

— PARTICIPANTS**Corporate Participants**

Megan Clarcken – President-Global Product Leadership, Nielsen Holdings Plc

Other Participants

Laura Martin – Analyst, Needham & Co. LLC

— MANAGEMENT DISCUSSION SECTION**Laura Martin, Analyst, Needham & Co. LLC**

Okay. So, I'm Laura Martin and I'm the senior media and entertainment analyst, and I'm going to introduce our distinguished guest today, Mrs. Megan Clarcken. She's the President of Product Leadership at Nielsen Holdings. [indiscernible] (00:15-00:20). Before that, she joined Nielsen in 2004. She's held numerous global executive positions. And I had slides for her. So you guys are going to get the [indiscernible] (00:28) slides. And this one is the one where all of us should give Megan a standing ovation.

So what this shows is her division for the last three years by quarter. And what I thought was so amazing about this, for somebody that [indiscernible] (00:44) Nielsen for this period, is the Watch segment, which used to be the one that investors were most afraid about, has gone from a 3% growth to double, to a 6% growth. And then in the most recent like quarters, what we're showing for this year, it sort of doubled again to kind of 11% growth.

Megan Clarcken, President-Global Product Leadership, Nielsen Holdings Plc

Yay.

Laura Martin, Analyst, Needham & Co. LLC

So way to go. You're such a good partner.

Megan Clarcken, President-Global Product Leadership, Nielsen Holdings Plc

Thank you.

QUESTION AND ANSWER SECTION

<Q – Laura Martin – Needham & Co. LLC>: So looking at this chart, I want to know what you've done to go from the 1% to 3% growth to 6% to now sort of doubled twice. It's quite a thing in a mature market. What's behind that?

<A – Megan Clarken – Nielsen Holdings Plc>: Well, yeah. It's a good story. I'll take it.

<Q – Laura Martin – Needham & Co. LLC>: Yeah. It's an excellent story.

<A – Megan Clarken – Nielsen Holdings Plc>: So a few things. Firstly...

<Q – Laura Martin – Needham & Co. LLC>: Can you hear her okay?

<A – Megan Clarken – Nielsen Holdings Plc>: Can you guys hear me? Yeah.

<Q – Laura Martin – Needham & Co. LLC>: Sorry, I need to use my mic. I'm sorry.

<A – Megan Clarken – Nielsen Holdings Plc>: This is a combination of organic growth for us, but acquisitions as well. So our organic growth is about 4.5% to 5.5% and most of that has come out of our strategy to implement Total Audience to measure the entire marketplace, which was an initiative that we undertook about three years ago. And we've delivered against that. We've executed against that plan, but it is being adopted by the marketplace.

And so with that comes the renewals of existing contracts and our rights to get the escalators so that we're open to those contracts, plus additional revenue that comes on top of that through bringing in new clients that we might not have before or standing up more media analytics capabilities using the data that's coming out of Total Audience. So that's organic growth of 4.5% to 5.5%.

On top of that is growth coming from acquisitions. So the three big ones that are apparent here are the acquisition of eXelate that we acquired about two years ago now, which is helping our Marketing Effectiveness Practice in terms of digital buying and planning and activation; the Repucom acquisition, which is about measuring sports advertising in sports events, which is an exciting acquisition of ours; and then the most recent one in this year was the acquisition of Gracenote, which does a couple of good things for us. One is that it brings revenue in, but it also has a technology that underpins it, which is instrumental to our long-term strategy, and that's the ability for us to basically own the identification of content across the globe.

So they are the world leaders at actual creation of metadata, which identifies content wherever it is, and that's used for measurement for recommendation engines to help surface the name of songs or the names of programs when they appear on digital devices. So, three really good and important acquisitions that are adding to the story as well.

<Q – Laura Martin – Needham & Co. LLC>: Okay. So you think that the underlying growth rate here as it moves from 4.5% up to 10%, a lot of that is acquisitions. But it used to be 3%. So the underlying growth rate must have somehow doubled because it wasn't 4.5%.

<A – Megan Clarken – Nielsen Holdings Plc>: When the whole total growth rate was 3%.

<Q – Laura Martin – Needham & Co. LLC>: So...

<A – Megan Clarken – Nielsen Holdings Plc>: Well, I think the 3% – if you think about the 3% as being organic growth, so no acquisitions or very few acquisitions in there...

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: ...the Total Audience story, the execution of that, the additional products and services that we put on top of that adds another 1.5% to that.

<Q – Laura Martin – Needham & Co. LLC>: Okay, 1.5%.

<A – Megan Clarken – Nielsen Holdings Plc>: And then on top of that is the acquisitions. That's the layer on top.

<Q – Laura Martin – Needham & Co. LLC>: Okay. Okay, and...

<A – Megan Clarken – Nielsen Holdings Plc>: Regardless, it's a great story.

