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MANAGEMENT DISCUSSION SECTION

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

I think we're going to get going. This is the Nielsen Presentation. [indiscernible] (00:00:10) services track. I 'm Andrew Steinerman, I cover business information services companies here at JPMorgan. We also have our primer, which is over here, it's also called information services data book. You can also get it outside or in the digital conference book. I'm very proud to be hosting Nielsen right before our keynote speaker at lunch. Our lunch speaker will be the Chairman of Bloomberg LP.

With us is Jamere Jackson, the CFO of Nielsen. In the audience, you'll see Ashley Scott and Sara Gubins of IR.

QUESTION AND ANSWER SECTION

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC
Q

So, we'll start with some questions-and-answers with my curated questions. But we want to open it up to you, so don't be shy. So, Jamere and I just saw each other at Analyst Day. So, it's a little funny having a dialogue since we just had a dialogue.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc
A

Did I answer all your questions?

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC
Q

Almost all almost all of them, yeah, almost all of them. But maybe you just want to start with just a couple of minutes what you'd want if somebody wasn't at an Analyst Day with us to know about the 2020 plan.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc
A

Yeah, I think the big story for us is we laid out our Path to 2020. It was highlighted by really three key pillars. Number one is our plans to grow revenue, which is based on a consistent steady progress in our Watch business and a return of our developed Buy business to grow out to 2020. The second key pillar for us was a margin expansion target of plus 4 points out to 2020. This is driven by a set of initiatives that we have in our operations and technology organization, but also they [ph] keep now (00:02:21) almost $100 million of structural costs as well. And these initiatives, from an operations and technology standpoint, are really focused on, number one, automating our Watch and our Buy data collection efforts. It is collapsing a number of platforms in and around the company. It's moving to super hubs in terms of the factories that we use from a data processing standpoint. And we're really excited about that agenda. That agenda will deliver over $400 million of savings. So, $400 million of savings on the operations and technology side and another $100 million of savings on the structural cost side or SG&A side. We'll invest a portion of that back in the business, but it will also mean for us that we'll have a pretty significant margin expansion opportunity going forward.

The second thing that we – and then the third pillar was just our approach to capital allocation, which is generating roughly $3 billion of free cash flow out to 2020. It gives us tremendous flexibility to grow our business and return a significant chunk of that back to shareholders in the form of a growing dividend and buybacks. I think the story from a Watch standpoint, again, is our consistent steady progress there, driven by the work that we've done on Total Audience Measurement, but also the fact that we are continuing to see significant demand in marketing effectiveness going forward. We talked a lot about what it means for us to be the digital currency, which is a declaration that we made at our Investor Day. We have an exciting set of initiatives there. We've made tremendous progress with the industry in terms of making that happen. And then in our Buy business, there really – it's been a two-speed world for us for a while. Emerging markets in Buy will be almost 40% of our revenue, next year, going 8% to 10%. And in the developed Buy business, we had a really big announcement around a dramatically expanded relationship with Walmart, investments that we're making in e-commerce and tremendous progress with the Connected System, both in terms of being in a position to add new clients to the system next year. We've won some new business. We made an announcement at our Investor Day of some new business that we've won based on the Connected System, and the Connected Partner Program is pretty exciting for us as well. So, really key messages for us and we're pretty excited about that game plan.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC
Q

So, so many people focused on 2018 which was really an investment year, 60 basis points of margin decline. But to me, that kind of makes 2019 and 2020 even more exciting because you're really using 2017 as your base by saying 400 basis points of margin expansion. You're really saying in 2019 and 2020, between those two years, you're going to get 460 basis points of margin expansion. You can imagine I'm about to ask you about the cadence. Is that going to be back-end loaded or could we really think of that as 230 basis points of margin expansion per year in 2019 and 2020, kind of making 2018 seem like a history.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc
A

Yeah. Well, it will certainly average that over the 2019 and 2020 timeframe. And there are a couple of things that stand out, I mean, based on the presentation that we gave. Number one is the head of our operations and technology organization, John Tavolieri, talked about the fact that of the initiatives that we were looking at to drive $400 million of savings in our operations and technology organization, they're all in-flight. They've been market-tested and he's put up a chart that showed the different markets around the world and where we are relative to our progress on many of those key initiatives. So, these aren't things that we have to invent. These aren't things that we're starting from scratch on. They're in-flight. We've market-tested them and we have a lot of confidence in our ability to deliver on those programs.

