09-Nov-2017

Nielsen Holdings Plc (NLSN)

Investor Day

CORPORATE PARTICIPANTS

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

Giovanni Tavolieri
Chief Technology & Operations Officer., Nielsen Holdings Plc

Stephen John Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

Andrew Somosi
Executive Vice President - Product Leadership, Nielsen Holdings Plc

Megan Clarken
President, Watch, Nielsen Holdings Plc

OTHER PARTICIPANTS

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Anjaneya K. Singh
Analyst, Credit Suisse Securities (USA) LLC

Jeff P. Meuler
Analyst, Robert W. Baird & Co., Inc.

Brian W. Wieser
Analyst, Pivotal Research Group LLC

Manav Patnaik
Analyst, Barclays Capital, Inc.

Toni M. Kaplan
Analyst, Morgan Stanley & Co. LLC

Daniel Salmon
Analyst, BMO Capital Markets (United States)

Steven Mark Wilson
Analyst, Lapides Asset Management LLC

Kevin McVeigh
Analyst, Deutsche Bank Securities, Inc.

Stephen Hardy Sheldon
Analyst, William Blair & Co. LLC

Todd Michael Juenger
Analyst, Sanford C. Bernstein & Co. LLC

MANAGEMENT DISCUSSION SECTION

Sara Gubins

Senior Vice President-Investor Relations, Nielsen Holdings Plc

Hello, everyone, and welcome to Nielsen's Fifth Annual Investor Day. I'm Sara Gubins, the Senior Vice President of Investor Relations. And on behalf of the entire company, I want to welcome and thank all of you who made the trip to be here in person today. I also want to welcome everyone who is listening and watching on our webcast.

Let me pause here for our forward-looking statements. This year, we're highlighting our path to 2020, underscored by our efforts and our focus on investing in innovation to drive growth and efficiency. We're going to spend time today on our growth drivers and operational efficiency opportunities. And this is a key reason that we're hosting today at Nielsen's Global Technology and Innovation Center or GTIC, as we call it, our largest operations facility.

We're going to start today with a presentation from our CEO, Mitch Barns, where he'll share his vision for the Nielsen of 2020. Our CFO, Jamere Jackson, will then discuss our financial profile, our 2018 guidance, and our longer-term outlook and we'll then have a Q&A session.

Following a short break, we'll dive into the rest of our presentations. Our Chief Technology and Operations Officer, John Tavolieri, will expand on our initiatives to drive sustainable and permanent efficiencies across the organization over the next several years. After that, our President and Chief Operating Officer, Steve Hasker; and EVP, Product Leadership, Andrew Somosi, will discuss our Buy businesses, including our strength in emerging markets and progress on the Connected System.

Finally, Megan Clarken, President of Watch, will take the stage to talk about Nielsen's pivotal role in the future of premium video measurement. We'll have a final Q&A session and Mitch will return for some closing remarks.

After presentations, lunch will be served. Nielsen product demos, which are off to your right, will be open and will offer guided tours of the facility here. This includes the visits to the Buy engineering room and our state-of-the-art client demo room. And I'd highly recommend the tour.

I also want to note that we've gone green this year and our presentations are available on our website. There's Wi-Fi available in the room, and you can get the presentations at ir.nielsen.com. We will be passing out hard copies of Jamere's presentation just before he begins.

As you may recall, beginning in 2015, we decided to make a donation on behalf of everyone attending in lieu of a gift. And this year, we chose the World Food Program, which is the global food aid arm of the United Nations. Nielsen has supported WFP since 2012 through programs that focus on food pricing data, data collection systems, survey methodologies, brand awareness and more.

And in the wake of devastation from hurricanes and other natural disasters, some of which have hit very close to home, WFP's mission to meet emergency needs and support economic and social development is more important than ever. So, your attendance today is having a real impact, and again, we thank you for coming.

This year, our Nielsen product demos includes six demonstration areas, many of you have already had a chance to start to interact with some of our Buy & Watch leaders there. We encourage you to spend time during the break and after lunch, and to take a closer look at the innovation and innovative products and platforms that we're bringing to market. We hope that you will find today informative and helpful.

And with that, I'm delighted to turn it over to our first presenter, our CEO, Mitch Barnes.

Dwight Mitchell Barns

Chief Executive Officer & Director, Nielsen Holdings Plc

Good morning, everybody. Thanks for coming to Tampa. Thanks for joining us online via the webcast. Before I begin with my portion of this morning's presentation, I want to do two things; one is I want to share some breaking news; and the second is, I want to give you upfront my preview of what I consider to be the highlights that you'll hear as we go through our presentations this morning.

So, first, a few pieces of breaking news. In fact, I have four pieces of breaking news, all of them client related, all of them things that have come to fruition just within the past several days. The first one is related to Comcast. Comcast – and what we're able to announce here with regard to Comcast is that we're pleased to announce that we'll be integrating set-top box data from Comcast into our TV ratings starting with Local Television. So, data from Comcast will join the data that we already have access to from Charter, from Dish and from AT&T.

And this is an important aspect of our approach to measurement these days where we combine big data sets; in this case, set-top box data with the high-quality data from our panels. Put those two types of data together to get the best of both worlds. And so, we couldn't be happier to have Comcast data on board as we continue to improve our TV measurement, starting with Local Television.

The second one is related to iHeart, iHeartMedia. And we're pleased to announce a renewal of our multi-year contract to provide ratings and analytics to our largest audio client. This is the continuation of our decades long relationship and it supports iHeart's growth agenda and they're obviously the big player, and they anchor our audio business. So, it's a great win for Nielsen with a big local media client.

The next two are from the Buy side of our business. And the first one is regarding [ph] Tyson. Tyson (06:23), this is a competitive win for us. Tyson has recently decided to shift their business from our competitor over to Nielsen. And a key reason for that is their enthusiasm for our Connected System initiative. So, again, a great win for our teams with a very important mid-tier client here in the U.S. market.

And the fourth piece of news, this is a really big one. This one's regarding Walmart. Today, we're able to announce and excited to share with you that we are dramatically expanding our relationship with Walmart. The expanded relationship actually has several different components. You're going to hear more about it a little bit later this morning from Steve Hasker, but let me touch on just two of the key components right now.

The first one is that, Nielsen will be the sole provider of data for the program that enables collaboration between Walmart and its major suppliers. Walmart calls this the [ph] WalmartOne version of truth (07:24) program. It'll include Nielsen's data of course and also Nielsen's analytics and apps, and all the major suppliers doing business with Walmart will do so via this program.

The second key component of this expanded relationship with Walmart is Jet.com will become a cooperator in our e-commerce measurement service. Jet.com and that enables us to provide a sharper view of e-commerce sales here in the U.S. market to our clients going forward. And so, we just couldn't be more excited about this expanded relationship with Walmart, joining a couple of other really great pieces of news, that again have just come to fruition for us within the past several days.

So that's the first thing I wanted to do this morning. And the second thing before I jump into my portion of our morning's presentation is, I just want to share with you what I consider to be the key takeaways upfront, so that you they can especially listen for these things as we go through the rest of our content this morning. So, here they are.

First, our theme for the day is that we're investing in innovation to drive efficiency and growth in our business, investing in innovation to drive the efficiency and growth.

So, let's start with efficiency. As we invest in innovation to drive efficiency in our business, you'll see a big emphasis in particular on automation and consolidation and platform convergence. And as we pursue these opportunities over the next few years, we will drive a $500 million reduction in our annual cost base in our business by 2020. We'll invest a significant portion of that back into our business to continue to drive efficiency and growth in the years that follow, but another portion of it, a significant portion of it will fall through enabling us to drive accelerate – accelerated margin expansion for our business over the next few years. In fact, four points of margin expansion is what we expect from these efficiency initiatives. That's more than double the typical rate of margin expansion that you might have expected from us given our pace over the last several years.

That's on the efficiency front. Now, let me turn to some of our growth efforts. On the Buy business, I want you to listen for the progress we're making in the development of our Connected System initiative. This is an incredibly difficult complex initiative. And despite that, we remain on track, on schedule, and we just couldn't be more excited about the progress that our teams have been making, and excited about what it means for the future of our Buy business. The Connected Partner Program, which is a key component of our Connected System initiative, is exceeding our expectation so far. We're up to now 38 connected partners being a part of that program.

Also in our Buy business for emerging markets, we've been investing in our emerging market business and those investments continue to payoff. We continue to see very strong growth in that part of our business. It was 11% on a constant currency basis in the third quarter.

And finally, for Watch, some of the key highlights I want you to listen for, as we share some of the updates on our Watch business later this morning. First, you'll hear how we will further expand the TV currency in 2018, that's the C3/C7 definition of the currency. We'll expand it again in 2018. We've already expanded it in 2017 by adding out-of-home viewing and by incorporating viewing measured by our Digital in TV Ratings metrics. We'll expand it again in 2018, and it's a really exciting way. Megan Clarken will tell you exactly how that's going to happen in 2018.

In addition, while that's about linear television ratings, we're also confident growing in our confidence that we will be the currency for digital in the future as well. Megan Clarken will share with you why our confidence is so strong that that is going to happen. You also hear our Total Audience Measurement system. Now that it's fairly well established in the marketplace, is now serving as a foundation for how we're supporting the complete end-to-end process for how media is bought and sold, from planning to activation, to evaluating the return on investment in advertising. So, this Total Audience system really is serving our business incredibly well. It's enabling us to go after some very attractive incremental growth opportunities like [ph] audience face by (11:58) in addressable advertising in the future. And you'll hear more about that in the morning.

So, with that, let me now dive into my portion of this morning's presentation and let's get it underway. In my portion of our presentation this morning, I'm going to touch on four key topics. The first, our fundamental strengths as a company. Second, our commitment to building uniquely better products. Third, I'll share a few thoughts on the open approach that we take to innovation, where it's not just our internal R&D efforts, which are incredibly important, but also how we access innovation through our partnerships, and acquisitions, and our investments in technology-based startups. And then, finally, I'll touch on this gold mine of opportunity that we have in front of us, regarding efficiency.

So, with that, let me turn to the fundamental strengths of our business. These will be familiar already to many of you, but I think it's important for us to remind ourselves, certainly it is for us at Nielsen of these fundamental strengths, because it's on these strengths that we build our products and we build our strategy for the future. So, let me walk through a few of the things in particular that distinguish Nielsen in the marketplace.

The first is our global presence. We operate in 106 markets around the world and that includes a very strong presence in the fastest-growing emerging markets. Second, we have this commitment to measuring the complete consumer – the complete consumer, the total audience, the total consumer, and that includes the easy and efficient aspects of measuring consumers, but also the very difficult aspects of measuring consumers. We take on the full challenge and that distinguishes Nielsen from many of the other providers in the marketplace. Third, we have this incredible wealth of metadata for video, for audio, for sports, for fast-moving consumer goods.

Metadata is data about data, if that makes sense to you, and it is growing rapidly in terms of its value and importance in our business. For one, metadata is incredibly important, when you want to slice and dice data sets to drive analytics, which are increasingly important in our clients' daily lives. Second, metadata is also, in essence, a form of glue that allows you to stick different data sets together; data sets that were never intended to be put together, but metadata helps you do that better. And when you put data sets together, you end up with something that's more valuable than any one of those data sets is on its own.

This is a core competence of Nielsen, and metadata is one of the key reasons why, because we have these mountains of IP that is metadata. We have incredible management capability of all that metadata and it is a really rich asset.

Next, our open approach to innovation. I have a separate slide on this in a minute. So, I'll save it and talk more about it then, but this is a – this has emerged as a fundamental strength of our company over the last several years. It clearly wasn't historically. We took a very different approach to innovation, if you go back 10 years, 20 years ago. But today, this is something that distinguishes Nielsen in the marketplace, and we hear it from our clients, we hear it from our partners. We also have this broad and very diverse client base that includes relationships with all of the major global players and also very strong relationships with the local giants in the fast-growing emerging markets.

And finally, this proven track record of execution. In particular, when it comes to driving productivity, driving efficiency in our business, our track record is well known, well established, and we have a very strong record of achievement when it comes to pursuing productivity in our business, and that will be important as we talk about our plans for the next few years. So, these fundamental strengths there would underpin our 90 years of history, our market leadership and our continued focus on innovation.

Now, I want to turn to – talk about our uniquely better products. But before I do that, I want to set it up and put it in context by just touching on some of the key dynamics, some of the key trends that we see in the marketplace. This isn't intended to be a comprehensive treatment of all of the factors that we're contending with in the marketplace environment, but really just touching on a few of the most important factors. First for Watch and then for Buy.

So, for Watch, media fragmentation, it's well-known, that's not news to any of you, but it continues and it continues to be an important factor with important implications for our product architecture, our product portfolio and the way we think about our strategy.

The second thing is about the growth in digital ad spend and how it's outpacing the growth in ad spend on linear platforms. That also has very important implications for our business going forward.

Third is the rising interest among our client base in what's called audience-base buying, both on linear platforms and on digital platforms. That represents a very attractive incremental growth opportunity for our business over the next couple of years.

On the buy side of our business, we continue to see solid growth for our clients in the key emerging markets around the world. You see that reflected back in our business as well. In developed markets, it's much more a story about growth, I'm sorry, about cost. And this is zero-based budgeting and clients who are actively working to reduce their spend on the kinds of things that we provide. So, we have to adapt to that and adjust to that. And a big part of what we're doing with the Connected System does exactly that.

And also, there's this shift with our biggest clients in particular towards what we'll call "always on" analytics, or sometimes we refer to it as Everyday Analytics, that's a shift away from the project-based more strategic type of analytics that were more common in years past. So, the kind of analytics that help them drive their business on a day-to-day basis and with clear ROI and that represents a very attractive growth opportunity for our business as well.

So, those are the key market dynamics and they inform our choices regarding our key strategic initiatives that you see on the right side of this slide, not just the choices that we make, but the shape that those initiatives take as well.

For Watch, Total Audience; for Buy, the Connected System; and then our Operations and Technology functions, a tremendous opportunity, a goldmine of opportunity to drive efficiency through automation, through machine learning, through consolidation of our operation centers and through platform convergence. So, that's the context. And the way we think about this at Nielsen is that those are the changes that are happening, and if we can harness the energy that is present within those changing market dynamics, we can leverage that energy, leverage that change to propel our business forward, use it as a means for progress and that's the approach that we take.

Now, as we do that we also hold ourselves to a commitment to provide uniquely better products to our clients, especially on the core parts of our portfolio. So, I'm going to walk you through how we view Total Audience and the Connected System in terms of the ways in which they are uniquely better than anything else out there available to our clients.

So, first for Total Audience. Only Nielsen can provide person-level measurement of audiences for both ads and content across all platforms and do it in a way that's comparable across those platforms, only Nielsen. Also, the aspect of our measurement is truly representative of all segments of the population, the easy and efficient aspect portions of the population and the parts of the population that are much more difficult to measure. We're the one who takes on that challenge and represents the total consumer. Our measurement is highly granular, it's currency quality, and we provide it at scale, especially for digital.

We have best-in-class technologies, software and hardware, and world-leading data collection methods. We have leading-edge solutions that are kind of on the front edge right now where the media industry wants to go in terms of audience-based buying and addressable advertising. And again, those are leveraging our Total Audience Measurement system as the foundation for those incremental growth opportunities that we'll pursue in the future. We are uniquely positioned on all of these characteristics.

For the Connected System, also uniquely better than anything else out there. One way that, that's true is through this One Source of Truth. Walmart refers to it as Walmart One Version of Truth, One Source of Truth. In other words, what we're doing is, providing the capability for all of the different user groups within the client to stay and sync with one another as they act on the data.

Now, I don't know if you appreciate what a big deal that is, but that provides alignment and speed and efficiency inside the client that has been very hard for them to capture in the past. And it's one of the most important reasons why our clients are so excited about what we're developing. It is uniquely better.

Also, the analytics are now built into the system and they're automated, used to be in the past you would get your data, you would see a change happening, you would call your Nielsen rep and ask for an analysis. Right now, it's already built in, it's automated, it's right there. We have standardized data across countries, which, of course, is really essential for the largest global clients, makes our data for them more scalable and much more useful. We've taken an approach that says the Connected System will truly be a cloud-based system and that makes it much more efficient for our clients to leverage. It's also much more flexible for Nielsen as we adapt and adjust over time to changes in local market circumstances and also local regulations.

And finally, we have an open approach. As articulated through our Connected Partner Program, we have now 38 partners who are building apps that work on top of our data platform, addressing recurring questions that our clients have across many different aspects of their business. We have a revenue share program with those connected partners. Everybody wins in this [ph] win (22:34). Those apps amplify the underlying value of the core data. Our clients get a wider range of their questions addressed in a highly efficient and useful manner. This one, again, has been exceeding our expectations. Uniquely better products are the key to driving continued sustainable growth for our business.

Now, I want to take a few seconds and just talk about this Open Approach to Innovation that we really see as a powerful force within our company these days, comes in a variety of forms, partnerships, acquisitions and also some investments. So, let's start in the upper left of this slide. You see an icon there, a logo, for something called Nielsen Innovate. Nielsen Innovate is our technology incubator, which is in Israel, which we have in partnership with the Israeli government. And through that incubator, we have so far invested in 20 technology-based startup firms. And by being involved with this incubator, we get tremendous learning about technologies on the leading-edge. These 20 firms are all working on some business question, it's important to some part of our client portfolio. And so, we have access to what they're doing and we learn a tremendous amount from it. In some cases, what they're working on also becomes part of the solutions we present to our clients.

If you look to the next icon, the next logo on the slide, you see vBrand. vBrand is actually one of the startups that graduated out of our incubator a couple of years ago. We recently acquired a 100% control of vBrand, and so now it is fully part of Nielsen. This is what vBrand does. They have some highly automated technology that measures the appearance of brands and logos in televised sports content. We already have a business that does that called Nielsen Sports.

In our Nielsen Sports operation, we have about 600 people in offshore location who watch the video content and manually code the appearance of brands and logos. vBrand has six people doing exactly the same thing. But they can do it so much faster, so much more efficiently because of the technology that they've developed, we'll connect vBrand with our Nielsen Sports business and it will be one of those – one of a long list really of opportunities we have to drive efficiency in our business.