<Q – Laura Martin – Needham & Co. LLC>: It is a great story. So the 4.5%, do you get the sense that that's going up another 100 basis points as we add more products in 2017 and 2018? Is there a growth in the organic 4.5%, do you think? Or is that just going to be constant over next years?

<A – Megan Clarken – Nielsen Holdings Plc>: I think it's pretty constant.

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: I think we always bank on the fact that we have a steady, constant growth and the 4% to 5% range is where we give guidance.

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah.

<Q – Laura Martin – Needham & Co. LLC>: Okay. Perfect. Okay, that's great. It is a beautiful chart.

<A – Megan Clarken – Nielsen Holdings Plc>: Really great chart.

<Q – Laura Martin – Needham & Co. LLC>: Definitely [ph] a take to win (04:51). Great chart.

<A – Megan Clarken – Nielsen Holdings Plc>: I will.

<Q – Laura Martin – Needham & Co. LLC>: Okay. So let's talk about this chart, which is like my first hard question which is, so this is the first quarter U.S. ad growth and this has nothing to do with Nielsen other than – it's like CBS' U.S. ad growth was reported down 1%, Disney down 1%, NBC down 3%, Viacom down 4%, Time Warner down 2%. The question I have for you is how does Nielsen raise price in a environment where the thing they measure, which is network ad sales, is actually falling?

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah. So, what we've experienced over many, many years of doing this is that regardless of the story that the market's telling – increase in sales, decrease in sales – measurement is critical. And it becomes even more critical when the marketplace in ceiling at its most volatile.

So what we do is we respond to the needs of the marketplace at the time and we've done that through the execution of our Total Audience strategies. This market was a market that was wanting Nielsen to be able to at least light up measurement of all of their assets and all of their audiences so they can continue to tell a story and to be able to look at the marketplace in a apples-to-apples

comparison benchmarking. Why? So that they could differentiate themselves. And that's what we've done.

So with that comes the contract renewals that we have. We are renewing constantly those contracts so they don't all come up at one time. They're sort of spaced over time. And they have escalators built into them, which means that we have to continue to supply a service, whereby we'll get those escalators from the clients. So, we have that relationship.

<Q – Laura Martin – Needham & Co. LLC>: What are those based on?

<A – Megan Clarcken – Nielsen Holdings Plc>: Sorry, what do you have to actually – well, we have to continue to show that we're providing a relevant service to our clients. So, if they have a one-point escalator or a two-point escalator in there, we can't do nothing and expect to get that dealers, that we continue to evolve the service so that it's relevant to them.

And so relevance I think is key. The need for measurement is key. The fact that the industry trades on our measurement, it is the currency measurement, we can't go dark regardless of how well they're performing, they need the ratings. So it's a constant measure that's always in the marketplace.

And then, with volatility or a changing dynamic fragmentation, new players coming in, the landscape for us changes in terms of our clients. So if we think about the digital clients, the digital client spend with Nielsen has increased year-after-year. And so, if you think about a company like Google, who maybe four years ago wasn't a huge client of ours, now they're in our top 20. So the client mix changes.

<Q – Laura Martin – Needham & Co. LLC>: So, presumably, that's YouTube?

<A – Megan Clarcken – Nielsen Holdings Plc>: No, Google across the board. So we measure them through Digital Ad Ratings and we measure their content, in particular the YouTube content as well. So the client mix changes. There's new clients coming in, there's clients that might have consolidated or gone away, but measurement is the constant and all of them require measurement.

<Q – Laura Martin – Needham & Co. LLC>: Okay. And yesterday at the FOX party, they were talking about how a lot of their deals are going to be C7 in this.

<A – Megan Clarcken – Nielsen Holdings Plc>: Yes.

<Q – Laura Martin – Needham & Co. LLC>: They're going to write C7 deals. And Les has been saying he expects 100% of his deals to be C7 this year. Are you seeing a faster pivot or a more dramatic pivot this year towards C7 or longer than C3, which has been sort of the standard currency up until I guess this year, really?

<A – Megan Clarcken – Nielsen Holdings Plc>: Yeah. C7 is definitely the flavor of the month. However, if you're ESPN, it's less relevant to you. So...

<Q – Laura Martin – Needham & Co. LLC>: Of course. Same with Scripps.

<A – Megan Clarcken – Nielsen Holdings Plc>: Yeah, exactly. So it's all about the clients and the way in which they trade. But definitely, consumers are taking longer to view programs. So whether it'd be C7 or through Total Content Ratings, giving them insight into what happens after 35 days, all of those measurement is important to them, but where they trade seems to be falling on C7. It's C1 or C3 for sports or live viewing. And then for digital, it's Digital Ad Ratings. So the measurement of consumers to digital advertising regardless of the day.

<Q – Laura Martin – Needham & Co. LLC>: Okay, and that's more of a scatter buy, right? I mean, they're not...