The second thing that stands out to me about our program as well is that we've been really focused on running the automation play across our business, not just in our operations and technology organization, but also using automation in other areas. And so, this theme of automation across our businesses to drive margin expansion is one that is alive and well inside the company and we're going to deliver on that. So, while we won't give 2019 guidance today, we'll let the ink dry on 2018.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

But is it going to be back-end loaded? Like is 2019 a great year of margins?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

No. You actually start to see some of the margin expansion start to happen in the back half of 2018. Some of the initiatives that we have are already rolling through the numbers. You saw in the – last chart as part of our Investor Day that said that we'll have almost 110 basis points of productivity initiatives that are offsetting some of the drag from the investments that we're making in 2018. And so, some of that is already starting to flow through the numbers. You'll see the lion's share of that [indiscernible] (00:07:04).

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

And when you think about John's list within tech and ops, just really the whole company's list of these cost initiatives, do you feel like it's all within you control or like when I think about some of it, you're really asking your customers to change their behavior too. And so maybe it's not all within your control?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. The majority of this is in our control. The one thing that is really important in our businesses, whenever we make changes to the way we collect data or the way that we report, we work very closely with our clients to help them understand that if there are any breaks in the trend of the data, we help them bridge from where they are today to what the data is saying tomorrow and that is the only area, quite frankly, that we have to go outside of our four walls to make sure that everybody is on the same sheet of music with this. But we have a lot of experience in doing that. Our clients understand what we're doing from an efficiency standpoint. And in many instances, they're going to benefit from the efficiency initiatives that we're putting in place. And so, we'll work with our clients and that won't be a source of friction for us at all moving forward. So, this is, again, a program that is largely within our control. Those initiatives are in-flight. We're excited about the dividends that they're going to pay in the future.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Right. And I'm going to mention a very specific type of efficiency. You'll tell me if that's part of the 400-basis-point plan or separate from it. So, when the Connected System rolls out and there's more self-help analytics at the customer level, I assume one of the key things within your contracts will be fewer Nielsen people on site at CPG. In other words, you're going to make your Buy business in delivery less labor-intensive.

And so, I just think that might be an example where a customer might say, oh, no, no, we still want those Nielsen people there. And then you'll be like, oh, no, no, no, okay, no problem, we'll have you pay for that. But just tell me, is that one of those things that's in the 400 basis points margin expansion, which is not exactly within your control, but you obviously can negotiate around it?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, it is a part of the efficiency initiatives that we talked about, particularly as we think about the structural costs around our company. So, moving to the Connected System gives us the ability to operate on more of a data-as-a-service or software-as-a-service platform, which enables us to reduce our dependency on people-as-a-service business model. And as a result of that, what will happen is that in some cases, some of our large clients who use client services teams will have the flexibility to do more, what I'll call, self-service models as it relates to running their business on a day-to-day basis. The one thing that we've learned over the last year or so as we've piloted this with our clients and as we spend a lot of time in our client advisory boards is that the value that our client services teams are adding to our manufacturing clients is not to be underestimated.

And in the instances where those clients still want to lean in pretty heavily to our client services model will give them the flexibility to do that. And obviously, there will be a revenue and a margin opportunity for us in doing so. So, it will be nuanced by client, obviously in terms of how they engage with the system, but we feel very confident that the model that we've laid out will give us the opportunity to have some structural cost savings associated with it, but it'll also give us the ability to expand our revenue as our clients lean more heavily [ph] into more (00:10:42) data and software elements of the system.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Right. Free cash flow, it's going to be a similar question of talking about 2018 versus the cumulative 2020, which really is an implication for 2019 and 2020. The company has been talking over $1 billion of free cash flow for a while. There's always puts and takes, $900 million this year. The guide is for $800 million next year, I know there's some interest expense plus the investments we've been talking about. The number that really stands out to me isn't the $800 million because I understand the interest rates and investments, but the $3 billion cumulatively – $3 billion cumulatively means $2.2 billion between 2019 and 2020. And so, is 2019 going to finally be that $1 billion plus year?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yes. So, what we laid out in our Investor Day presentation is generating $3 billion of free cash flow between 2018 and 2020. And again, that free cash flow gives us tremendous flexibility to grow and to return a large chunk of that to investors in an investor-friendly way in the form of a dividend that grows in line with earnings and then, the remainder to share buybacks in terms of excess cash.

