11-Feb-2016

Nielsen Holdings Plc (NLSN)

Q4 2015 Earnings Call

CORPORATE PARTICIPANTS

Kate White Vanek
Senior Vice President-Investor Relations

Dwight Mitchell Barns
Chief Executive Officer & Director

Jamere Jackson
Chief Financial Officer

OTHER PARTICIPANTS

Toni M. Kaplan
Morgan Stanley & Co. LLC

Tim J. McHugh
William Blair & Co. LLC

Peter Daniel Salmon
BMO Capital Markets (United States)

Jeffrey Meuler
Robert W. Baird & Co., Inc. (Broker)

Thomas William Eagan
Telsey Advisory Group LLC

Andrew Charles Steinerman
JPMorgan Chase & Co.

Sara Rebecca Gubins
Bank of America Merrill Lynch

William A. Warmington
Wells Fargo Securities LLC

Todd Juenger
Sanford C. Bernstein & Co. LLC

Ryan C. Leonard
Barclays Capital, Inc.

Andre Benjamin
Goldman Sachs & Co.

Brian W. Wieser
Pivotal Research Group LLC

Tim Nollen
Macquarie Capital (USA), Inc.

Tracy Young
Evercore Group LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Steve and I will be your conference operator today. At this time, I would like to welcome everyone to the Q4 and Full-Year 2015 Nielsen Holdings Plc Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

SVP of Investor Relations, Kate Vanek, you may begin your conference.

Kate White Vanek
Senior Vice President-Investor Relations

Thanks so much, Steve, and good morning, everybody. Thank you for joining us to discuss Nielsen's fourth quarter and full-year 2015 financial performance. Joining me on the call from Nielsen is Mitch Barns, Chief Executive Officer; and Jamere Jackson, Chief Financial Officer. A slide presentation that we'll use on this call is available under the Events section of our IR website at nielsen.com\investors.

Before we begin our prepared remarks, I'd like to remind all of you that the following discussion contains forward-looking statements within the meaning of the Safe Harbor provision of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include comments about Nielsen's outlook, expectations and prospects and are based on Nielsen's view as of today, February 11, 2016.

We will be discussing non-GAAP measures during this morning's call for which we have provided reconciliations in the appendices of today's presentation and will be posted on our website. Our actual results in future periods may differ materially from those currently expected because of a number of risks and uncertainties. The risks and uncertainties that we believe are material are outlined in Nielsen's 10-K and our other filings and materials which you can also find on our website.

For the Q&A, as we do every time, we ask everyone limit themselves to one question only so that we can accommodate as many people as possible. Feel free to join the queue again if time remains and we will call to you and you know that you can always reach us immediately after the call.

And with that, I'd like to turn it over to our CEO, Mitch Barns.

Dwight Mitchell Barns
Chief Executive Officer & Director

Thanks, Kate. Good morning, everyone. Thanks for joining us on the call. 2015 was a banner year for Nielsen. On a constant currency basis, we posted another year of mid-single-digit revenue growth, margin expansion and record free cash flow despite the volatile economic backdrop. Steady, consistent and resilient, that's who we are.

In 2015 our top priority and biggest accomplishment was Total Audience Measurement, our comprehensive system that provides comparable measurement across all screens and platforms. Today Total Audience is here, it's in the market and it's gaining traction with our clients and I'm extremely proud of our team's execution.

Looking at the business more broadly, leveraging our measurement and analytics to help our clients make the important connections that drive their business is what we've done for nearly 93 years. And in a world of growing complexity and speed, our platform base, system oriented approach is nicely aligned with where our clients are going. It helped drive a number of wins across our Watch and Buy segments in 2015.

Let's take a quick look at our financial performance for the full-year. First, we had strong revenue growth. On a constant currency basis, 2015 revenues grew 5%, half a point better than our core revenue growth in 2014. Adjusted EBITA was up 7.2% constant currency reflecting the scalability of our business model and ongoing productivity improvements. Adjusted net income per share grew 12.4% constant currency to $2.63. Free cash flow was a record $804 million, up 18% over the prior year. Our strong free cash flow gives us the flexibility to invest in our growth initiatives while also returning cash to our shareholders.

Through our dividend and share repurchases, we returned over $1 billion to shareholders in 2015. In December, we announced an additional share buyback authorization of $500 million bringing us to a total of approximately $850 million at year end. Driving shareholder value through capital allocation remains a key priority for us.

Acquisitions are also an integral part of our balanced capital allocation strategy and the standout acquisition for us in 2015 was eXelate, which added to our ability to help buyers and sellers of advertising act with more precision and speed.

Importantly, we leveraged this acquisition to create an Enterprise Marketing Platform or EMP. This system connects Nielsen data with a wide range of other data sources to help advertisers move from targeting segments of consumers to addressing individual consumers. It's a powerful capability. Lastly, we're reiterating our guidance for 2016.

Next, let's take a look at the fourth quarter highlights. First, Watch. Fourth quarter Watch revenues increased just over 5%. In addition to the growth from our traditional client base, we're also seeing faster growth with our digital clients including the big players like Google and Facebook.

By the way, we announced last month that we'll be adding Facebook conversations to our existing Twitter feed to fuel our Nielsen Social Content Ratings for TV programs, previously known as Nielsen Twitter TV Ratings. We also plan to add Instagram data in the near future.

Our Total Audience Measurement framework was a key driver of our performance in the quarter. On our last call, we talked about the four phases we see as the industry moves towards adoption of a new currency; execute, evaluate, adopt, and transact. First, execute. We've done this. The system is built and it's available in the market. We brought more than two dozen deliverables to the marketplace in 2015 alone. Next, evaluate and adopt. These are iterative steps and this is by design. Our clients need time to assess how the new metrics will impact their business. And they need flexibility as they explore different ways to monetize their content and we built that flexibility right into the system.

Let's look at some of the key components. First, Digital Ad Ratings. Digital ad ratings is now in 17 countries, covering 85% of global digital ad spend. Revenue doubled in 2015. In January, we successfully completed our beta period on Google's DoubleClick platform so we're now fully live with DoubleClick in eight countries. And ours is the only independent digital advertising metric available on the DoubleClick platform outside the U.S. We also continue to gain share with major advertisers and the most recent is Mondelez, who has chosen Nielsen as its digital advertising measurement provider.

Moving on to VOD, in 2015, we launched several new measurement solutions enabling us to cover a variety of video-on-demand viewing situations. If it's VOD or DVR viewing from your cable, satellite or telco provider, no matter whether it's seen within three days, seven days or up to 35 days of the original airing, we measure it. If it's

VOD from one of the popular subscription based or ad supported VOD providers, we measure that too. We're doing exactly that now for a wide range of networks and studios.