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah, yeah. So it's whenever that ad appears, it's being able to measure that ad and measure the audience that came to that ad.

<Q – Laura Martin – Needham & Co. LLC>: Right. And I would call out an impression on that world, right? Isn't that...

<A – Megan Clarken – Nielsen Holdings Plc>: Well, it's more than an impression because an impression just says the ad was aired and it was seen by human being. Advertisers buy people.

<Q – Laura Martin – Needham & Co. LLC>: I know.

<A – Megan Clarken – Nielsen Holdings Plc>: So they want to know their...

<Q – Laura Martin – Needham & Co. LLC>: NBC made that point yesterday.

<A – Megan Clarken – Nielsen Holdings Plc>: Right.

<Q – Laura Martin – Needham & Co. LLC>: Don't buy products, the viewers buy product.

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah. Advertisers buy people and they want to know that they got to that target audience, to that age/gender demo or that particular audience break. And so, impression's a measure of the impression, whether or not that was seen by a human being, was put in a brand safety environment, to us is a hygiene metric. That is the base. That is exactly what you should be expecting.

<Q – Laura Martin – Needham & Co. LLC>: Right. Yeah.

<A – Megan Clarken – Nielsen Holdings Plc>: But then on top of that is did you get to the right person at the right time.

<Q – Laura Martin – Needham & Co. LLC>: Right. And let's talk about advanced advertising because I think that's where the world's going and you guys are taking the world there as well. And so, we had Viacom on stage today. NBC talked about Symphony, which is NBC's advanced target targeting with FOX. And then Viacom this morning talked about the OpenAP consortium which is Turner, FOX and Viacom and how they will have these similar identical definitions and then Accenture will be the backbone and then the brand can choose whether they use Nielsen or comScore for the ratings information.

So let's talk about the role of Nielsen and whether these new advanced audiences undermine that currency rating. Just to give the audience a number, NBC has said they're going to make \$1 billion of ad inventory available for advanced audience sell-through, if there's that much demand, and so is Viacom, another billion.

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah. So, let's be about NBC's platform and the OpenAP platform.

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: They are sales platforms. So what they're doing is they're lighting up the ability for advertisers to be able to link their first-party data to the audiences that NBC and then the three consortiums have to find out OpenAP.

<Q – Laura Martin – Needham & Co. LLC>: Okay. Yeah.

<A – Megan Clarken – Nielsen Holdings Plc>: To find out where the best place at advertising for a very targeted buy. So I want cereal eaters or I want beer drinkers or avid hikers. And so it's a way for traditional broadcasters to be able to sell beyond age and gender.

<Q – Laura Martin – Needham & Co. LLC>: Yeah.

<A – Megan Clarken – Nielsen Holdings Plc>: They'll be able to sell to a very targeted buy.

It is using Nielsen data. Inside of those, we have been providing audience targets for years, whether that be through our NBI dataset or NCS dataset or the targets that we light through our TV panel. And that feeds through to those systems to be able to have them wise up the ability to say this program attracts this kind of audience on demographics beyond age and gender. And that's what they've done.

What they haven't done is create the ability for third-party independent measurement to be able to say to the advertiser that they actually got what they paid for.

<Q – Laura Martin – Needham & Co. LLC>: Like the audit function.

<A – Megan Clarken – Nielsen Holdings Plc>: Well, the audit function is a little different. So let's be clear about that. What Accenture – and by the way, I'm not sure where Viacom went this morning, but I know that this is still being developed, yeah. But Accenture play an audit function, which is different to our measurement function.

What the audit function does is, say, the methodologies that these three players are using to define those segments is the same.

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: The measurement on the other side of that is being done properly, stamp of approval. What Accenture I think would like to do is also provide that measurement, but Accenture do not have the capability to do that.

<Q – Laura Martin – Needham & Co. LLC>: And they didn't say that. They said they're going to do that audit function...

<A – Megan Clarken – Nielsen Holdings Plc>: Right.

<Q – Laura Martin – Needham & Co. LLC>: ...which is make sure the definitions are actually identical.

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah. Definitely, I think they're right. They're lined up because there's three players in there who may have different definitions of what is that segment. So they're providing an audit function across that.

Where we think is an important place for Nielsen to continue to play in audience buys is to be able to guarantee to the advertiser through third-party independent high-quality measurement that they got what they paid for.

So you brought a serial buyer. Did you reach that actual person, the individual inside the household? Did they – that's the first R that we talk about. That's the currency metric.

The second R is whether or not that advertising campaign resonated with them. Do they remember it? Did it change their decision to purchase?

And then for targeted buys, what we do find that's becoming more and more prevalent is the need to measure return on investment. Did you actually get the serial buyer and did they actually buy the product? Because at the end of the day, the advertisers, for targeted buyers, want to go beyond did I reach that consumer to actually did they buy a product because it's a very different advertising method that they're using.