So, in terms of that framework and the cadence of that framework, 2018 is a year that's a little heavier on the CapEx side for the reasons that we talked about. So we're investing in the efficiency initiatives associated with generating $500 million of permanent structural cost savings between 2018 and 2020 and then we have investments in our core business that we're making.

If you return our CapEx spending in the normal 6% to 6.5% of revenue and continue to grow our EBITDA over that timeframe, you'll normalize in the range of what we've historically done in terms of free cash flow as a percentage of our adjusted EBITDA number. So we have a lot of confidence in that. Obviously, 2018 is an investment year. You'll see some of that CapEx bleed out of the year and we'll get back to a cadence that enables us to deliver that number over the timeframe.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

I'm going to sort of ask the question again. Is 2019 going to be an investment year or really 2018 is our investment year when we're talking about free cash flow?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

2018 is more the investment year for us, and again, you'll start to see in 2019 and 2020 that that rate of free cash flow generation tick back up to where we've been historically.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Perfect. You talked about being the digital currency. And what I've really learned over time is being the digital currency really doesn't happen at one moment in time. It's really like in the weeds, little changes in Nielsen. Nielsen is there, but the biggest thing that Megan highlighted was that when they become digital currency and you really kind of own the whole, let's call it, metric, you should be able to move from 1% earn rate, that's how much they make on advertising, to a 2% earn rate. And my question is, is this part of the 2020 plan? When do you need to get to that 2% earn rate? Those types of questions.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, in terms of the earn rate, we've talked about measurement today in the linear TV world being roughly 2% of the advertising. Now obviously, our contracts aren't done that way. It's just more of a function, how much we're earning from a measurement standpoint as a function of how much advertising is in the system. When we look at digital, we're really early innings in terms of the digital environment. And one of the things that gives us a lot of confidence about our ability to earn that is that there are really three levers as we look forward. Number one is value. So, as more premium video comes to the marketplace and buyers and sellers realize that they need a currency, if you will, to transact in a way that's very similar to what we're doing in the linear TV world and the value of measurement becomes that much more important. And that gives us the ability to earn a price that is equivalent to what we see on the linear TV side.

The second thing is, from a volume standpoint, again, we're in early innings. There is just an explosion of content that is coming to the marketplace, and some of it you see on platforms that are very popular. But one of the leading indicators, at least for us, as we look at it globally is just the business that we're doing inside our Gracenote acquisition, where this massive amount of content and these large catalogs, if you will, are being ingested and being tagged and we see this explosion of digital content really happening over the next few years or so that gives us a lot of confidence about our ability to earn more in that space. And then the last one is just share and we're in the early innings where the measurement capabilities in terms of digital have been a little bit fragmented.

But as the industry sort of aligns around a standard that is robust, that gives quality, that is an apples-to-apples basis with what they see in the linear TV world, then we're really in the driver's seat in terms of making that happen. So, value, volume share will drive what happens there. And we're making good progress.

Megan talked a little bit about at Investor Day how our digital ad ratings metric, in combination with the C7 metric, is something that the industry is actually aligning around to deal with digital ads and dynamic ad insertion and that gives the industry a lot of flexibility. So as those kinds of developments happen over time, you'll see our digital revenues grow accordingly.

