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CORPORATE PARTICIPANTS

Yaeni Kim
Vice President, Investor Relations, Nielsen Holdings Plc

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

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

OTHER PARTICIPANTS

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

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

Timothy J. McHugh
Analyst, William Blair & Co. LLC

Manav Patnaik
Analyst, Barclays Capital, Inc.

Kip Paulson
Analyst, Cantor Fitzgerald Securities

Brian W. Wieser
Analyst, Pivotal Research Group LLC

Daniel Salmon
Analyst, BMO Capital Markets (United States)

Ryan A. Cary
Analyst, Jefferies LLC

Tim Nollen
Analyst, Macquarie Capital (USA), Inc.

Thomas W. Eagan
Managing Director and Senior Research Analyst, Telsey Advisory Group LLC

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

William A. Warmington
Analyst, Wells Fargo Securities LLC

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc. (Broker)

Douglas M. Arthur
Managing Director, Huber Research Partners LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Carol, and I will be your conference operator today. At this time, I would like to welcome everyone to the Third Quarter 2016 Nielsen Holdings 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]

I would now like to turn the call over to Yaeni Kim, Vice President of Investor Relations.

Yaeni Kim

Vice President, Investor Relations, Nielsen Holdings Plc

Thanks, Carol. Good morning, everyone and thank you for joining us to discuss Nielsen's third quarter 2016 financial performance. Joining me on today's call 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 Investor Relations website.

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 provisions 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, October 25, 2016.

We will be discussing non-GAAP measures during this 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 the 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 other filings and materials, which you can find on our IR site or at sec.gov.

As we did last quarter, we ask everyone to limit themselves to one question, only so we can accommodate everyone. Feel free to join the queue again and if time remains, we will call on you.

And now, to start the call, I'd like to turn it over to our CEO, Mitch Barns.

Dwight Mitchell Barns

Chief Executive Officer & Director, Nielsen Holdings Plc

Yeah. Thanks, Yaeni. Good morning, everyone. On last quarter's call, we talked about the ongoing changes occurring in the markets we serve and you well know, change is a source of both challenge and opportunity and we saw both in this quarter.

In our Watch business, our momentum continued with our Total Audience Measurement System. Client adoption continued to grow as Digital Content Ratings moved to syndicated reporting, Digital Ad Ratings expanded to new markets and the industry further narrowed in on a new currency definition. We also announced upgrades to our local TV measurement. So we feel great about our progress here.

For our Buy business, emerging markets continued to produce solid top line growth as our investments in coverage and granularity and our balanced strength with both local and global clients continue to pay off. But regarding developed markets, while Europe made good progress in the quarter, our U.S. results were down versus the prior year as clients looked for more efficiency and productivity in the face of an increasingly difficult growth environment.

Earlier this year as we saw these more challenging trends unfolding, we realigned our Buy business to be more focused in our product development and more efficient in our overhead. More recently as the trends continued for our clients, we stepped up our efforts to reduce our cost base, reallocate resources and accelerate our investments in initiatives that will help our clients and better position our business for the future.

We've been hard at work on these initiatives and you'll hear more about them in a few minutes but for now, let me say that our Buy business is working through a process of change that's similar to what we've been executing on successfully in our Watch business and we're confident that our Buy initiatives will produce similar results.

Let's look at the financials for the third quarter. At a total company level, revenue grew 3.6% on a constant currency basis. Revenues in our Watch segment increased 6.7% on a constant currency basis including an 8.5% increase in Audience Measurement of Video and Text. Buy segment revenues grew just under 1% on a constant currency basis, as emerging markets growth of nearly 9% was offset by a decline in developed markets driven by the U.S.

Adjusted EBITDA grew 4% constant currency, supported by ongoing productivity and operating leverage, offset in part by our accelerated investments in key initiatives. Adjusted net income per share grew almost 6% constant currency to $0.74. Free cash flow was a record $353 million in the quarter, up slightly compared to a year ago.

We remain committed to driving shareholder value through our balanced capital allocation strategy and we do this by investing consistently in our future growth, while also returning capital to shareholders through our dividend and share repurchase program. During the quarter, we bought back approximately $90 million in shares and as of September 30, we had approximately $460 million remaining under our existing authorization.

Lastly, in light of our third quarter results and our outlook for the fourth quarter, we're updating our guidance for the full year and Jamere will provide detail on this in a few minutes.