<Q – Laura Martin – Needham & Co. LLC>: Okay. So they're actually going all the way to the purchase. And how does Nielsen – that's through your new product where you have with your Buy segment.

<A – Megan Clarken – Nielsen Holdings Plc>: Yes. So we have a part of our business called Marketing Effectiveness of which we measure ROI inside of that. We have a joint venture with Catalina for our Nielsen Catalina Services (sic) [Nielsen Catalina Solutions], NCS, and we have a Nielsen Buyer Insights. So there's a number of different places where we light up the measurement of ROI.

<Q – Laura Martin – Needham & Co. LLC>: And as well be part of OpenAP that people can subscribe for to make sure that they reach...

<A – Megan Clarken – Nielsen Holdings Plc>: Well, they would have to – we haven't talked about OpenAP in terms of how we light that up.

<Q – Laura Martin – Needham & Co. LLC>: Okay. All right. Fair enough. Okay. So your point would be that OpenAP is – they'll still need all the services that Nielsen has if the brand wants to make sure they actually got the target that they thought they bought and reach the target and ultimately change purchase behavior.

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah, we believe that. Yeah.

<Q – Laura Martin – Needham & Co. LLC>: Okay, but it's also new. It's all still...

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah.

<Q – Laura Martin – Needham & Co. LLC>: They're sort of creating it real time, too.

<A – Megan Clarken – Nielsen Holdings Plc>: I mean, I think what's exciting about OpenAP and the services that NBC are putting together are just that it's moving beyond stock spend in way in which they sell before to finding ways to differentiate themselves as compared to Google, Facebook, Snapchat and others. And so they have amazing assets of which there are ways in which they can tell a story beyond what they've told to-date using Nielsen's measurement as part of that story and really continue to compete in the space where it's getting more and more fragmented with different media that's coming with very different stories.

<Q – Laura Martin – Needham & Co. LLC>: Interesting. And right before you, we had a brand guy who represents the top 2,000 brands on social only.

<A – Megan Clarken – Nielsen Holdings Plc>: Right.

<Q – Laura Martin – Needham & Co. LLC>: And what he said is 85% of their budget is going to Facebook because they really do like reach and they really do like standardization and comparability.

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah.

<Q – Laura Martin – Needham & Co. LLC>: So I just thought that was interesting that we're seeing that – we've always seen that in TV.

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah.

<Q – Laura Martin – Needham & Co. LLC>: That reach is so important to this brand.

<A – Megan Clarken – Nielsen Holdings Plc>: It is very important. Yeah.

<Q – Laura Martin – Needham & Co. LLC>: So, okay, let's talk about two new products. Can you talk about out-of-home audience reporting service with ESPN? Is it source client? And where you hope to take that and how big it might be?

<A – Megan Clarken – Nielsen Holdings Plc>: Well, out-of-home is really exciting. If you think about the amount of viewing that's going on outside of the household, which hasn't been captured in the currency metrics before, there's a lot going on there. And so, it goes beyond sort of sports and pubs to news that may be watched inside of the work environment, news and entertainment that's watched inside of restaurants and bars.

So, it sort of is a great story for many of our clients even beyond the ESPN story. But ESPN have rightly so been sort of first cab off the rank. It's really pushing for this because of what it means to their audiences. But basically it takes our PPM data. So the Personal People Meter (sic) [Portable People Meter] that we've traditionally used to measure audio, which is 75,000 devices. So 75,000 people that are moving around with these devices on inside of about 45 different markets through the U.S. And so it captures about 65% of TV households. And it's basically listening for this viewing outside of the home, identifying what the viewing is because the viewing is watermarked and then being able to project that to the U.S. population.

Now, for those genres I talked about, there are sort of high-single-digit gains going on if we add that measurement.

<Q – Laura Martin – Needham & Co. LLC>: For news, entertainment.

<A – Megan Clarken – Nielsen Holdings Plc>: Yes, entertainment for cable and for broadcast.

<Q – Laura Martin – Needham & Co. LLC>: I would guess there's big differences. I would guess if single-digit is the average, that sports would be really high and entertainment will be really low, like I wouldn't guess that those are similar.

<A – Megan Clarken – Nielsen Holdings Plc>: That would be right, but not really low. I think there's – I don't know the numbers off the top of my head, but I didn't – there wasn't 2% and 3%. They were 4% and 5%.

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: And for both cable and broadcast as well, higher is about news and sports. So what we've done is we've lit this up for clients today that ESPN have subscribed. There a few that are in the pipe at the moment. And it is being produced outside of the ratings today. But it is ratings quality, it is being moved into the ratings some time during 2018. So it's an important next step to just continue to take this Total Audience Measurement to extremes and bring on and add audiences where they are.