Next one is Visual IQ. We recently acquired Visual IQ. They have a highly automated platform for advertising attribution, measuring the connection between an exposure to an ad and a subsequent purchase. We'll connect it with our marketing mix modeling capabilities, we're the world leader in marketing mix modeling, to drive a lot of speed and efficiency in that process in the core part of our business. Taking a process that currently takes several weeks and shrinking it down to just a few hours, enabling us to provide refreshed metrics for advertising ROI to our clients on a daily basis.

Upright, Nielsen Connected Partner Program, we've already talked about it. There's a demo booth, I encourage you to go take a look at after this morning's presentations. Again, exceeding our expectations to-date. We're really excited about the future with the Connected Partner Program.

On the bottom part of the slide, you see Facebook and Tencent, and it's our relationship with these two firms that enable us to cover the digital activity of 3 billion, that's billion with a B, 3 billion consumers around the world. Critically important to what we're doing in digital. JD.com, we receive e-commerce purchasing data in China from JD.com and we also work with JD.com to connect information about what consumers watch and what they buy to provide information about advertising ROI, especially digital advertising in the China market.

Our partnership with clypd is one of the list of things, several things that we're doing in the area of audience-based buying. This is about Nielsen data combined with clypd's technology to enable this audience-based buying for linear television for our clients in the marketplace. And then finally, NPD. We work with NPD in a variety of ways. NPD – Nielsen covers most of the fast-moving consumer goods categories. NPD tends to focus outside of fast-moving consumer goods. And by working together, we're able to provide retailers with a total store read of their business. How their total store is fairing compared to their competitors on a total store basis.

So, again, just some of the many partnerships, acquisitions, capabilities all of which are part of this Open Approach to Innovation that we take is playing such an important role in our business today, especially when combined with the consistent investment that we already make in our internal R&D. It's really one of the reasons why Forbes recently named Nielsen to its list of the World's Most Innovative Companies. We were number 30 on their 2017 list of the World's Most Innovative Companies. But it's all about supporting our commitment to providing uniquely better products for our clients.

I've already shared the Walmart news upfront, you're going to hear more about this from Steve Hasker in a little bit. So, I'll save that for then. And let's move on to, touch on efficiency. John Tavolieri is going to tell you a lot more about our opportunities related to efficiency. But I want to give you just my high-level view.

Again, primarily about automation and machine learning, operation center consolidation and platform convergence. We'll automate a big portion of our Buy data collection, we'll automate a bigger portion of our Watch operations and we'll leverage this Super Hub concept and platform convergence to drive efficiency in that part of our business.

By the way, the Super Hubs & Platform opportunity is heavily enabled by our Connected System imitative. It's one of several ways the Connected System initiative is contributing value to our business. By enabling efficiency here is just one of those several ways.

On the SG&A line, we also have a big opportunity for efficiency. Again, partly enabled by Connected System. Connected System is one of the keys to enabling us to go from, in our client service function, what is today a very people-intensive process to a data-as-a-service model in the future. And that will enable us to be a lot more efficient in our client service organization.

We have a number of other opportunities that'll fall on the SG&A line as well. The first three represent about $400 million in annual cost reduction for our business; and on the SG&A side, it's another $100 million. Put them together, that's the $500 million that I mentioned upfront, when I gave you my preview of the highlights for the day.

Again, we'll invest a portion of it back in our business, but another significant portion of it falls through to drive accelerated margin expansion for our business over the next few years. And I want to emphasize this, what it says on the bottom of the slide here, is efficiency initiatives that we're going to share more with you about are based on ideas that have already been tested in the market, already proven capabilities. We don't have to go invent anything, we don't have to cross our fingers and hope it's going to work, we already know it's going to work, because we've already done it at limited scale in selected markets. It's now about rolling it out to more markets around the world. And that's one of the reasons why we have a high-level of confidence in our ability to deliver what you see here.

It also is why we have a high-level of confidence that we'll continue to deliver on our long-term financial framework, which is about mid-single-digit revenue growth, consistent margin expansion, double-digit EPS growth, all while continuing to follow our balanced approach to capital allocation, with the dividend at the center, toggling back and forth between the tuck-in acquisitions you've seen us make over the past few years with the remaining cash devoted to share repurchase. This is Nielsen.

So, to sum it up, we're going to drive growth in our business by building on our fundamental strengths and maintaining our focus on providing uniquely better products for our clients. We'll drive accelerated margin expansion in our business by pursuing the incredible opportunities related to efficiency, automation, consolidation, platform convergence. We're excited about the future, we're excited about the rest of the story you'll hear this morning.

And with that, let me now turn it over to our Chief Financial Officer, Jamere Jackson.

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

Good morning, everybody, and welcome to our Investor Day. We will be passing out booklets, which will contain a big piece of my presentation. As those books are being passed out, I'll walk you through the agenda; and as those books are being passed out, it always strikes me as being remarkable how fast you guys, [ph] in just an (31:40) absorb the data that are in the books and have really meaningful questions for me when we get to the Q&A section in about 20 minutes or so.

So, from an agenda standpoint, I'm going to do a brief snapshot of our historical financial performance to sort of ground you in our performance going from 2018 forward. I'll then give an update on 2017 and 2018 guidance, and then I'll provide a little bit more color on the Path to 2020 that Mitch referenced in his presentation this morning.

Just to take a brief look back at our financial performance from 2012 to 2017. From a revenue standpoint, we've been delivering consistent steady revenue growth really through the cycles. You've seen us grow 6% compounded annually. That's 4% on an organic basis. We've delivered 46 consecutive – or we will deliver 46 consecutive quarters of constant currency revenue growth. Those of you that are doing the math, that's 11 years straight and counting, and we've been investing in our growth platforms.

From a margin expansion standpoint, we've delivered over three points of margin, and we've done this with disciplined pricing and we've done this with efficiency and cost out initiatives running through our business each year. From a free cash flow standpoint, our free cash flow has grown 16% compounded annually, that's $4.3 billion dollars of free cash flow that's been generated between 2012 and 2017, and this has enabled that balanced capital allocation approach that Mitch talked about, where we've returned about $3.6 billion back to shareholders in the form of a growing dividend and buybacks, but it's also given us tremendous flexibility to grow our business in the form of tuck-in M&A and new product initiatives. This is a business that has delivered strong returns over this timeframe.

Let me shift now to guidance. I'm going to first start with 2017 guidance, and I'll start by reiterating our 2017 guidance highlighted by total revenue growth of approximately 4%. Our GAAP net income per share of $1.40 to $1.46 a share, and free cash flow of approximately $900 million; and again, this is exactly what we showed on our third quarter call. Let me now start to give you the pieces for the 2018 framework. Starting with revenue, and I'll start with our Buy business. Our Buy business is going to be down 1% to up 1% in 2018, and let me give you a few of the dynamics there.

From an emerging market standpoint, we see the emerging markets growing 8% to 10% next year, we have tremendous momentum in the emerging markets. Our emerging markets will be roughly 40% of the Buy revenue in 2018 and we have a great story there. It's driven by the investments that we've made in coverage and penetration, but it's also driven by the fact that we have multinationals and locals, who continue to invest in those growth markets. You combine that with the strong demographic trends there and we have a lot of confidence in our emerging markets profile going into 2018.

Developed markets will be down 2% to 4%; a couple of dynamics there. We've talked pretty extensively about the environment that our large clients are going through, in terms of low growth and the competitive pressures, but one of the things that you're going to see us talk a little bit more about on the backs of the investments that we're making in retailer data and analytics, is that, that will be a growth driver for us in 2018 and beyond – and I'll give you more of that story in a little bit. The final item is our corporate revenue being down 50% and this is really just a carryover from the 2017 pruning activity. So our Buy business will be down 1% to up 1% in 2018.

Moving to the Watch revenue framework. Our Watch business will be up 5% to 6% on a constant currency basis in 2018. It's driven by a very strong performance and audience measurement of video and text. Audience measurement of video and text will be up 5.5% to 6.5% next year, it's driven by the tremendous momentum that we have in Total Audience measurement, but also the new product offerings, some of which you're going to hear from Megan Clark later today, and we have a stable local business heading into 2018.

Marketing effectiveness will be up 15% to 20%. This is driven by the – again the tremendous momentum that we have in marketing effectiveness. The new product offerings that we have from the initiatives in our Visual IQ acquisition, but also there's a strong demand for ROI-based metrics and marketing effectiveness.

Audio, we'll expect to be flat next year and in the Corporate/Other Watch portion of the portfolio will be down 10% to 15%, so our Watch business will be up 5% to 6% in 2018.

Let me give you a little bit of a margin walk, next year. So you'll see our margins in 2017 are estimated to be roughly 31%, will be down about 60 basis points on a constant currency basis in 2018 with really three big drivers. The first is our investment in retailers and that's a combination of the investments that Mitch talked a little bit about this morning. With our Walmart investment, we're going to invest more in data and analytics and capabilities to build new products to drive revenue growth for us in 2018 and beyond with retailers.

And the second is continued investment in our e-commerce initiatives. E-commerce being a fast-growing channel and a huge unmet need in terms of data and analytics for our clients and we're going to continue to invest there to measure effectively in that space. The second growth initiatives that we're investing in or continuing to invest in is Total Audience and the Connected System, and you've seen us invest in those initiatives in 2017. We're going to make incremental investments in our Total Audience Measurement capabilities and the Connected System in 2018, and those are the two growth initiatives that are going to drive about 170 basis points drag in our margins for next year.

The final bar is our efficiency investments and this is a net efficiency number of about 110 basis points. About 50 basis points will be invested in the kinds of things that Mitch talked about, that we're going to invest in, in terms of Automation, Super Hubs, digitizing our data collection efforts in both Watch and Buy, and that's going to be about a 50-basis point drag. But it's offset by about 160 basis points of efficiency benefit that we're going to drive in the business for 2018.

So, our margins are going to be down 60 basis points in 2018. It is clearly an investment year for us and these investments are going to pay off for us in terms of growth and efficiency in 2018 and beyond. So let me just pull it all together in terms of our guidance for 2018. You'll see our total revenue growth will be up approximately 3% in 2018. This is pretty much an organic number for 2018. Our adjusted EBITDA margins, as I said, are down 60 basis points as we make investments in growth and efficiency that are going to pay dividends for us in the future.

Our GAAP net income per share will be $1.40 to $1.46 a share, and our free cash flow will be approximately $800 million; and that free cash flow is down about $100 million from 2017. The two big drivers there are, one, additional CapEx associated with the initiatives that I talked about on the previous page and then we have the remainder is our expectations on interest rates and cash taxes for 2018. So this gives you the framework for our 2018 guidance.

Let me move now into the 2020 framework. Some of the investments that we're making in 2018 are going to directly lead to growth and efficiency wins that we're going to have in 2018 and beyond, and I'm going to share what that looks like in terms of our framework.

So four key metrics for us looking out to 2020. The first is revenue, growing 4% compounded annually; the second is our EBITDA margins, as Mitch mentioned, will be up about four points; we'll generate roughly $3 billion of free cash flow over this timeframe and will grow our GAAP EPS by double digits. The three key pillars to this plan, and let me walk you through them, and I'll give a little bit more detail on the pages to follow.

The first is grow revenue, and our focus inside the company is to drive mid-single-digit revenue growth in our business. A key to that will be executing on our growth initiatives and returning our developed Buy business to growth; and I'll share what the key pieces of that strategy are in a few pages.

The second is expanding margins and this is driven by the efficiency initiatives that you're going to hear John Tavolieri talk about later in the day. But this will drive four points of margin expansion out to 2020. It's about using automation to consolidate our operation centers, to drive innovation in our business and to reduce our structural costs; and I'll share a few examples in my presentation, and you're going to hear a number of examples later in the day.

And the third is deploying capital to create value. We're going to bolster our growth rate with tuck-in M&A, as you've seen us do in the past, but we're also going to double-down on the CapEx investments that we need to make to also drive this growth. We'll continue to grow the dividend in line with earnings, we'll deploy excess capital to share repurchases.

So this gives you the three pillars for the 2020 framework and let me give a little bit more color on each of those.

The first is revenue and our growth playbook for revenue is on the right-hand side of the page. For our Buy business, number one, we have a tremendous tailwind in the emerging markets. You've seen us have significant momentum in 2017; that momentum is going to continue into 2018.

The combination of the demographic trends, the growth opportunities that are represented there for our multinational and our local clients will produce high-single-digit growth for us out to 2020.

The second point, and the most important point from a Buy standpoint is really to drive our Developed Markets return to growth, and that's going to be driven by the Connected System. You're going to hear a lot more about some of those initiatives and some of those wins that we've already achieved with the Connected System from Steve Hasker later in the day. But it's also the investment that I show that we're making in 2018 around retailers and e-commerce. These are going to be the key pillars for us to return our Developed Markets business to growth, moving out to 2020.

And Watch, our Watch business has tremendous momentum. Audience measurement of video and text will continue to grow in the mid-single-digit range. It's a combination of the momentum that we have with Total Audience Measurement. It's driving to the digital currency you're going to hear Megan Clarken talk a lot more about that later in the day; and it's our initiatives and the product launches that we'll have around audience-based buying.

Marketing Effectiveness will grow double-digits out through this timeframe. Again, there's tremendous demand for marketing ROI products. We're launching new products in this space. You've seen us do tuck-in acquisitions in this space and this is going to drive double-digit growth for us out to 2020, and we expect our audio business to be roughly flat over this timeframe.

Moving to margins. Our focus from a margin standpoint is to permanently reduce our operating costs; and Mitch talked about the focus on automation. That focus on automation is not just in our operations organization, but it's really throughout our organization and I'm going to share a couple of examples of those that you might not otherwise think about in terms of automation opportunities.

John Tavolieri is going to give very granular detail on the $400 million cost out opportunity and he's going to talk a lot about automation and innovation, and the consolidation of our platforms that will drive that savings. But there's also an automation opportunity in terms of our structural costs. The combination of the things that we'll be doing to transform our clients, we're a services organization, leveraging the Connected System, Data-as-a-Service, Software-as-a-Service platform versus People-as-a-Service platform, but also using tools to help us drive automation and simplify the way that we go-to-market will drive SG&A savings for us.

We're going to have a laser focus on reducing our corporate costs inside the company, and we're going to leverage automation and technology and shared services and transaction hubs to be able to drive structural cost out of our business. The segment dynamics, we expect the Watch business to be up 2 points to 2.5 points during this timeframe, and our Buy business to be up 4 points.

What I want you all to take away from this page is that, these are well-defined projects. Many of them are in flight. We have full management commitment behind it and we have a lot of confidence that we're going to deliver these savings going forward.

As I mentioned, you're going to hear a lot about automation throughout the day and most of that will be focused in the operations and technology area, but let me just give you a couple of other examples that – where we're going to leverage automation to drive structural cost out of our business. I'll pick on my financial organization first.

We're going to drive finance centers of excellence where we'll build transaction hubs and use things like software robotics to drive efficiency in the way that we do transaction processing today. This will drive scale, efficiency, and cost out opportunities.

In the middle bucket, I talked a little bit about client services. Again, the Connected System being a driver for us, but also we're simplifying our go-to-market processes by using automated tools and processes that will streamline the way that we go-to-market and engage with our clients.

And the final one is an example from our Gracenote business where we're going to use automated, machine-driven processes to help us as we manage this explosion of content in terms of editing and ingesting that content in our business to drive efficiency, less human touches and improve our throughput significantly. These are significant savings opportunities for us in our business and we're well down the path in terms of achieving those.

The final pillar to the strategy is deploying capital to create value. Again, as I mentioned, we're going to generate roughly $3 billion of free cash flow over this timeframe. In terms of our long-term free cash flow deployment, really no changes there. We're going to allocate roughly 45% to the dividend, we'll grow that in line with earnings, we'll toggle 40% between tuck-in M&A opportunities and buybacks, and the remainder to service the mandatory debt. This gives us, as I said, tremendous flexibility to grow our business and to return cash to investors in a meaningful way in terms of a growing divided and deploying excess capital to shareholders in the form of repurchases.

As we think about that toggle between M&A opportunities and share repurchases, one of the things that we were very proud of is the return on invested capital that we're getting from our M&A activities. If you look back, and going far back as the Arbitron acquisition and our most recent acquisitions, as we're making the tradeoff between buyback opportunities and M&A opportunities, we're driving returns on invested capital that are exceeding our cost of capital.

All of this lines up to exactly what Mitch talked about; the long-term framework for the company, the Nielsen that you've all come to know; driving mid-single-digit revenue growth, generating roughly 50 basis points of margin expansion, double-digit growth in GAAP EPS, generating free cash flow of roughly 45% to 50% of our adjusted EBITDA, and a capital allocation policy that grows the dividend in line with earnings, flexes M&A and repurchase opportunities. This is the Nielsen that you've come to know. This is the Nielsen that will deliver out to 2020.

Thank you. And I'm going to invite Mitch to the stage and we'll take some questions.

[Music]

Sara Gubins

Senior Vice President-Investor Relations, Nielsen Holdings Plc

So we've got about 20 minutes for Q&A and there are – Kendra and Ashley are in the audience with mics, so please just wait for a mic to come to you. Andrew, right there. But – sorry, just wait for mic and if you don't mind, state your name and company name. Thank you.

QUESTION AND ANSWER SECTION

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

I'm Andrew Steinerman at JPMorgan. Jamere, I quote what you said pretty much an organic number, so on the 2018 guide, which is about 4% core revenue growth, are you assuming 50 basis points of tuck-in acquisitions or should we consider that 4% organic constant currency?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

So for 2018, we said our revenue was going to be up approximately 3%. That is an organic number. The net of acquisitions and dispositions is basically awash in 2018.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

And are you assuming tuck-in acquisitions that haven't been done yet?

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

A

We have not – we do not have any tuck-in acquisitions baked into that number.

Andrew Charles Steinerman

Analyst, JPMorgan Securities LLC

Q

Thanks, Jamere.

Sara Gubins

Senior Vice President-Investor Relations, Nielsen Holdings Plc

A

Kendra?