Let's look at the segments. First, Watch. If we turn back the clock a bit, it was just a few years ago when the market was still thinking of Nielson as the television measurement company. As viewing fragmented across screens and digital platforms, we responded with measurement capabilities that followed the consumer. Over time, this developed into what we know today as our Total Audience Measurement system.

The progress we've made is reflected in our Watch business performance, but it didn't happen overnight. It's been a multi-year evolution and our teams have diligently executed on each step bringing this whole framework to life and while we've made very good progress, we continue to work alongside our clients every day, adding new features as clients explore all potential use cases for the data. It's an exciting time for the industry and for Nielsen.

Let's look at some specific highlights from the quarter. In September, Digital Content Ratings became available in full syndication on schedule, this was a tremendous milestone. Publishers, agencies and advertisers are now equipped with powerful daily data that helps them understand the value of content across digital platforms. Adoption is growing daily.

For Total Content Ratings, at the direct request of our clients, we made some changes to our original release schedule. The initial step of this schedule occurred on August 1, making Total Content Ratings available on a syndicated basis to all participating publishers. We'll broaden that to include agencies at the start of 2017, before making the data available to the entire industry by the end of the first quarter. In the meantime, we continue to work closely with our clients to help them gain comfort with the comparable metrics in advance of full syndication.

Just a reminder, total content ratings includes measurement of subscription video on-demand, now covering over 15,000 different program episodes, nearly double the number from about six months ago.

On Digital Ad Ratings, we continue to grow and expand. Campaigns in the third quarter were up 45%, reflecting growing volumes with existing large clients as well as very strong adoption from new smaller advertisers. Across the board, we're seeing growing use of Digital Ad Ratings for guarantees.

We've also made good progress with Digital Ad Ratings internationally. For example, in Canada, our penetration among the top 25 advertisers is now comparable to the U.S. We also recently announced Digital Ad Ratings in Taiwan, our 24th market. In 2017, we'll add eight to 10 additional markets and we'll also upgrade some existing markets to include total ad ratings.

Overall, client adoption and support of our Total Audience Measurement system is steadily growing. As we look out to 2017, our clients remain highly engaged in the effort to move the industry toward a new ratings standard. While the definition of a new currency is not up for Nielsen alone to decide, we're confident that with the clarity and momentum we built with Total Audience Measurement, it will play an important role in the 2017 upfronts.

In local TV, we recently announced some important new initiatives that will substantially enhance our offerings in the U.S. by leveraging our investments in return path data from DISH and Charter, as well as our currency grade panel data. We'll introduce full electronic measurement across all 210 designated market areas by mid-2017, paving the way for the retirement of paper diaries in early 2018.

Starting in 2017, we'll also integrate Portable People Meter or PPM data, for both in home and out of home viewing in the top 44 markets. This will lead to increased stability, a decrease in zero cells, and richer analytics of local viewing habits. By including out of home viewing in the ratings, we'll help our local TV clients more fully capture the value of this portion of the TV audience that was previously unmeasured. And by the way, just yesterday, we announced to our clients that out of home viewing will also soon be credited to the national ratings.

We also recently upgraded social content ratings, now covering both Facebook and Twitter in a unified fashion. This upgraded service will replace Nielsen Twitter TV ratings in all markets, including Australia, Italy, Mexico and the U.S. With social media playing a growing role in consumers' lives and TV experiences, its value for the media industry will also continue to grow.

Turning to Marketing Effectiveness, we had another strong quarter with constant currency revenues up over 30%. As a reminder, this is the part of our business where we bring together our Watch and Buy assets, to help marketers improve their return on investment in advertising. A large part of this is enabled by the Nielsen Marketing Cloud, which provides our clients with faster access to data and analytics, helping them make more informed marketing and media decisions.

One recent example of this is our advanced marketing optimization solution made available in partnership with RevTrax, a one-to-one digital promotions company. Kimberly-Clark is one of the lead clients leveraging this new application to continuously update their promotions content, based on real-time changes in consumer behavior, all with a name of increasing the ROI of their digital promotions.

Also notable is Nielsen Catalina's recently announced collaboration with Facebook. This deal enables marketers to directly connect their advertising activity to its impact on sales, as well as deliver more relevant advertising to targeted consumers. By combining the largest, most representative purchase data set in the fast-moving consumer goods industry, with ad exposure information from Facebook, we get a deep understanding of how these ads are driving consumers to purchase.

Turning to the Buy business, in emerging markets, our business continues to deliver solid broad-based growth, including double-digit growth across several key markets in Latin America, Southeast Asia, Eastern Europe and India.