<Q – Laura Martin – Needham & Co. LLC>: Okay. But it feels like the early adapters are going to be sports and news more than entertainment because – okay. That makes sense.

The second product I want to talk about is something from Mitch's first quarter earnings call, your CEO. Sorry, Mitch. He said, we've expanded our ability to credit linear advertising on digital screens, and that's driving increased usage of our digital and TV rating service by clients like ABC, Univision, Freeform and CBS. Audience is now captured by both these new service in C3/C7. Can you talk about why this is a cool new product and how big do you think it could be?

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah. So when you think about this, think about a true cross-platform measurement, so C3/C7, the TV ratings that is now cross-platform. So because C3/C7 is all about the roles that allow us to include programming and the currency. So it's currency now taken across and including anything that's viewed within those roles on digital platforms. So it's C3/C7 across all platforms, which is huge. And that's basically what the industry has been asking for...

<Q – Laura Martin – Needham & Co. LLC>: Four years.

<A – Megan Clarken – Nielsen Holdings Plc>: ...four years.

So, as you said, it's being adopted by the four that you mentioned. Plus, what I will say is that some of the distributors have also adopted it as well.

<Q – Laura Martin – Needham & Co. LLC>: Right.

<A – Megan Clarken – Nielsen Holdings Plc>: The DirecTV, Sling, PlayStation, YouTube TV. And so, for the..

<Q – Laura Martin – Needham & Co. LLC>: And they're [ph] out-of -veils. For the out-of-veils, they have many (20:20) hours.

<A – Megan Clarken – Nielsen Holdings Plc>: Correct, where it is linear-based, where it is simulcast.

<Q – Laura Martin – Needham & Co. LLC>: Simulcast.

<A – Megan Clarken – Nielsen Holdings Plc>: Linear-based simulcast. So, what they're doing is for anything that they're distributing, which has a linear ad load which is eligible for the rating, C3/C7, for any network. So they may be distributing content that's coming from NBC or anybody, it's being credited to their viewing, whether they even know it or not, it's now being credited to their viewing.

It is that programming that is simulcast onto a digital device or is eligible for C3 linear advertising. So it's very small. But it's very, very important because it now is true cross-platform measurement for TV currency.

<Q – Laura Martin – Needham & Co. LLC>: Okay. What's the lift for a lot of these guys?

<A – Megan Clarken – Nielsen Holdings Plc>: Well, again, it's pretty small. I mean, we've always thought that the lift of eligible C3 viewing on digital devices has been a couple of percent. Very, very small.

<Q – Laura Martin – Needham & Co. LLC>: So, I mean, some of these numbers – and I'm thinking it's CBS but it might have been Disney. I'm sort of forgetting. So there were 10% lift on

some of these shows when you look at the digital device playback. Or was it FOX, I'm sort of forgetting.

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah.

<Q – Laura Martin – Needham & Co. LLC>: But I thought so many shows have really big lift, but maybe it's the individual show and not across schedule.

<A – Megan Clarken – Nielsen Holdings Plc>: Well, then you have to think about the ad load that's in that because if you were to look at some programming across devices, these are the no ads in it or the ad load has been changed in some way, shape or form.

<Q – Laura Martin – Needham & Co. LLC>: [indiscernible] (21:55).

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah. And so, it's not eligible. So they may be talking about all of their Total Content Ratings, their total viewing, but very little of it has got a linear ad load that is eligible for...

<Q – Laura Martin – Needham & Co. LLC>: Right. So their Total Content Rating might be up 10%, but when you look at the ad load...

<A – Megan Clarken – Nielsen Holdings Plc>: [indiscernible] (22:12)

<Q – Laura Martin – Needham & Co. LLC>: Yeah, it is to 1% or 2%.

<A – Megan Clarken – Nielsen Holdings Plc>: Right.

<Q – Laura Martin – Needham & Co. LLC>: Okay. But I guess everybody – the consensus is these numbers are going to grow on digital platform.

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah.

<Q – Laura Martin – Needham & Co. LLC>: So we need to get the measure.

<A – Megan Clarken – Nielsen Holdings Plc>: We need to get the measure, yeah.

<Q – Laura Martin – Needham & Co. LLC>: So why is it that you think that NBC said too fast, too soon just halt Nielsen? What's your view on why they came out and asked you to slow it all down?

<A – Megan Clarken – Nielsen Holdings Plc>: Well, I mean we can speculate. So, what I will do is I'll turn to the facts.

So what NBC said to us, and this was middle of December, they sent us a letter and I'll talk about it because they made it very public.

<Q – Laura Martin – Needham & Co. LLC>: Yeah, yeah. They've released it.

<A – Megan Clarken – Nielsen Holdings Plc>: And they've talked about eight different things inside of that letter that they called as being substandard or things that made our Total Content Ratings not ready for primetime.

