31-May-2018

Nielsen Holdings Plc (NLSN)

Bernstein Strategic Decisions CEO Conference

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MANAGEMENT DISCUSSION SECTION

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

And I think we're live. Terrific, all right. Yeah, and everybody perks up in the room, all right, then, cool. Yeah, we're going to go ahead and get started. We've got a lot to talk about. So might as well get going. Thank you all for joining us here. I'm sure if you're here you recognize this, but I'm Todd, I'm a Media Analyst at Bernstein.

And I'm so pleased to be joined again this year by Mr. Mitch Barns actually, CEO of Nielsen. So hopefully you're in the right room, that's what you came for. We're going to get into this.

This is the second day. So the only preamble remark I'll say is – you guys know this by now, I'm going to say it anyway. We have a rather odd, you could say, way of doing Q&A which is these index cards, but anyway, so please write down your questions, somebody will collect them during the course and I'll do my best to get those asked. And I have lots of questions of my own. We'll get to that, but just to get the ball rolling, why don't I turn it over to Mitch and why don't you set the stage. What's on your mind, how do you want to kick this off, Mitch, what's going on?

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

Sure. Well, let me first just tell you who we are at Nielsen, we're a company that's been in business for 95 years. We do two things. We measure what people watch and then we measure what people buy. We provide services to our clients on the basis of those measurements, which helps them understand the performance of their business and then we surround those performance metrics with analytics that help them drive improvement in their business. So on the Watch side, we help media companies find their audiences more efficiently, we help them transact efficiently and then ultimately to drive up the value of advertising, which is important to both buyers and sellers.

And on the Buy side of our business, where we primarily work with fast-moving consumer goods companies, we're measuring their sales, providing analytics that help them drive the improvement around pricing, the efficiency of their assortment, to optimize their marketing mix, to grow their market share ultimately. So that's what our business is all about.

We're in 106 countries around the world. That's the Buy side of our business primarily. Our Watch business operates now in more than 50 countries around the world. And right now, we're in the midst of a lot of change. First change happening in the markets that we serve. And then, in response to that, driving a lot of change in our business internally through three big transformations; one in Watch, one in Buy, and one in Operations and technology.

Watch is the furthest along in its transformation, where we're redesigning our products to measure audiences not just on linear television, which is where we historically have been focused, but instead to measure audiences for premium video content across any screen, any device where they may go to view it. And we've progressed extremely well with that transformation over the last few years with our Total Audience Measurement system, which is the centerpiece of what we're doing there. So we feel great about where we are. Not done, still more work to do, but we feel really good about our position in the market and our businesses has performed really well on the Watch side.

In Buy, similarly, we're transforming our product portfolio to take what historically was a bunch of individual standalone point solutions and now to integrate them into one connected system that has both the measurement of market share and the analytics in an always on highly automated form that our clients need to run their business on an everyday basis. This wins in the midst of transformation right now. We're largely now through the design phase of this new way to deliver our services to our Buy clients. And now we're starting to move into a phase where we're scaling and deploying that new system out to our client base and that will continue over the next few years. So progressing well, but not to a point yet where that transformation has started to deliver results that show up in our financials. That's soon to come.

And then, finally in Operations and technology, big transformation is underway there too. This is the newest of the three and this is largely about automating and consolidating how we collect data, process data and ultimately deliver data to our clients. And this is a really big program for us that is off to a great start in its first year, it's targeted to deliver in concert with a few other things we're doing; about $500 million in annual cost reduction by 2020.

So far we're slightly ahead of schedule with this program and we're looking to accelerate this program at every opportunity and we're looking to over deliver on that $500 million number by the time we get to the end of 2020 and I'm sure we'll talk more about it.

Let me just finish with two things in terms of external recognition that it was satisfying to us at Nielsen and I want to make sure that all of you are aware of it as well. First, this year, DiversityInc awarded Nielsen membership in their top 50 companies list and it was our fifth consecutive year on that list, recognizing our progress in diversity and inclusion in our business. We moved up every single year on the list and in 2013 we were number 19; that's a very competitive list, thousands of companies compete to be on that list and so we feel good about the progress we've made and the importance of diversity inclusion in our business.

And then, secondly, finally, is last year Forbes listed Nielsen as the number 30 company on their list of most innovative companies in the world, which I think surprised some people. We haven't always had a brand that's known firstly for innovation, we're known for integrity and quality and the measurement we provide, but in recent years for us continue to make progress in the business, in particular, on the Watch side innovation has been an incredibly important part of what we do. And it was satisfying to see that recognized by this inclusion on the Forbes list.

So Todd?

QUESTION AND ANSWER SECTION

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

Q

That's a great overview. Thank you very much. So I'm going to move now to the one standard – I'm kicking this off so I want to get this right. Those of you've been in multiple sessions this week hopefully you've seen every analyst ask some form of it. We're trying this out this year. I think you're – you had a heads-up on this but so here we go. We are asking this next question to every one of your peers this week. So I'd ask that you be specific with your answer. As you look five years into the future what is the single biggest disruptive force that threatens your business and why?