We now cover over 6,000 different program episodes, most of which are viewed through Netflix. Altogether, our clients are using these various new metrics to drive both content licensing and advertising monetization decisions.

Next, Digital Content Ratings. Our progress with this rollout continued in Q4 and into this year. A diverse group of networks, MVPDs and publishers are already fully operational with another dozen or so currently in process. Notably, a major digital video platform will begin receiving data from us next week.

As we said before, our approach to measuring each of the parts, in this case VOD, digital video and linear TV, is to ensure the measurement of each is comparable, so they can be put together to form total content ratings. The ability to provide this comprehensive view of the consumer is unique to Nielsen. It's what enables us to provide our clients with a de-duplicated view of their total audience, putting television and digital video on an even playing field, which is crucial to how our clients think about their business going forward. We now have over 70 individual networks signed up for Total Content Ratings and as more clients enable measurement of their digital and VOD content, that number will continue to grow.

We've also invested in our measurement of linear television viewing. In 2015, we effectively doubled the size of our gold standard U.S. panel. The work is complete and the ratings are live in the market. And the larger panel provides greater ratings stability, important especially for the smaller networks. And it also adds more analytical power to our Total Audience Measurement system. In fact, all of these initiatives contribute to the growing adoption of Nielsen's Total Audience Measurement system, which leads us to the fourth phase, transact.

As we mentioned at our December Analyst Day, we've had successful meetings with a full range of key industry leaders regarding the need to move the currency definition beyond the current C3 and C7. Additional meetings will occur over the next few weeks.

Our clients are highly engaged and there is broad-based commitment to redefine the currency to one that's more reflective of how today's consumers watch content. We're confident that no matter how the currency is redefined, our Total Audience Measurement system will support it. In the meantime, we know it's already helped shape how our clients are approaching and thinking about the 2016 upfronts.

Before I leave Watch and turn to Buy, I want to touch on Marketing Effectiveness business. We had another strong quarter with revenue up more than 30% as we continued to help both buyers and sellers of media drive the better marketing ROI. We strengthened our position in this area during the fourth quarter by increasing our stake in Nielsen Catalina Solutions, a business that's perfectly aligned with our strategy.

Turning to Buy, as we closed 2015, our Buy business continued to strengthen and expand. Revenues grew nearly 6% in the quarter led by emerging markets as well as solid growth in key developed markets, including the U.S. and Europe. We continue to win new clients in the relatively faster growing mid-tier and small client segments. Just last week, Dole Foods named Nielsen as their preferred provider of consumer information and analytics.

We also continued to strengthen our positions with retailers around the world. Retailers are long-time data partners for Nielsen but they also have a growing need for our analytics to help with their advertising, marketing, and merchandising decisions both online and offline. Our business with retailers saw strong growth in 2015, boosted in part by 40 new e-commerce clients worldwide.

Emerging markets grew 8.4% in Q4 despite more challenging economic conditions in many key markets. You've heard us say before that when our teams execute well, they are able to find growth even when GDP growth slows because we're still gaining penetration in many emerging markets. And our results illustrate this. For example, in three key markets, Brazil, Russia, and Turkey, our business grew double-digits, well above the GDP growth in those markets. The secret here really isn't any secret, it comes down to good old-fashioned execution by our teams, taking our proven product portfolio to new clients while helping our existing clients manage through the changing market conditions. Our teams did a great job.

Developed markets also exited the year with good momentum. Revenues increased 4.8% in Q4 and notably this was helped by Europe where we're starting to see growth at the region level, low-single-digits, but growth and we're happy to have it.

In parallel with Total Audience on the Watch side, our Buy business is building its own version called Total Consumer Measurement. The idea is to measure all consumer purchases as buying behavior continues to fragment across channels and segments.

As Millennials carve a path for a new way to buy, for instance, e-commerce, mobile devices and subscription models, we too are carving out new ways to measure the full range of consumer purchasing, following the proven formula that combines our high-quality panels with big data to provide the quality, granularity and efficiency that our clients require.

Measurement is the core of our business and our objective is full coverage. Total audience in Watch, total consumer in Buy. We don't measure just one screen or one channel of distribution. Our objective is to measure all of them. We do that by focusing on and following the consumer.

Before I close, let me revisit the three major trends and the related key investments that will drive our growth in 2016 and beyond. The first is the well-known trend that audiences are fragmenting across screens and platforms and for us, that means our measurement needs to cover all viewing environments, providing comparable metrics for each. Our Total Audience Measurement system does exactly that and its adoption continues to grow among our clients.

The second is that consumers are reacting to ads and brands differently. And they're buying in new ways and across new channels. Advertisers want to harness the power of big data to enable them to market to those changing consumers with greater precision. And with proven ROI on their marketing spend. This is what our Enterprise Marketing Platform enables.

The third trend is that our clients' information and analytics needs are growing and changing. Clients want data and systems that help them to act. And they want more efficiency, speed and precision. This is the basis for our investment in eXelate and the enterprise marketing platform that I just talked about, but it's also the basis for our investment in our Buy platform, the Connected Buy System that you heard us talk about at our Analyst Day in December.

Clients want to know what consumers are buying, why they're buying it and what action they should take next. In all three key areas, our platform-oriented, system-based approach provides scalability, flexibility, and speed, especially when our systems connect directly to our clients' systems. And because we own the essential core data, no one is better positioned to do it than Nielsen.

To sum up, we feel great about our progress and confident about the year ahead. While we certainly don't wish for difficult economic conditions, we're ready for them. In fact, we know from experience that when economic conditions grow more challenging, our business model's advantages and strengths show through more clearly.

Over to you, Jamere.

Jamere Jackson
Chief Financial Officer

Thank you, Mitch. It was a great year for Nielsen and I'm especially proud of the contributions of my colleagues around the world. Our teams have had a laser focus on execution and their efforts are reflected in our fourth quarter and 2015 results. Our results are also indicative of the consistency and resiliency of the Nielsen model and our ability to deliver solid results through the cycles.

First, let me give a few more details on our 2015 performance. Revenue was just under $6.2 billion, up 5% constant currency, which is slightly above the high end of the revenue range we gave. We have delivered 38 consecutive quarters of constant currency revenue growth behind solid execution on our growth initiatives.

Our Watch business grew 4.9% on a constant currency basis and we enter 2016 with great momentum behind our Total Audience execution. Our Buy business grew 5%, as our investments in the emerging markets and new client wins continued to deliver solid growth.