The first one was about coverage. So they said, you're not measuring everything and everybody. And we believe that for the biggest part of the viewing, the TV ratings plus the VOD ratings, we have fantastic coverage because it's measured by panel. Everything on top of that is participation. It means that they have to actually do something.

<Q – Laura Martin – Needham & Co. LLC>: Yeah.

<A – Megan Clarken – Nielsen Holdings Plc>: And that's chicken and egg. So, if you're worried about coverage, then get in there and help us out.

<Q – Laura Martin – Needham & Co. LLC>: Yeah.

<A – Megan Clarken – Nielsen Holdings Plc>: But for the most part, there's coverage in there. That was number one.

Number two and three were questions around methodology, implications that it was black box and that we weren't transparent. We are so transparent. I mean, we have spent millions of hours with clients – millions and over-exaggerating, it feels like it, with clients taking them through the methodology and we've been very public about that. So, that's just time spent trying to understand the methodology.

The fourth and the fifth piece they talked about was they thought that we didn't have – they thought that for VOD measurement and over-the-top measurement, it needed to be done via software. We disagree. We think it's better if it's done via software, but our TV panels do a fantastic job of measuring programming to the TV screen. We have hundreds of thousands of episodes that get measured every single day. So we disagree with that.

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: The next point was a point around definitions and hierarchies and things which was a misunderstanding on their part. They were looking at a report that didn't work like that, so they were focused on that report and not on everything else.

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: So that was a misunderstanding.

<Q – Laura Martin – Needham & Co. LLC>: [indiscernible] (24:49).

<A – Megan Clarken – Nielsen Holdings Plc>: No. Well, it didn't need to be fixed, but just they had a misunderstanding.

The next point they said was around viewability and frauds and in content ratings, there is no such thing. So you don't measure viewability and fraud for content ratings. You do for ads, but not for content ratings.

<Q – Laura Martin – Needham & Co. LLC>: [indiscernible] (25:09).

<A – Megan Clarken – Nielsen Holdings Plc>: There's nothing there.

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: So that was a misunderstanding, so we disagreed on that.

And the last one was they believe that Total Content Ratings needs to – should have had out-of-home, which we just talked about, in it.

<Q – Laura Martin – Needham & Co. LLC>: Yeah.

<A – Megan Clarken – Nielsen Holdings Plc>: But it didn't, it never has and it's never been anything that we've agreed with the industry to add to that. So it's sort of a moving target. Ironically, out-of-home will be added in 2018.

So for the eight points that they've put forward – and again, I'm just leaning on the facts here – we're not in agreement with the eight. We went back and level set with them.

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: We respect them as a client and we'll continue to work with them to bring them on board.

<Q – Laura Martin – Needham & Co. LLC>: Yeah.

<A – Megan Clarken – Nielsen Holdings Plc>: Any other reason why they might not be there is speculation. I'm more interested in getting them there.

<Q – Laura Martin – Needham & Co. LLC>: Yeah. No, of course. And it sounds like some of these things are just time, like the transparency one.

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah.

<Q – Laura Martin – Needham & Co. LLC>: But points two and three are about explaining this to them [ph] to make sure they're along (26:09).

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah, exactly.

<Q – Laura Martin – Needham & Co. LLC>: And some of them just have a disagreement and they have to get over it or [ph] move over (26:14).

<A – Megan Clarken – Nielsen Holdings Plc>: The proof really is we're very proud of the participation that we've got so far. I mean, CBS is all in. Turner has been public about their endorsement and acknowledgement of it by publishing the Total Content Ratings picture for their VOD assets. And for most all of the other players, they are in there waiting for the right time to release it to a syndicated form.

What we decided to do on the back of the NBC letter, because it's important to us that the marketplace is aligned and feel comfortable about us releasing this kind of data because it's so critical...

<Q – Laura Martin – Needham & Co. LLC>: Right.

<A – Megan Clarken – Nielsen Holdings Plc>: ...is to allow them to go public when they feel like, when they want to go back public. So it's there, it's done. They're participating. They can go public when they want to go public. And particularly around upfronts, as they got closer and closer to upfronts, the move started to, rightly so, get in the way. And so, they will look for us to upfront to start to move them through again.

<Q – Laura Martin – Needham & Co. LLC>: Yeah, yeah. I mean, maybe they'd do by it next upfront. I think there's adaptive efficiency in all of these ecosystems.

<A – Megan Clarken – Nielsen Holdings Plc>: Absolutely, yeah.

<Q – Laura Martin – Needham & Co. LLC>: People adapt this faster and then people adapt something different faster. They might be as well adapt to here.

Let's talk about his chart. We've got a Nielsen chart on the left and we've got [indiscernible] (27:31) chart on the right. And I need to read you some numbers. YouTube exceeded 1 billion hours viewed a day of video online in late 2016, up tenfold over 2012. They announced that. Facebook stated that they had 100 million hours and Netflix had 116 million hours of daily video viewing. These all came – these are all very recent numbers.