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

A

Well, I'd take note of the word threatens the business. There's a lot of things that are both the threat and an opportunity. But if the focus is on threat, then I'll say politics in large part because of the uncertainty around politics or in the books – I've just finished reading recently is Ian Bremmer's book called Us Vs. Them. It's about globalization and it speaks I think very well to the uncertainty in the world right now in terms of what's the future for globalization versus some of the more nationalistic forces. And I point to this just because if there's something that is a negative trend, but you're pretty certain about where it's going, then you can react to it. This one is kind of hard to call in terms of where it goes and it has implications, there is balance between globalization, nationalism, for multinational companies – big part of our client base – for media and freedom in the media and how – and also the free flow of data across national borders and the regulations attached to that free flow of data. And so uncertainty in this area and where it's going to go, I would say is where I would go with my answer on this one.

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

Q

That's great. That's really interesting and informative in its own right. Of course, part of the purpose of doing this is to see how that aligns up with what every other CEO here says. So...

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

A

And how many people might buy now Ian Bremmer's book. So [indiscernible] (00:07:46). It's a good book, very good book.

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

Q

We'll watch for that on the Amazon ranking list. All right. Now, back a little more specific to Nielsen, although that theme might come up again, who knows as we continue to go at this. All right, so let's go back to your business' progression, you laid it out. Can you translate that to a sort of a financial context? [indiscernible] (00:08:07)? Anyway [indiscernible] (00:08:10) you have some guidance out there, you have the three-year guidance.

I think if you put it together, you're talking about – correct me if I'm wrong, a revenue CAGR over that period, I think it's about 4%. We tried to calculate a free cash flow CAGR and we got something like 10%, accelerating actually near the end of it. So let me start with this. We're six months in, since you issued that guide, things keep changing. What's your confidence level on that guidance at this point?

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

A

Well, let's just take it piece by piece. So the Watch part of our business continues to perform incredibly well, driven by this Total Audience Measurement system, strengthened marketing effectiveness, which is the area where you bring Watch data together with Buy data to inform the effectiveness of advertising for both buyers and sellers of media in the marketplace that continues to grow really well. So Watch, we feel really good about.

The Buy side of our business, in emerging markets, we've had a little bit of slowdown in growth in the short term, but in the long term the outlook still looks very bright, the same demographic drivers, tailwinds if you will, they persist in the emerging markets, population growth, the rise of the middle class, urbanization. We've talked about it now for so long that they seem passé but they're still very real if you go to these markets and see the change that's ongoing. And that continues to lift our long-term growth prospects in those markets. And we are the only full-scale measurement provider in the vast majority of these emerging markets around the world. So we're really uniquely well-positioned. Emerging markets now represents close to 40% of our total global Buy revenues.

And then when you look at developed Buy, yeah, that's the challenged part of our business. But that's where our big focus is right now in terms of what we're doing with this connected system to enable us to make progress in our business and also deliver benefits to our clients, despite the environment. We're not counting on that operating environment, which has been so tough in the last few years to get better to be able to reach our goals, those financial goals that you referenced by the end of this three-year plan.

If the external environment gets better, obviously that's a good thing. But that's in no way factored in a bet on that improving for our three-year plan. It's about executing on our plan and in particular on those cost reduction opportunities that I referenced earlier and Operations and technology taking $500 million of cost out of the business. As I said, we're ahead of schedule on that and looking not only to achieve that number, but now some confidence is starting to build that we'll overachieve against that number.

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

Q

All right. Because you called out Buy and especially [indiscernible] (00:10:45) Buy is a particular area of focus. We've been a little closer. So what has been – let's start with this, if you don't mind. This revenue has been developed by I think, down recently; in a simple way, there's two ways that can happen. You can either have fewer customers than you used to have or you can have the same amount of customers that they're spending less on average; which is it?

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

A

We're the latter. Customer base remains robust. We still maintain a very high market share with the big global companies in particular, almost every single one of the big global companies works with Nielsen. But what we do see is all of those companies are struggling to drive top-line growth in their own business. You see zero-based budgeting sweeping through the fast-moving consumer goods industry, companies trying to inoculate themselves from 3G so to speak and it's not pleasant or not pretty in terms of what it means ultimately back to our business. So companies are looking to reprioritize, recalibrate every form of their spending, not just with us, but with other companies similar to us in terms of what they do. You even see it with the big media agencies and advertising agencies, but yeah, that's really the bigger downward pressure on our revenue growth rate in developed markets is what you see happening with the big companies.

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

So let me [indiscernible] (00:12:10) that if I can, which is I think some of them continue to struggle to figure out exactly how one of your big global CPG customers could find ways to reduce that spending with you, where is it coming from. And this may not be the right way to frame it, but I know a lot of us tend to think of it as well there's sort of this core underlying point of sale data, which helps them understand their market share and volumes moving at certain prices and sort of that core data set. And then we think of sort of analytics on top of that.

Are they finding ways to reduce their spend with you – and first of all is there a better classification, but then it seems like it's really tough to cut the core and maybe they're cutting more of the analytics side for now. Are we on the right track there or is that would you frame it differently?