Anjaneya K. Singh

Analyst, Credit Suisse Securities (USA) LLC

Q

Anj Singh from Credit Suisse. Jamere, it seems like in your longer term outlook, your CAGR is at the lower end of your historical range of ambitions, at 4%-ish, versus the 4% to 6% that you've talked about in the past. How much of this is just a lower outlook for 2018 versus lower outlook in the out years? It seems like you're being sort of conservative on the out years; if you can talk a little bit about what's implied for 2019 and 2020 in there.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc
A

Yeah, well, we're clearly coming off a lower base in 2018 particularly in our Buy business, with our Buy business being lower than the historical growth rate of the business. If I look out to 2020, if you will, you know we're planning for an environment where our Watch business grows sort of comfortably in the 5% to 6% range and our Buy business will CAGR somewhere close to 2%, that's the framework, if you will to get to the kind of a 4% CAGR.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc
A

It really is the U.S. that will decide where we end up in that, because our Emerging Markets business, as we've talked about, continues to deliver strong growth. Even developed markets, if you look around the world, most of our developed markets continue to perform relatively well. The U.S. is the one where we have the most work to do.

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc
A

Jeff?

Jeff P. Meuler
Analyst, Robert W. Baird & Co., Inc.
Q

Yeah. Jeff Meuler, Baird. So it seems like you're making a lot of intelligent investments in the business. It felt like there was a period where maybe Buy was a little bit under invested in as you were investing in Watch. I guess, in terms of the 2019 and 2020 targets, is there enough flexibility for investment in those numbers, and I know there's gross and net numbers, but why not give yourself more flexibility for investment given the continued evolution of the end markets that you serve?

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc
A

Why don't you start?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc
A

Yeah. So when I look at the investment profile that we have in 2019 and 2020, we believe that we have enough firepower, if you will, in the financial framework to be able to do just that. If I look at the CapEx that we're assuming over that timeframe, the amount of restructuring that we're going to do over that timeframe, we believe we have the financial firepower to go do that. And one of the things that we've been very disciplined about is making sure that the investments that we make in the business are actually providing returns.

So you've actually seen us historically invest pretty heavily in the emerging markets. For a period, we invested about 2 points of margin back into the emerging markets and that's resulted in our Emerging Markets business being very healthy, growing 8% to 10% today and starting to scale and starting to have margin improvements. So, we'll continue to invest in a very disciplined way to make sure that our Buy business is growing at a healthy clip going forward.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

One area where we have flexibility is, as we drive these efficiencies and that results in this $500 million in reduction in our cost base, we have flexibility within that to still deliver four points of margin expansion and flexibility for what we invest back into the business. We have a pipeline of opportunities on the efficiency side that exceed $500 million, but $500 million is the number that we put out there on the wall, the target for ourselves and flexibility is present even within that number.

I also appreciate the way you started your question; I think you're exactly right that we had focused a lot on our Watch business, rightly so, and Total Audience now really being pretty well-established, we started investing in the Connected System a couple of years ago. It's coming up on three years now, and – but we still have a lot more work to do on the Connected System.

I was meeting with an investor a month or two ago, I can't remember exactly when it was, and one of our investors, maybe you're even here in the room or on the webcast, said something to me that I hadn't really quite realized for myself, which was that they appreciated the ambition of our company. We had this really ambitious program around Total Audience on the Watch side of our business, and even before that was complete, and it's not complete, but we feel great about where we are.

We embarked on this second highly ambitious effort to transform the Buy side; the core part of our Buy side product portfolio. And you know what, we're ambitious too – we're adding a third thing now with this efficiency program. But the one thing I have confidence in is, our teams are up to the challenge; in fact, they're fired up for it. So, yeah, that's the way we're thinking about the future.

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

A

Brian. All the way over here.

Brian W. Wieser
Analyst, Pivotal Research Group LLC

Q

Thank you. Brian Wieser, Pivotal Research. I'm curious of what you're assuming for taxes and interest rates you mentioned; just curious what's baked into that and then maybe more generally, what kind of assumptions do you have about the pervasiveness or durability of zero-based budgeting, the degree to which – you know, I have always questioned or wondered: Is it a fad? And I guess you have to have some assumptions baked into this to whether or not some of your largest customers will continue with it or will they actually eventually resume something passing for normalcy?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So from an interest standpoint, I think we're pretty confident that we're in a rising interest rate environment; that's reflected in the guidance that we've given for 2018, and you can see it from the other metrics that I provided, we're expecting based on our debt levels in a rising interest rate environment, that our interest expense is going to tick up a little bit.

In terms of taxes, I would say that it's anybody's guess. There's certainly a lot of discussions not just in the U.S., but really around the world. There are a number of tax regimes that are really focused on protecting their base and making sure that with all of the things that are happening in places like the U.S. and other high-tax jurisdictions that the base doesn't erode in some of those international jurisdictions.

I would say that if we look at what's currently being proposed in someplace like the U.S., there's going to be puts and takes, but I think we have a lot of work to do, to finally get to a set of regulations that we can all digest and say, here's what those puts and takes basically mean for us. So, you've seen our rate be roughly the same; just based on what we know today and we'll know a lot more as time progresses.

In terms of zero-based budgeting, and I'll talk a little bit about it and I'll let Mitch chime in from some of his conversations; it's still a pretty tough environment. I think many of our clients have gone to the middle of the income statement, if you will, to find margin opportunities. But, I think, there is a real discussion about what are the things that clients need to invest and to grow their business. And you're going to see clients talk a little bit more about investing more in advertising, investing more in innovation, and importantly for us, investing more in data and analytics. The question of when that actually happens, when that snapback happens is one that we're all sort of paying close attention to. But if our clients are going to pivot the growth, we know that those are three of the things that are going to be leading indicators, if you will.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

And so far, they're talking about it more than they're actually doing it, but I don't think that means that they don't know and believe that they need to do it. It's just trying to find the resources to act on what they know is necessary. On zero-based budgeting, I don't think it goes away. I think, it's a practice that embeds itself inside these organizations, but the incremental effect on our business, I think, starts to level off and dissipate. Case in point, the original 3G client AB InBev. Our business with AB InBev today is a healthy and growing business.

Now, it wasn't so great when they first took over that business and we went through that cycle, but today, they're still practicing the same concepts that they did from the start, but our business is growing with them now. So, yeah, I think, at some point, the effect on Nielsen that it has levels off and we start to drive growth because we realign our product portfolio, our relationship with these clients in a way that fits with the way they're doing business after they've gone through significant change.

Brian W. Wieser
Analyst, Pivotal Research Group LLC

Q

Great.

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

A

Manav?

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Yeah. Hi, good morning. Manav Patnaik with Barclays.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Where are you, Manav?

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

I'm right here. Hey. So, just a clarification question for Jamere first. So, the 4% CAGR to 2020, I think, in your slide, you said there is tuck-in M&A in the Marketing Effectiveness business. So, I just want to clarify that 4% does have some M&A baked in.

And then, Mitch, congratulations on the announcements on the Buy side particularly, but I was just curious your competitor has been announcing a lot of their own big name logos. You talked about 100% sort of renewals in the last call. I was just wondering if you could give us a little competitive landscape update, what – how things have changed. And then, maybe [ph] somewhat tight (57:14). But in your low – in your partnership and stuff you had, I guess, I didn't see Alibaba in there, any change there at all?

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Got it.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. In terms of the growth rate out to the 2020 plan, maybe that was part of Andrew's question that I missed originally. But we typically will have a 0.5 point to 1 point in any given year for tuck-in M&A. You can assume that we'd have sort of that same profile kind of going out to 2020. Historically, we've invested $150 million to $200 million in tuck-in M&A, that sort of baked into that plan going out, and that generally will generate 0.5 point to 1 point of revenue growth in any given year.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

In terms of our competitor on the Buy side of the business, we've been competing in a heated battle for several decades. So, there's really nothing new about that environment at all. You see some things move some way, some things move the other direction. There's a certain degree of churn that's almost always been present in the competitive situation for the Buy side of our business.

I will say that one thing that I see in the last couple of years is, our strategies are diverging somewhat. They're moving in a different direction, playing in slightly different spaces, at least in some part of their business, whereas we're focused in some different areas, while we still overlap with one another a significant amount, I think, our strategies are diverging more than they had historically. And so, there's room, frankly, for both of us to move forward and do well in the marketplace. But that competitive battle will continue. There is no question about it.

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

A

Toni?

Toni M. Kaplan
Analyst, Morgan Stanley & Co. LLC

Q

Thanks very much. Toni Kaplan from Morgan Stanley. Just wanted to ask about the 2018 guidance, and with Connected Buy more on the revenue side than the cost side, can you just talk about how that's impacting, you're getting a number of competitors on there, but maybe it's taking away from the old Insights part of the business, so just talking about the dynamics that are embedded in 2018 for the Connected System?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah, I think, we're planning for two things. Number one, clearly, there are incremental revenue opportunities associated with the Connected Partner Program. I believe we have 36 or 38 Connected Partners today, that revenue is growing and at it's very high margin revenue.

The second dynamic is, we're actually winning new clients based on our Connected System capabilities. Mitch mentioned the win with Tyson this morning as a new win for us based on the Connected System capabilities. And I would say, the third area where the Connected System is helping us from a top-line standpoint is, as we renew our agreements with our existing clients, the capabilities that are embedded in the Connected System are actually helping us and helping the value of those agreements, if you will, as clients look forward in terms of the capabilities that they're going to be receiving with the Connected System. So, it's having a meaningful impact on our business, both in terms of the direct revenue, but also in terms of what's happening, I would say, environmentally with renewals and new wins.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

And [ph] merely (01:00:16) scratching the surface here, just to remind everybody, we talk about it as if it's all the way down the path, we're still working with the five charter clients. We're on track to engage with 25 clients by the end of this year. So, it's not that a bunch of clients already have it in their hands and they're running their business off of it. What it's – it's having a positive effect though, anyway. Even though we're still that early in the rollout process, because of the role it plays in the story that our clients see in terms of what the future of their relationship with Nielsen looks like.

So, it's having this positive effect on competitive wins, contract renewals, the way our clients see the future in terms of how that work with Nielsen. Yeah, in the Connected Partner Program, as Jamere said, higher margin revenue through the analytics from the Connected Partner Program, these are all good things, that's also higher percent subscription type revenue as opposed to the project-based revenue where a lot of that resided in the past.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Now, you'll see the stats from Andrew Somosi later in the morning, where he'll talk a little bit about the number of applications that clients are actually using today and how that penetration is actually going up. Those are all things that have a very positive impact on what we're seeing from a revenue standpoint.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

We said on the third quarter call, while we have five charter clients and we're going to expand to 25, there is still a much bigger list of clients that are using certain components of the Connected System, not the end-to-end system yet, but certain components, and I think the number was 152, which is tripled where we started in the first quarter of the year. So, you're seeing growth that comes in a variety of forms. It's this modular-based design of the

Connected System where even before clients take on the whole system, they can still touch a piece of it and start to leverage certain components of it. And so, yeah, again, just really excited about – early days, but really excited about the roles playing.

Sara Gubins — A
Senior Vice President-Investor Relations, Nielsen Holdings Plc

Dan?

Daniel Salmon — Q
Analyst, BMO Capital Markets (United States)

Dan Salmon from BMO.

Dwight Mitchell Barns — A
Chief Executive Officer & Director, Nielsen Holdings Plc

Hi, Dan. It's just going to be a machine learning question.

Daniel Salmon — Q
Analyst, BMO Capital Markets (United States)

We'll stay away from that [ph] one (01:02:14). Just a simple one. How do you foresee client mix changing in each of the segments between now and 2020?

Dwight Mitchell Barns — A
Chief Executive Officer & Director, Nielsen Holdings Plc

When you say each of the segments, you mean Watch and Buy?

Daniel Salmon — Q
Analyst, BMO Capital Markets (United States)

Yes.

Dwight Mitchell Barns — A
Chief Executive Officer & Director, Nielsen Holdings Plc

Let me take a run at that?

Jamere Jackson — A
Chief Financial Officer, Nielsen Holdings Plc

Yeah, go ahead.

Dwight Mitchell Barns — A
Chief Executive Officer & Director, Nielsen Holdings Plc

Yeah. I think, one, we see on the Buy side of our business much bigger emphasis on retailers. It's obviously illustrated by what we shared this morning at the outset regarding Walmart. But that's really a manifestation of the trend that – a broader trend that we already see emerging, where retailers, yeah, historically, they've been a source of data for us. But more and more, I mean, really and substantively, retailers are now important clients. In many cases, they're launching their own products and a lot of our portfolio is helping them launch their own products, their own brands, if you will. They want to run their business more effectively, and so our pricing and assortment analytics help with that. So, we have a much fuller business relationships with our retailers, they're not just part of our supply chain. We're dealing with them in much the same way that we deal with our largest manufacturing clients. And as the retailer landscape continues to consolidate, retailers are only going to play an even bigger role going forward.

On the Watch side of our business, this will kind of be the statement of the [ph] obvious (01:03:28), but it's obviously the growth in the role that digital first clients play in our business and it's the social media platforms, it's the publishers and our portfolio is playing extremely well in that part of the landscape and still a lot of growth opportunity in front of us.

Probably, the one that's more on the emerging side where it goes and how we'll play in it is, as addressable advertising, as advertising ROI and attribution, those – they're going to continue to grow at probably double-digit rates at an industry level for as long as anybody can see into the future. How will that shape the evolving client base on the Watch side of our business? Look, we feel like we're pretty well-positioned almost whatever direction the market wants to go, but those are some of the key changes in the client mix that we see.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

And one of the things that really stands out to me in terms of the transformation that we've made in our portfolio and that we're making on both our Watch segment and our Buy segment is that, we now have a product suite that enables us to go more after the long-tail in both segments. If you think about the digital clients, if you will, and all the investments that we've made in our capability there, we're now able to go after a client base that, before in the last five or six years, wouldn't have made sense for us to put commercial resources against those clients, et cetera. They just didn't have enough scale, but we've built a product suite here that enables us to go after the long-tail.

The Connected System is doing the same thing for us on the Buy side and that's the parallel, was that the ability to have a data-as-a-service or software-as-a-service platform and not necessarily be relying on a very heavy people-as-a-service platform, if you will, enables us to have a much stronger product offering with the mid-tier and the long-tail. And we think that both of those are tailwinds for our business. You're already seeing it in the Watch side of our business in terms of the digital clients having a much broader impact, not only on our business, but on our growth rates and you're going to see the same dynamic play out in Buy over time.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

[ph] This is so (01:05:32) really important when – and I'm so glad you mentioned that, because on the Buy side, this is the part of the market, the smaller clients, smaller companies, they're actually outperforming the bigger companies. Now, it's a good thing for Nielsen, the strength of our client portfolio are the big global companies. We're grateful for that. That's the great strength of our business. But, it just so happens at this moment in time that it's the smaller companies that are generally doing better. Now with the Connected System, we have a product that's more affordable, allows us to go after more of that growth opportunity.

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

A

Question in front.

Steven Mark Wilson
Analyst, Lapides Asset Management LLC

Q

Steve Wilson, Lapides Asset Management. Mitch, that was exactly the question I was going to ask. You've always focused on the top-tier marketers and we're seeing a very changing landscape, much more fragmentation. As you sort of parse your offering, how far down can you get into these smaller emerging players? How early in the process? And it seems like for so many of them they're just growing so fast, they don't feel like they need any of this. They've got their niche and they're exploiting it. But as opposed to waiting until the Unilevers of the world buy them and then they get sort of – they get to become customers. What do you have to do differently to get as much as you can and as early as you can with these smaller players, so that you can offset obviously what's the thorn in the side of your traditional customers?

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

The marginal cost-to-service, the challenge we had. Jamere mentioned our traditional model was people centric. So, the [ph] total (01:07:09) cost for a client to access our service was out of reach for most of these really small companies. With the Connected System, much more automated approach, our marginal cost-to-serve is very low. And so, it's not out of reach for very many at all.

Also, if they buy into the syndicated version of that product, you could even say the marginal cost-to-serve is close to zero. So, it opens up the complete long-tail to our business. There ,it's just a matter of their ability to access the data and actually make use of the data. So, usually, they have to have some scale on their side themselves.

Partnerships also play an important role here. Again, through the lens to the marketplace that we get through our technology incubator in Israel, we've seen some of these things emerge, not from our incubator, but a company like the ones in our incubator, a small company called RangeMe gives us a view to the long-tail manufacturers in the fast-moving consumer goods market here in the U.S. We work with RangeMe to put our data out there on their platform to make it available to these small companies. That's going to continue to drive growth for us going forward.

The barriers to entry [ph] investments in (01:08:14) consumer goods are falling, it's e-commerce, it's contract manufacturing, brokered sales forces. It's easy for people to set up a business these days and that's why, I think you see the growth that you do. And again, it's about our ability to see these trends happening in the marketplace, adjust our product portfolio, change our strategic vision, as they deal with the implications of these, and then go after that growth opportunity. And I think we're positioned as we move into the future to do that. One quick follow-up?

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

A

One quick follow-up and then we're going to....

Q

Yeah. Sorry. No, it's just in terms of that. So, I understand on the product side with the investments that you've made you now can scale. I'm talking about – to your point, you need to now educate those people that they need this...

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Yeah.

Q

...which is a touch point, which requires sales intervention, which has diseconomies of scale, a smaller company. So, you've got it on the product side. How do you communicate this that they need to get on board now, and do it effectively and efficiently, so that it gives you a return that you – that you need?

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

It's a great, great point. And we don't have that one totally solved yet. But, some of the things Jamere mentioned about the automation and the leveraging of technology within our client service organization and some of the partnerships like RangeMe that I mentioned, are some of the ways that we're going to make progress in that direction. But, we have more to learn on that front.

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

A

Okay. With that, time is up for this Q&A session. There will be another one.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

You'll get another shot at it [indiscernible] (01:09:43).

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

A

We've got a 20-minute break. For those of you on the webcast, please join us again in 20 minutes, and we'll start with the rest of our presentations. Thanks.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Great.

Operator: Ladies and gentlemen we will now have a short break. Please enjoy refreshments and the Nielsen product demos. We ask that you return to your seats in 20 minutes.

[Music] (01:09:54-01:34:30)

MANAGEMENT DISCUSSION SECTION

Sara Gubins

Senior Vice President-Investor Relations, Nielsen Holdings Plc

Hi, everyone. If I can ask you to take your seats.