The \$1 billion figure approaches \$1.25 billion Nielsen TV hours a day. So looking at these charts, doesn't Nielsen's Watch roadmap have to include new players like Netflix, Facebook and YouTube? And how hard is it to get them to adopt Nielsen currency given that they're used to grading their own homework?

<A – Megan Clarken – Nielsen Holdings Plc>: Well, let's talk about Facebook and YouTube.

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: Then, we'll talk about Netflix.

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: So Facebook is a client of ours, has been for some time. Their data, as some people know, is part of the measurement for Digital Ad Ratings. We use Facebook's registration database to get our first pass of age, gender calculation. And they have adopted DAR across all of their advertising. So, Facebook is...

<Q – Laura Martin – Needham & Co. LLC>: Digital Ad Ratings.

<A – Megan Clarken – Nielsen Holdings Plc>: Digital Ad Ratings, I'm sorry.

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: And Facebook is a participant in Digital Content Ratings as well using our panels to measure their audiences to their content. So, they're already in there.

<Q – Laura Martin – Needham & Co. LLC>: And they're doing more and more videos.

<A – Megan Clarken – Nielsen Holdings Plc>: And they're doing more and more video, yeah. They are and they are keen to make sure that when we measure video, it is measured apples-to-apples comparison to a TV, yeah. So they're a great participant of Nielsen ratings and that is for them to be part of Digital Ad Ratings that is a comparable measurement to C3/C7. So they're part of the digital currency.

Same on the YouTube side as well. So YouTube are – they have a huge focus on making sure that they can be measured in a comparable way and be part of the currency. And so, their participation in digital TV rating, which we talked about before, is testament to that. They adopt Digital Ad Ratings. They are a big part of the digital currency because of that. They are – when I hear a lot about them grading their own homework, they've pivoted away from that substantially. So, when you think about Google as a company, they've gone away with marking their own homework for many years because they do that on search.

<Q – Laura Martin – Needham & Co. LLC>: Yeah.

<A – Megan Clarken – Nielsen Holdings Plc>: They're the only player in town. So their philosophy is, well, we can get away with it because we always have.

But a few years ago, the advertisers started to push back and say, you're not the only player in advertising and we need you to be third-party independently marked and one of the big advertisers actually pulled dollars back from them. Unilever said, that's it. We had enough.

And so they've leaned in and they're participating in the digital currency, Digital Ad Ratings. And you can see them having similar conversations around viewability, extended some viewability metrics as well is that as long as the advertisers hold them accountable, don't wait to mark their own homework, they'll lean them to the currency. And they want to play for TV dollars so they'll be measured to the same standards as TV.

<Q – Laura Martin – Needham & Co. LLC>: And I think the most important point you made earlier in the conversation, you said they went from being like client number 100 to like in your top 20 in the last three years. So that's the best testament that...

<A – Megan Clarken – Nielsen Holdings Plc>: Exactly.

<Q – Laura Martin – Needham & Co. LLC>: ...they're actually wanting to be measured the way the big boys are like...

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah.

<Q – Laura Martin – Needham & Co. LLC>: ...Viacom and CBS.

Facebook, now that it's pivoting to video, would you expect them to be in your top 20 clients in the next three years?

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah, I would hope so.

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: I mean, again, they're an important client today. They're an important partner today.

<Q – Laura Martin – Needham & Co. LLC>: Right. On the info side, on the data side.

<A – Megan Clarken – Nielsen Holdings Plc>: On the data side, yeah. And we continue to work with them to get them to where they need to be, but they're all in.

<Q – Laura Martin – Needham & Co. LLC>: Okay. All right. Good. And Netflix, we got to do the...

<A – Megan Clarken – Nielsen Holdings Plc>: I'm going to do the Netflix thing. Yeah. So, Netflix – actually the other player I will add to the digital story is Twitter is there, Snapchat's there, Hulu's there, Roku is there. So, of the sort of newbies, we're in good shape with all of those guys.

<Q – Laura Martin – Needham & Co. LLC>: Okay.

<A – Megan Clarken – Nielsen Holdings Plc>: On the Netflix side, so Netflix has not allowed for third-party independent measurement forever.

<Q – Laura Martin – Needham & Co. LLC>: Yeah.

<A – Megan Clarken – Nielsen Holdings Plc>: And what some people may not know is that they actually stipulate that in their contracts with the studios and with the networks. So, when they distribute somebody else's content, they do that deal for that distribution in the contract. Often, they write that the Nielsen watermarks have to be taken off the content first, so they are not being measured.

And that's caused a problem for the industry who are trying to negotiate deals with them because they know that they're not getting measured, so they can't have any kind of apples-to-apples comparison or understand what they're losing in terms of ad revenue by doing a subscription deal with Netflix.