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

I think they're looking to reduce spend everywhere in their business is probably the better way to describe it. There are some things they can action in the short term more easily; other things that they can't action as easily in the short-term, because they may be contracted services. So that's going to happen on a longer cycle. But they're looking at every form of their spending.

And in terms of just analytics, I think I would segregate analytics into two kinds. You can divide it up in many ways but two kinds – one is the kind of analytics that help a client understand what should I do next year. The more strategic consultative type projects and then separately the analytics that are more about what should I do next week or next month, we call those the everyday analytics. The first kind, the more strategic type projects, those are under especially heavy pressure. Clients are just finding ways to forego that type. Fortunately, while we have some business in that area, that's not the focus of our business.

Our business in terms of analytics is more focused on the everyday analytics and that's holding up much better and the more we can integrate those analytics with the core measurement data, which is exactly what we're doing with the connected systems, the stronger we're going to be in the future, and that's been our approach.

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

Well, let me ask you a question I get almost every day in my day-to-day job and I don't know, maybe you have a better – somebody almost every day will ask me, how much of developed by revenue is "discretionary" and how much of it is – I don't know what the opposite of that is, non-discretionary, contractual long-term in, so help me out. I get that question every day, how would you answer it?

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

It's become harder to answer and in part because the way clients are using these data, enabled by technology, the line used to be really easy to draw between the measurement data and those everyday analytics kinds of capabilities, and that's why we used to report our business that way, very separately. That line has gotten harder and harder to draw, like they just start to blur and converge together. And so that's a good thing in the long run for us. And so that's why it's a hard question to answer. What's easier is to separate out that strategic portion of the analytics projects, those longer-term questions that are answered, which is a relatively small part of our business, in the 5% to 10% range, something like that.

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

Q

Got you. One more on developed buying and then I'll move on for now, if you don't mind again. So thinking about the connected system and you may bring that into some – the discussion in various places, but I guess one thing I think about is – that part of it is how you change or improve the product to better have it fit what do you see the needs of your customers are, but I think about how that is going to result in them spending more money with you, right, and that either has to come back to you, they need to be compelled to spend – and that's more money with you.

So having better product doesn't necessarily compel them to do that if they're under all this pressure, I guess is what I'm getting at, right. So is the idea that, you've still got all these customers and now this product can be so good that they're going to choose to invest more in it or they're going to invest – they're going to – you're going to steal share from some other money they're spending with somebody else or you're going to go find new customers, because you've got this better new product. How does this return to growth in that way?

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

A

We don't steal share, we win it, but yeah, I'm with you. Overall, the connected system will be net positive to our revenue, but it will happen in a variety of ways. So first of all, it will deliver a lot of efficiency for our clients in that it's a much less people-intensive model. So it helps them with what they're currently dealing with about taking cost out of their business. That helps with contract renewals and it also helps us with client wins. So that will be one way it will contribute to growth in our business.

The second way is as we integrate those everyday analytics with the core measurement service, the everyday analytics that used to be bought on a project by project basis starts to become bought on a subscription basis. And also they become much stickier at the client. It's harder for them to switch between Nielsen and one of the [indiscernible] (00:17:11) dozens of analytics providers out there. So we'll win some market share in the everyday analytics arena.

And then the third way, it's a positive to revenue for us, is a long tail of smaller fast moving consumer goods companies out there. And in fact that's the part of the fast moving consumer goods industry in particular in the U.S. that's doing relatively well right now. What's not such good news at the moment for us is that, even the entry level service in our current commercial model is often too expensive for a lot of these smaller companies. The connected system is designed to change that, to make that entry level cost much lower. And so our connected systems will be affordable to a lot more of the smaller companies in the long tail who are performing relatively well right now. So we'll see a lot of growth in that long tail as well. So add up all three of those things and those are the things that will drive revenue up and while there may be a couple of cases where the clients will choose a different business model that won't be positive to revenue, add it all up on a net basis, it will be positive.

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

Q

Yeah. All right. I said I was going to move on, but I've got to apologize, because this was one of the things that – so with this – as you expand the range of price points and service levels of your product to reach some of these smaller ones with a lower entry price, how do you prevent your big customers from saying, hey, I've been looking to save money, maybe I'll take that lower price entry level product as well, that sounds good to me.

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

A

The way the pricing model works that's not so much an option because the pricing model words based on the size of your business.

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

Q

Okay.

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

A

So they could get a lower cost if their business were smaller, most of them aren't going to want to do that.

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

Q

There's a good joke in there somewhere but I'm not capable of framing it in the moment. So now I really want to move on. I'm want to sort of hit on emerging markets super quick. So you mentioned in your opening comments but – I could – so the growth rate there in the Buy business had been, I'll call it, sort of 10% plus or minus last couple of quarters, I think constant currency is more like a 6% number, right. So you sound confident that that was sort of an average. So, can you just elaborate on that a little bit, why should we have confidence that the new 6% isn't sort of the new trend and that you're going to return more to a higher normalized level?