Adjusted EBITDA was just under $1.9 billion, up 7.2% constant currency and adjusted EBITDA margins were 30.1%, up 61 basis points on a constant currency basis, as we executed on our productivity initiatives and delivered margin expansion in both our Watch and Buy segments.

Adjusted net income was $975 million, up 8.5% constant currency and diluted adjusted net income per share was $2.63, up 12.4% versus prior year on a constant currency basis. Our adjusted net income per share growth was driven by solid operating earnings and execution of our share buyback program.

We generated record free cash flow of $804 million, up 18.1% versus a year ago. Our free cash flow conversion of adjusted net income was 82%, up 12 points versus a year ago, driven by EBITDA growth and working capital management. And as I look ahead, I continue to see opportunities for working capital efficiencies within our business that will continue to drive our free cash flow growth.

And finally, we delivered a record $1.1 billion back to shareholders in the form of dividends and buybacks in 2015, demonstrating our continued commitment to drive incremental shareholder value through capital allocation; again, a great year and solid execution by our teams around the world.

Let me move to the fourth quarter. Revenue was $1.6 billion, up 5.6% constant currency. We had a strong finish to the year, with solid revenue growth in both Watch and Buy. Adjusted EBITDA was $531 million, up 7.1% constant currency and adjusted EBITDA margins were 32.7%, up 45 basis points on a constant currency basis, as we delivered margin expansion in both our Watch and Buy segments for the sixth consecutive quarter.

Adjusted net income was $300 million, up 3.1% constant currency and diluted adjusted net income per share was $0.82, up 7.9% versus prior year on a constant currency basis. Finally, we generated $306 million in free cash flow, up an impressive 16.3% versus a year ago. However, our cash flow performance was significantly impacted in the quarter by the severe flooding in one of our major collection centers in Chennai, India, as well as currency impacts from the stronger dollar. Despite this, we finished with our second-highest quarterly free cash flow performance ever. As Mitch said, we finished the year on a strong note and we have tremendous momentum heading into 2016.

Next, I'll move to the segments. First is our Watch segment. Our Watch segment had another great quarter. Revenue was $745 million, up 5.2% constant currency. Our growth initiatives performed well as Audience Measurement ex-Audio, which we now refer to as Audience Measurement of Video and Text was up 7.6%.

As we talked about last quarter, Audio was down 6.9%, as the timing of some deliveries were realized in the third quarter which did not repeat in the fourth quarter. And for those of you who have followed us since we acquired Arbitron, you will recall that our deliveries do not always sync up with the quarterly calendar, causing Audio results to appear lumpy.

But in 2015, the highly profitable Audio business delivered low single-digit revenue growth, outstanding margins and strong free cash flow. Marketing Effectiveness was up 31.3% behind strong quarters in the eXelate product offerings and the performance of the Nielsen Catalina Solutions, or NCS, joint venture, which we increased our ownership stake in, in fourth quarter, as I mentioned at Analyst Day.

I want to also point out that you will see in our filings and GAAP net income walk that we realized a $158 million non-operating gain on the step-up in our basis in NCS as a result of our now majority stake in the joint venture. Our majority ownership stake contributed about a point to our Watch revenue growth in fourth quarter.

In 2015, Marketing Effectiveness was up 21%, as we transform the portfolio by making investments in eXelate and NCS, while meeting the market's growing demand for solutions that help publishers and advertisers better identify, acquire and retain audiences across all screens, devices and formats.

As expected, and as we highlighted in our last quarterly call, we had nearly a two points drag on Watch revenue from the products in our Other Watch bucket. We divested the NRG business late in the fourth quarter and you should also note in our filings and GAAP Income walk that we realized an $18 million non-operating gain on the transaction.

Our growth initiatives are delivering. Digital Ad Ratings continued its momentum, reflecting strong demand from advertisers, agencies and media owners. Digital Ad Ratings is an important offering in our Total Audience Measurement framework and in 2015, our revenue nearly doubled as we added new clients, and existing clients increased the number of campaigns versus a year ago. Our subscription Video-On-Demand and Digital Content Ratings products continued to gain traction with our clients giving us tremendous confidence and momentum heading into 2016.

Watch adjusted EBITDA was $343 million, up 6.9% on a constant currency basis. Watch margins expanded a strong 70 basis points on a constant currency basis, as we continue to drive operating leverage in the business. Our Watch segment remains strong. We have executed on Total Audience Measurement, invested to transform the portfolio and our new products and initiatives are gaining momentum.

Turning to Buy, our business had a strong fourth quarter and a solid year in 2015. Fourth quarter total Buy revenue was $879 million, up 5.9% on a constant currency basis. Our business in the developed markets was $607 million, up 4.8% on a constant currency basis behind relative strength in the U.S. and Europe.

In addition, we saw some one-time discretionary spend pickup that led to a really strong quarter and finish to the year. Our business in the emerging markets was $272 million, up 8.4% on a constant currency basis. Our teams are executing against a tough backdrop of challenging macroeconomic conditions.

We saw broad-based growth in the emerging markets with double-digit growth in Latin America, the Middle East, and greater China along with high-single-digits in Africa. Emerging market revenue grew 8.5% in 2015 and I'm very pleased with our team's execution in these markets.

Buy EBITDA was $195 million, up 7.1% constant currency, our Buy adjusted EBITDA margins were up 25 basis points in the quarter. This is the sixth straight quarter of Buy margin expansion as we have worked to improve profitability while we continue to invest in our products and expand coverage in the emerging markets. Overall, we had a great quarter in Buy with solid revenue growth and margin expansion on a constant currency basis.

Moving to foreign currency impact. I want to remind you that we report revenue and EBITDA on a constant currency basis to reflect our operating performance. We generally don't take on transactional risk so this slide focuses strictly on the translation impact for reporting purposes. In the quarter, foreign currency resulted in a 620 basis points drag on revenue and a 580 basis points drag on EBITDA, which represented $0.02 a share earnings headwind versus our third-quarter earnings call.

For 2015, foreign currency impacted our adjusted net income per share results by $0.21. If yesterday's spot rates held constant in 2016, then we expect a 210 basis points drag on revenue and 140 basis points drag on EBITDA for the full year in 2016 which represents an incremental $0.02 a share drag on the adjusted net income per share guidance that we gave in December.

Moving to 2016 guidance. We are maintaining our 2016 earnings per share guidance despite an additional $0.02 a share headwind from FX. We remain confident in our plan to execute and deliver on all the operational elements that we laid out in December.

So to wrap up, we're very pleased with our execution in the fourth quarter and 2015. We have a lot of confidence and momentum in both of our segments as we head into 2016 and in addition, we are committed to an efficient and balanced capital structure that will enable us to grow our business and return over $800 million in cash back to shareholders in 2016 in the form of dividends and buybacks.