So, I'm delighted to welcome to the stage our Chief Technology and Operations Officer, John Tavolieri.

Giovanni Tavolieri

Chief Technology & Operations Officer., Nielsen Holdings Plc

Good morning. I'd like to add my personal welcome to all of you here at the GTIC. I hope you get a chance to go and tour the campus and get to meet some of our associates. You can go anywhere you want, but I'll encourage you not to go too close to the pond over here. The alligators that we have in there are not the friendliest ones that we within Florida.

As this is the first time I've had a chance to present to this group as the Head of Technology and Operations, maybe a brief introduction would be in order. So, I started my career with Nielsen about 17 years ago, north of the border in Canada, leading relationships with large clients such as Walmart. I also led the whole retail services group in Canada as well.

Before moving to GTIC, about a year ago, I spent 10 years in Western Europe in various different roles, one of those roles was to be accountable for our entire Western European business. It is a great privilege for me to go and lead our technology and operations organization. We represent two-thirds of the entire employee base for the company and we have boots on the ground in every one of the 100 countries in which we operate.

We are accountable for the complete end-to-end design, collection, enrichment, production and delivery of all of our Watch and Buy services to every one of our clients. If you were to draw a correlation between what we do in a traditional organization, you could say we are engineering production and supply chain. I've got a retail background, so I've got a lot of passion for the supply chain side of things.

Our primary goal is to deliver on all of our client commitments, so just a few of them. We deliver the overnight ratings every night, so our clients can understand who won the night before. We are accountable for delivering the market share information in the apps that will go and help global, multinationals and also local giants to understand whether they are winning or losing and how to get their business moving in the right direction.

We deliver category management solutions to retailers, so they can device pricing strategies, merchandising strategies to be more effective within store and drive same-store sales growth up. We also provide solutions to marketers to help activate their campaigns to see whether they are landing as they would expect.

And lastly, and it's very appropriate based on what Mitch talked about this morning, we build and deploy collaboration programs, so retailers like Walmart can work with their suppliers like Coca-Cola to drive incremental category sales in the categories and stores in which they operate.

We also work very closely with the Product Leadership organization. Andrew Somosi within Buy, Megan Clarken within Watch to drive innovation both in terms of new products like Total Audience, e-commerce and the Connected System.

So, as you heard from Mitch and Jamere, technology and operations has a huge role to play in our path towards 2020. Specifically, three foundational elements that we're going to go very deep into, all of them are going to leverage elements of machine learning. First, we're going to automate Buy data collection end-to-end across the entire company. Secondarily, platforms and super hubs, we'll see how we leverage the Connected System in the super hubs that we're building across the world. We're also going to automate our Watch operations end-to-end. By doing all of this, we will deliver $400 million in annualized savings to the business by the end of 2020. Not just that, in addition, we will deliver better quality, faster delivery and new capabilities that will enable growth.

Now one point I do want to go and stress. We have a proven track record within technology and operations of driving successful transformations within Nielsen. I'll give you a few examples as we go. This is not the first rodeo for this leadership team, and much of what I'm going to talk about today that will deliver these $400 millions in savings and innovation benefit are inflight as we speak.

So before I jump in, a little bit about the ecosystem that we operate in that makes us uniquely positioned to deliver on the client needs that they require from us. We like to say at Nielsen that every day is a big day-to-day. And when you are the global leader in terms of measurement and analysis for our clients, you have to go very broad and also very deep. You've got to measure all of the media consumption across every single device that consumers are using. You have to measure FMCG sales in traditional trade, modern trade, e-commerce, urban locations, and rural. And as you collect a lot of data, you also create a lot of data, much like Mitch referenced earlier in reference data. So, I would hazard to say that nobody comes close in the world in working with the kind of daily data that we do today.

So there's some pretty cool facts up here in terms of the amount of data that we would use on a daily basis. I'm a mathematician by training, and I'm also a data geek, so I love all of this stuff. The one that excites me the most, maybe it's because of my retail background, is the fact that every single day across the globe, the folks that we have that work in reference data codify and create reference data or metadata for 15,000 new items. These are 15,000 new variants of health and beauty care, beverages, food products that either appear on a brick-and-mortar shelf or on an e-commerce site. We enrich those 15,000 items every single day and we add them to our global item master database, which is 50 million in size.

Complexity that we have in operating actually gives us two opportunities. The first opportunity, it reinforces that what we do is complex and it's extremely hard to go and replicate at scale, like I said, you've got to go broad, you've got to go deep and you also have to have trend. So if you're going to launch a measurement business into one of our areas, and if you don't have trend, at least a year or two years worth of history, you're not going to be able to describe to your client why their business is up or down, you can't even tell them whether the business is up or down without the trend. So this, I would say is the moat that Nielsen has around its business.

Secondarily, the other big opportunity, the millions of transactions that you see on this page, the way we can leverage machine learning and technology, there is a gold mine of opportunity for us to go and mine those processes and deliver sustainable, permanent benefit savings to the organization. I'll talk more about that as we go.

So as complexity accelerates, it will further expand our market leadership in the industry and we have a very proven track record of evolving along with consumer technology. On the Watch side of the business, starting in radio, cable TV, satellite and digital. On the FMCG side, traditional trade, modern trade, specialty trade and e-commerce, we play in all of those different spaces.

A great example is what happens on the Buy side of the business. So what you saw on the prior page, every single day, we receive 85,000 scanning sales stores from the modern trade retailers. We combine that every day with 55,000 stores that come from traditional trade, where we manually audit sales across the globe. If you want to be relevant in the most populist countries in the world, Brazil, Russia, India, Indonesia, China, Nigeria, you pick which one you want to go into, it is mandatory that you do both.

You can't just pick the easier urban locations and you can't just pick the easier scanning sales data, and you can't just pick a subset of the 50 million items that are available for people to go and purchase. You need to do all of that. And the key reason for the success that has kept Nielsen relevant and at the forefront of innovation are the 1,000 data scientists who are part of our team who work day-in and day-out with this despaired set of data, leverage our reference data both in Watch and in Buy to bring it altogether to create unique innovation for our clients. And this value that our data scientists bring to the organization will only accelerate as we get more big data, it was great to hear the Comcast news this morning, and we get more big data on the Buy side, as more retailers traditionally start to flip from audit to scan. And we've got more examples of that as we go.

So, as I said earlier, the technology and operations team has a proven track record of driving successful, significant large transformations within Nielsen. We embarked on the first transition about 10 years ago. We globalized the organization. We created centers of excellence. We standardized operating procedures and we leverage the opportunity that existed from outsourcing and off-shoring.

From 2014 to 2016, we re-imagined the way the business looks. So basically, we started integrating teams that had kind of become a bit siloed, we tilted the business on its side. It's allowed us to drive efficiencies and structure, more importantly we got faster of being able to make decisions and we embedded operations in technology folks into the emerging market locations where the majority of the growth was coming from, a big win across all those different metrics of success.

This third act, we're going to transform the business, primarily through digitization, automation, consolidation, and simplicity. Throughout all of these transformations in the last 10 years, the technology and operations team has delivered on every one of the metrics that we've been given to deliver against, quality, speed, innovation and we haven't missed an efficiency target yet, and we won't. We're resilient, we're ready and we're expert at driving change.

Okay. Getting a bit deeper now into the transformation, I'm going to get very specific. So three critical programs, all of them will be leveraging or underpinned by machine learning. I'll start first with the Buy data collection. This is the beginning of our supply chain on the Buy side of the business. Field auditors, across the entire globe who are walking into stores that don't have scanning equipment to be able to measure what's happening in store, what's selling, what kind of in-store merchandising activity is going on. That team is also responsible for validating all the information that comes back into the business. We are automating the majority of the end to end steps that that team uses to do its job, leveraging hand-held devices and machine learning that we've built into our technology-enabled data collection platform.

This is going to play a huge and significant role to continue to accelerate the growth in the emerging markets that are already experiencing a nice pop. If I continue through Buy supply chain into the middle of the chart now, super hubs and platforms, this is the combination of how we do, what we do and where we're going to do it and leveraging the underpinning that comes from the Connected System. We're going to consolidate our platforms in our factories. This will allow us to not only drive efficiencies through scale, but also will be able to light up capabilities much more quickly. So when you consolidate platforms and where the work gets done, as Andrew and his team creates new applications and we deploy them into our factories, you light them up once and every single country that's connected to that factory as a hub or that location, the capabilities light up there all at once. And I'll give you some examples in a few slides.

So similar to Buy, automating in Watch starts with the field organization. These are the folks that every day recruit, install and maintain the gold standard panels within our Watch organization. We'll leverage technology and machine learning, both in the field and in the back office that will drive efficiency and will also improve quality, which is critically important to our clients. All told, $400 million in annualized savings, permanent savings that we will deliver to the organization by the end of 2020 and if you want some color around that around where it's going to come from, two-thirds of it comes from automation and a third comes from consolidation and simplification.

So we're going to keep going deeper, so I can give you even more info on what each particular one means. So I'm going to start first in automating Buy. So, Buy success starts with the collection of audit or sales data in the traditional trade, primarily in the emerging world. We have 15,000 people around the world whose job it is day-in and day-out to walk into all these different types of traditional trade retailers and gather that information. The investment that we've made in technology will allow us to transform that work end to end. It's going to be more automated, more real time, better quality, better speed and better capability. I can say it even more simply. We're going to be able to accelerate growth and reduce cost, that will enable that growth.

We've built and deployed the end-to-end tech-enabled data collection platform and it is on the ground with at least one app currently in 100 countries around the world. It's on the ground and being utilized today.

So I'm going to unpack a few of the, I call the more important value drivers within the platform. So, first off, Zero Touch Validation. So I talked earlier about the fact that 85,000 scanning stores come into our business every day, plus 55,000 audit stores. There's that old saying in computer science, garbage-in garbage-out, right. So our job is to make sure that that data coming in is coming in of high quality. And if there are outliers, we address them. Today that process is very manual. So by automating the process and leveraging machine learning, we'll be able to take a process that today takes days to be hours and minutes long. In terms of the FTEs who do this work within the organization, we'll be able to reduce that from 1000 FTEs who do it today to 300.

Second one on the chart, Quality Control Tower. So the best analogy I can give you there is, think of QCT or Quality Control Tower as an airport control tower. So the control tower at the airport makes sure these planes flying around don't bump into each other, and they all land on time. The Quality Control Tower makes sure that the 15,000 auditors are in the right place, at the right time, doing the right work.

Now, we don't have that today. It's being deployed. Today, we have 1,500 field supervisors located across the globe, who have a certain number of field reps that they're accountable for. They will travel to different locations where their field reps are located. It's a bit of a latent relationship, you can't get there immediately, you don't have real-time information. So, therefore it's not as optimal as it could be. The platform that we delivered will actually allow us to have real time connectivity with the 15,000 people that are in the field.

Today, we have 1,500 supervisors that do that, latently, intermittently without real-time information. We're going to move that to 450 Quality Control Tower auditors, who can do it in a real-time way. And why is that important? First, because of quality. I'll give you an example. So let's say an auditor walks into a store in São Paulo, Brazil, and he's doing an audit. And normally the audit takes two hours. As they're doing the audit, the Quality Control Tower algorithms sees that he is going to complete his work in 30 minutes, it's an outlier that gets kicked out. The

QCT executive sees the information as a concern that perhaps is not being done properly. He has the ability to go and connect with the auditor in-field either via IM or by voice, and they can start talking through how the work went and whether we're going to have a potential quality issue or not. This is good because if there is going to be a potential quality issue, we catch it. It means it doesn't flow all the way through and then gives us heartburn when we have an issue with the client in terms of data quality. Secondarily, it saves us money. We don't need to go and do a costly re-audit or a re-check after the fact. So by deploying QCT, 1,500 quality supervisors today replaced by 450 Quality Control Tower executives.

Next is eCollection. eCollection is one that is going to – it's going to give us leverage and improvement both in the developed world and in the developing world. So let me give you an example here. So an important source of insight when you take a look at the connected system and any measurement data is, I got it, my sales are up or my sales are down, but what's driving that. And there is significant investment that gets made by people like Coke and Pepsi, retailers do it week in and week out. How do I set my store up for success. So the way that we gather what we call causal data is those auditors will walk into a store and they will go to end dial display and I'd like to stress that if you get a chance, please go do take the tour. There are some really excited people up on the second floor, who have built these algorithms. We've got a temporary store set up. I think it's pretty cool for you to go and see it.

So you walk up to the end dial display and they literally have to pick up every single unique variant of item that is on display, right? Sometimes on an [ph] end cap (01:51:51) with five different shelves, you might have 25 different items. It's not that's just tide appears once, it's the tide powder, the tide liquid, the different sizes, all of that. Any [ph] end caps (01:52:03) around it have to be picked up as well, any signage has to be picked up as well. So the way it gets picked up today, you pick up an item, you scan it, you got the barcode, you enter in the pricing information, you enter in how many facings on the shelf, you enter in how deep is the shelf, you enter in any other signage that might appear. Here's how it's going to happen tomorrow, and not just tomorrow, it's happening today. And you know the markets in a second. They're going to walk in, they're going to go like this, they take a picture and they're done.

So we're going to reduce the in-store time by at least 50% for that auditor to go and collect that information. Now there is added cost that happen, so we got this picture and it's got to flow downstream and our engineers led by Arun Ramaswamy have created optical character recognition to be able to look at those images, decompose the images, link it back to the most important asset we have, the reference data and decompose it and link prices to items. Now, that was costing us about $1.25 per item in 2015. We are now down to $0.10 – sorry, $1.25 per image. We're now down to $0.10 an image in terms of processing and on our way to a number that's much lower than that.

So lastly, Audit to Scan. If you think back when the barcode was created, it brought a lot of efficiency and benefits to large modern retailers. We're seeing an explosion of the deployment, very skinny simple applications especially within the traditional trade where they are starting to leverage the ability of scanning information. Two reasons. One, it's cheaper to deploy and run; and secondarily, government regulation. So we started to build an ecosystem where we invest in specific companies and we also have partnerships with new ones. We're in places like Mexico, Russia, India and China. They are all in place today. You are going to see us flip certain stores that we audit today to be totally scanning information. We'll no longer need to visit that store to do an audit, even better. Copying what Megan does in Watch, we'll be able to bring in tens of thousands, hundreds of thousands of new incremental stores, all scanning to give us big data to drive even greater value and granularity for the Cokes and the ABIs, so they can see what's happening in places like Indonesia and China. We've got a lot of pace in that area, and we're well on our way.

So if I can leave you with one thing, I'm not leaving yet, but just if you can remember one thing through this presentation in terms of automating Buy, it's a market called Brazil. So each of those opportunities I talked about on the prior page, they all deliver their own benefit. All those opportunities are currently deployed within Brazil, and you can read line-by-line what that benefit is going to deliver, 15% less time spent in store, 6 processes automated, all great stuff. But for me, it pops on the right side of the page, the financials. By being able to deploy all those capabilities and this is live, actual, real data. By the – or year-to-date 2017, our Buy measurement revenue in Brazil grew 7%. The cost to gather that data and enable it was down 8%. Revenue up 7%, cost down 8%.

You don't need a mathematician to tell you that's a pretty good equation, and this is what we're going to replicate across all the emerging markets. And in terms of where we're going to replicate it and we talked earlier about, we are in flight, we are not building things that we don't know if they're going to work or not. These work and they're being deployed. This page here shows you across those five key programs I referenced earlier, what percent of Nielsen markets will have them fully deployed by the end of December from 2017 all the way through to 2020. We're making the investment and we're moving at pace to make sure we get as broader benefit as possible, as quickly as possible.

Okay. Platforms and super hubs, so I move enough the value chain now to where we enrich the data, harmonize the data, produce it and deliver it to clients. Today, we live in a very distributed world. We have eight platforms upon which our Buy business runs and it varies market-by-market, multiple deployments across different countries. We are consolidating to one, the Connected System architecture. This will drive efficiency because of simplification, it will also drive growth. Again, I said it earlier, when you create a new app, when Andrew's team creates an app and we build it into the factory and it's located in a market, that serves multiple markets, all those markets get lit up at the same time.

Now, we're also going to consolidate how and where the work gets done. So, today, the way we do that is very distributed across the globe. We are on our way towards consolidating the majority of the work into three super hubs, Kuala Lumpur, Poland Warsaw – or Kuala Lumpur, Malaysia; Poland, Warsaw; and Mexico City, Mexico. You can see the size of these. The size of these will all grow to be 400 to 800 in size; again, we are in-flight. Poland is opened and operational with 400 people today, Mexico City has 250 and Kuala Lumpur just opened and we only have 50 there, but all three will grow to 500 to 800 as they progress through their deployment.

Poland today is delivering data for the majority of Western European countries. Poland today serves countries through 15 different languages. Poland today delivers the data that goes to our Connected System pilot clients and soon our charter clients, it comes out of Poland, so we're in-flight as I said before. The other interesting thing is, we have this strategy called Follow the Sun, so we picked these three locations strategically.

So, for example if we win a new retailer like we recently did in Poland called Biedronka, as that data comes in, instead of the polls, it's the end of the day doing the work that a data needs to be validated. While they're sleeping, the folks in Mexico can do the validation. The platforms are the same, the routines are the same, the Connected System is the same. And so when the polls come into work the next morning, the majority of that work has already been completed. By executing this and FTE reduction within the downstream side of our Operations business, we'll see a 30% reduction in FTE.

Okay. I'm going to walk over to the Watch side of the business, three panes. I'm going to start by talking about how we're going to drive automation, efficiency, improved quality from the field all the way through to the back office. It's really important, I stress that message, the actions that we're going to take would drive both quality improvement and also efficiency.

So like Buy, the panels that we recruit and maintain on the Watch side of the business are the truth set for the media measurement in the U.S. and the other markets that we participate in the world. In the U.S. alone, we invest $200 million every year to go and recruit, maintain and deploy the TV panel. Now, without reengineering, that cost would continue to grow because it's becoming more complex. People are buying more devices, more TVs, more handheld ways to go and watch media. So, what our engineering teams have done is they've created this thing called the nano meter.