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

A

Well, we have had a little bit of slowdown. The first quarter growth rate in emerging markets was a step-up from where we were in the fourth quarter of 2017. We still have more to go on that front and our teams are continuing to work to drive that growth rate back up. The long-term marketplace situation though has – nothing's really changed there. Our position with the local companies in particular who had been growing at a much faster rate, not only in their business but also with us, that continues to perform well. The multinationals in emerging markets in recent years – the group there's been a little bit more in fits and starts and so we'll see. But they still know, the multinationals still know that the emerging markets are the best place for them to be investing in growth and it's just about them finding the resources and the wherewithal to continue to invest in those markets.

Our business continues to have opportunity to increase its penetration in these markets with the local clients, expanding the range of services we offer. We continue investing in coverage of the retail environment as you know the channel, the new channels emerge. And so we have lots of growth levers to pull in these emerging markets over the long run and our long-term outlook remains the same.

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

(

Can you give any explanation for why this short-term hiccup? I think on the – I think you said something specifically in China that you think was a one-timer and I think you even referenced sort of natural disasters more than usual or something. So is that the story, what did happen?

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

Those things happened, of course, I know how much you guys love it when we reference natural disasters, right, but in Puerto Rico, there was the hurricane and that hurt our business there basically, sent it to zero for a period of time, but it's starting to come back now. In China, we also referenced that our – we made some leadership changes in the China market, our team had gotten a little bit off track in terms of where their focus was in the business. We've got our team now refocused on the core of our business and getting investments back to where they should be and restoring the growth rate that we've enjoyed now for about a decade.

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

Okay. Cool. Can I ask a quick about Walmart, so you've got a big new partner, they're not brand new, you've partnered with Walmart, but you've got a new program with them, so maybe you should just explain what that is and then why I guess you're excited about it for Nielsen?

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

We've been working with Walmart for a number of years now, but last year we expanded our relationship with Walmart. And that this expanded relationship includes increasing the amount of activity we do directly with Walmart to help them run their business more efficiently. But also it includes a new component where we will provide this thing that Walmart calls the Walmart One Version of Truth. This is about how they do business with their suppliers. In other words, the manufacturers we work with.

And what they're essentially doing is saying to their manufacturer base, okay, we have six beverage companies that come to us and each one of them comes and sells to us with a different view of the beverage category. We want them to come and have one common view of the beverage category. We want that to be Walmart's view of the beverage category. It'll be a far more efficient way for us to do business. So they're now asking their larger suppliers to interact with them in that way.

They're saying if you want to get the Walmart view of the world, there's one place you can get it and that's Nielsen. And so we're now the provider of this Walmart One Version of Truth program. That's also a big boost to our business, in terms of the – the business we do with all the Walmart suppliers. So those are the two main components. There's a bunch of other complementary components to the relationship as well, but those are the two big anchors. And it's off to a great start.

We launched the One Version of Truth program on February 1, which was right on schedule. We have more than 50 clients that have already signed up for that program and that will continue to develop and it'll start to roll through in our financials and contribute in the second half of this year.

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

And there was some investment you needed to make to prepare yourself for this and what – and you've talked to – have been fairly transparent about how big that dollar number was – $80 million or $100 million, whatever the number is you can probably remind me but well, what were you building? Well, because you've got you've got a pretty robust system is it is, right? So what did you need to build to support this program?

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

A

Well, the investment we talked about was in retailers generally. Walmart is a big piece of it, so just to clarify that point. And the second thing is with the Walmart program in particular, we are dramatically increasing the size of the team that we have onsite in Bentonville to serve Walmart and their supplier ecosystem. So those are two big components of it.

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

Q

Yeah. Makes sense.

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

A

I see questions are being collected, which is great. And I'm watching the clock, so there is no elegant way to do this. I'm going to transition on to talk about the other part of your business the way you just disclosed it, the Watch segment, I'm sure there may be some more questions that we get which will bring us back to Buy and I know they are tied together ultimately. You talked about how the Watch business has been, at least from a financial perspective, doing – I would say, doing just fine, I don't know what your words were. Walk us through how – I mean, you've got this big program in total audience trying to respond to all the fragmentation in the marketplace and things your customers need, how does total audience map back to Nielsen's growth function in the Watch segment?

Does it drive incremental new customers, incremental pricing or is it mostly about solidifying rates of growth with your large existing customers, a little bit of all of that – and proportionally how does that map to how we should think about the growth function?

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

A

Yeah. It does all those things. Total audience is not a thing as much as it's a framework with several components inside of that framework, and those components all contribute in different ways. With the big media conglomerates it enables us to continue to see the growth in our business that we've seen historically, even though historically the focus was much more on measuring linear television. Well, today it's still about linear television, but now increasingly about also measuring the audiences for that premium video content from those big media companies, wherever it's viewed across any screen or any device or any platform and doing it in a way that's comparable across all those viewing environments, so that they can add it up [indiscernible] (00:25:45) the total audience, hence the name of this framework.

And so that's enabled us to continue to grow with those companies even though linear television isn't growing anymore like it had been in prior years. Secondly, with the big digital companies, separate components of the Total Audience Measurement system have put us in a very strong position to become the standard for how advertising gets measured on some of Google's platforms or Facebook platforms or some of the other big digital publishers as well.