As a group, these markets still have a lot of runway for continued growth via added coverage, granularity and increasing penetration of the related analytics that help our clients to drive progress in their business. Our investments in coverage and granularity and our balanced strength with both local and global clients continue to pay off.

In developed markets, specifically the U.S., the environment in which we operate has become more challenging. Large global manufacturers are the strength of our client base. And as I'm sure you've seen in the recent press, they found it increasingly difficult to achieve growth in markets with growing fragmentation in consumer demand, more competition from smaller and local players and increased commodity pricing.

Together, these factors have led them to seek efficiencies in productivity in their business and our business has not been immune. Our clients continue to value our core measurement services, especially given the growing product and retail fragmentation in the market. But, when it comes to analytics, their needs have been shifting, clients are shifting away from custom insights delivered via deep-dive projects, and they are shifting toward every day analytics, often called activation, delivered directly to multiple end users.

Our view is that this is a secular shift, not a passing phase or a cycle that will swing back. Clients want analytics that will help them answer the question of what do I need to do this week or tomorrow or even today to drive sales, protect market share or improve my competitive position. In today's challenging growth environment, that's what's most valuable to them.

Now let me walk you through what we are doing to respond to this. First, you will see us aggressively moving away from slower growing non-core services. These moves are enabling us to accelerate and increase our investments in our key initiatives that will better position our business for the future.

The most important of these initiatives are Total Consumer Measurement and our Connected System. Total Consumer Measurement is about following consumers across all retail formats to ensure full coverage of sales. In a changing and fragmenting retail environment, this requires ongoing effort to help our clients understand emerging channels like specialty retailers, hard discounters, direct-to-consumer models and of course, e-commerce.

Speaking of e-commerce, we've made good progress on our hybrid solution announced earlier this year. It combines high quality panels with big data to provide broad and granular coverage of e-commerce sales including on the largest platforms.

Our second initiative, our Connected System, is the bigger of the two. This open system connects Nielsen, client and third-party data including our core Watch and Buy measurement data with applications designed for decision makers in our clients' marketing, sales, R&D and finance functions.

This means faster data-driven decisions on everyday questions related to pricing, promotion, distribution, new product innovation, assortment and marketing mix optimization, all in one Connected System. And this is the key, because many of these capabilities already exist as standalone point solutions. By connecting them all in one system, one that delivers these capabilities continuously, every day and directly to end users, that's what will help our clients reduce their internal costs, while also driving a big step-up in value and speed for their business. And just as importantly, it will significantly reduce cost and improve margins for Nielsen.

Since we first talked with you about the Connected System at our Analyst Day last December, we've been hard at work. Today it's in the hands of five initial clients, who are working with us to refine the system's design. We've also demonstrated live modules for our Client Advisory Board and others. And the positive feedback from our clients, coupled with the changes we see unfolding in the market have encouraged us to accelerate our development schedule and investments. We'll expand the availability of the system to 20 to 30 additional clients in mid-2017, followed by a further rollout late in the year.

And as that rollout unfolds, you'll also see the ongoing development of our Connected Partner program that we announced last week. Connected Partners are third-party analytics companies who build apps and those apps run on our Connected System's open platform providing more usefulness and value for our clients. These apps amplify the value of the underlying measurement data that is the core of our business. A recent Forbes article referred to this as Nielsen opening its big data treasure chest. We'll go into a deep dive on all this at our upcoming Analyst Day in December.

Regarding the timeline, one way to think about this is that our Buy business is working through a process similar to what we've been executing on successfully in our Watch business. We'll work through most of 2017 bringing additional components of the Connected System to market. It will likely not be until 2018 until a fuller version begins to contribute meaningfully to the performance of our Buy business.

Through this process, we're truly transforming the core of our Buy business. Comprehensive measurement coverage, integrated data and analytics, embedded in our clients' workloads with data as a service and software as a service solutions directly accessed by our clients' teams in marketing, sales, R&D and finance and for Nielsen, a stronger, higher margin business, better positioned for the future.

It's important to note that these benefits will reach beyond our U.S. business. We'll leverage this system across the developed world on roughly the same schedule, and longer-term it will also add value to our business in key emerging markets. In the meantime, we'll continue to realign our cost base, prune our portfolio and reallocate resources to enable us to accelerate our progress and better position this part of our business for the future.