And with that, I'll turn it back to Kate.

Kate White Vanek

Senior Vice President-Investor Relations

Great. Thank you. We'll now turn to Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator instructions] Our first question comes from the line of Toni Kaplan with Morgan Stanley. Your line is open.

Toni M. Kaplan
Morgan Stanley & Co. LLC

Q

Thanks so much. Good morning. Audience Measurement growth was really strong this quarter, even with Audio down more than expected. Could you just give us some additional color on what drove the core growth? Was it digital ad ratings or was it something else? And if you could give us your updated thoughts on the total addressable market for digital, that would be really great. Thank you.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Well, I'll start and then Jamere you can add. Toni, one thing I mentioned is that we're seeing not only the normal strong growth that we have with our traditional clients but also we've seen accelerated growth with some of the digital clients that we're working with, pretty broad range of them in the marketplace. I mentioned Google and Facebook but there's a number of others. One of the areas that has long been a strength, a strong grower for us in this area, is our work with the ad tech world. The ad exchanges, the ad platforms where our Digital Ad Ratings metric in particular has played very well. But also as we bring eXelate into the picture, it just raises our game in that area and so that's contributed. Jamere?

Jamere Jackson
Chief Financial Officer

A

Yes. So as we mentioned, the core of our business remains very strong and if you look at Audience Measurement in the quarter, which we are now calling Audience Measurement of Video and Text, it was up 7.6%. Now, recall in the third quarter we guided to a number that was in the 4% to 4.5% range. We came in a little bit hotter than that in the quarter. And the difference there are two things. One, the NCS joint venture, majority stake closed a little bit sooner than we had anticipated. And NRG closed a little later than we anticipated and as a result of that we were up about a point.

Operator: Thank you.

Jamere Jackson
Chief Financial Officer

A

And then, I think your last question was on – just to finish up, your last question was on the total opportunity as it relates to digital. Back a couple of years ago, we said that this was potentially a $500 million market opportunity. We still see that as being the case and we're in the early innings of that, obviously, but we're very confident in the products that we have in the marketplace and in the adoption that we're seeing from our clients.

Kate White Vanek
Senior Vice President-Investor Relations

A

Next question.

Operator: Our next question comes from the line of Tim McHugh with William Blair. Your line is open.

Tim J. McHugh
William Blair & Co. LLC

Q

Yes. Thanks. I was wondering if you could just elaborate a little bit more on U.S. and Europe parts of the Buy segment? I guess, I know you said new client wins and you talked a little bit about that, but what's resonating with clients and how much of that is a macro indication of the activity there and I guess in the context of what you see or hear from them as you come into 2016 here?

Jamere Jackson
Chief Financial Officer

A

Yeah. This is Jamere. So a couple of things. One, we see the discretionary spend environment as being pretty stable. We see our clients investing in analytics and innovation to help them drive top line growth and you've seen from a number of CPG clients as they've come out of a restructuring cycle that they're pivoting to growth by investing in innovation.

So, the U.S. for us was up low-single digits in the fourth quarter, but up mid-single digits for 2015. And in Western Europe we saw our business being up mid-single digits behind strong results from new client wins and innovation. So, we feel very good about where we are in the cycle and our clients are starting to see some growth.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

I'll just add that we have mentioned some of these client wins. We don't mention them all. We have a lot more than what we mentioned. We don't always get the full support of our clients to broadcast these on these calls but some that we have mentioned in previous calls, Reckitt Benckiser, now known as RB [ph] and Coty (29:00). Those obviously play into it and on this call we mentioned Dole Foods earlier. Retailers is another thing I would call out. We've increased our focus on retailers over the past year. This is a global opportunity for our business. But in particular, an important opportunity for us in developed markets where retailer environment's a little more consolidated and so their profile in the market is raised.

And what we find is while retailers have long been data partners for Nielsen, and they've also long been clients of our capabilities both measurement and analytics, their need for the analytics capabilities we have has been growing in recent years. To help them with their pricing and their merchandising and now more recently we are seeing their needs for our Watch assets to help them with their advertising decisions growing as well. And they are big advertisers as you well know. And so retailers have been an important part of our Buy business growth and in particular in developed markets and we see very strong opportunity for our business with retailers going forward. In fact, if we were to size it going forward, we would say that they represent as much as a half a point of growth for our business over the next three to five years, half a point per year over the next three to five years at a global level. That's how significant the opportunity we see with retailers is.

Operator: Thank you. Our next question comes from the line of Dan Salmon with BMO Capital Markets. Your line is open.

Peter Daniel Salmon
BMO Capital Markets (United States)

Q

Good morning, everyone. Mitch, you mentioned before that the strength in the Watch side was being helped by DAR's deeper penetration into the ad tech in the programmatic marketplace. I'm curious how much is eXelate helping open up those conversations for you and would you consider most of those clients to fall in the sort of small and medium-size client bucket? And then, sort of, separate but relatedly, is eXelate helping you open up conversations with larger clients as well? That could be in the ad tech space, I know you mentioned publicly Google being a growing client of yours, but maybe even in other parts of the business where eXelate is opening up large client conversations.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

That's a great question. I think what's implied by your question is exactly what our experience has been. The big clients, the small clients, this is an ecosystem that is as connected as any other that we work in across our business around the world and eXelate has helped us on every front. First, credibility, they have amazing talent. They have proven, very strong capabilities. Those now being part of Nielsen portfolio gives us more credibility in this area than we otherwise would have had had we just continued down the path that we were on.

We also bring a lot to the party but connecting what Nielsen has historically had and has been developing in recent years with eXelate, what they bring into our portfolio, has just accelerated our progress with both small and with the larger players because, again, they are all connected at some level. It's not just coincidence that Google has emerged over the past year or so to be one of our largest Watch clients in the world. And so yeah, it really speaks to what underlies your question.

So again, we feel great about the eXelate acquisition. The business itself that we acquired performed incredibly well in 2015, but even beyond that business, that P&L, it's the assets and the talent that came into Nielsen that are contributing all across our portfolio that we're also seeing big value from that. Jamere, you have something to add?

Jamere Jackson
Chief Financial Officer

A

Yeah. The thing that really stands out to us and the reason that we're so excited about the acquisition is that, every client that we work with on both the Watch and the Buy side of our business is looking for accurate data to target the right audience. And we have these relationships with over 200 online data providers and we're working with over 125 media platforms. So we're in all of the right conversations and we have an opportunity to address both large and small clients, just based on the footprint and capabilities inside this business.