We're still making progress in that area, but we really like where we are in particular with regard to premium video content on these digital platforms where we're rapidly emerging as the standard, the basis for guarantees between buyers and sellers when advertising is being sold on those platforms. That's exactly where we want to be. That's really the core of our Watch business historically, so to see that starting to emerge on the digital platforms, digital side of our business is a great thing.

And then also within the same framework, a lot of our marketing effectiveness capabilities are supported or fueled or positioned inside of this framework as well and that's the part of our business that's been growing double digits now for the past few years and will continue to.

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

Q

Yeah. So we were – as we were chatting beforehand, we were talking about all the changes going on in media, investors are certainly fully aware. Another question I get literally every day is how does all of this industry consolidation or theoretical consolidation, some has happened, some hasn't happened, there is a lot going on, but assuming some consolidation does take place between your big traditional media clients, what does that mean for you?

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

A

Historically, it's been neutral for the most part and I would expect it's likely to be that way in this case if it were to happen here too. The reason why is when we contracted the big media companies, they have a master service agreement that spans our relationship with that big company, but they really pay us on more of a network-by-network basis. So whether they split up into separate companies or combine with another company, the same networks tend to exist and so we still tend to get paid. So if consolidation results in some trimming of the long tail of the cable networks for instance, then yeah, that can have an impact on us.

But what that usually means is that ratings have gone down for some of the smaller networks, but total viewing of video content hasn't gone down. It still holds up very well, in fact, it continues to grow a little bit. It just means that viewing has shifted probably to digital platforms where business continues to grow. So our business overall has continued to rock along pretty well, even though some parts are a little softer, other parts a lot better.

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

Q

Yeah.

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

A

And that all is a result by the way of our underlying philosophy, which is we don't measure this channel of distribution or that channel of distribution, we don't measure television. We measure the consumer. And as long as we cover that consumer and what the consumer is viewing in terms of premium video content on any screen device or platform, then we'll get paid for that ultimately and our business will continue to perform well.

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

Q

Definitely sort of sets up pretty well for this little rapid-fire list. So, this might move pretty quickly, which would be great. I'm going to throw at you a series of some industry buzzwords or hot pieces of vocabulary that can come up every day. So here we go – and I just want you to hear this word and tell me what it means for Nielsen and how you think about it. So here we go. Number one, targeted addressable advertising?

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

Positive, because the more precise you can be with targeting advertising, the more valuable advertising will be, the more valuable advertising is more valuable the measurement of that advertising is, that's good for us.

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

Okay. Programmatic?

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

Neutral probably, it's still relatively small in the TV world and more in the digital world as it progresses. I think it's a neutral force for us, but we're well-positioned regardless of where it ends up.

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

This is going [indiscernible] (00:29:42)

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

Is this what you wanted, Todd?

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

That's great. Yeah, it's just fine with me. I mean – efficiency is always good. OpenAP?

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

Positive. It's an incremental growth opportunity for our business, certainly, has proven to be so far and we continue to think of it that way. It's one of a number of different ways that the market is looking at buying audiences according to audience segment. So based on purchasing characteristics or other buyer characteristics, other behavioral characteristics as opposed to buying audience is only on the basis of age and gender; we're well positioned in either case. OpenAP and a number of other ways that audience based buying has started to emerge. It's still relatively small just to be clear in the marketplace, but growing and so we're focused on it.

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

Yeah. I'm going to [indiscernible] (00:30:31) I got a couple of more buzzwords, but just to – I asked for the rapid fire and I'm going to slow it down a bit, just you know the OpenAP is one of these among a few more we're going to get to you where the pushback I hear or a perception that exists out there is, oh, this doesn't sound great for Nielsen, because of a couple of things. A, it seems like maybe well, the networks are saying actually we want to take more control over the delivery of measurement and how we guarantee audience and in some way, the networks themselves seem to be inserting themselves.

It seems to some people more and maybe even with their own forms of first-party data that they might have and then there's also perception in addition to the networks that other providers are also invited into OpenAP to provide their audience segments as well other than Nielsen. So it sounds like it might, [ph] to root (00:31:25) Nielsen someway because they're now more partners involved who are also contributing data and you become less of the sole currency.

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

A

Well, look at how we're acting. We're investing in these things. We see it as a positive and a growth opportunity. We're incredibly well-positioned because not only do you want somebody who can describe an audience segment, you want somebody who can say how big that audience segment is actually, because if you're going to start to trade money on the basis of the size of that segment, the accuracy of your ability to call that size is really important. We're uniquely well-positioned to not only describe a segment, but to size a segment. And so if that's where the market wants to go, I think you know it's going to be a positive for us.

It's [ph] not that we (00:32:14) instead of that Nielsen age, gender based data out there, most of these audience based buying activities, what they're doing is age and gender still underpins it and then they're adding additional characteristics on top of it. And the networks are using this as an opportunity to better differentiate themselves versus one another. It's very smart. That's exactly what they should do. And we're going to support them in their efforts to do that and through the best of our ability, but we don't see it as a threat to our business.

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

Q

This one is highly related, so maybe already sort of asked and answered, but it's a new one. So CFlight from NBCUniversal.