So, esthetically, much more pleasing than what you would know the set meter or the people meter to look like today. They're quite boxy and they look like set-top boxes. So, one, it looks nicer. It will be easier for a panelist to say, yeah, you can put that on top of my $5,000 4K TV. They don't like it when we take the box off of those TVs. Now more importantly, it is simpler to install, and it drives quality benefit and cost benefit. So why is it simpler to install? That's the only thing that gets installed to create a household as a people meter household or a person measurement household. No set meter, no people meter, just the nano.

I don't need to bring a drill to install it. I could even do it. Two wires, one wire to a USB to the TV to get power, one wire to the TV to go and access the TV speaker. In addition is Bluetooth, so we can communicate to any other Bluetooth device that would be in the house. And it's more cost effective to build and deploy to engineer and manufacture that plus the connections that go along with it is 50% cheaper than what our current deployment strategy is. Once deployed, it will reduce the install time for a meter in a home by 40%. And I'll be able to run our North American TV panel for $40 million to $50 million less year-over-year. So from $200 million to $40 million to $50 million less.

So now I'm going to talk about the streaming meter. It's not on the page, but it works very closely with the nano meter. The streaming meter I didn't bring an example because it just looks likes an Internet router that would be in your home. The streaming meter is what we need because what it's going to do is it's going to measure the source for where people are watching media consumption over the Internet, which they're doing more and more of. So I want you to think about it this way. The streaming meter will give us the source, the nano meter will tell us who's watching it and what they're watching. And you can put all three together to give you the broadest measurement, the in-person measurement of every single home.

So I'm going to keep walking now to the middle. So, in the middle, it's going to be remote maintenance. So we acquired a company called Qterics about a year-and-a-half ago. They brought with them a technology, which is the ability to go and remotely monitor and maintain and make changes to software. It's important for us to be able to do this because today we make over 180,000 visits, 180,000 visits to homes in our panels in the U.S., generally to address sometimes quality issues and IP address needs to be reset. We've got to help them reset a password. Every time they buy a new TV or a new device, we need to go into the home, right, to make sure that we prioritize that home properly, and we configure the machine properly. With Qterics, we'll be able to replicate what a field auditor sees in the home, in the back office. So the benefit here is going to be quality gets fixed sooner. If there's an issue with a new device in the home, I don't need to wait to schedule a visit to go to the home and capture the viewing. I can do it remotely, I can do it immediately.

Second, it eliminates the need – significantly reduces the need to go and visit the home. The visits to the home are distracting. It's a nuisance that the panelists don't really want to have happened, that gets eliminated. And thirdly, it reduces or eliminates travel cost. So it truly is a win, win, win across the board. So nano streaming and remote maintenance gives us better quality, lower cost. It'll allow our panelists to have a much less disruption.

So now going to the far left hand side of the chart, here I'm going to finish with a great example of automation and machine learning. Mitch talked a little bit about it before the vBrand acquisition. You're going to see a great demo from Megan, I'll just give you the once-over. vBrand is going to give us the ability to measure video image recognition better than we've done it before. We're going to first deploy the Nielsen Sports business, and like you heard from Mitch today, we have 600 people that do this. So, what does it do actually? So if you're watching a World Series baseball game and there's an ad on an outfield wall or if you're at [ph] My House (02:03:31) and you wake up on Saturday and Sunday morning and you watch the Premier League and you see the boards on the pitch or you see the Chevy logo on the [ph] man New Jersey (02:03:38) that's being picked up by our capabilities today. But there are way too many false positives. Where an ad should have been picked up, it gets missed. That's what those 600 people are doing which Mitch referenced.

And they're sitting there watching 3,600 screens of – 3,600 images of one-second breaks of a one-hour program to go and capture it. By deploying vBrand and the machine learning technology, linking it to the reference data sets that we have, we will be able to reduce initially by 50% and our goal is to get to the six people that Mitch referenced vBrand is doing it with. Not just only within our Nielsen Sports side of the business, there can be lots of applications in Buy and the near-term one is going to be an ad intel where we do something almost exactly similar and we have a cost base of $70 million, that will be what we attack it next.

So I'm going to recap and put it all together. We're investing in innovation to drive efficiency and growth. We are going to deliver $400 million to the business, two-thirds from automation, one-third from consolidation and scale. We have a proven track record of being able to drive transformation within the organization. Much of what I talked about is in-flight, we're not building it today, it's ready to go and it's in market. A great example, Saturday, I got an email that the handheld device that you saw over there just got deployed in all of Pakistan. Saturday night, I got another email the QCT – Quality Control Tower live in Russia. Monday, I got an email, the Quality Control Tower live in China. We are absolutely within flight.

So I want to close by saying a big thank you. There is a lot of people who have worked on the demos, but more importantly the entire technology and operations team who wakes up every day to do two things, deliver on our client commitments and drive the innovation that will help the business go forward, they are the best in the world at what they do. There is no better time to be a member of the technology and operations team at Nielsen. Thank you for listening. And it's my privilege to invite my friend Steve Hasker and Andrew Somosi, but I think first there will be a video. Thank you.

[Video Presentation] (02:05:55-02:07:58).

Stephen John Hasker

Global President & Chief Operating Officer, Nielsen Holdings Plc

Okay. Well, welcome to the global Buy transformation component of today's program. I'm going to provide some market context and some of the economic implications for us of this transformation program. And Andrew is going to give you an update on the various product initiatives. But before we jump into the prepared remarks, I want to make what I think is a very important add here, and that is that, just as when we started transforming the Watch business, the first thing we did was put together a truly world-class team. We're doing the same on the Buy side, and we're well-advanced in that.

So the Watch journey started with David Wong, Kelly Abcarian, Amanda Budow, Jeff Wender, who's out, who is not here today, he's out calling on many of our local broadcast clients with the Comcast news, and Eric Solomon and many others. That's where we started this process – and, of course, Megan. And it was a very important step forward. We have a team on the Watch side that is the envy of not only our competitors, but equally importantly, our most advanced clients, including the leaders in Silicon Valley.

And it's a product-driven team and it's a team that understands just as much about the digital ecosystem and is just as focused on the digital ecosystem as on the TV ecosystem, and just as focused on the studios as on the advertising ecosystem. It's a very important distinction.

So when we started the Buy side transformation over 12 months ago, Andrew led the charge. Konrad Gerszke, who runs our Lead Markets is here. Susan Dunn, who leads our global client relationships was a big part. Mahesh Pai, who is leading the technology side of things. [indiscernible] (02:09:49) leads the operations side of the Connected System, she's here. I encourage you to seek her out once we're done here and we're in lunch. Joe Stagaman, [indiscernible] (02:10:00), I'm going to forget a lot of people, but this is a very, very strong team. It is a team that is the equal of the Watch team that's driven that transformation.

So with that, let me jump into the remarks. So Andrew and I've got four key messages. The first one is growing strength in emerging markets. We are very proud of our track record in emerging markets, and I'll touch upon that in a second. We're 12 months on from when we last stood on a stage like this and talked to you about the Connected System and introduced that to you, we're thrilled with the progress. We think it's positioned very well to drive growth and efficiency. John talked about the convergence of platforms and the efficiency component. We described last year the go-to-market efficiency of moving from a People-as-a-Service dominated product to a Data-as-a-Service product, and we think that based on recent client wins that this is a real growth driver for us, and it will restore our developed market Buy business to grow.

Thirdly, expanding coverage through Total Consumer. We're making a big push and we're seeing great progress against e-commerce and making sure that we can measure omni-channel, the big omni-channel players, both here in the U.S. and internationally. And then last, but not least, I'm going to close by talking a little bit about the transformative wins. Mitch talked about Walmart, talked about Tyson, I'll bring those to life.

Okay. So, let's talk about emerging markets. I think everyone's seen this. I just wanted to highlight the difference in growth rates, right? We're seeing persistently high growth rates, no surprise in the emerging markets than developed markets. And in the last 18 months, it's been the U.S. that's been a real [ph] source spot (02:11:37) in the FMCG space, there is no surprise. There is no surprise with that.

Now, looking at our performance in emerging markets, we have consistently outperformed the underlying growth rate of the FMCG market in these emerging markets, consistently outperformed, and we will continue to do that. How have we managed to do it? Well, we've made a transition from serving predominantly multinationals in these markets, like China and India, Turkey, Indonesia, Russia and Mexico, so forth, to serving the local giants.

In every single market in which we operate, in many of those we're the only player, the only global player, we have a very rich and long list of local players. And for those of you who follow these markets, you will know that it's the local giants who are winning in these marketplaces. They have adapted their quality, they have adapted their marketing messages and their pricing is competitive. And we are serving them, we are their partner in those markets, and that is what is responsible for this growth rate above the market level.

What this has driven is an uptick in the percentage of our global Buy business that comes from emerging markets, and we see this continuing. We plan to continue to outgrow these markets and continue to make it a more and more important part of our Buy business and our Buy story.

So while we talk and read about gloom and doom in the U.S. FMCG market, I just want to leave you with one particular stat. This is what we're focused on and this is what the Connected System addresses, and that is, when you take together all of our revenue, whether it'd be through the RMS, the Retail Measurement Service, databases that we provide or the analytics, we take about 16% market share of a $7.5 billion market. So our clients taken together in the U.S. in the FMCG space spend about $7.5 billion on data analytics, data integration, we take 16%. So we think that there is an opportunity for us to take a very significantly higher share of this spend through our next generation product, which is the Connected System.

Okay. So let's talk about the trends, and this is predominantly the market trends that we see here in the U.S. or particularly in the developed markets. So the first one is that the long-tail and store brands are growing faster than the larger brands – long-tail and store brands growing faster. The second is a shift in consumer behavior to green and organic, which is increasingly a global shift. The third is retail disruption, growth in e-commerce, the emergence of a couple of omni-channel behemoths in the form of Amazon and Walmart with their acquisition of Whole Foods, and continued growth of hard discounters.

Fourthly, a real push by both retailers and manufacturers to personalization. And this is driving demand for analytics and it's driving significant demand for data integration. And then last but not least, we had a question before about zero-based budgeting, and this has been all the rage at the backend of last year and through this year, it doesn't last forever, but we're in the middle of it.

Now, what's – the key message here is that the Connected System addresses these trends and takes advantage of them. And here's how it does it. So if you look at the Nielsen business historically on the Buy side, this was a business that answered what happened. Did my market share go up or down? What happened? Right?

And then if a client had a question as to why it happened or what they should do next, we would send in our consulting teams, our analytics teams to do a periodic custom-based research project. The Connected System is a huge leap forward in a couple of ways. The first is, in the what's happening is an omni-channel read, and Andrew will talk more about that. So it's not just brick-and-mortar. It incorporates e-commerce, it incorporates hard discounters. That's the first thing.

The second thing is it enables a client at much, much faster speed to move from what's happening to why and what they should do next. The why is built on our business drivers IP, which is the part of the Connected System that we don't talk about much, but it's the part that I am most proud of. I think it is an extraordinary piece of intelligence, and it cannot be replicated by our competitors. And then it links to the what's next. So, this is where our innovation analytics comes in. Was my innovation better or worse than my competitors today? It's where our media spend – all of our media data comes in. Nobody else has that media data, pure and simple. So, was my marketing better or worse today than my competitor?

And then last but not least, all of our in-store analytics, assortment and pricing and the like. So, did I perform better in-store than my competitors? And this applies to both retailers and manufacturers. If you sense a real forcefulness in my messaging here, it's because this is built, and I'll – as I'll come back in a few minutes, I'll start to show you the impact it's having in the marketplace.

So, with that, I'm going to hand over to Andrew, and he's going to get you some detail around exactly where we are with these product initiatives.

Andrew Somosi

Executive Vice President - Product Leadership, Nielsen Holdings Plc

Thanks, Steve. Good morning. My name is Andrew Somosi, and I lead our product teams for our manufacturer and retailer clients. And I am delighted to be back here with you to share the progress we've made with the Connected System since last Investor Day. Steve spoke about how the Connected System moves clients much faster from understanding the what-happened-to-their business to the why-it-happened. What are the drivers [indiscernible] (02:17:35) the competitive drivers that are moving the business to why, all the way faster to now what do I do, what exactly do I do next.

So let me show you how the Connected System does that from a modular standpoint, as Mitch said. It begins with the foundational level on the data side, that's the blue bar at the bottom of the screen. That includes, of course, our Nielsen data, our Buy data, Total Consumer, as Steve said, comprehensive market measurement. I'm going to come back and talk about how important that is in just a little bit. But equally important and uniquely differentiated is the ability to bring in our Watch assets, that's our Total Audience data, that becomes really important in creating a comprehensive view on business drivers and the ability to act on a whole range of business levers in terms of making decisions.

And on top of our Nielsen data, we're bringing in external data, that could be our clients data, it could be partner data, and it could be public sources. Now, bringing all that data together is one thing, making it useful, relevant, valuable is the next step, and that's where that green bar comes in, the data enrichment. Both John and Mitch spoke about metadata, reference data, the data about the data. This is the unique enabler that connects the data assets to the apps, enables that slicing and dicing enriching the data sets, integrating the data sets.

So that on one hand, if I want to shift just the right snippets of data to a client directly, say, via an API, like in the picture here, I can do that. That's the Data-as-a-Service model that Jamere was referencing. But equally, if I want to be able to mix and match these data sets to applications, apps, which you see in the top two bars, I can do that as well. And that's really, really important because we have – we are relevant and valuable to so many different decision-makers, analysts, [ph] our own (02:19:35) manufacturer and retailer clients across so many different functions: merchandising, marketing, sales, strategy, finance, R&D.

And I think you can think of this notion of a platform and apps much like you do every day with your smartphone. And you and I might both have an iPhone, but [ph] I doubt that (02:19:57) the mix of apps that you have is – or we have is probably very different, because it reflects the unique interest and unique needs that each of us have, and that is what makes it more relevant to you. That is what makes it more useful to you. That's what makes it more valuable to you. And that's exactly the same analogy that we have here.

Now, if you [ph] wanted that (02:20:16) really, really well, we are extremely excited about the apps that we're building, whether it's in business intelligence, visualizations, planning, simulation, activation, and I definitely hope that you've a chance to see all of those with Liz Buchanan, [indiscernible] (02:20:31), Kevin Daly and Joe Stagaman in the demo area.

But equally important is the fact that we're opening ourselves up, opening the platform, opening these rich data assets to external developers, external developers who can bring even more innovation to our clients. So that's a little bit of the backdrop on how the Connected System addresses the movement from the what, to the why, to the what next, seamlessly and much more quickly.

Now, let's take a look at the benefits from the clients' standpoint. So the first one, probably the one that clients are most excited about and is the most transformative and most differentiated is the fact that we're creating an open platform both on the data side and on the app sides. So, we're moving from a model, as Mitch had said, that is disconnected, proprietary data sets stand-alone to a world where we can really mix and match the right data assets into the right applications to enable and to create value for specific context-specific, segment-specific, user-specific, use case-specific instances. This is the power of being open. And I think from an analogy standpoint, imagine how much less exciting, how much less innovative our lives would be had Apple decided to create apps only themselves. And the same idea here, there is far more power in us as an open ecosystem being able to bring innovation far more broadly, far more quickly to our clients when we're open.

Second, we talked a lot about analytics. If you want to go from the [ph] what to the why (02:22:08) to actually what next, analytics is the key. It's all about simulation. It's all about planning. It's like how do I change the price, what's that going to do, and then acting on that and making it happen, making it real every single day. Analytics has always been important [ph] in this set (02:22:25), but it's been different. It's been one-time. It's been project-based. It was disconnected. The future here that we're building is automated, it's connected, it's continuous.

So, when Mitch talks about one truth, the example is if in an organization, the marketing department is running a marketing mix model and making decisions and wanted to make trade-offs between promotion dollars and media dollars, that decision builds and reinforces a decision that the sales organization might be making on pricing, action one, action two reinforced, the organization aligned on one strategy using one truth that Nielsen delivers coursing through the veins of all the apps.

Third benefit, Nielsen used to build and still does build fantastic tools for power users, people who just like John love the data and want to be in the data. But the reality is that we can democratize the data. We can democratize the analytics to a far broader set of use cases through our own apps, through data-as-a-service and through the partner ecosystem with the partner program. And when we democratize the apps, when we democratize the data, we create more relevance for ourselves, and it's much, much more valuable to the clients and for us.

And [ph] net-net (02:23:45) what this really means is we move from having our clients spending 80% of their time on analyzing [ph] the whats (02:23:52) to getting them focus on 80% of the time on making decisions and going forward. Now, I want to bring this come to life a little bit in an actual example, because when we talk about [ph] this analogy (02:24:05) of apps and users and different contexts – and something that Mitch said that was really relevant to the fact that retailers are becoming more important in our lives.

So, I want to share just one quick retailer example and specifically what we're doing to be relevant to a specific persona, a function within the retailer called a category manager. And the category manager makes decisions every day on what items they want to carry in their category. They might be covering frozen pizza, what am I listing now in a given store, what am I not listing, how am I working with all the manufacturer partners that I have to grow the category, to make sure that I'm becoming more profitable, how do I manage them.

In the past, these folks might have touched Nielsen data, but not directly. And yet when we really dig deep and study what is it, what makes them tick, what are their needs every day, how do they go about their business, what makes them successful, what we've realized is we can actually help craft experience for them that are different. They're not necessarily the power tools we've used before. They might be something that starts with a very, very simple visual dashboard that with colors show them exactly where the opportunities and the risks are related to how they manage their business.

Note that, immediately on the bottom right, they might see the business drivers that Steve was alluding to about what's making their business go up and down in the context of specific manufacturers they might be dealing with. Now, the beauty here, this is not just about the category manager at the retailer. It's also directly linked into the collaboration they might have with each of their manufacturers. And as you're probably guessing, the fact that they can move forward in this dashboard and drill in and figure out how to create overall category value is important, because now they can share this system and make the analytics open to all their manufacturer partners.

So, both the manufacturer and the retailer are living in the Nielsen's system with Nielsen data and Nielsen analytics and collaborating on that front. And that's what makes us stickier, that's what makes us more useful, that's what makes us also more valuable. But of course, I wanted also talk a little bit about today, apart from showing you and refreshing what the Connected System is, what is it that we have done and the progress we made since last year, what did we say we were going to do, what did we do this year and what are we planning to do very ambitiously for next year.