We have a lot of work to do, but it's exciting and because we're guided by our clients, we have a high-level of confidence in our strategy and the key bets we're placing. And because I know the Nielsen team behind this work I have a high level of confidence in our ability to execute.

We look forward to updating you at our Analyst Day in December.

Over to you, Jamere.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

Thank you, Mitch. Overall, as Mitch mentioned, our business grew in a much more challenging environment than we have seen in the past few quarters, highlighting the strength of our balanced portfolio.

First, let me cover our total company results for the third quarter. On the left side of the page, our results on a U.S. GAAP basis, revenue was just under $1.6 billion, up 2.5% on a reported basis, driven by solid growth in our Watch segment, partially offset by softness in the developed markets in our Buy segment.

Net income was $132 million and net income per share was $0.36 which was down $0.02 a share versus the third quarter of 2015. Our net income per share results were driven by revenue growth, margin expansion and our share buyback program offset by higher restructuring charges related to further restructuring in our Buy segment.

Moving to the right side of the page on a non-GAAP basis, revenue was up 3.6% constant currency. Despite a more challenging environment, we still delivered revenue growth driven by strength in our subscription base recurring revenue and solid execution on our growth initiatives. Our Watch business grew 6.7% on a constant currency basis driven by our investments, continued momentum in Audience Measurement of Video and Text and impressive growth in Marketing Effectiveness.

Our Buy business grew just under 1% constant currency led by continued strength in the emerging markets which was partially offset by a decline in the developed markets. Adjusted EBITDA was $498 million, up 4% constant currency and adjusted EBITDA margins were 31.7%, up 10 basis points on a constant currency basis. In the quarter, we continued disciplined investments in growth and productivity initiatives that will generate top line growth and margin expansion in 2017 and beyond.

Adjusted net income was $266 million, up 3.1% constant currency and diluted adjusted net income per share was $0.74, up 5.7% 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 stock share buyback program. Finally, we generated record free cash flow of $353 million which was up 2% versus a strong third quarter in 2015.

Next I'll move to the segments and provide a little more color. First is our Watch segment. Our Watch segment had another great quarter. Revenue was $761 million, up 6.7% constant currency. Our growth initiatives performed well, as Audience Measurement of Video and Text was up 8.5% on a constant currency basis. As expected, Audio was down 2.8% on a constant currency basis against a tough comp in 3Q 2015 that grew 11% driven by timing of deliveries. The business is performing in line with our expectations and generating strong earnings and cash flow.

Marketing Effectiveness was up 31.8% constant currency behind strong results from the Nielsen Marketing Cloud, Nielsen Catalina Solutions and Repucom, which is now branded as Nielson Sports. The investments we have made in Marketing Effectiveness continue to drive Watch segment growth and we continue to see strong demand from a broad array of clients.

As expected, Other Watch was about a 2 points drag on Watch revenue on a constant currency basis, reflecting the impact of our divestiture of the NRG business late in the fourth quarter of 2015. Watch adjusted EBITDA was $360 million, up 7.5% constant currency. Watch margins expanded 33 basis points on a constant currency basis as we continue to drive operating leverage while investing in the business.

Let me say a few words about a couple our key initiatives in Watch. First Total Audience has strong momentum. Digital Ad Ratings has been widely adopted by the industry as a way of measuring reach and frequency on ad campaigns. In the third quarter, Digital Ad Ratings campaigns were up 45%, led by strong demand from advertisers, agencies, platforms and content owners. We have added nearly 100 new Digital Ad Ratings clients this year and experienced strong renewals with good pricing from existing clients.

Digital Content Ratings, which provides daily measurement of audiences across all digital content types and platforms with metrics comparable to TV, continues to gain traction with key clients for both video and text measurement. In the quarter, DCR was fully syndicated and we continue to add networks and digital players to an already strong roster of previously signed clients. In fact, we have over 90 brands being measured in DCR, and syndicated clients include; A&E, ABC, AOL, Buzzfeed, Discovery and Vice among many others. Digital Content Ratings is a key piece of our Total Audience capabilities and will be a future growth driver for our business.

Our Watch segment remains strong. We are executing on our Total Audience Measurement growth strategy and Marketing Effectiveness continues to deliver impressive growth. We remain confident in our 2016 Watch guidance of 4.5% to 6.5% revenue growth on a constant currency basis.