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

A

Well, this is still early days, but it's One Network's version of a metric on the – on which they would like to consider doing business with buyers of advertising. So they develops and sort of suspect it probably will, we'll be able to support it. If you look at what CFlight is trying to deliver on in the marketplace, our total audience capabilities can deliver on every single aspect of what CFlight is striving to do. And so that's our approach to it. So be positive if that were to take off.

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

Q

I guess, I'm sure you don't mind me asking this that as it started it was like NBCUniversal has on the digital side chosen a different supplier, I guess comScore, as the contributor of that component of this metric they're developing. That doesn't worry you at all?

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

A

Well, I think, we'll see. They haven't necessarily chosen anybody that they're talking to these firms all of whom have capabilities that might be able to help deliver on this metric and that's our ways to win.

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

Q

Got it. Got it. Two more. Set-top box data?

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

A

Positive. It's an ingredient in our measurement strategy going forward, the measurement strategy going forward I would describe as more of a hybrid strategy, where we'll take our high quality panel data that we're known for historically. And big datasets like set-top box data or like Smart TV data bring the best qualities of those two datasets together to deliver the best possible measurement to the marketplace.

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

Q

All right. Last one on my list, virtual MVPDs?

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

A

Positive. It's probably neutral to positive. We're measuring all the virtual MVPDs, by this, we mean DIRECTV NOW and YouTube TV, Sling TV, PlayStation Vue, these kinds of services that offer live linear television, but usually using a broadband connection as opposed to a cable box or a satellite box. And they're growing, a lot of the cord cutting that you hear I talked about, this is where a lot of those cord cutters are going to is to a virtual MVPD to still have access to live sports and live news and other entertainment programming that they enjoy watching. And our total audience framework covers those virtual MVPDs really well.

In fact, if you are a subscriber to any of these services, if you go into the app and go to the about selection and settings, scroll down a little bit, you almost, always see a reference to Nielsen measurement inside of those apps, so that's where we are.

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

Q

That's interesting. All right. Cool.

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

A

I tried them all, by the way.

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

Q

I guess we'll talk offline about your conclusions from that, because we're always searching for our own solutions for ourselves. Relating to some of these things, [indiscernible] (00:35:40) the local TV businesses super quick. There were obviously some profile renewals recently in that business. I'm not going to ask to get any of the specifics with you or anything like that, but I will ask, I mean there were rumblings in the marketplace ahead of those deals.

Can you talk at least about like what were the issues you needed to solve with those customers? What were the main points of discussion and contention that you were able to obviously resolve and end up with a continued relationship with them? What were they – what was that they really wanted?

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

Nothing different than what's normal in almost any contract renewal. This one was just a little bit more public perhaps than some of them have been historically, but we were pleased in the end to renew with both Sinclair and with Tribune. The way we view these kinds of situations when they arise, whether they become public or not is, they're actually a great opportunity for us to showcase what is in our R&D pipeline, what are we bringing forward to the marketplace, and to do it at the most senior levels of these clients that we work with.

So that ultimately was the positive outcome from these renewals, these fairly public renewals is we had a chance to lay everything that we're doing measuring local television, what we're doing in digital measurement, what we're doing in analytics that enable people to sell advertising at a higher price and showcase those kind of capabilities that's exactly the opportunity we look for every day in our business. And so that's the way we think about it.

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

All right. And you mentioned actually in the five year what might concern you sort of overall geopolitical and privacy concerns? Certainly for your panel-based solutions there's really no privacy issue that I can think of, but when you – when I think about especially some of the inputs used for your digital side of your business and your relationship with Facebook in that regard, anything we should be – anything changing there about your ability to work with Facebook and use their – help together to as an ingredient to how you characterize digital audiences and anything going on there that we should be thinking about?

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

For measurement, we still have the access to all the data that we need for our measurement products including our relationship with Facebook. I think a reason why we weren't as affected as some other firms who may receive data from Facebook or others is because we've always historically taken a fairly conservative approach to how we use data, handle data, manage data and that conservative approach served us pretty well in this particular instance. And so, yeah, that's been a more of a non-event from our side as compared to how it played out for some others.

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

Got it. I've got some good questions here. I'm going to go to these, and [indiscernible] (00:38:33) we'll probably collect them one more time. And I'm going to do a better job at this. Because usually I've sort of editorialize with everything I do, but I'm going to try just reading these verbatim because I think they're pretty well written, so – and a little more direct. So here we go. The stock price is telling that investors are not buying your three-year guide. Any action or proof points you can give to increase confidence?

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

Yeah. I hear that loud and clear, and we – one thing we're focused on is delivering against those milestones and starting to provide a little bit more specificity to some of the milestones that we – so we can assure that everybody who's paying attention that we're on track with these three big transformation. So I think total audience, my sense is people feel pretty good about where we are, Connected System, we're at that stage where we're changing phases right now from design to scaling a deployment, that makes it easier for us to actually to start to describe it in more tangible terms and what it means for the financials.

And then in the third area of our transformation, operations and technology, yeah, we'll have metrics in terms of the $500 million goal, where are we in that, are we on pace or even at a spot to over deliver. And that'll be the thing that we're going to start to put more focus on in our quarterly earnings, communication around these big initiatives.

