Right. So, like in some ways we're sort of characterizing the deep dive as a little bit of a negative, because it's not, in favor right now [indiscernible] (26:36), but if they want to grow their top line and want to have a lot of new products, deep dive is still very relevant, right?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Deep dive is relevant, but in an environment quite frankly where you're struggling to find a point or two of share growth, you've got some categories quite frankly that are in decline, you've got niche competition if you will that...

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Yes.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

...is starting to impact you a little bit.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Yes.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

What you're focused on, and again, I've been on the other side of the wall. Those conversations become much more focused around what happened, where is my market share, what were the business drivers associated with that market share. How do I move more brown boxes tomorrow, next week, next month, next year. And so, you're in that environment right now where clients are spending their money accordingly.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

[indiscernible] (27:29) asking is a little bit deep dive at risk.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

It's not, it's not at a risk. I mean there's always going to be a place for some of those kinds of things in the portfolio. It's just that we have to make the decision, and everybody else who is in the market research industry has to make the decision is. How much infrastructure and do you want to have sort of chasing that or waiting for that versus getting on with really taking your platforms and your portfolio and future proofing the stuff that really matters to your clients today, and is going to really matter to your clients a year, two years, five years from now.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC



Right. Okay. Got it.



Thanks, Jamere. My understanding is that restructuring charges over the years has largely been driven by the labor intent delivery structuring within the labor intensive of part of the analytics business. Given that what your – it sounds like your sun setting, does that imply the run rate of restructuring charges should fall going forward?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc



Yeah, so in terms of restructuring, given the breadth of our portfolio and our geographic footprint, we're in a 106 markets around the world, you can expect us to have \$20 million to \$25 million to \$50 million of restructuring every single year, that's just the nature of having a broad portfolio, a lot of footprint, and being in a lot geographies. So that's the way to think about it. Now you know when we when we go sort of outside of those bands if you will, it's usually around some of the things you seems to this year, so we restructured the way that we're going to market in our Buy business. And we're sort of building the stack if you will to get ready for our Connected Buy system. So that's what usually causes us to go sort of outside those bands, but on an everyday basis or on a given fiscal year, \$25 million to \$50 million is what you can expect from restructuring standpoint.



Thanks. In terms of the kind of five even longer-term margin profile to Buy segment, you comment on the impact form Connected Buy kind of structurally on unimproved margins, because you become a SaaS product versus projects. Should I think that that is impacting only the developed markets piece of Buy or do you think that developing will also benefit from the shift or is that like a much longer-term?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc



Yeah. So in the near-term, it'll be more of a develop markets play and that is because what we're building from a Connected Buy system standpoint will have the most relevance out of the shoots for our large clients we're looking to not only have our retail market share data, but have as many of the analytics capabilities connected to that retail market share data. But over time, as we've done with many of the things in our portfolio, we find a way to scale those things in the emerging markets.

In the near-term in the emerging markets that the play from a margin standpoint is just building scale. We've been investing in coverage in the emerging markets for five years or six years and you're starting to see those investment scale, number one in terms of the growth rates that we're seeing in the emerging markets, but up until the this last quarter, you also saw us expand margins on the Buy side of the portfolio, seven quarters or eight quarters in a row and that is because you're starting to get some of the scale benefits in the emerging markets from the investments that you made five years or six years ago.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC



Okay. Questions?

Q

Yeah. Just in terms of emerging markets growth, when can we actually start to see or is there a risk that that could actually slow significantly. We hear a lot about emerging markets recessions and risk there. So, I'm just wondering just the slowdown they're using and develop, can that actually start getting itself more on the emerging side as well and are you at risk there?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Yeah, the emerging markets have an incredible tailwind for two reasons. Number one, we've been largely under penetrated in the emerging markets. So as we've expanded our coverage, that's the one thing at least from the standpoint of our Buy business that our Buy clients willingly pay more money for that when you expand coverage. And so, there was a coverage play in the emerging markets that's going to go on for a while and if you think about the dynamics of population growth, rising middle classes, urbanization, we see that as being a tailwind and I always use the example of China where there'll be another 250 cities over the next call a decade or so that will have 1 million or more people in those cities and there'll be a lot of consumption associated with that and we'll continue to double down on our investments in converge in those marketplaces.

The other encouraging dynamics for me is at least is where multinationals have had fits and starts in the emerging markets in terms of their relative levels of success. This last quarter, our multinational business was up almost double-digits in the emerging markets and that is because, the emerging markets still represent a significant portion of the growth that big multinationals are going to see and you'll continue to see locals grow pretty well in those marketplace as well.

So, we still see that as being a coverage play and therefore a growth driver for our business and well into the future.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

And do you think it'll be smooth or lumpy, like the Buy emerging market growth?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

You know...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

I know it's pretty high, smooth or lumpy?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

It's been – you know It's been growing 8% to 10%...