Turning to Buy, Third quarter total Buy revenue was $809 million, up just under 1% on a constant currency basis. On a total segment basis, our syndicated recurring revenue business remains solid. However, our ad hoc discretionary revenue declined. Our business in the developed markets was $542 million, down 2.5% on a constant currency basis as we continue to see softness in discretionary spend, especially in the U.S. Additionally, we are taking steps to future proof our business by pruning and sun setting slow growth non-core services in developed markets. These actions along with further restructuring in our Buy segment and accelerating the development of our Connected System will strengthen our business.

As you've often heard me say, we are clearly operating in a two speed world with significantly higher growth rates in the emerging markets versus developed markets. In the third quarter, our business in the emerging markets was $267 million up 8.5% on a constant currency basis. As Mitch mentioned, growth was broad based across a number of markets. In addition, we saw double-digit growth from multinationals that gives us more confidence that emerging markets will continue to be a tailwind for our Buy segment revenue into 2017.

Buy EBITDA was $150 million, down 3.8% constant currency. In this environment, we continue to invest in a disciplined way in coverage and building out the Connected System, which will drive future growth and profitability in our Buy business. The early read from our initial pilot clients is promising and we are confident that our investment will further strengthen our competitive position.

These key investments along with an unfavorable mix between our developed and emerging markets revenue are the key drivers for Buy adjusted EBITDA margins being down 91 basis points versus the prior year. Based on our year-to-date results and fourth quarter outlook in developed Buy, we now expect our Buy revenues to grow approximately 1.5% to 2% for 2016.

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 110 basis points drag on revenue, if current spot rates held constant through 2016, then we expect 170 basis points drag on revenue and a 70 basis points drag on EBITDA for the full year in 2016, which is in line with the forecast we gave last quarter.

Moving to 2016 guidance, in light of our third quarter results and fourth quarter outlook in developed Buy, we are updating our full year guidance highlighted by revenue growth of approximately 3.5% to 4% on a constant currency basis, adjusted EBITDA margin growth of 30 basis points, adjusted net income per share of $2.73 to $2.79 and free cash flow of approximately $850 million.

So, to wrap up, our third quarter was highlighted by revenue growth and margin expansion in a more challenging environment. First, our Watch business has tremendous momentum behind our Total Audience initiatives and by our subscription base recurring revenue business remaining solid and emerging market growth remains robust, while our developed market business in the U.S. has declined. But importantly, across both Watch and Buy, we continue to invest in a disciplined way to build a stronger, higher margin business. In addition, we remain on track to return over $800 million in cash back to shareholders in 2016 in the form of dividend and buybacks.

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

Yaeni Kim
Vice President, Investor Relations, Nielsen Holdings Plc

Thanks, operator. We'll take the first question.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And your first question comes from the line of Toni Kaplan from Morgan Stanley. Your line is open.

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

Hi. Good morning.

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

Hi, Toni.

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

Buy growth in developed markets I guess was the lowest since you've started reporting it as a sub-segment and clearly driven by this – the insights piece. So, you've mentioned the secular shift away from custom insights to everyday analytics. And so, I was hoping you could give a little more color on the drivers behind sort of the reduced spending, are you losing share, is the competitive environment changing or are customers just tightening budgets? And is there any way to quantify that and basically in terms of the investments that you're going to be making in Buy to address the shift? How much should this impact Buy margins? Thanks.

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

Thanks, Toni. Let me start and I'm sure Jamere will add. First, with regard to Buy developed, yeah, that is the challenging spot for our business in the quarter. But, I would even narrow it further for you, because within Buy developed, Europe grew, the Pacific grew, Canada grew, it's really the U.S. where the problem is focused at the moment.

And so, just to sharpen the focus a little bit, focus on the U.S. What we're seeing in the U.S. market – let me give you a couple of examples in terms of the external environment that our clients are dealing with. First, if you just focus in on food and beverage manufacturers, 2015, we saw this trend starting to emerge where the small and medium sized manufacturers accounted for about half of the growth in the categories. And, private label accounted for about a quarter of the growth and the big – the top 25 players, they accounted collectively for only 3% of the growth in food and beverage categories in 2015. And that situation really hasn't changed that much in 2016. The reason why that's especially noteworthy for our business is the strength of our business just so happens to be the biggest global companies, the biggest global players. And so, you see that reflected in our U.S. results.