Operator: Thank you. Our next question comes from the line of Jeff Meuler with Baird. Your line is open.

Jeffrey Meuler
Robert W. Baird & Co., Inc. (Broker)

Q

Yeah. Thank you. I know you guys in the past have highlighted some video audience measurement clients that are not ad supported. Could you just talk a bit more about how they use Nielsen data? And then, do they pay you similar rates for rating their content as ad supported clients?

Dwight Mitchell Barns
Chief Executive Officer & Director

A

What we're doing in this area – with respect to measurement of VOD, both ad supported and subscription based, is really serving the entire market. Whether it's one of those platforms who is the source of that video content or whether it's a network or studio who might be licensing that content to that same platform.

So we've made these VOD measurement capabilities available, both VOD viewed through the cable or telco or satellite provider's set-top box as well as VOD viewed over the top, if you will, through a connected device. And we're measuring all of those different ways that consumers watch this content.

I mentioned earlier, we're now covering more than 6,000 different program episodes in the marketplace and serving a wide range of clients as we do that. And so sometimes it is the original owner of that content who wants to make sure that they're licensing it to that platform for a fee that's consistent with what its value is given the size of the audience and the appetite for that content.

And in some cases, yes, it might be a studio who is producing it or other player. So we're really serving a much broader range of needs, a much broader range of clients than just the original source of that content itself, the platform itself.

In some cases, the platform might say, well look, I already have a lot of data about just how much viewing is happening on my platform. They might not feel a great need for what Nielsen brings to the party there. And that's okay. We respect that but there are still other players who are licensing that content to them who do want more information about how much viewing is happening and how does it compare with the other places that they might choose to license that content instead.

Operator: Thank you. Our next question comes from the line of Tom Eagan with Telsey Advisory Group. Your line is open.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Great. Thank you very much. A question on 2016 margins. Jamere had mentioned at Analyst Day that Buy margins would be a bigger contributor to overall margin growth in 2016. Given the 50 basis point to 70 basis point margin gain guidance, what does that mean for Watch margins in 2016? And then I have a follow-up. Thanks.

Jamere Jackson
Chief Financial Officer

A

Great. So we did give guidance for 50 basis points to 70 basis points of margin expansion and that is on a total company basis. And we do expect Buy to be a slightly bigger contributor in 2016. The reason for that is really two key drivers. Number one, we're continuing to scale in the emerging markets and we have a focus on profitability and as those investments that we've made in the emerging markets continue to scale, then Buy margins are moving in the right direction and you've seen Buy margins expand over the last six quarters and we expect that to continue into 2016.

And then the second dynamic is that we're just running the place with intensity around cost and productivity. We've done that for a number of years. We're going to continue that in 2016, so we feel good about the 50 to 70 basis points of margin expansion in the company and we expect Buy to be a bigger contributor.

In terms of Watch in 2016, 2016 is an investment year for us as we look to roll out our new product capabilities and that investment isn't necessarily in sort of the traditional OpEx that you would expect, but we're going to add a lot of commercial capabilities to help us go after the growth opportunities with digital clients. And so you can expect margins to be positive in Watch and we're going to manage the total company to 50 to 70 basis points and you can expect Buy to be a bigger contributor in 2016.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Great. Secondly, I have a question about the potential for CPM deflation. One concern I've heard from TV networks about combining linear and digital video ratings is that there's the prospect for CPM deflation, meaning the higher CPM of digital video declining to the linear CPM. So any thoughts you have on how this can be avoided would be great. Thanks.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yes. That's a common conversation in the industry. And I think there are some things that will counter that so we'll see some forces that will push it that direction. We'll see other forces that will counterbalance that and one of them is precision. Because you have all these data sets that are being connected, great tools being built by Nielsen and others from an analytics capability that enable more and more precision, not only in the digital world but even in the linear world going forward. And that increased precision means less waste in terms of advertising exposures that people pay for and that will be a positive driver on cost, on CPMs.

In addition, I think we're also continuing to see people realize the importance of reach. While you can get incredible precision sometimes in the digital world, it's hard to have that and reach at the same time. And it's one reason why linear television continues to hold up so well, even with all of the forces trying to pull viewers away.

Linear television still delivers incredible reach in the marketplace. And advertisers know that reach deserves a premium. In terms of getting their advertising message out to brands, the first exposure of my ad to a consumer is the best one. And so reach is what I really am seeking for first and foremost, not the only thing, but first and foremost. And so, that will be a second positive force that will continue to support the evolution of these CPMs in the marketplace, so some pluses, some minuses. We'll see where it plays out, however it plays out. Our Total Audience Measurement system will not only measure it, but enlighten people to what they're actually getting in the marketplace and how does it compare with what they hoped to get when they planned.

Operator: Thank you. Our next question comes from the line of Andrew Steinerman with JPMorgan. Your line is open.

Andrew Charles Steinerman
JPMorgan Chase & Co.

Q

Hi. It's Andrew. Two questions, of the total 5.6% constant currency revenue growth in the quarter, how much was organic, adjusting for both acquisitions and divestitures? And my second question is could you just mention what the NCS JV ownership went from and to?

Jamere Jackson
Chief Financial Officer

A

Yeah. So on your second question on the NCS JV, it went from 50% to 63.5%. And then, if you look at the pieces in terms of organic, you had about 1.5% in the quarter that came from the NCS and eXelate pieces in the Watch business and then you had in the Buy business was pretty clean from an organic standpoint in the quarter, so...

Kate White Vanek
Senior Vice President-Investor Relations

A

Next question, operator.

Operator: Thank you. Your next question comes from the line of Sara Gubins with Bank of America Merrill Lynch. Your line is open.

Sara Rebecca Gubins
Bank of America Merrill Lynch

Q

Hi. Thanks. Good morning. Is there anything that you saw in late fourth quarter, early first quarter that makes you think that you'd be at the higher or lower end of the ranges that you've given in some of the segment details at the Investor Day? As an example, 30% growth in marketing effectiveness, the guidance for next year is calling for 15% to 20% and so I look at that and wonder if you're more comfortable at the higher end? But it's a broader question across both Watch and Buy.

Jamere Jackson
Chief Financial Officer

A

Yes. So just to remind you on marketing effectiveness, we said in the third quarter that we saw some work push out from the third quarter to the fourth quarter. And you saw that play out in our numbers, which is why we had a growth rate number that is higher than the – toward the high-end of the ranges that we gave. But we feel pretty good about what we gave at Analyst Day and we are seeing the trends in the fourth quarter and early in the first quarter line up very nicely with the ranges that we gave and we've reaffirmed guidance accordingly.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

And where were we in the third quarter, Jamere, it was around 8%, something like that?