This is what we set out to do in 2017, and I'm extremely proud, together with all the teams that John and Steve mentioned, that we're able to accomplish. We said we would work with five charter clients and make the Connected System come alive in the UK, U.S. and France, and we did that. We then said we would continue to engage with an additional 25 clients by the end of the year, and we did that. And on top of that, we did that with a really broad mix of clients that includes some of our most sophisticated clients.

As Jamere said, we also thought about being really important to enable a far broader swath of clients to get exposure to at least one component of the Connected System, and we did that with over 150 clients, introducing an area of new apps along the way to enable that. And back to the open strategy, we pushed really hard, Amanda Welsh pushed really hard on growing the partner program, again this notion of opening ourselves up. And these are the execution efforts that are enabling us now to talk about some of the wins that Mitch and now Steve will talk about.

So, we said we would do this and we did do this. Now, what's coming up for 2018? We are as ambitious in what we are setting out to do. We're going to continue this engagement to 100 clients, pushing the geographic boundaries to new markets past the original three. We're going to continue to launch new apps in the marketing and merchandising domains and equally continue to invest and grow the Connected Partner Program portfolio. Now, in the beginning, you heard me talk about the fact that Total Consumer, our [ph] buy data asset (02:28:13), are an incredibly important component of the data, that bottom blue bar that feeds the overall Connected System.

And I can't stress how important this really is. The notion of Total Consumer of us being able to cover as comprehensively, as accurately as possible the channels that matter most to our clients in our markets, the channels that represent the greatest share of growth, that is incredibly important, starting with e-commerce. We launched e-commerce in the U.S., which is enabling me to show you some of the statistics here about the percentage of e-commerce for these various categories ranging anywhere from the high-20s to single-digits.

But e-commerce is important in its own right in terms of the growth that it's having for our clients. But it's equally important in a notion of being able to shape and create an omni-channel view of the world. At the end of the day, where we're uniquely positioned is to be able to provide a comprehensive view of what consumers do both online and offline, a total view. We're doing that in e-commerce in the U.S. We're doing that in 17 other markets, and we're investing in technology, in partnerships to be able to continue to drive coverage not just in e-commerce, but in all the other hard-to-measure categories that make us uniquely differentiated.

The other piece that's really important here is that we're also expanding the sourcing of our content, as John talked about, including retailers, but increasingly also bringing in data that's sourced directly from consumers. This is an integral part of the equation, Total Consumer feeding in to the Connected System. John talked about that he's a mathematician, and did he say data nerd or data geek? He and I probably rival on this front. But the one thing I also love and our teams love is we love building software and we love building apps. And I personally love to see the impact that software has on people and their lives, and what is it that they now do that they couldn't and the aha moments.

So, before handing it back over to Steve to talk about the business impact that the Connected System is having, I wanted to share just a couple of short quotes from some of our charters and pilot clients and I wanted to highlight particularly three. I wanted to highlight the middle one, your open approach to data is refreshing. The openness in terms of the data, Nielsen [ph] app data (02:30:44) and non-Nielsen; the openness in terms of our apps and the Connected Partner Program apps. The openness is one of the most important, if not the most important, facet of what makes the Connected System uniquely better, uniquely better.

The second one on the top right is that specific time savings that the Connected System brings. You heard John talk about efficiency and effectiveness. Same exact point here. And the third one, which I love, more of our decision-makers have access to analytics, democratizing data and analytics, democratizing decision-making. Democratizing means we are more relevant. It means that also Nielsen becomes far more valuable. So, I'm extraordinarily excited about what we did this year, equally excited about where we're going in 2018.

And Steve, I'm going to hand it back to you to see what that's done for us in terms of business impact.

Stephen John Hasker

Global President & Chief Operating Officer, Nielsen Holdings Plc

Thanks, Andrew. Okay. So, here's why we're excited. In terms of client wins, I'm going to talk about the Walmart deal in a second. So, I'll keep moving on from that one. But let me talk about Tyson and General Mills in Europe. These were takeaways from our competitor, pure and simple. Tyson, the leader in protein and arguably our most sophisticated analytics client. In a head-to-head, next to the competitor, their technology versus the Connected System, we won. This is a huge deal for us, and one of the many reasons why we're increasingly confident. Same with General Mills in Europe.

So, our clients are starting to see – our biggest, most important, most sophisticated clients are starting to see the benefit of this leapfrog in terms of the product we offer. We've always been a product-led organization. I think that's somewhat disguised and hidden from time-to-time through the decades. But on the Watch side, the transformation was driven by OCR, which we renamed DAR, and then the Total Audience suite. This is our locomotive on the Buy side of the business, and we're starting to get increasingly optimistic about the benefits it's going to yield. So, that's the first one.

The second one, there are many examples of increased analytics penetration and there are many examples of Connected Partner uptake. But let me just highlight a couple. In terms of the increased analytics penetration, big clients like Unilever and ConAgra, starting to say, okay, we can do a lot more mix modeling as one example of the analytics, because A, it's connected to the data. So, in other words, the Connected System makes it run on one source of truth, as Andrew calls it. So, they can have confidence that this is not a disparate analytics play, firstly.

And secondly, they can displace other smaller fragmented providers who are running off different meta-data sets, right. And so, it's a more efficient play for them, it's a more effective play for them, and we're starting to see the benefits. And then, we have a number of smaller clients [indiscernible] (02:33:47) would really – if we had them as clients and they were an under-served segment for us, 90% or thereabouts of their – of our revenue from them was pure measurement. So, our analytics were too heavy, too people-based, too expensive for them to use.

And what we see is increasing numbers of clients saying, okay, the automated analytics are interesting to us, they're cheaper, they're faster, they're lighter and they're increasingly easy for us to incorporate in our decisions.

And then last but not least, the Connected Partner Program, as Andrew said, I encourage you to stop by and chat with Amanda, who's really spearheaded this over the last year and a half, but we have many, many examples of clients who are both using our analytics, but also bringing their preferred analytics partners in.

We now have 38 Connected Partners live, up and running their apps on our system, working with our data. We added two in the last 24 hours, and Amanda is always adding new partners, right, always putting them through the approval process and getting them in our app store. So, this is why we are confident about the bet we've made over the last 18 months, and this is why we're in a different position today than we were 12 months ago. So, not only is the Connected System the basis of our confidence in restoring the Buy business to growth, develop Buy business to growth, but we also see it as a form of significant efficiency.

Last year, we talked about the streamlined client service delivery. Susan Dunn is spearheading this effort, right, and looking at what is what is the optimal way today to serve a client and what is the optimal way as the Connected System rolls out to those clients. It is a much more streamlined software-driven data-as-a-service model; fewer errors, faster, lighter, more efficient for clients, and certainly, a very significant cost differential for us at the front-end.

The second form of efficiency is in the form of the product mix. So, as we move more custom analytics into the Connected System, we end up having a much higher portion of our business be syndicated, under contract year-in, year-out, which as we all know is a very healthy dynamic that we've enjoyed on the Watch side for many years and one that we're emulating on the Buy side now.

And then, the Connected Partner revenue base, which as you can imagine, Andrew described the app store concept, our economics are similar to the other app stores that you're familiar with, and it's a higher margin product mix for us. And then, I won't belabor the technology and operations points. I think John did a brilliant job of describing this. The one that I do want to hit upon though is the platform convergence from eight platforms, eight factories to one is enabled by the Connected System. It is a big driver of cost savings, as we go through the next three years. It is enabled by the Connected System.

So, let me make a comment about Walmart. For me, the Walmart deal is analogous to the Facebook deal we did many years ago on the Watch side of the business. It is a transformative deal for our company. Walmart, the biggest retailer in the world and one that has done an amazing job of starting its own transformation over the last 12 months, have chosen us as their one source of truth around the dataset. So, we aspire to be a key linkage in their supply chain and deliver significant simplicity to Walmart consistent with their everyday low prices philosophy.

It is a very, very significant moment for us. It is a very valuable dataset and it will underpin the growth of the Connected System, particularly in the U.S. with the inclusion of Jet.com going forward. And I really make the comparison back to the Facebook deal, which of course fueled the first version of OCR, has fueled DAR and DCR and the Total Audience play. I think it's that important to us, and we're very, very happy to see that deal completed. We're very proud of our association with the Walmart company.

Okay. So just before I – before we wrap up here, just to revisit the key messages. We are very confident that we will continue to outgrow our emerging markets. We have the team in place, we have the relationship with the local giants who are winning in those markets and we're the only player who can help the multinationals on a multi-country basis.

Secondly, I think you've sensed our conviction and confidence and its growth in the Connected System to drive both growth of our business and to enable many of the efficiency efforts that Jamere and John talked about. Total Consumer, we didn't go into a lot of depth on that today, but this will enable us to be less reliant on any one particular retailer, less reliant on any one particular source of data and able to cover the highest growth channels for our manufacturer clients and able to provide retailers with a true read of all of their competitive set, not just their brick-and-mortar competitive set going forward.

And then last but not least, the transformative wins whether it be Walmart, Tyson, General Mills in Europe or some of the others. These are a sample of some of the things we're starting to see in the marketplace. It's still early days, but our confidence is rising by the day and by the pitch.

So with that, I'd like to thank you for listening. I'd like to welcome out my Australasian mate, Megan, who's going to take you through the Watch story.

[Music] (02:39:43-02:39:55)

Megan Clarken

President, Watch, Nielsen Holdings Plc

Well, good morning, everybody. It's great to see you all here for another year, and I'm really excited to take you through the next chapter of our Watch story. I'm going to cover three things today, I'm going to take you through the change that we're seeing in consumer behavior, and how that affects our product and our commercial strategies; I'm going to take you through the steps that we're taking to gain our currency in digital; and then I'm going to take you through some of the new media and monetization models that are appearing, and the opportunities that brings to us.

I want to leave you with three really key messages that are going to come out in the presentation. The first one is that we will be the currency in digital. We will be the currency in digital. I have no doubt. The second is that we are the trusted custodians of the TV currency, and we will be expanding that to include addressable and digital advertising. And the third is that with that base in place and secure, it enables us to extend our portfolio and our investments into new areas of media monetization that we see opportunity for high margin growth. So they are the three key messages I want to get out of, what I'm talking about today.

Let's start by talking through the change in consumer behavior and you've seen this chart before, I probably put it up every year, but it's really important to us. What we're seeing today is that consumers are spending 82.5 hours a week, now consuming media, 82.5 hours a week. Now, clearly that's not consecutive. That's made up of multitasking. And the latest figures around multitasking says that consumers, or all of us, on average are adding another seven hours to our day through multitasking. So we're now experiencing a 31-hour day.

A lot of this viewing, as you know, as you can see here is still going to traditional platforms. But look what's going on above that. Look what's going on, on top of this. This is extreme fragmentation going on. This is fragmentation across not just devices that you see here, it's across distributors, it's across access points, it's across monetization methods, it's across content, and it's across ads. And what this is telling us is that our total audience strategy that we put in place back in the beginning of 2013 was exactly the right strategy, exactly the right strategy to take.

And to build on that even further, a disproportionate amount of this viewing is going to premium scripted video content, which tells us that our focus on video first was exactly the right focus, exact right strategy to take.

So I want to focus in on the video landscape and talk about what's going on here. Clearly, still, a bulk of this viewing is going to the television platform, and in fact to live TV. And while we see that viewership declining a little bit, it's not by a great deal. The media – the consumers are not going away. All they're doing is consuming that media on different platforms. So if you have a look at that 4 hours and 27 minutes above, that is OTT viewing or viewing through connected devices as one form. And that is really the domain of Subscription Video on Demand, SVOD. But it's all not subscription-based, it is advertising-based as well, 10% of that is going to YouTube for instance and I'm going to spend some time talking about that area later on in the presentation.

Everything above that is digital. It's digital, it's a $13 billion industry right there. Our goal is to be the currency across that entire bar – that entire bar. So our focus on being the currency in digital is absolutely key for us. We are poised to be that. We are truly confident that we will be that and I want to take you through the reasons why. We've been watching this space for some time and our goal is always to invest at the right time. And what we've seen is this emerging sort of suite of needs of the currency provider. You'll be familiar with some if not all of these that have come to us as what's needed inside of the currency measurement.

I'm going to go through them reasonably quickly. This top line here is the hardest, by far, to achieve. It's incredibly hard. It's like climbing a mountain. But we have not just climbed that mountain, we're now down the other side. We have done this, the entire top row is now ticked. And I'll explain that to you. The measurement of reaching on-target delivery, that's the domain of DIR. So, DIR is now used as a currency for 25 – all 25 of the top advertisers in the U.S. So that's done, ticked.

Cross-platform measurement, that's our total audience strategy, that's our total audience play. So that's done, ticked. This area of being able to rise above and measure walled gardens, that's our domain. We are the market measurement provider and our unique relationships with our clients that are participating in those walled gardens. Facebook and Google, they lean into us to be able to measure them in a comparable way to the rest of the market, so that one is done, ticked. That entire row which is the hardest to achieve as a currency provider, by far, is already done. We're finished with that.

So let's go, drop down, to the row below, viewability. Viewability has been a very complicated conversation with the industry for some time, so we have to step back and watch that unfold. But where we are now is we're seeing that those viewability standards are being settled on, they're being put in place and we feel like that settled down. The viewability discussions now in the marketplace has moved more around comparability, comparable engagement metrics between traditional TV and digital. And we're being brought into those discussions. We're in the driving seat behind those discussions, helping the industry come up with those comparability or comparable measurement. So it makes sense for us now to be the measurement provider around engagement and viewability.

So, in quarter two of next year, we will be implementing our own viewability capability into Digital Ad Ratings. So no longer will be – will we be relying on third-party players to provide that for us or for the industry. So that will be embedded into Digital Ad Ratings. Similarly with fraud. So fraud is also something that needs to be included in the ratings, and we made a really small acquisition of a company called Sentrant out of Canada. It's a small company but they have incredibly powerful tools to provide the ability to isolate and identify fraud inside of advertising. So at the same time as we put viability into our currency metrics, we'll also implement fraud. So that's those two boxes ticked.

Outcomes, with our suite of products starting with Nielsen Buyer Insights, Nielsen Catalina Solutions and our recent acquisition of Visual IQ, we have a powerful asset base, that ticks that box of outcomes, so that's that one done. Brand safety, we see more and more this becoming the domain of the publishers. The publishers themselves are leading into the brand safety environment and then putting their own technology in place to make sure that advertisers brand ads go into safe environment. So we think that that one actually comes away. So look what we end up there.

We've ticked all of those boxes and what's most importantly is those capabilities will be available through that single technology stack. So that single [ph] STK (02:48:22) or that single tag implementation will provide all of these capabilities through one single trusted currency provider.

So with that in place, why would you go anywhere else? Why would you use multiple players to do this for you and have to deal with cobbling that together yourself. So right there we believe that we are in the position, the right position, to be that currency provider for digital. And I'm going to reinforce this story of the other reason why we know we're going to get there later on in the presentation.

So this goes to the question of how do we commercially make sure that we're in the right position when it comes to currency. How do we measure that commercially? Well, this is a tricky one. We've looked at many different ways to be able to monitor our progress here and where we're blended is on this notion of take rights, but we'd rather call it earn rate. So I'm going to refer to it as earn rate. And what earn rate really is for us is this notion of the revenue that we receive through the measurement – through currency measurement as a percentage of the ad spend in the market. So revenue we receive as a percentage of the ad spent.

And today if we look at TV that earn rate sits at about 2%, that's our rule of thumb for TV, it's been like that for some time. So if we try to overlay that on top of our digital business and see if we can pull that sort of comparability together, it's difficult. They're different products, different clients, than where we land at the moment is around about 1%, but it's growing very quickly.

So how do we get from 1% to 2%, is the question. There are three levers that we can play with here. The first one is value. So as more and more professionally produced content, digital content becomes available, as more and more players come into this fold, as more and more need for comparable measurement and ratings becomes something that the market is demanding, the value of the service goes up and that enables us to earn price.

The second lever here is in volume. So it stands to reason that as more content is produced, and we don't measure everything today, so as it expands out to measure more and more video and as this notion, this importance of currency unfolds, then it also spills into other content types display and audio for instance, that drives volume, that drives coverage for us. And the third lever here is share. So if you remember that previous slide, four of those bottom boxes, frequency – sorry, viewability, fraud and outcomes, there are players today inside of those boxes. So we believe that by providing that as part of the currency metrics we can gain market share. And so those three levers are our route from 1% to 2%.

So I've taken some time upfront here talking about digital for obvious reasons, but I want to pull back a little bit and talk about our broader business. You'll – you'll be used to us providing you with constant steady mid-single digit growth, when it comes to our Watch business, and that is sustainable. You would have seen that inside of Jamere's presentation, but there's also many opportunities that we see to actually grow beyond that. And what we look for is media, monetization opportunities that are coming out of the marketplace.

And here's four of them that we're pretty focused on. The first one in Linear TV is really our sweet spot, that is the bulk of our business today. But what's interesting around Linear TV is that new digital players are coming into that mix like YouTube TV, like Hulu and you know that a recent announcement of ours was that we are measuring them and including them into the TV ratings, that's incremental revenue for us.

The second is, in this world of addressable advertising, now in this number is embedded display, but one of the fastest moving areas inside of this number, as I said before, is Digital Video. So we're really excited about what we're doing here to monetize this environment and I'll talk more about that later on in the presentation.

Two new areas for us that are also new growth opportunities, is in the measurement of subscription video demand. And the last one here is in branded integration or branded content. I'm going to cover those a little later as well.

So how do we think about the measurement of all of these areas? Our strategy is really simple, it's really simple. It is extremely complicated and complex to execute. Extremely complicated and complex, but we've never shied away from that. In fact we lean into that, and I hope that we've proved over the last years' that we can execute against that.

The strategy is this, you see the monetization models across the bottom. In the center, you see the measurement that's required for currency. So, that baseline there is the simple measurement of reach and frequency, how many people saw it, how often did they see it and who are they? And that applies to all of these business models.

The next one up is more relevant for addressable or digital advertising, it's, did I reach my target audience? So, I bought an audience made up of new moms, did I actually reach new moms? And the next one up is our resonance and reaction suite, what was the effectiveness of that advertising campaign and ultimately what is the ROI? So, that is the measurement pieces that we go after. And, of course, across the top there are our client bases, starting with media owners, a growing importance around providing data to distributors, agencies and then advertisers. So it's a really simple strategy but again complex to execute and unfold.