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

Q

There's another question here that sort of tails [indiscernible] (00:39:53), but let me just follow right up. So that was a three-year guide. How about the fiscal year 2018 guide? What comfort can you give, especially regarding the cash flow targets [indiscernible] (00:40:03) which is probably somewhat a function of – it seems like some cash went missing in Q1, in particular, maybe your working capital. So the question is what comfort can you give regarding this year's cash flow target? And I'm just adding a little bit of my own on, there was especially given Q1's cash flow, which was I think year-over-year worse than we're used to seeing?

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

A

Yeah, first quarter, our free cash flow was in the minus $275 million range. I mean a lot of that reflected the investments we're making associated with retailers and other components of our three-year plan. And so usually the first quarter for us is not positive from a free cash flow point, you made that point before in the prior year, was minus 70-ish and a bigger number this year reflecting those investments. Our free cash flow target for the year is $800 million. Most of our free cash flow historically shows up in the second half of the year and in particular, the fourth quarter. And so that's what we're working on to deliver and we're on track for that.

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

Q

I'm going to press you [indiscernible] (00:41:02) a lot recently, which is so, could you just acknowledge that at least in the financial community, the source of uncertainty is mostly around how the Connected System and Buy will work and how that turnaround will eventually emerge? And so that will either work or it won't to some degree and there's chafe in between there?

And the other point of view that might say, even if that works, how good is that business ultimately, right? Structurally from the competition that also exists in the marketplace and more fragmented set of competitors. Clearly customers who have been under pressure, some might think it'll continue to be on pressure. Why even bother? Why not – I'll say it, why not divest that business or somehow put that into a better place where it can be better on its own and then go back to this business, which you've acknowledged? Watch seems to be doing great. Why not consider that as an alternative rather than that the three year painful somewhat risk prone process of trying to turn it around hoping that it is somehow better?

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

A

Well, it's a great question, one we're getting asked more often these days. And one thing I said on the Q1 earnings call when somebody asked the same question, might have you Todd, was that we're not dogmatic about this question at all. We're open-minded. It's something that we think about routinely as a business when the businesses are performing well, when the businesses are more challenged as the Buy business happens to be in developed markets right now. This is an important question for us to evaluate on a regular basis, both as a management team and as a board. And I can assure you that it's something that we actively consider.

And right now what we're focused on, of course, is our three-year plan to make both of these businesses as strong as they possibly can. And that's important for us to do regardless of what decision gets made on any other question. So that's why that's what we're talking about most of the time.

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

Q

Okay. Fair enough. Back to the script, but – and trying to make a connection here, one of the other things that could come with a change in corporate profile or a change to the balance sheet, you guys seem really, really comfortable with leverage in between three and four turns. I think Jamere talked about a target sort of in the mid-3s, right now you're – I think closer to four turns. I had a lot of investors tell me that boy, they wished that were a little bit lower. But no, you seem – you're still confident with that balance sheet leverage?

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

A

We're at the high end of our range. We're not out of our range, we're at the high end of our range. We want to see that move down to the lower end of the range and that should naturally happen as we execute on our plan, our EBITDA growth. And so that's the way we're managing things right now.

We don't have to do anything else other than just execute on our plan and deliver on that EBITDA growth in order for to move down at the low end of the range. And then the lower end of the range, we have a little more flexibility than we otherwise would, where we are right now at the higher end of the range. The reason why we're at the higher end of the range right now was – is largely a result of our acquisition of Gracenote in early part of 2017.

We feel great about that acquisition in terms of what it's delivered in the short-term, what its position to deliver especially to the Watch side of our business in the long term. But that's one – that's the big driver of why we're at the high end of the range right now, we got to drive that back down.

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

Q

Yeah. Acquisitions, good point. Just as a going – course of your normal business, I'd think it's fair to say that you have historically had a certain level of, I'll say smaller sort of tuck-in acquisitions usually related around some emerging technology or even talent. Is that going to be – is that still part of your normalized function in essence as we think about [indiscernible] (00:45:03) of cash flow going forward like how big is that level of activity do you expect over and included in your guidance over the next three years? And how does it relate to your – given like your revenue growth target?

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

A

We've said that M&A will – tuck-in M&A will account for a maybe a half of point up to a point of our top line growth over the next couple of years, that's pretty similar to what you've seen happen in the past couple of years setting aside something like Gracenote or Arbitron several years ago, which were bigger. So really not much change in terms of the role that M&A plays in our capital allocation policy.

We're using tuck-in M&A to augment our still buy decisions around proceeding with our strategy and in some cases, it's a great way to bring in talent and capability into the business as well. We feel really good about how our acquisitions have performed as a portfolio over the last several years. I think also if you look back at what we've done in M&A over the past few years, nearly all of it has been on the Watch side of our business.

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

Q

Yeah. All right. I'm trying to do justice to my customers here. Let me go back to a couple of more questions, I haven't asked yet. So how do you get paid for the One Version Of -so in no particular order here, back to Walmart, I guess, how do you get paid for the One Version of Truth program?