Andrew Charles Steinerman Q
Analyst, JPMorgan Securities LLC

Could I make a different suggestion of why Nielsen is at 1% earn rate? Now, you – just tell me if I'm wrong or not. This is definitely not the way you articulated it just now and not the way Megan articulated it, but the way I see it is the media industry pays for TV ratings, so your big customers for linear ratings are the media owners. And sure, the ad agencies pay something for Nielsen ratings too, but they're the much smaller piece. And here the big success story so far has been DAR, which is more paid-for by the buyers of ads. And I think what would really help you go from the 1% to the 2%, if you really got the media companies to pay for the ratings, the way they pay for the ratings for everything else in TV. And I think it's really kind of the buy versus sell side that's holding back the 1% to 2%. Even though Megan does articulate [audio gap] (00:17:44-00:17:50) a good reason, other reason's what's holding it back, but what do you think about my reasoning?

Jamere Jackson A
Chief Financial Officer, Nielsen Holdings Plc

That certainly had some impact on it. I mean, the reason the advertisers were the bill payers early on is the demand came from the advertising side and say, I want to understand am I getting the audiences that I've paid for? So, if you think of all the discussions that have been had around fraud and viewability, the advertisers simply said, listen, I want an apples-to-apples metric. I want to make sure that I'm getting the audiences that I'm paying for. So, in the early innings, the advertisers were sort of the bill payer for the metric.

What you're starting to see happen in the marketplace more and more is that publishers are making guarantees based on the metric. And when you have that environment – and it also gives us a little bit of lift in terms of what we expect from revenue in the future. So certainly, in the early days, advertisers being the bill payer, you're seeing more and more publishers making guarantees based on the data and that influences sort of that wheel that we talked about between driving more value, more volume and us increasing our share over time.

Andrew Charles Steinerman Q
Analyst, JPMorgan Securities LLC

Right. And really when you say – I understand that both buy and sell will pay more when there's more value. But ultimately, the value is if it's accepted as the currency, right. It's like one of the other things that's – the driver from 1% to 2% two is when Nielsen becomes a standard digital currency, right?

Jamere Jackson A
Chief Financial Officer, Nielsen Holdings Plc

Well, and you're seeing the industry align around that dynamic...

Andrew Charles Steinerman Q
Analyst, JPMorgan Securities LLC

On DAR.

Jamere Jackson A
Chief Financial Officer, Nielsen Holdings Plc

On GAR, because what that does is that allows the industry to have flexibility in terms of monetization model. So, in today's world, with the C3 and C7 currency, the rules suggest that you have to have the same ad load in C3 and C7 in order for it to be credited to the currency. The reality is there are a lot of business reasons why that ad load could be and should be different when you extend beyond sort of the C3 window into C7 or you extend the content viewing to digital platforms.

And so, having the metric, the digital ad ratings as a way to go add that to the C7 metric, for example, gives the industry more flexibility in terms of how to go monetize that content. And that's the progress that has been made in the last year or so. And that's why we have a lot of confidence around the fact that we will be the digital currency because of the metrics that we have in place and the fact that the industry is aligning on a business model that works very well with the things that we put in the marketplace today.

Andrew Charles Steinerman Q
Analyst, JPMorgan Securities LLC

So, I definitely get the point that you will be the digital currency. But you didn't quite say, will that be one unified currency, linear and digital together, is that what the industry will ultimately accept or is it okay if we have two currencies from Nielsen, linear and digital?

Jamere Jackson A
Chief Financial Officer, Nielsen Holdings Plc

We've done measurement around the world for many, many years. And what we know with certainty is that the market just works most efficiently when there's one referee on the field.

Andrew Charles Steinerman Q
Analyst, JPMorgan Securities LLC

Sure. Agree.

Jamere Jackson A
Chief Financial Officer, Nielsen Holdings Plc

And in markets where there's more than one referee on the field, you see the measurement business not being as good. And quite frankly, you see the advertising business not being as good. And so, we know that for the market to work as efficiently as it needs to with billions of dollars sort of changing hands between buyers and sellers, then you need one referee on the field and we feel great about our competitive set in that environment.

Andrew Charles Steinerman Q
Analyst, JPMorgan Securities LLC

No. No. You didn't catch my question. I didn't say is there going to be a competitor. I said, is it going to be one unified currency or might Nielsen own two currencies?