Jamere Jackson
Chief Financial Officer

A

Yes, you saw Marketing Effectiveness at about 8%. And remember Marketing Effectiveness, a portion of that is discretionary. A portion of that is subscription-based and oftentimes you may have some work that moves from one quarter to the other. We did get a little bit of a catch-up in the fourth quarter, but still very strong on an overall basis and we feel good about the range of 15% to 20% heading into next year.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yeah. So, Sara, looking back to last year, 8% in the third quarter, a little bit more than 30% in the fourth quarter. If you add those two together, pretty similar to our growth of just a little bit more than 20% for the full year.

Operator: Thank you. Our next question comes from the line of Bill Warmington with Wells Fargo. Your line is open.

William A. Warmington
Wells Fargo Securities LLC

Q

Good morning, everyone.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Morning, Bill.

William A. Warmington
Wells Fargo Securities LLC

Q

So, first, I just wanted to say thank you for the additional disclosure on the Watch segment. My question is around the increased ownership in Catalina. Why and why now? And then also, do you feel that you have all the components necessary in terms of tying together the Watch data and the point-of-sale data? And if not, what do you still need to add?

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yeah. Bill, I'll start off. Jamere can add. I mentioned in my opening comments how we see this Nielsen Catalina Solutions business as being perfectly aligned with our strategy. So let's take a look at what do they do. Well, they take information about what consumers buy. They connect it with information about what consumers watch, whether it's on television or in the digital world and, therefore, their advertising exposure.

And then they put that together to provide measurement and analytics capabilities to clients to help clients, first of all, find the right audiences for their advertising and then also to assess the ROI on that advertising. This is Nielsen, right at the heart of our business. And so while we have enjoyed this very positive and productive partnership with Catalina to put this business together, this is really right at the core of our business. And so that's why we saw this as something that we really want to secure the controlling stake in going forward.

You see us doing – this business by the way focuses primarily on FMCG brands, consumer package goods in the marketplace.

We have similar capabilities in our portfolio already with more to come that do pretty much the same thing in other verticals out there in the marketplace. So having the controlling stake in this joint venture also allows us to develop a little bit more scale advantages as we develop similar capabilities to serve other verticals.

Jamere Jackson
Chief Financial Officer

A

Yeah, listen, advertisers were asking the question on ROI and for the big branded advertisers, ROI is the Holy Grail. And you also saw for the media companies last year in the upfronts where they were taking not only our ratings data, but also taking our Marketing Effectiveness products like Nielsen Buyer Insights and Nielsen Catalina Solutions, packaging those together to sort of amplify the value of their inventory. And so, as those market dynamics play out, we see this as a fast-growing area of the business and we've said that we're going to continue to invest in faster growing, higher margin pieces of the business and this is a great investment for us and we're looking forward to the growth prospects going forward.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

It's exciting what we're doing in this area and really what's happening in the industry overall. I've been around long enough to remember the days when people asked these questions about the ROI on their advertising spend and there was no answer.

And so – then they just stopped asking the question. And here we are today with these data sources available, these tools that enable us to put them together. These questions can be answered now. And that's why you see such strong consistent growth in our Marketing Effectiveness business, 20% or more in 2015. Most of that coming, by the way, from developed markets.

Because the capabilities are developing and accelerating so rapidly and there is strong demand from clients all across the marketplace for what Nielsen does in this area and for what others do. So, look, we love what Nielsen Catalina Solutions brings to our portfolio. We love the opportunity now to make it more integrated and connected with similar capabilities that we already have that serve other verticals.

Operator: Thank you. Our next question comes from the line of Todd Juenger with Sanford Bernstein. Your line is open.

Todd Juenger
Sanford C. Bernstein & Co. LLC

Q

Hi. Thanks. You guys mentioned a few times in your prepared remarks how your business model holds up so well up and down through the cycles. I would love it if you could remind us looking back how Nielsen, the business performed through the previous recession cycles? And then thinking about the changes in your footprint in the marketplace, how might we expect your business to perform through the next down cycle? That would be very helpful. Thanks.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Thank you, Todd. 38 consecutive quarters of constant currency revenue growth in our business and if you draw the line back, that even goes through the big global economic downturn that occurred from late 2007 through 2009. And it's a result of our business model. We're in 106 countries around the world. We serve a broad range of clients. We have a broad portfolio of capabilities. Many of which are must-have information for clients to run their business with. And in fact, they need some of the kinds of things we do even more when economic conditions get difficult. And so we will shift our focus to those parts of our portfolio that become even more important when economic conditions grow more complicated or more challenging for our clients. That enables us to deliver this steady consistent performance in our business around the world.

Jamere Jackson
Chief Financial Officer

A

Yes, and if you look at our core revenue growth, 2008 to 2010, our core revenue grew 4.6%, and again, that speaks to the consistency and resiliency of the Nielsen business model and it's all the things that we touted for a number of years. Being in syndicated businesses, long-term contracts that go three to nine years. We get good pricing, our teams are doing a fantastic job on delivering on productivity through the cycles and so in good cycles and bad cycles, the attributes of this business hold up very, very well.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Our focus on productivity is especially important here because we are always starting the year developing our own reserve for how to invest back into our business. We're not waiting for the growth to happen to create the opportunity to invest in the future of our business. We always start with productivity. This is been a real strength of our company and I think it's one of the reasons why we move through more challenging economic conditions better than the other companies who operate in the same space that we do.

Operator: Thank you. Our next question comes from the line of Manav Patnaik with Barclays. Your line is open.

Ryan C. Leonard
Barclays Capital, Inc.
Q

Hi. This is Ryan filling in for Manav. I just want to talk on, I know you don't report the Buy Insights business but I think generally that's been a pretty good indicator of kind of future expected growth in that part of the business. There's some concern I guess that emerging markets are starting to slow down and particularly China you guys have called out in the past. Can you just touch on anything you're seeing in emerging markets and kind of, how that more discretionary-based spend is looking for clients, particularly exiting the fourth quarter and into the beginning of the year just given some of the more choppiness we're seeing out there?

Dwight Mitchell Barns
Chief Executive Officer & Director
A

Hey, Ryan. Thanks for mentioning China. I always love talking about China. My old home. Our business held up incredibly well in Mainland China in 2015. Double-digit growth. Even with what was happening in the financial markets and the market overall. I think the key reason for that is in addition to our teams staying focused and executing well and continuing to gain penetration like I mentioned for our teams what they've done in Brazil, Russia and Turkey. China was very similar for us.