What I want to do now is, I want to take you through the progress that we're making across all of these different business models at the bottom, starting with the linear and addressable pieces pushed together. This is our Total Audience play, and every year, I've shown progress through something that looks like this slide actually. You'll see that there's a lot of activity in the center here around evaluation, and this is about implementing the code, getting the data, getting used to the data, getting your stories in place, making sure the data looks like the data that you're seeing internally.

There is so much activity going on here, and most all networks and digital players are in some way, shape, or form participating in this area. This will always be a swell. This will always be busy. As new content comes on board, as new players enter the marketplace, this evaluation will always go on. But, what I want to do is draw your attention to the right-hand side of this chart. Last year, when I showed this chart, there was very little in there, in fact, there were two entries, and they were about the launching of a couple of Total Audience products.

Look what's happened in the last year. All of these services, all of this functionality, all of this capability has come to life out of the Total Audience framework. This is incremental revenue in most cases here. Look at the clients that are in here, they're not just playing in here, they are actually transacting, and that transaction is happening within the C3/C7 TV ratings framework or on the digital side of our business. This is transaction going on here against the Total Audience solution.

This one stop top here, this is going to continue to build as we roll out more and more features and functionality out of Total Audience. This will continue to grow. One of the announcements, I want to make, which is really exciting for us is that, we have reached a consensus with the marketplace to evolve the C3/C7 standards. So, one of the biggest use cases that was the problem in the marketplace around TV ratings today has reached a consensus that's used us to resolve that problem, and we're going to put that change in place. So, allow me to take you through what that means, if you're interested.

This slide is a little complex, but you'll understand it in a minute. I will talk through what this means. But, if I step back three years, we put a call to the industry three years ago that said, look, there's a problem with the TV ratings. It's not reflective of the change in consumer behavior, because what's happening is the eligibility rules that we don't set, the industry set, does not – is not keeping up with consumer behavior, and the eligibility rule that's causing the problem is this one, is that, for a TV program that's aired, from day-one to day-seven, the ad load must remain intact to be able to be included.

So, if you have a look at that top bar there, that's a TV program and the blue boxes are the ad pods, the ad loads within that TV program. And the rule says, that program, every time it's seen within that seven-day window, that ad load can't change whatsoever or else it's not allowed to be included.

But what's happening is that, within that seven-day window, because of fragmentation, those programs are being distributed onto platforms that allow and actually facilitate the change of those ad loads. So, they may change the ad load out to something that's more targeted or they may reduce the ad load all together. And when that happens, what you'll see in this bottom row here, that programming is not allowed to be included in the ratings, that is the current role.

So, the consensus that we've come to is really exciting for us. It's this, the first row will be calculated and included in the ratings as usual, so absolutely no change there. The bottom row, if we see an instance of that, we'll calculate that one linear ad, the blue ad that you see there and we'll add it to the ratings, so additive to the ratings.

For every dynamic ad, the green ad that you see there that's been changed or inserted, we're going to measure that. The market will have us measure that using digital ad ratings, DAR, and we'll pass that information out to the buyers and the sellers to be able to be flexible with their treatment of that, so they can add it to the C3/C7 ratings if they want or they can keep it separate so that they can negotiate it on it separately.

The measurement, the currency measurement doesn't change. What's changing here is the way in which we distribute the output for full flexibility for the market to transact. Now, this is incredibly important because the Total Audience framework gives the market that opportunity to be flexible, and that's what they've been asking for from us for some time.

Why is this exciting to Nielsen? Because digital ad ratings is being used to calculate those dynamic ads that have been inserted, digital ad ratings. What that means is that Nielsen is the currency for video – digital video right there. It cements that story. So, I'm going to pause on that for a second because that is big news for us.

We get asked a lot around this world of addressable linear or addressable advertising in TV, and we get asked a lot about platforms like Open A.P. So what does Open A.P. mean to us. So, I want to take a minute to explain exactly what's going on there, so that you can see what we're doing in that area.

What's happening here is that networks are looking to add more value to the advertising that they're selling. So, on top of that base, age, gender breakout of the audience that's coming to their ad, they're loading on top of it features that may gain more price for them.

So, in other words, this ad in particular is really attractive for new moms. So they use that to get more value to price their inventory higher. The shepherding or management of that negotiation of that world requires platforms and software. So, it's an ecosystem that's being stood up to manage that transaction. It's very similar to the ecosystem that you experience we'll see in digital today which has been around for some time. So you'll probably all remember those charts that had the digital ecosystem. They were hugely complex. That sort of environment that ad tech environment is starting to take shape in the TV world.

Open A.P. is one of those pieces inside of that ecosystem that's emerging. The other one that we really like is clypd, and clypd provides the capability to manage that transaction, the flow of data between the buyers and the sellers to manage that transaction. Those technology pieces, that ecosystem is nothing without data. So where do we play? I think the answer is obvious. We supply the data into those environments to help find those audiences, to help identify different attributes about audience, to help create that value for the networks, that's on the front of the workflow. On the back of the workflow, we supply the measurement. So, the guarantees about that workflow, those audiences are still mostly age and gender, and what we supply on top of that is secondary guarantees, which might be around again being able to say, yes, you got to the target audience that you bought. So that scoring of the addressable buy. I reached the target audience that I bought.

The most important point here is that this environment needs us on the planning side and needs us on the measurement side, and we're excited by the changes in the TV environment ecosystems that are starting to emerge. It's very similar, as I said, to the digital world, which is much more sophisticated, it's been doing this for a long time. And where we play and hear is really important. It starts with Pointlogic. If you remember our acquisition of Pointlogic, which is a powerful planning tool that enables cross-platform planning. Pointlogic is now sitting on the desktops of over 2,000 planners and buyers around the world.

The digital portion of that plan, so once that plan is created, the digital portion of that plan is activated through our acquisition of eXelate. And so many clients are now leaning into eXelate to do that activation, including Johnson & Johnson and Kimberly-Clark and many others. Once that activation happens and that ad is run, of course, what happens on the other side, measurement, and the first place that you hit is DAR.

So Digital Ad Ratings provides the measurement against that digital campaign, and what is new news today, an announcement here, is that, digital ad ratings in quarter-two of 2018 will also include the Nielsen Catalina Solutions segment. Now this is a big deal because it's growing out our ability to score against audience buys, by being able to add all of the data and attributes coming out of the Nielsen Catalina Solutions. I talked about this last year as demo plus. So that's coming to life in quarter-two of 2018.

And, of course, the last piece of this workflow is the ROI measurement, and Visual IQ and its ability to stand above the market and provide multi-touch attribution cross market is an incredibly exciting and important player in this workflow.

Now, of course, all of this workflow, if you remember, forms our marketing cloud. It comes out of our marketing cloud, and the data flows through to the connected system, and it's used to inform the marketers in their choices around their marketing mix models. So it truly joins our watch and our buy side software together.

So, that sort of rounds out the steps that we're taking in linear, addressable, and digital. And again, so many incremental revenue opportunities for us in that flow and we love the way that this is coming together. So, I want to move on to the two new opportunities that I outlined upfront, starting with subscription video on demand. So, you'll remember, back in October, we made an announcement that we are syndicating or have syndicated this service, and we started with Netflix.

Why Netflix? As you can see, half of the activity going on in this environment is Netflix. And Netflix doesn't provide data through to its partners on how their audiences are flowing, of the size of their audience, and certainly doesn't provide anything that's comparable to what we do across TV. So those partners of Netflix, our clients, studios, networks, came to us and they said, look, we're running blinds here in terms of our negotiations. Can you provide comparable data to be able to help us in this environment?

And why this is important to them is, because without that comparable measurement, to be able to look at what's happening in a distributed environment like Netflix as compared to what's happening across their advertising plays, they're unable to make decisions around pricing when they negotiate with Netflix. So that was the primary use case incredibly important to the rights owners of that content.

The next use case that comes up, which actually started to come up as we started to syndicate and had this data flow through to our clients is just the importance of Netflix content on prime time viewing. So, this year alone, Netflix, I think, invested about $6 billion in original programming. And so what's really become important for networks is to understand what that means and the impact that that has on prime time viewing.

And what we see out of the data, because it is comparable measurement, is how Netflix is performing against the top most popular programs on prime time. So this is incredibly powerful information that helps our clients be able to work through their strategies and work through their pricing when they're negotiating against distribution partners like Netflix.

Why is this important to us? Because it cements for us the importance of – the ongoing importance of third-party independent measurement through a trusted provider across walled gardens comparable measurement, that's what we do. And so it reinforces how important this is, not just to the advertisers, but to the media owners themselves, making sure that they're getting a fair look at what's going on across the marketplace. So we love what's going on in this area.

The last area I want to talk to is this area of branded content. And what this is is the appearance of a brand inside of content. It's most prominent in sports, so you see this all the time. So you know that sports rights are hot. There are so many players now that are in the mix negotiating for high-priced sports rights. Sports – of the top 100 programs, sports makes up 93 of them. Of all of the tweets in the Twittersphere, 50% of them are about sports.

The currency calculation of brand impacts of the value of the advertising that's embedded inside of sports is critical in those negotiations, critical in those negotiations. So, we acquired a company called Repucom that does just that. It provides that data, that value back as part of those negotiations.

Repucom measures or monitors about 56 million hours of sports every year, 56 million hours. That is huge. And so what we also acquired is a smaller company called vBrand, which John spoke to this morning. And what vBrand does is, it provides efficiency, it provides speed, and it provides quality on top of what Repucom does. It looks a little like this and this is how it works. So what vBrand is doing is, it's applying visual recognition techniques through proprietary deep learning technology that it has to rapidly process the identification of brands in content. That's what it does, and it does it lightning speed. And what we are going to do with the vBrand technology is, of course, bring it back into our other products where it makes sense, to speed up processing, to drive efficiency and drive quality. And because of that, we love this acquisition even more. So, we could watch sport for the next hour or I can wrap up and reiterate the three key messages that I made upfront, which I hope came through loud and clear in the presentation.

Firstly, we will be the currency in digital. We will. I have no doubt. Secondly, we are expanding the TV ratings to include addressable and digital advertising, which cements that first point that I just made. And lastly, having that base in place enables us to expand our portfolio and our investments into new areas of media monetization that gives us the ability to go after new revenue, high growth areas and larger margins.

With that, I'm going to end, and I thank you very much.

[Break] (03:12:24-03:12:41)

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

We've got the next half hour for Q&A. I'm going to invite everybody to come back up on the stage as they're doing that just some detail about the tours. We've got tours of the [ph] Gtech (03:12:52) facility at 12:45 and 1:15. They'll be about 30 minutes each. On the back of your name tag is an assignment, there'll be an announcement after we wrap up, but I just wanted to highlight it for all of you, and hopefully you can join us on the tours.

Okay. So with that, again there are mikes in the audience. Kevin, do you want to start off.

QUESTION AND ANSWER SECTION

Kevin McVeigh
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you. Kevin McVeigh from Deutsche Bank. I just want to spend a minute on the free cash flow. It looks like the guidance is $3 billion through 2020, $800 million coming in 2018, imply $2.2 billion in the back half of the algorithm. How do we reconcile that with higher taxes and higher cash interest expense? Where does the step-up in the free cash flow come from?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Well, I think a couple of things. One is, if you look at our 2018 numbers, our CapEx [ph] is a bit elevated (03:13:51), it's elevated because of the investments that we're making in the business in terms of funding the growth and efficiency in the 2018, 2019, 2020 timeframe.

The second thing that we have rolling through the numbers is we have a higher restructuring bill that we've been paying through the 2017-2018 timeframe. We'll have a little bit more of that going forward. And then if you combine the fact that we're going to have higher revenue, higher margin business, we feel confident about the $3 billion number. So again CapEx is a little bit elevated, and I think if you expand the margins and you sort of take out the step-up that we've had to make for some of the investments, you can get to that $3 billion number.

Kevin McVeigh
Analyst, Deutsche Bank Securities, Inc.

Q

So it would kind of benefit each year 2018, 2019, 2020

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yes.

Kevin McVeigh
Analyst, Deutsche Bank Securities, Inc.
Q

Super. Thank you.

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc
A

[ph] Andrew? (03:14:48)

Q

Steve, are you excited about Tyson? Just give us an update on the Perishables Group overall at Nielsen. I know that CPG or retailers and CPG companies in past have said that Nielsen doesn't measure perishables as well. Obviously Tyson makes me think a little bit more about where are we?

Stephen John Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc
A

Yeah. So a number of years ago we acquired the Perishables Group that integrated the ability to provide a fresh read. I think initially we were slow to invest in sort of upgrade, integrate that. We put that on the fast burner, and so Tyson, I think, is a reflection of us picking up steam in an area where we needed to.

Q

And you can make a lot of money in the perishables area, measuring it? Thank you.

A

[ph] Tony? (03:15:37)

Q

Thanks just three quick ones. So, first Megan, you talked about the change in the currency, basically some of the ad load being measured by DAR. When can we start to see that happening? And basically from people not in the industry itself transacting on it, how should we be able to measure it? Secondly, you mentioned that right now digital is sort of about 1% of the total ad market there. And I think on the next slide you mentioned that's like about a $43 billion market. So should we be thinking that digital for Nielsen is around $400 million? And then lastly on Walmart, I just wanted to ask about in terms of the 2018 guidance, I know you talked about a margin impact on EBITDA margins, I wanted to know if there's a revenue impact included in 2018? Thank you.

Megan Clarken
President, Watch, Nielsen Holdings Plc
A

Okay. I'll take the first two, and then I'm not going to take Walmart.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Yeah, give it a shot.

Megan Clarken
President, Watch, Nielsen Holdings Plc

A

So in terms of the introduction of DAR and that capability to be flexible inside of the currency, we have just reached that consensus. And so what needs to happen now is we need to make some changes on our side in terms of technology innovation, which we are doing very quickly. And we think that in the first quarter, second quarter we'll have all of those things done. And then from there the industry will pick that up and they'll start flowing that through in the way that they transact. So this provides us flexibility, so they can continue to do what they're doing and they will continue to do what they're doing. And as we see the DAR capability being a) used and being used in transaction, we'll see that flowing over time. So it's not a swap out one and introduce another. It's providing extra flexibility in the same way that we went from C3 to C7, this is just another iteration of flexibility.

And the second question around the 1%, remember that $43 billion I think had display in there. So we're talking about 1%, we're focused on video. That market today, as I said upfront, is about $13 billion and growing very quickly. So, you can do the math out of that. Thank you.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

And then on Walmart, the question is sort of the revenue impact for 2018. We do have the expense baked in, and we do expect to get some revenue contribution from that arrangement in the back half of the year. But I think the most important thing about the Walmart relationship as Steve highlighted is that by putting ourselves in this position, we're going to build a set of products and a set of capabilities that give us the opportunity to go after a much bigger share of that whole ecosystem and that's what we're most excited about. So a little bit of direct revenue in the back half of next year, but the broader opportunity is in 2019 and 2020 when we have those products in place and those collaboration tools in place for the entire ecosystem.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

But, I'll add. Toni, longer term, we do expect that relationship to be a significant revenue driver. The investment comes upfront first, the revenue growth will come later. I also though want to emphasize it's really important that everybody hear this. The way it'll drive revenue will be good for, of course, Nielsen, also good for Walmart and also good for Walmart suppliers. So, it's going to drive efficiency across the entire ecosystem that serves Walmart.

Steve referenced how important it is for the approach that we take to develop this opportunity to be consistent with Walmart's business velocity, which is to drive everyday low price for customers and they do that with everyday low cost. We are not driving cost into a system here, which will be contrary to their preference for how they do business. This is good for all parties. Nielsen, Walmart and Walmart suppliers.

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

A

Okay. In the back.

Stephen Hardy Sheldon
Analyst, William Blair & Co. LLC

Q

Hi. It's Stephen Sheldon from William Blair. Wanted to ask about, I guess, the timing of the cost efficiencies. It seems like the 110 basis points that you included for 2018, would imply about $70 million, roughly a benefit in 2018. I guess over the three-year period, how should we think about the timing of those coming in, and I guess the run rate that you'd expect at the end of 2018? Thanks.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, in terms of 2018, a couple of dynamics rolling through the walk that I gave. One is that, that 110 basis point is actually net of the additional investment that we're making there. So, as I said in my earlier comments, it's about 50 basis points of investment that we're making in the capabilities to drive those margin improvements. As John talked about, many of those are inflight and the pace with which we realized the $400 million will depend on sort of his cadence and rolling those across the markets and maybe, John, you can give a little bit more color on that.

Giovanni Tavolieri
Chief Technology & Operations Officer., Nielsen Holdings Plc

A

Yeah. I think, the other key thing I would say is, if you break it down in terms of the, all of the money is in front of us, right, we're going to accrue that benefit from now through 2020. All have approved to be able to go and accrue it is behind us. So we know what we're deploying is going to work. And now it's strictly is about deploying it. One way you might want to think about it is looking at the slide that had all the different markets in terms of deployment that can give you a sense for how that money is going to roll in over the course of the next four years.

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

A

Brian?

Brian W. Wieser
Analyst, Pivotal Research Group LLC

Q

This is Brian Wieser here. A question on the Connected System. Wondering if to what degree it's possible or is there a roadmap for integrating media data, media planning data into the system. I've heard from some marketers who've indicated that sort of on their wish list. So just curious about sort of the roadmap on that.

Stephen John Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

A

Brian, apologies if Andrew and I didn't bring this to life. It's step one of the Connected System. So the charter clients, the pilot clients and those that we're rolling out to many of the 150 or so who are using parts of the system are going straight to that point. So we've done a lot of work in the last 12 months to take out media data and make sure it feeds in on behalf of those marketers who want it. So apologies if that didn't come through. It's an integral part of bringing the other Watch and Buy and an integral part of the Connected System. And candidly, it's just something that nobody else can do.