Jamere Jackson A
Chief Financial Officer, Nielsen Holdings Plc

Well, it could very well be that we end up with two currencies. But at the end of the day, what the market wants more so than anything else is flexibility and comparability and a metric that they can trust, if you will. And so, whether that ends up being a unified currency or whether that ends up being two currencies really doesn't matter as much to us as others might think when they're thinking about cross-platform opportunities. The most important thing, which is the point that I was trying to make is that you have one referee on the field...

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC
Q

I understood.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc
A

...making that determination.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC
Q

I understand that. I definitely understand that. Just one quick thought on set-top box. It was a huge announcement to say Comcast changed their mind to share their set-top box data with Nielsen. They've just so long been called out from licensing their set-top box data to anybody because they thought they had a first-party vantage in their region. And then when you look at the consortium of set-top boxes, you guys have Charter, Dish, AT&T, Comcast, I know you could say we're not trying to do it for a national market, but that truly sounds like a lot of national coverage to me. And so my question just is a much bigger question of what's the role for set-top box data at Nielsen with the future of video ratings?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc
A

Yeah. So, first of all, we're really excited about having the Comcast data as part of Nielsen ratings. We've worked very closely with Comcast over the years to talk about our multi-generation product plan, what we're actually going to use set-top box data for, how it will help the overall industry in terms of providing stability and granularity, most notably in the local ratings and so, we're pleased to have them a part of an industry solution, if you will, to provide more stable and more granular ratings.

The way that we think about set-top box data inside the business is when you take the granularity of set-top box data and you combine that with sort of our gold standard world-class panels, then you get the best of both worlds in terms of measurement solutions and measurement capability. You get the representative panels and the person [indiscernible] (00:24:19) data, kind of highly granular tuning data makes for a better product and that's what we've set out to build. We've built some – we've had some relationships with other providers in the past. And having a player like Comcast be a part of that measurement capability is a win not just for us, but it's a win for the entire industry.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC
Q

Great. We'll open up for questions now. I know there are. So, don't hold back. Thanks.

Q

[Question Inaudible] (24:44-24:57)

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc
A

Yeah. So, what we've said is that in terms of our long-term free cash flow allocation model, we said that we'll allocate roughly 45% to the dividend and we'll grow that in line with earnings. We'll actually toggle or flex 40% between tuck-in M&A opportunities and buybacks and the remainder to serve the mandatory debt and that gives us the flexibility that I talked about to grow our business and to return cash to investors in an investor-friendly way.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Other questions?

Q

The digital measurement, the 1% you're capturing is off of $13 billion. So, does that imply that your actual total Watch revenue from digital is $130 million? And if so, that's pretty small, about 4-ish percent. So, do you have any thoughts on how that would grow within the overall guidance you've given for audience measurement?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. Our estimate is that digital video is somewhere in that $13 billion range. In terms of – we think about it more in terms of premium digital video and our revenue is somewhere around 1% of that take today. And the growth...

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

1% of the $13 billion?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

...yes. And the growth trajectory associated with that is really around the things that we talked about at Investor Day. So, how much value is accreting to measurement as, you know, more premium video comes to the marketplace, how much more volume comes in and our ability to go and win share. And we feel good about the capabilities that we're bringing to the marketplace to be able to do that. We feel good about the progress that the industry is making in terms of the line around our metrics as digital currency metrics, and you're going to see a tremendous amount of growth there. There's just an explosion of content and that's going to continue for a number of years in the digital space.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Is it important for Nielsen to be a New York-based company and are there opportunities to move significant numbers of head count in real estate to lower cost markets over time?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

It's a good question. There is a definite benefit to be in New York at least for the media side of our business because in our U.S. media businesses, the largest piece of our Watch business and all of our clients are in close proximity to this marketplace.

And we actually like having a presence, very, very close to our clients. It's – there are efficiencies associated with doing that. But for example, in our U.S. Buy business, for example, we have a presence in Chicago. It's in close proximity to a number of fast-moving consumer goods clients that are sort of in the Midwest, if you will.

And then, for our International businesses, we generally have located in places where there are big market opportunities and opportunities for us to bring talent to bear. So, there is no special sauce in terms of being in New York versus other places. And as we look at doing things like Super Hubs and those sorts of things, operationally, you'll see us move more of those Super Hubs to places where it's cost-efficient for us to do business. But it doesn't hinder our ability to have access to talent and those sorts.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC — Q

Questions?