Can you guys still hear me? I'm talking right here.

So, we've had a lot of asks from the studios and from the networks to measure Netflix. And so, what we've done in the last 18 months is we measure Netflix now because the studios and the networks are sending us audio files of their programming. And our meters inside of the homes are able to pick up that audio file, so they're able to listen and understand that something is being watched and identify what was being watched.

What the meters can't do is they can't find the originator to that. So, it's not coming through as a normal TV network and they can't link it back to anything. So, what the TV meters do is they say, this program is watched, but we don't know where it came from. And we send that data back to the originator.

And so, we send it back to the network or the studio, and they know their distribution deal so they know that that was Netflix viewing.

<Q – Laura Martin – Needham & Co. LLC>: [indiscernible] (33:52).

<A – Megan Clarken – Nielsen Holdings Plc>: Exactly. So that, at this point in time, is serving a really big purpose for them. They're able to get that measurement. It's the same measurement as they get for TV. They're able to line these things up and make strategic choices. So that's really important.

Today, we have...

<Q – Laura Martin – Needham & Co. LLC>: [indiscernible] (34:09).

<A – Megan Clarken – Nielsen Holdings Plc>: No, not really. So they'll get a file back and they go, that's Netflix with their own name on it.

And so, today, we have about 25,000 programs that are being measured, Netflix programs. What we want to get to is a way to syndicate that, which we're working on throughout this year to be able to identify the source automatically and be able to light that up as part of our service where we can benchmark the marketplace including Netflix data.

<Q – Laura Martin – Needham & Co. LLC>: Okay. Questions? Yes?

<A – Megan Clarken – Nielsen Holdings Plc>: Hi.

<Q>: [indiscernible] (34:41-35:11)

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah.

<Q>: [indiscernible] (35:12-35:16)

<A – Megan Clarken – Nielsen Holdings Plc>: Well, it's a good question actually because there's a little bit of – our clients are off for it and it seems intuitive. But be careful what you ask for because when you get it, you better be ready to use it.

And so, clearly, some of our clients have been ready and have used it and some are not. They want more time with it. They want to understand the stories it's telling. They want to understand how to make sure that perhaps the story that tore them apart lines up to what third-party independent measurement is going to say.

So, there's a lot of getting ready for this. It's incredibly important data. And as I've said a number of times, the ecosystem is getting more and more fragmented with many different media players now coming and then fighting for the same ad spend.

And so, are they ready for it? I would say some are, some are not. And that applies to both ad ratings and content ratings. And then you have systems in place. So you have an end-to-end infrastructure which needs to take the data and actually activate against it, do something with it.

In the digital space, you can take that data. You can put it into a DMP. You can activate automatically through a programmatic means of buying.

In the TV side, it's I/O. It's a fax machine. And many sort of systems that have been in place since the 1960s that are actually trying to churn through different datasets. And to bring them another dataset that looks a little bit different is going to take them out of – into development for years to accommodate it.

So, in some respects, the marketplace is adapting very quickly to be ready for it and some are there and some are not. For us, for Nielsen, it's more important to not be way ahead of that, but be in lockstep with it and sometimes even slightly behind it, just making sure that we're doing things at the right time in the right way.

And I'll give you a very real example about why that's important to Nielsen is that we – three years ago, we got a lot of criticism for why weren't you measuring mobile 10 years ago. We had the capacity. We've done a lot of research so we knew how to measure mobile. Why didn't you light up and bring to the market mobile measurement 10 years ago?

If we hadn't done that, we would've been measuring BlackBerries because that's how fast the world progresses. And if we get ahead of it too far and we've invested a lot of time on something that was wrong, we always have to wait for the marketplace to stabilize or at least sort of intellectually know where this is going, and for us to feel confident that what we've built and what we're going to deploy is going to stand the test of time.

And so, for us, it's watching that dynamic really closely and getting not too far in front of it, but being with it as it evolves. And that applies to audience buying as well.

<Q>: [indiscernible] (38:20)

<A – Megan Clarken – Nielsen Holdings Plc>: Yeah, definitely. Yeah.

<Q>: [indiscernible] (38:23-38:31)

<A – Megan Clarken – Nielsen Holdings Plc>: For measurement services, yeah. Yeah.

<Q – Laura Martin – Needham & Co. LLC>: [indiscernible] (38:35-38:38)

Nielsen Holdings Plc

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<A – Megan Clarcken – Nielsen Holdings Plc>: Oh.

Laura Martin, Analyst, Needham & Co. LLC

I need to call it now. So we're going to stop.

Megan Clarcken, President-Global Product Leadership, Nielsen Holdings Plc

Damn.

Laura Martin, Analyst, Needham & Co. LLC

[indiscernible] (38:42-38:45)

Megan Clarcken, President-Global Product Leadership, Nielsen Holdings Plc

Thank you.

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