The other thing is, we're focused on the consumer, and the consumer markets and retail sales and digital and other media consumption, the consumer focus of our business. And in China that is largely separate, frankly, from a lot of the turmoil that you see in the financial markets which is what's dominated the press about the China market recently. And so, I think it's – those two things go together for why we still had a strong year of double-digit growth in Mainland China in 2015.

Jamere Jackson
Chief Financial Officer
A

Listen, I'm encouraged because, what I see is really broad-based growth. So, you look at Latin America which is our largest region, it was up double-digits with one of our largest markets, Brazil being up in the mid-teens. China, our second-largest region was up double-digits in the fourth quarter. The Middle East was up double-digits. Africa, which is our fastest growing region, is up single-digits. So, we've seen broad-based growth across the markets.

I think the other dynamic that really stands out for me is that in the emerging markets where multinationals make up about 65% of our business, we really did see them pivot to growth there over the last year or so. And emerging – the growth in the emerging markets for multinationals was about on par with what we've seen in locals where locals at one point were growing significantly faster than the multinationals. So, broad-based growth and you've got health in really both segments of the market in terms of multinationals and locals.

Dwight Mitchell Barns
Chief Executive Officer & Director
A

And to your question about Insights specifically, I prefer to think of it as the analytics portion of our business. Again, when the economic conditions get a little bit more difficult and clients are starting to look for direction and the analytics portfolio that we have is what gives a lot of those answers. So it will help them with pricing decisions. It will help them be more efficient with their assortment. It will help them think differently about how they market to consumers to be more efficient with their marketing spend. All of these kinds of things tap directly into our analytics portfolio. Not to mention, our world leading analytics capabilities around new product innovation, which we continue to invest in and believe in, the important role it plays in our business going forward.

Operator: Thank you. Our next question comes from the line of Andre Benjamin with Goldman Sachs. Your line is open.

Andre Benjamin
Goldman Sachs & Co.

Q

Thanks. Good morning.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Hi, Andre.

Andre Benjamin
Goldman Sachs & Co.

Q

I know it's early going but I was wondering if you could provide some color on what some of the more critical feedback has been so far with Digital Content Ratings and Total Audience? It's pretty easy to imagine what the positive ones are given the needs [ph] and you (52:34) address? And then, when should we expect syndication on those products and how much of your total client base is currently testing them?

Jamere Jackson
Chief Financial Officer

A

Andre, we don't do negatives.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

I'll be happy to go into a little bit more detail on those, Andre, thanks for the question. Digital Content Ratings, I mentioned earlier, the rollout is progressing well. We have a diverse range of clients; networks, MV PDs, publishers. A number of them fully operational already. More in process, soon to be operational. I mentioned we have a major digital video player to be added in the coming weeks so we're excited about that, and also, just on engagement from the industry broadly, dozens of clients participating on our client advisory board.

With regard to syndication of Digital Content Ratings, we said on our last call, in quarter three, that we were on track for syndication the first part of this year and we remain on track for syndication in the first part of this year. It's likely to be sometime in the early to middle part of the second quarter but we'll do that with the guidance from our clients and our upcoming client advisory board will help us firm up what is the right timing for our clients. That's really where it starts. Always where it starts and ends with us is to do it at the right time and in the right way to best serve their needs in the market. So that's Digital Content Ratings

And then Total Content Ratings, Digital Content Ratings obviously flows into and plays a big part in Total Content Ratings along with the Audience Measurement we have of linear television, video on demand and everything else. And we're well on track for syndication of Total Content Ratings as well. We would peg that one right around the end of the second quarter of the year right now. But we already have 70 plus networks that are receiving data from Total Content Ratings.

And all of that, along with everything else from our total Audience Measurement system is already informing and supporting our clients' thinking and decision-making as they approach the 2016 upfronts. So we already know that it's being useful to the marketplace and we're obviously thrilled about that.

And so one other thing on Total Content Ratings that I think is just interesting to note, we did a recent analysis, a sampling of shows that we can see through Total Content Ratings. And what we did is we looked at the ratings that you would get out of Total Content Ratings and we compared it to the ratings you would get if you just looked at our audience measurement of linear television. In this case, the number of people that saw the linear television either live or through a DVR up to seven days after the live viewing. So compared Total Content Ratings to linear television ratings. What we see is that in Total Content Ratings, ratings are at least 10% higher in most places. And in some cases, as much as 50% higher. And so, we know that this system is working and it's really showing the broader range and the lift that's available to the clients in the industry as they contemplate how to redefine the currency. What to include in that new definition of the currency, which is, of course, the focus of those ongoing client discussions and meetings that I referred to earlier. So, it's exciting to see where this is going to go in the marketplace and exciting to see the role that our Total Audience Measurement system is playing in all of it.

Operator: Thank you. Our next question comes from the line of Brian Wieser with Pivotal Research. Your line is open.

Brian W. Wieser
Pivotal Research Group LLC

Q

Hi. It's Brian Wieser here. Thanks for taking the question. Two I have. First, there seems to be a fair amount of misinformation, even among the CEOs of some of your clients, around some elements of your data and to the extent that there's been attacks on – what seem to be attacks on credibility of the data in some ways.

It makes me wonder what you're doing to address those attacks in the public sphere. I understand you can't necessarily correct your clients as much as maybe might be appropriate or might be needed. But I'm curious about how you're thinking about that dynamic in general?

Separately, I saw your recently re-signed Hearst and Media General, and of course I think you signed Sinclair and Tribune last year on the local side. I'm just curious how the terms of your deals with the local station groups are evolving in terms of term length, price escalators, product extensions or otherwise? Thanks for any thoughts.

Dwight Mitchell Barns
Chief Executive Officer & Director

A

Yeah. Thanks, Brian. Great questions. First, on the comments or criticisms sometimes that we'll hear from our clients in the marketplace. Look, we understand that the – first of all, what I take away from it very initially is it's always positive when our clients are talking to us about at the marketplace because what it says is, we're highly relevant and that's always a good thing. But, of course, I prefer that they are saying good things as opposed to criticisms.

When they're making criticisms we listen. That's always the first thing we have to do. And we have to ask ourselves, is that criticism valid, or is it based on misinformation or maybe incomplete information. And then we respond accordingly. And what we almost always do is when we hear a comment like this in the marketplace, we follow-up. And we follow-up and we say, look, we would like to understand. We saw or we heard what you said. We'd like to understand a little bit more about why you said that. And that often gives us a case to bring that particular client up to date on something. It gives us a chance to make our case on something. And in some cases, it gives us a chance to learn and we get better from that.