Brian W. Wieser
Analyst, Pivotal Research Group LLC

Q

One other question if I may. As you show data on future TV advertising growing, some of us may not necessarily have that in our models. Curious how the framework looks, if TV does not in fact grow but it declines and then maybe relatedly sort of to the extent that over-the-top deliver subscribers whether it's a CBS All Access or whether it's just the growth of Netflix. I'm just curious how you think about the value of the ecosystem if there are more – your take rate changes, I guess. I'm just wondering if you could talk through some more of the puts and takes of do you make more money, if there is more over-the-top because there's more DAR and you make more money on a per-campaign basis than maybe on a fixed fee basis. Just curious about that dynamic if OTT becomes bigger than we expect.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc
A

So, what's the third derivative. Megan, that's what he is asking.

Brian W. Wieser
Analyst, Pivotal Research Group LLC
Q

Yes.

Megan Clarken
President, Watch, Nielsen Holdings Plc
A

Well, let me say this is that what we're seeing from our national television clients is actually they're leaning in from more measurement. So in this environment where there's challenges and they're trying new things and they're expanding and taking – using that fragmentation if you like to their benefit, they are leaning in to get actually more measurement from us. So we're actually saying that our growth in the national side of our business is outpacing the growth of the industry. And we would expect that, because as you're coming across challenges, you want to lean in and make sure that you get the right data.

In terms of the growth of the Subscription Video-on-Demand area, that for us is new and we're seeing new constituents come to the table to subscribe to that data. So you could say it's a timing issue, you're an expert on how this happens. But for us, we have coverage across all of this and all of our clients are leading in to use this data, not just TV clients but also new clients coming from the studios, new clients coming from the digital players. And so we expect that our growth is going to remain either consistent, steady, mid-single-digit growth or we'll take more advantage of the new opportunities that we're seeing to actually bring that up higher.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc
A

If I can just add one point, the way we look at this, Brian, is to say this is the mother of all battles going on for consumer time and attention, right? The media companies have been at it for decades, but now you have Silicon Valley players who are using video to drive sales of other stuff whether it be consumer electronics or everything in the case of someone like Amazon. And so I think we're at a sort of a golden moment in terms of people – there's massive budgets chasing consumer time and attention and having figured out that the key to this is premium video, right?

And so, what I hope we've proven to you guys, we've certainly proven it to ourselves and to our clients, is that we are integral to that battle, right? We are not the TV measurement – the ad-supported TV measurement guy. The significance of the Netflix, the SVOD syndication announcement, the significance of the big digital players transacting on our data whether it be to support their ad-supported businesses or subscription business. The significance of the take rates that Megan talked about, all of that adds up to, we look at this environment and see it as highly advantageous to us because of the products we've built.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

That's a great point. I mean that's the one thing that really stands out to me as I think about the transformation of the portfolio just in almost four years since I've been with the company and the acquisitions that we've made and some of the capabilities that Megan talked about, [ph] eXelate, Pointlogic, Visual IQ (03:26:23), these are all things that have made our Watch business a growth year business if you'll and it's that commitment to investment and following sort of the trends in the marketplace that gives us a lot of confidence about that framework moving forward.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

The one acquisition we didn't talk as much about is Gracenote, which is a key ID set, metadata set, that we – that in the space of the 12 months we've owned it, we fit in as a foundation to total audience. [indiscernible] (03:26:51) is here, he can describe it in much better detail than I can. But I think we're very proud of the fact as Jamere said, we've taken these relatively small acquisitions and every single one of them has been made to work within the overall framework, every single one of them. And that's a track record we're proud of and that's a track record we'll continue with.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

It's a great point, the Gracenote ID helps us run our total audience play with a lot more efficiency than we would be able to, if we didn't have Gracenote. Another way Gracenote contributes beyond just being a great business on a standalone basis is it has this automatic content recognition capability, now resident in 25 million Smart TVs. You think about that as an additional source of data for the future, as we continue to push out this measurement architecture of high-quality panels plus big data sets and go on and on. But, yeah, we're really pleased with the Gracenote acquisition. It's had a great first year as part of Nielsen.

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

A

Manav?

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Thank you. Just one question to Steve and one for Megan if I may. Steve, just on the Walmart deal again, several years ago when you signed them, it was a big deal and it sounds like it's that much of a bigger deal and maybe I just don't get it, but what's the difference in terms of the step-up in data you're getting and what you're doing there? Maybe I'm just not clear and if you could explain that?

And then, Megan, for you, you've been doing a lot of great stuff with all the stuff you talked about, and I guess it's served to just keep the growth constant. But you also mentioned the new areas that could be incremental. And so, I guess, what I'm asking about is the timing on that. So clearly, the 2020 guide doesn't imply a lot of that coming through. So, just some thoughts there, please.

Stephen John Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

A

So in terms of the Walmart deal, we've had a relationship with Walmart now for a decade or so since they came back and became a cooperator. We did re-sign them a number of years ago. What's different about this one, and I think – I shouldn't and won't speculate as to sort of what's driving the strategy and agenda in Bentonville, but I did allude to the fact that at least from an outsider's perspective, they have done a remarkable job of moving very quickly post the acquisition of Jet.com to be an omni-channel force, both here and in the other markets in which they operate. This deal is reflective of that strategy and the aggression with which they are moving the assertiveness which with they are moving against their agenda. There're a couple of very specific differences. So one is that the omni-channel data is included, right, which it previously wasn't. The second is, this notion of being the [ph] onesource (03:29:35) of truth, the single version of truth as it pertains to all of the hierarchies within that data set.

So we will simplify their supply chain and all of the data that flows through as a result of being that [ph] onesource (03:29:50). And the third is the issue that Jamere talked about. On the back of that [ph] onesource (03:29:54), we will build a whole bunch of collaboration tools. And this is very consistent with Andrew's vision in the Connected System. It's one of the reasons they chose us. And that enables us to make that value chain more efficient and to bring some of these concepts alive that are consistent with everyday low prices and driving complexity out of the value chain and also create growth and [ph] share (03:30:18) opportunities for us.

Megan Clarken
President, Watch, Nielsen Holdings Plc

A

In terms of the Watch question that you asked, I'm not going to change the guidance. This isn't about changing the guidance.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Thank you. Thank you, Megan.

Megan Clarken
President, Watch, Nielsen Holdings Plc

A

But when I talk about incremental growth opportunities for us, those areas that we are moving into, I mean, even the digital video area, they are new, small and – but growing incredibly fast. And so our investments are, as I said, going in there at the right time to take advantage of those things, and so to grow with those things. There are two things that make that really drive the speed of that – or three things. One is the build-out of the capability which we've done, like we're in very good shape there.

The other things that influence the speed in which we grow is our clients. So it takes – for us to grow, it takes this dynamic in the marketplace whereby the media owners lean in and more and more demand currency measurement, which we've seen happen time and time again. SVOD is a perfect example of that. And then the pressure from the advertisers to also lean in and demand currency and third-party independent measurement, and we certainly see that over the last few years. You've seen the traction that's been caused through Unilever and P&G leaning in and demanding third-party independent measurement. So if those two things are aligning and those new areas of opportunity continue to grow, and that's when we see the incremental revenue continue to grow for us out of those investments.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

[indiscernible] (03:32:07) just one thing to add to it is that, we say this a lot about the components of Total Audience. I think it's also true about some of these additional growth opportunities Megan talked about [indiscernible] (03:32:16) which is some of these are really about maintaining our ability to continue to grow at mid-single digits. Some of them are truly, purely incremental growth opportunities. And so, there's a mix of both of those in the overall basket of what Megan described.

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

A

Todd?

Todd Michael Juenger
Analyst, Sanford C. Bernstein & Co. LLC

Q

Thanks.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Hey, Todd.

Todd Michael Juenger
Analyst, Sanford C. Bernstein & Co. LLC

Q

Todd Juenger from Bernstein. Two questions, if I may. One kind of specific and one more broad. Specifically, I guess maybe for Steve. So, little more on the Walmart thing. With the e-commerce data now in there, are you in a position now, do you think, at least in the States for measuring e-commerce with that data set and with your consumer-driven data that you feel you have what you need to provide the granular sort of SKU-based sales data through e-commerce that your clients are hoping – I mean, what they need? I mean, obviously [ph] in there as you (03:33:16) open the room, you still, I don't think, have Amazon cooperating. So, basically, I'm asking can you do all that without that and while still protecting Jet.com's specific results.

And then, my broader question is more about the relationship if one exists between sort of Buy and Watch more largely. And so, I guess, Jamere and Mitch, Jamere, if you look at your – the guidance and we talked a lot about the investments in each segment and the growth rates of each segment. And they have different growth characteristics, different margin profiles, different invested capital needs. How important is it? Where are the interconnections? Are there any in your financials that you can point to that are tangible benefits of these businesses being together? And sort of, Mitch, more notionally, how important is it to be in both of these businesses? What value does that create to you that we can identify tangibly?

Stephen John Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

A

Yeah. Okay. Todd, in terms of the – in terms of our e-commerce read today in the U.S., do we have the best available read for our clients, be that manufacturers or retailers? Yes, we do. And that is significantly enhanced by the inclusion of Jet.com data. Do we have – are we there yet? No, unequivocally not. If you talk with our clients, they'll say, okay, yes, we're getting the best read from these guys, but it's not as granular, it's not as frequent, it's not as accurate as I need, and importantly, it's not as accurate as everything else I get from Nielsen. So, I need them to go faster, I need them to do more, unequivocally.

But I do think that we're on that path. And Andrew talked about consumer-sourced data. We have a strong relationship with Amazon, both the Watch and the Buy side. We think it's a growing relationship. But no promises as to if and when they might cooperate. And we do want to make sure that we can provide an equally accurate and granular read of any e-commerce retailer, any high discounter, which is why we are spending the money on the e-commerce play and on the Total Consumer proposition and getting data direct from consumers. And if you think about the future of our business a couple of years out, that is a transformative play in terms of reliance on different data sources, and it does increase the strength of that business and the independence of that business.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

On your other question about Watch and Buy, Todd, a couple of different aspects to it. One is the Marketing Effectiveness part of our business that we often talk a lot about, as you know, it includes assets from the Watch side of our business and the Buy side of our business. It includes clients from Watch and from Buy. That's where we're connecting our information about what consumers watch and what consumers buy usually to inform the return on investment in advertising or the effectiveness of advertising in some way. We are in a much better position, because we own both of these businesses to do that than what we would be if those businesses weren't under the same company umbrella.

All of Marketing Effectiveness you all see is part of our Watch business in terms of how we report externally. But again, it draws from both sides of our business. Second thing I would point to is our Data Science organization. John Tavolieri mentioned it earlier. It's 1,000 people strong. The scale of our business, both Watch and Buy, is a big draw in terms of our ability to attract some of the best data scientists on the planet, and that is only growing in importance in terms of where we go in the future and how we're going to get there.

And the third thing I'll say, and we're really now starting to take advantage of, it's always been an opportunity, but not fully leveraged opportunity, is from an operations and technology standpoint. We were pretty separate, Buy and Watch, historically, and even today, they're still pretty separate. But a lot of what we're now pursuing in terms of automation, consolidation, platform convergence, puts us in a position to leverage the size, turn it into scale and turn that scale into scale benefits and the efficiency that you'll see us continue to drive over the coming years. Watch and Buy under the same corporate umbrella again will play out in that way as well. So, a lot of good arguments to make in favor of it, for sure.

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

A

All right, [indiscernible] (03:37:42). Oh, Dan?

Daniel Salmon
Analyst, BMO Capital Markets (United States)

Q

Yeah. Megan, can we go back to the consensus around the currency on the Watch side for a moment? I'll try to ask this in multiple pieces. First, is there a change to the actual methodology of the commercial ratings and DAR that's happening here, because my understanding was always that digital dynamically inserted addressable ads were always being rolled up into DAR for exactly the reason that you stated, that the ad load was different than linear?

Second then, if that's not the case, is the consensus that we're talking about here that the industry is just coalescing around the use of your two metrics to work together in that integrated fashion and presumably you'll be facilitating that better? And then thirdly, and I recognize this one is maybe a bit of a sensitive topic, but is there any relevance here to the current lawsuit against your competitor to limit their ability, per terms of agreements that you're both involved in, a pure linear TV service?

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc
A

Now, let me touch on the last one first. The last one didn't have anything to do with that. It really is just about we had an agreement, they have the ability to use the data for a certain purpose. They were going beyond that purpose and we said, that isn't what they're allowed to do. It's as simple as that. So, why don't you take the others?

Megan Clarken
President, Watch, Nielsen Holdings Plc
A

The first two questions, the first question, the answer is no. The second question, the answer is yes. So, no change to the methodology, and yes, the industry is corralling around the two methods to bring the currency, to bring the dynamic pod – the addressable and digital pod into play.

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc
A

Yeah. Jeff?

Jeff P. Meuler
Analyst, Robert W. Baird & Co., Inc.
Q

Yeah. Jeff Meuler from Baird. As there is more and better data sources available on the front-end for the Watch planning and more money spent on them, how confident are you that that will remain incremental to what's spent on the back-end on currency and validation versus is there a risk that at some point you start to cannibalize the back-end?

Megan Clarken
President, Watch, Nielsen Holdings Plc
A

Oh! so to validate – sorry can you keep the microphone just so that I understand the question.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc
A

We can – clarify yourself.

Megan Clarken
President, Watch, Nielsen Holdings Plc
A

When you say backend, you mean measurement? The measurement portion of it as compared to the upfront planning?

Jeff P. Meuler
Analyst, Robert W. Baird & Co., Inc.
Q

Yes.

Megan Clarken
President, Watch, Nielsen Holdings Plc

A

Yeah. I think both come hand-in-hand. I think, the value of the data upfront is critical to making those planning decisions and the value of the currency remains the same. They are two sort of set of separate offerings that sit on either side of the transaction and provide value to us if we, if we – I'm imagining you're talking specifically around the TV addressable world. If you have a look at the digital side, the value of the data upfront in planning is treated separately, the segments, so that data is bought and integrated into those platforms. As importantly as the measurement of that data on the other side. So we see them as two separate opportunities, two growing opportunities, and two incredibly valuable opportunities for us.

Stephen John Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

A

I would also add that, I don't – I agree that there's more data in the upfront component, but it's – I would argue that if it's better or not, I don't think it is better and I think that's why you're seeing so many major advertisers one after the other stand up and start to demand more accountability. And that accountability is across the entire spectrum, but it's very much around the posting process and the final results.

Jeff P. Meuler
Analyst, Robert W. Baird & Co., Inc.

Q

But you don't think that there's a risk that...

Stephen John Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

A

No.

Jeff P. Meuler
Analyst, Robert W. Baird & Co., Inc.

Q

...if data gets better at some point you get to a point where you know with a reasonable amount of certainty what you're buying on the front-end, you're willing to pay less for or currency accommodation on the backend?

Stephen John Hasker
Global President & Chief Operating Officer, Nielsen Holdings Plc

A

Well, we're 20-plus years into the digital era. And the data – a lot of the data is still terrible.

Megan Clarken
President, Watch, Nielsen Holdings Plc

A

In fact that's a good – that's a really good example, is in digital, all of that data is available upfront and still you can see that digital advertisers leaning and to validate how good that data was because as good as it seems to be it's just not there. It's cookie-based, it's – or in TV world, it's coming out of set-top boxes. We know because we see that data all the time of the lack of accuracy in that data, which is exactly why this validation against the Buy, did I actually get what I was targeting has become more and more important.

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Take viewability as an example. Arguably it should be objective and there is a time when we thought it would all go to the servers. So there is really no need for an independent third-party measurement of viewability. But look at the mess that is present in the marketplace right now, because while it is objective, for how many seconds? For what percent of the ad? For how long? They are all these you know things that people just don't agree on. And so you got to derive some standards, somebody has to be the consistent provider of a metric like that and you find that in several different parts of the data chain in the advertising world.

Jeff P. Meuler
Analyst, Robert W. Baird & Co., Inc.

Q

Thank you.

Sara Gubins
Senior Vice President-Investor Relations, Nielsen Holdings Plc

Okay. We're going to have to wrap it up. We've run out of time. So thank you for all of your great questions. And now I'll turn it back to Mitch for some closing remarks.

[Music] (03:43:19-03:43:28)

Dwight Mitchell Barns
Chief Executive Officer & Director, Nielsen Holdings Plc

Just a few remarks at close and then we really look forward to talking with more of you for the afternoon as you have something eaten, visit our demo booths and take the tours and again we strongly encourage you to do it, it's one of the key reasons why we brought all of you all the way here. And so I hope you take full advantage of it.

Thanks, again, to everybody coming. Let me just hit again what I think are the key points that we hope you're walking away with and so here they are. We have a clear strategy for both growth and efficiency in our business, and they represent this Path to 2020, that is our strategy for our Path to 2020. It's about investing in innovation to drive efficiency and growth for our business leading to incremental value for our clients, and also for our shareholders.

The investment comes first, you see that in our 2018 guidance. But the efficiency in growth will follow and we have a high level of confidence in our ability to deliver on what we put in front of you today, in part because these are already based on market-tested, proven capabilities that we've already begun the deployment of and the opportunity to push them across a much greater portion of our business is where the opportunity lies in the next couple of years.

Our growth initiatives in both Buy and Watch are provided on – are focused on providing uniquely better products for our clients and, hopefully, you'll go away today with a better idea of just what distinguishes the total audience approach in the Connected System initiative and why those things are uniquely better and only Nielsen can deliver some of the things that they contain.

We've indentified and we're moving forward on $500 million reduction in our annual cost base and these efficiencies are based again on proven, already market-tested capabilities that we'll now deploy. It's about automation. It's about consolidation. It's about platform convergence. One thing we didn't talk a lot about today, but I want to make sure I say it now, is not only will it drive efficiency, but when we push these out to a greater portion of our product portfolio and across a greater portion of our operations, we would also – they will also enable a more scalable form of growth into the future, a very important point.

Of that $500 million, we'll invest a portion of it back into our business to be able to continue to drive efficiency and growth in the years that follow. But a significant portion of it will fall through and drive accelerated margin expansion for our business, 4 points of margin expansion by 2020, more than double the rate of margin expansion that you might normally expect Nielsen, based on our track record over the past several years. All that adds up to represent our focus on delivering sustainable, long-term incremental value for our clients and for our shareholders.

So that's our message for you today. Thanks again everybody for coming to Tampa and letting us tell our story to you and we look forward to talking with as many of you as possible for the rest of the afternoon here. Thanks again.