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Yes.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

...for the past few quarters when they've had a quarter in there where it was closer to 6% or 7%.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Yes.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

But there is a pretty robust tailwind there that we feel good about now, not to say that again multinationals will have fits and starts, and you could see things bump around, but we feel pretty confident about the momentum that we see there.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

And you also said that in 2017 is a high growth in emerging markets should balance out modest declines in developed markets and Buy overall should be steady, right?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

So, here is what I think about it is when I look at my Buy portfolio this year right and I said this on the third quarter call...

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

This year is 2016 or 2017?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

This is 2016, right? So, I'm giving you some bread crumbs that gets you to Analyst Day in December, but if I think about the Buy business, emerging markets, we guided this year 8% to 10% and we have got good momentum going in the next year. We're still underpenetrated, we're still running the coverage play there and our team has felt pretty good about their execution there and these are all things that we feel good about. In the developed markets, again 85% of developed markets is in the U.S. and in Europe. We've actually seen Europe sort of pivot to growth after four years or five years of being flat and so the challenge over the pressure point from a developed market standpoint is in the U.S. And we're addressing those things by the actions that we're taking in the portfolio and by accelerating development in the connected prices and so. When you put all that together and you think about the momentum that we have in our Watch business, this is why I said pretty confidently on our third quarter call, you could expect this to be at the low end of the historic range that we have given in terms of guidance going forward, but where you are going to see from a long-term standpoint is really no change of the framework and the

growth in Buy was driven by the expansion in the emerging markets and coverage and going forward it will be that plus the transition that we are making with the Connected Buy system and our Watch business has tremendous momentum. So, I feel pretty good about it. And you'll see basically the same old Nielsen.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Yes. So, you acted very kind and answered my questions, and how about another one that you're not going to like. When you talk about margin expansion in 2017, are we likely to see it in both Buy and Watch?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

So, I'm going to give you the answer that I always give you, when you ask is that, we manage margins on a total company basis. And in any given year, you could have one segment being more of a bill payer than the other segment. What I would tell you is that, we're running the productivity slide really hard in both Watch and Buy. You saw us take a couple of rounds of restructuring this year to build the productivity pipeline for next year. And next year, you could see Watch being a little bit more of a bill payer...

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Right.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

...for the margin expansion that we have inside the company and stay tuned.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Did you the before Connected Buy investment, it's more on the CapEx line, I think you said something close to that.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

It's a little bit of both. In the near-term it will be more on the CapEx line. But we'll clearly have some OpEx associated with Connected Buy as well.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Okay. Time for one another question?

Q

Can you guys clarify what you meant by future proofing the business? Is that future proofing all of Buy or it's just feature proofing the inside business and what really needs to happen to really future proof that? What's that risk that clients might not decided to adopt your Connected Buy system. If Connected Buy really, what is the system?

Is it more your everyday analytics that you're bringing together or is it more the insights portion, if you maybe can just help to clarify that a little bit?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, when I say, future proofing, that is a – that's a new set of buzz words I think, that are kind of cruising around the marketplace today, so I'll tell you exactly what I mean when I say it is, I think about our Buy business today where we're delivering retail market share data and we're delivering analytics and we're doing it and sometimes on different occasions if you will.

Quite frankly, our clients get an opportunity to view our analytics more as a point solution as I said. Our retail market share business is rock solid. It's really important to our clients. It's the way that they sort of run their business every day. But in terms of understanding business drivers and more importantly what to do next, they use a myriad of analytics associated with that, and to the extent of those analytics are not closely connected to your retail market share data, then you run the risk of those being more point solutions if you will and being a little bit more lumpy and volatile in nature.

So, future proofing it means bringing them together on a Connected platform that enables us to make those analytics more sticky, almost as sticky as our retail market share data, because our clients want to be more efficient and more productive in terms of how they access those analytics and importantly, the speed with which they can activate on those analytics. And so, in the future, we believe the world is going to move more closely to measurement and analytics being more closely connected and we're building the platform that enable us to go do that.

So that's what I mean in a nodule.

Andrew Charles Steinerman

Analyst, JPMorganSecurities LLC

Q

Great. Last question.

Q

As you open up your platform though to bring in other competitor data that's a product, is there a risk that as they bring them on to the platform, they print some plan from your own products?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

No, the interesting thing is that, there's not a ton of overlap there, so some of the partners that we're bringing on to the Connected platform quite frankly are solutions that our clients are already using, but it's not very efficient, because the retail market share data they use from us, they will get price and promotion or some of these other analytics from us and then they'll go and bid bet other analytics from other providers. But opening up our platforms, we make it more efficient for our clients to utilize our data.

And the other good news about that is that, some of the things that may have been on our multigenerational products plan in terms of building or acquiring those capabilities, we can deliver the client need by building the partnership and that quite frankly over the long-term is a much more capital efficient play for us as well, and that's why we decided to go do it that way.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC



Okay. We're going to stop there. This is actually the lunch break. I'll be interviewing Michael Bloomberg. We'll open up the room. So, all be together and please join us. Thank you.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc



Thanks.

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