Q

[Question Inaudible] (00:28:49-00:28:59)

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc — A

Yeah. So, in terms of the standard, really, early innings in terms of what it's going to mean for our business. What I'll say very broadly about ATSC and just Sinclair, in general, is that we know the value of what we bring to the table in terms of measurement, in terms of persons-level measurement, in terms of building representative panels, if you will. And we also know that this ecosystem that we have today is based on buyers and sellers. So, even when there are instances where the sellers of data are tempted, if you will, to go dark from a measurement standpoint, the reality is that you don't want to be at a competitive disadvantage if agencies, for example, are still using highly granular ratings data, if you will. So, still early innings in terms of what all these will mean, but we're pretty confident that – number one, it's going to take a while for some of these things to play out; and number two, measurement is going to continue to evolve over time such that, competitively, we'll still be in a pretty good position.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC — Q

More questions? Maybe talk a little bit more about Audio. You have your new hybrid products coming out. You just resigned with iHeartMedia, who is your largest audio client. I know you continue to say expect flattish revenues out of this segment which, in my mind, is a drag to the Watch revenues overall. Should we continue kind of into the foreseeable future of thinking Audio is flattish and is kind of flat – even flat, kind of like challenge by the end market?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc — A

Yeah. I think that the growth tailwinds for Audio are still in front of us. One is international expansion; and two is just the evolution of what happens in the digital space. We're pleased with our Audio business even being a flat driver, it is a high-margin business, it is a cash generator for us. And quite frankly, that cash generation capability is helping us to fund the more growth, your parts of our business in the future. So, we're pretty pleased with our execution there. And again, we still think that the growth tailwinds are behind the business in terms of international and digital.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

We didn't ask you the most obvious question. Maybe it's because we asked it too many times in Analyst Day. But your healthy growth projections for 2020 are still recognizing right now in U.S. CPG, your end market for buy/developed markets is still challenged. Like to get to the growth rates that you highlighted in 2018 and maybe for 2020, like is that your own execution or do you really need the U.S. CPG companies to start going back to [ph] invading (00:32:06) and expanding?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. We built the plan based on our ability to go execute on the things that I laid out in terms of growth drivers for our business. So, if you think about the Watch business for a minute, growing mid single digits in Watch means that audience measurement of video and text where we have a ton of momentum and a lot of new products that have come to the marketplace to help us particularly in the areas of digital. We have a lot of confidence in that and the business is performing well and we see that continuing in the 2018, 2019, 2020 timeframe.

Marketing effectiveness, there's just an incredible demand for marketing ROI products and capabilities from both publishers and advertisers. And so, growing marketing effectiveness in double-digit range based on the tailwinds that we have in the marketplace today are something that we feel like we have the capability to do and the market dynamics line up with that.

So, those are the two big drivers on the Watch side of the business. And then Buy, it's returning our developed Buy business to growth. And the two drivers there are, number one, the investment that we're making in retailers that are going to drive growth for us in the future. And the second is our investment in the Connected System and its ability to return our developed Buy business to growth.

Those are the things that even in today's tough environment, those are demands from the existing client base that are going to drive growth for us. And if there is a snapback in terms of CPG spending, then that will be a lift, if you will, to what we've talked about. But we're not counting on that environment to materially change in the next few quarters or so. In fact, we expect a pretty challenging environment for the next few quarters as opposed to our view maybe a few months ago, where it appeared from the discussions that fast-moving consumer goods clients were having that you'd see a little bit more advertising, you see a little bit more innovation and maybe a little bit more investment in data and analytics. We're just not counting on that environment in the next few quarters or so.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