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

A

Well, manufacturers who want to do business with Walmart, that's where they go. And we're the one source of that. And some of those clients were already buying similar type of data from us. Other clients' maybe we're getting that data from our competitor in the marketplace and so the incremental revenues in that particular case. Then the other opportunity is around that view of the marketplace. Clients may also look for additional analytics so they can tell their story more effectively to Walmart and so that would be a second source of incremental growth.

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

Q

Yeah. I remember asking you a couple of years ago on this very stage, are there any global CPG customers, who are not Nielsen Buy customers? And I think at the time, you thought, you said, essentially not really. Is that right? Is that still – and I guess what a basic question is if all these guys are, at least the big global ones are your customers already, I'm struggling to think how the Walmart could be incremental, they're already your customers, right?

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

A

Yeah. No, they're all still our customers. You have different countries where maybe they're doing more or less with you. So you still have growth opportunities that way. And Walmart, there's also this dynamic where if you're a customer of ours, you might buy the market share data which gives you the broad view of the world and then there's a second level of market share information. It is more retailer-specific.

Some people buy that level for certain retailers, but not others, other clients invest less in those kind of measures or analytics, so that's where you still have a lot of growth opportunities more in retailer specific data, retailer specific analytics, and certainly, the Walmart relationship helps us on that front with the biggest retailer on the planet.

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

Q

Yeah. And [indiscernible] (00:48:12) I'm going to ask this anyway since I've got it, and so the question is, has anything changed in how you design the pricing around Connected System?

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

A

No. Not really. We have – other than the fact that more of the analytics will be part of the subscription as opposed to historically the subscription was mostly about the market share data and the analytics were bought as separate projects. So the pricing will reflect the analytics being part of that subscription going forward and – but that's not that big of a change.

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

Q

Yeah. And almost out of time here and I want to save some time for you to wrap it all up. So I'm going ask you which is more of a capstone question from me and then which is stepping back a little bit, is sort of existential observation, that again I'm confronted with frequently is, hasn't the world changed, it wasn't that long ago when data sort of didn't exist. So Nielsen went out and build panels and created it.

Now we live arguably in a data – in a world where data is everywhere, Google has got data, Comcast has got data, Facebook's got data, everybody seems to have data, right. Does that make – what does that mean for a data, for a company who historically has actually created their own datasets to provide measurement and now there's all this other data out there? Does that somehow make what Nielsen does less valuable is a question I often get?

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

A

It certainly hasn't shown that to be the case in recent years and I don't expect it will in the future. Raw data is one thing. And then, data that has been properly cleaned and calibrated and then packaged in a way that makes it useful is another thing. Another thing I'll add to this is look at the old fashion point of sale data. We don't just take in the data from the retailers, repackage it and send it back out. We take it in. We add hundreds of additional characteristics to every one of those data points, every one of those SKUs that allow clients the ability to look across categories in a way that the raw data would never enable them to do. We do the same thing in the media world.

So raw data is one thing the – the managed data, the curated data that we provide to the marketplace is a different thing. And the fact that the raw data is becoming richer in more datasets, more granular, that's a net positive for us. We have better raw materials to work with today than we ever did in the past. We're able to do more powerful things more efficiently today than we ever could have been in the – been able to do in the past in a way that's economically affordable for our clients. So all these new datasets, all this new technology, there frankly has never been a better time to be in the business that we're in than right now.

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

Q

So I feel like that's not a bad sort of information anyway, but I've got a couple of minutes or one minute or two left. You can take an extra one if you want.

We've covered a lot, I feel like in 50 minutes. So I don't know how if there's a way that you want to sort of sum that up or leave with a closing message for our audience or what the – you want them to take away from the broad range of things as we've just discussed?

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

A

I'll go back to these three transformations. We're focused on measuring what consumers watch and what consumers buy providing the analytics that drive improvement for our clients. The transformation on the Watch side of our business progressing really well and the transformation on our Buy side of the business, now starting to emerge into this new phase, which will start to show itself in the marketplace in a more important way.

Both of these things though are really about positioning our company in the strongest possible way for the long-term. They're not always, the best possible things for us to do for the short-term. We're trying to complement that in a smart and intelligent way with what we're doing in our third transformation in the operations and technology part of our business, which reduces our operating costs by at least $500 million over the next three years, which not only helps to expand our margins in the short run, despite these investments in these big transformations in Watch and Buy, but also adds to our ability to continue to invest in the future of those businesses for the long run.

So from my seat, that's the design of these three big transformations and the tough position for us right now is in the short term in 2018. The math of them doesn't work out so well and so you see what you see in our numbers. What we're focused on now is continuing to execute on these things and we're confident in our ability to writing that picture for all of our shareholders going forward through the combination of these three transformations and being the strong business for the next 95 years, that we've been for the past 95 years.

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

[indiscernible] (00:53:06) you guys, a big global business with a lot of things you're working on and that means a lot that you take time out to come share your thoughts with us and so thank you so much for doing so, and thank you all for your attention and good questions.

And with that, I'll let you all move on to your next thing. Thanks, Mitch.

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

Thank you, Todd. Yeah.