And so it's always productive when we respond to it in the right way. And we've been very focused on doing exactly that in the past year and we're going to continue that in the year ahead. And while we never expect those kinds of comments to go away entirely, we do see and we have heard others say that we're making progress on that front. And so we feel good about that. We're going to stay focused on it.

On your other question about Hearst and Media General, you also mentioned Sinclair and Tribune. We're thrilled, whether it's a client who's signing a contract with us for the first time or whether it's the 50th time, we're always thrilled by those. And so the renewals here that are happening in our local television business, really are renewals, they're just that. The terms reflect I think where we are in this part of the business. The local television business has been over the last several years, the trend line has been low-single digit growth and the contract renewals reflect that and are consistent with that.

What you're also seeing, though, with, for instance, the Hearst renewal recently is, it's not just focused on local television. When you're television Audience Measurement, but also they're starting to tap increasingly into the broader range of capabilities, you can bring to them both for digital measurement and also for analytics that help them better sell their ad inventory to their advertiser clients in the marketplace. And so we're seeing these relationships broaden a bit to utilize more of the capabilities we bring to the marketplace. That's a big positive.

Operator: Thank you. Our next question comes from the line of Tim Nollen with Macquarie. Your line is open.

Tim Nollen
Macquarie Capital (USA), Inc.
Q

Hi. Thank you. My question is about Total Audience Measurement and I wonder if you could help me, let me know if I'm thinking about this the right way. Back in the day, Nielsen TV ratings were basically the only way for a TV network to monetize advertising. Now, there are other ways. There are competitors to some degree. TV networks that have their own apps can collect their own data and use that to sell ads.

So my question is, I don't think anybody questions the relevancy of Nielsen Total Audience Measurement, but is it possible to break down how the revenue streams may look, as in will you sell Total Audience Measurement as a data source, as a subscription as you always have your ratings and then is there a separate element of selling data with fees in the programmatic buying exchanges? If you could maybe help us understand how we should think about the Total Audience Measurement revenue stream. Does that make sense?

Dwight Mitchell Barns
Chief Executive Officer & Director
A

Yeah, it does. I'll share a few thoughts on that and maybe Jamere will have something to add. First, with regard to competitors or networks or publishers who have their own data, there are two things that we bring that are highly differentiated versus anybody else out there. One is, we bring the comprehensive view, especially when it comes to video. We're able to bring the full range of places and ways that consumers view video content. That's our Total Audience Measurement system. That's what it's about. Nobody else has that comprehensive view with the level of quality and granularity that we bring to the market. So that's one.

And then the other is independence, which is incredibly important in the marketplace. For instance, if I'm a digital publisher and I have my own data, I can share that with an advertiser, so that's great in terms of helping that advertiser understand what's possible on my particular platform.

But I can't put that in context relative to the rest of the options available to that advertiser, and I'm also not an independent provider of that information. And so advertisers ultimately want that independence so that things are looked at in the same way, with objectivity, not only on that particular publisher's platform, but across other platforms.

And to your point about subscription versus maybe more volume-based as might be more typical these days in the ad tech world – and then, there's another dimension which is measurement versus analytics. Yeah, I think that's exactly consistent with our experience over the past few years.

We see a wider range of business models, expressed in the way we've contracted with or engaged with our clients. And part of that is just a state of fragmentation and the pace of change in the industry. And it likely will converge to be a narrower range of business models going forward, but it's helpful for clients to have that flexibility right now, as everything's changing so fast in the marketplace.

For instance, if I am going to sign up for a fee-based service, then I need to know whether or not I'm going to really get value out of that fee-based service over the course of the year, or maybe multiple years, that that contract applies to. But if it's something that's emerging in the marketplace rapidly, it's kind of hard to know where it's going to be a year or two or three years down the road. And so I might prefer to instead sign up for more of a volume-based contract right now, because I don't know if it's going to be two times bigger next year or five time or 10 times bigger next year, so volume-based would be a better way to contract. And we offer that kind of flexibility to our clients and I think that serves us well. Jamere, anything to add?

Jamere Jackson
Chief Financial Officer A

Yeah. So just a couple things, one, today, we have the ratings data on a subscription basis, but we sell data sets into agencies and programmatic networks today. And so that model will continue in the future. In terms of the way contracts will be structured, we anticipate having our large media clients continue to do the broad MSAs with us, but we're also signing up a number of native digital clients and those are all new clients for us and new opportunities to grow our business. So as Mitch said, we're pretty flexible in terms of the business model, but you'll continue to see us have consistent steady long-term contracts with our big clients. And we're signing up new native digital clients. And we're pumping data in the programmatic networks today, largely through our eXelate acquisition.

Operator: Thank you. Our next question comes from the line of Tracy Young with Evercore. Your line is open.

Kate White Vanek
Senior Vice President-Investor Relations A

Tracy, did we lose you?

Tracy Young
Evercore Group LLC Q

I'm sorry. I had mute on. I know you don't break out the Buy margin segments between developing and emerging markets but should we think about the ability for the margins in emerging to be similar to developed? Thank you.

Dwight Mitchell Barns
Chief Executive Officer & Director A

So, the margins in the emerging markets are still quite a bit lower than what they are in the developed world. And as I said before, the reason that we're seeing margin expansion is that those margins in the emerging markets are actually improving. So as you continue to build scale in those markets, and you get your margins to move in the right direction, so, we still have some runway in terms of margins inside Buy and it's the reason we have confidence going forward that our Buy margins will continue to expand in 2016.

Operator: Thank you. There are no further questions at this time. Mitch, I turn the call back over to you.

Dwight Mitchell Barns
Chief Executive Officer & Director

Thank you. Well, just a few final words before we wrap-up. We're thrilled with how 2015 unfolded for us. Banner year. Showing our steady, consistent and resilient business model and execution by our teams. We're all about measuring performance for our clients and helping them improve and by doing that well, we deliver value to our shareholders and puts us in that position.

As we look to 2016, we're going to stay focused on these three key strategic initiatives, Total Audience on the Watch side of our business, our Connected Buy System on the Buy side of our business, and that enterprise marketing platform, leveraging eXelate and enabling us to connect what consumers watch with what consumers by to help our clients deliver more precision in their advertising to consumers.

We're going to continue to also remain focused on the opportunity our business has in these growing emerging markets around the world and also we continue to pursue this growth opportunity that we have with retailers on the Buy side of our business.

Look, we're thrilled about where we come from and we're confident in our position. We're going to continue our steady, consistent approach and we're going to continue to execute well. And we'll just say thanks to all of you for joining the call. Thanks for your great questions. We look forward to talking to you in a few months.

Operator: This concludes today's conference call. You may now disconnect.