That's fair. Just mention retailers a little bit more because probably a lot of people in the audience think retailers are already your big customers, where they're really your big data contributors. I forgot but, help us with the percentages. It's a small percentage of your revenues. And my question is now that you have these increased retailer solutions and the win with Walmart, what do you think retailers as a percentage of Buy/developed could be?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah, so, I would think about it in a couple different ways. The first is that retailers have obviously been a big piece of our supply chain, if you will. So, we take the electronic POS data that we get from retailers and it underpins the retail measurement service that we have in our Buy business. Retailers have also been clients from us. They actually buy data from Nielsen today and they use that data for analytics purposes in their own business. And we see those relationships expanding, number one, because retailers want to get much more efficient in terms of how they deal with manufacturers. So today, manufacturers have the ability to walk into a retailer or a merchant with a variety of different sets of data and analytics to help them make their case for why they should get shelf space or why their brands should be featured, et cetera. In the future, retailers want to make this process much more efficient. And so, the – for example, the announcement that we had with Walmart where Walmart wants one version of the truth when manufacturers or suppliers are having those conversations with merchants, is a big driver for their business in terms of helping them do what they do more efficiently, but it's also a win for us because we will be the source of the data and analytics associated with those programs. So, that's a big piece of it.

The second piece of the retailer environment that is a growth driver is just e-commerce. You're seeing e-commerce have a pretty dramatic impact in terms of what's happening in the retail environment and our ability to provide e-commerce metrics will help both manufacturers and retailers get a view of what's happening in the world and we're investing in both of those capabilities in 2018.

So, you'll see not just the retailer element of our business grow, but you also see our relationships with manufacturers expand as the data and analytics that those manufacturers need to help them make their case with retailers expands.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Other questions from the audience?

Q

I think in developed markets Buy, you've guided to about 2% growth ongoing, and you've said that Walmart should be about 1% to 1.5% of the total Buy business. So, does that mean your core Buy is expected to be pretty much flat going forward?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, just to clarify, what we've said is that our total Buy business, if you look at that trajectory that we gave out to 2020, Watch is growing sort of mid-single digits. Buy is going to be somewhere in the neighborhood of roughly 2% compounded annually. What we said about retailers and not Walmart specifically, but the investment that we're making in retailer data, which includes Walmart and others, should add about 1 to 1.5 point of growth for a business out to 2020.

And the second element of that is our Connected System, should add 1 point to 1.5 point of growth for our business. So, when you do that, you start at a 2018 base of being down minus 1 or plus 1. Those are the two big elements to get us to that 2020 compounded growth rate of somewhere around 2% for Buy.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

And then, just a quick question on the e-commerce syndication. How, I know you're going to say it has to be more grainy and I get that, but how broad do you think the e-commerce syndication for the CPG side is in the U.S. because I've spoken to some CPG companies and [indiscernible] (00:38:38) it's going to kill you. They don't know it exists. And so...

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

It's an opportunity.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Right. I would think that they've been playing about this for years. You syndicated it. It might not be perfect yet, but you would think they'd be all over it and everybody would know about it in CPG [indiscernible] (00:38:52)?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Well, there are a number of challenges in fast moving consumer goods today, one of which is just where are the pockets of growth. And if you look at fast moving consumer goods, they will tell you that you the notion of e-commerce being a larger piece of the growth story is real in certain categories like cosmetics, baby formula, disposable diapers, and some other personal care categories. It can be a significant piece of the volume that's being moved through the channels. And so, having a better read of that data is really, really important and all the things that we're doing from a measurement standpoint are going to help.

But the reality is just that the data and the syndication of that data has to get better. And so, what we've been doing over time is we've been adding more data sources to that mix and improving our product capability, so that it is a much more robust measurement than where it was say 12 or 18 months ago.

Certainly, the announcement that we had with Jet.com will help that. But we've added bricks and mortar retailers to the mix and we combine that with...

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Could you mention any?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yes. So, the bricks and mortar retailers in the mix, obviously you have the Jet.com data and some of our existing clients that are part of that mix. But then importantly, we're also going to use our panels to help us understand sort of what's happening in the e-commerce environment as well. So, a combination of panels, plus big data sources, will give us a much more granular read from an e-commerce standpoint and be a much more robust product for our clients. So we expect to get more penetration over time, but there are clearly some investments that we have to make to make sure...

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Yeah. Thank you. I know, it's sad but time is up. Thank you.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

All right. Good. Thank you.