What all these companies are dealing with, both food and beverage and others, is a combination of things. Product fragmentation where consumers are increasingly shifting their purchasing to smaller specialty, more niche products, moving away a little bit from the bigger brands. You see retail fragmentations of purchases moving across additional channels. You of course, see the 3G effect sweeping through the fast moving consumer goods industry where companies, whether 3G is a factor or not are practicing zero-based budgeting, they're running their own internal 3G play. And, they add up all these things together and that's the situation that our clients are contending with and you see that reflected back in our results.

Now for us, what that means in terms of their discretionary spend, as I said, they're shifting from these more deep dive projects that help them think about what they're going to do next year and focused much more on these everyday analytics that help them with activation. What should I do today or tomorrow or this week and that's where the shift is happening in the marketplace.

And so we're realigning our portfolio to better serve those client interests and those client needs. And as I mentioned, we don't see this as just a passing phase that the marketplace is going through. We see this as a trend that will continue on more of a secular basis over the long run.

As we make this shift and as we build out this Connected System, you see us building a very different business really frankly. Right now, it's very much a professional services model for Nielsen, as that Connected System starts to unfold in the marketplace, it helps us to move from a professional service or people as a service business model to much more as a data as a service and software as a service business model. And that all results in us, as Jamere said in his opening comments, having a stronger higher margin business. Jamere, what would you add?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc
A

Yeah, just a couple things on margin. So you did see our margins dip in the quarter. I would say the key drivers as I said in my comments were there's a bit of a mix issue as emerging markets revenue grew 8.5% and the higher margin developed markets revenue actually declined.

I'd say the second thing as Mitch said, we're continuing to invest in the Connected System and our Total Consumer initiatives to future proof the business and so, in the short-term, with a softer revenue profile, this obviously puts pressure on margins.

But in terms of our long-term productivity drivers, I would say three things. One is, we're continuing to see scale benefits in the emerging markets and there's a focus on profitability. We're running the place with intensity around cost and productivity. I've mentioned before that we have over 4,000 projects that are running inside the company. We're invested in our products, our higher margin products. And I'd say the last thing is you've seen us take a couple of rounds of restructuring in the second quarter and the third quarter to put us on the right trajectory going forward.

So, we have confidence again that we will expand margins on a total company basis and we're running all the right plays inside the company to be able to achieve that.

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

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

Q

Hi. Good morning. Probably unsurprisingly, I'll use my one question to dive a little further back into this topic again if you don't mind. Let me take a shot at seeing if you'll comment anything to help us size this a little bit. When you used to disclose the insights line item or analytics line item in the Buy segment, I think the last time you did that was 2014. And at that point in time, I think it was about 25% of Buy segment revenue.

So, I guess a question is, is that – any reason to think that it's not sort of similar to that today? Any comment you'd make on sort of the relative margin profile of that part of the business compared to the segment overall margin profile? And then, as we think about what part of it is at risk, can you help us through, is all of that revenue pull at risk, is some at risk, as you transition to replacing it with this other shape of revenue and just helping us size it in that way, whatever you'd help us, say, would be really helpful. Thank you.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. Thanks, Todd. So, in terms of the size of what I will call our analytics or discretionary business, it is probably in the 30%-ish kind of range in terms of our total portfolio, sometimes a little bit more, a little bit less on a quarter-to-quarter basis, just depending on what the project pipeline is.

I would say a couple of things, first of all from a – in terms of what the focus area is in our portfolio, there is probably 3% to 4% in the Buy revenue, that as Mitch mentioned is slow growing or becoming non-core, and just a couple of examples if you look at a year ago, we would provide the data and analytics for things like helping retailers optimize store locations, in a world were bricks-and-mortar is under pressure and e-commerce is actually growing, we were providing data and analytics around video sales and retail channels in an environment where consumers are moving to more streaming digital consumption, providing data and analytics around alcoholic beverages moving through wholesaler channels. So these are some examples of a very broad portfolio in Buy.

And as we look at our resource allocation as we look at the discretionary nature of some of those data sets and those analytics, we're actually going to move away from some of those. So, it's 3% to 4% of the portfolio, and we're going to be aggressive about that, and replace that with things that are more future-proof and things that are actually in our Connected Buy system platform if you will.

In terms of the margin profile, the analytics or ad-hoc or discretionary projects have tended to be a lower margin profile than the overall business and so as we think about moving forward in our future to a Connected Buy system that is much more data-as-a-service or people as a service-oriented then the margin profile will certainly improve overall for the Buy business, so...

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

A

What I'll add to that, Todd, is when we look at all the different analytics in, as you describe them, insights-type capabilities we have in our portfolio, some of them are still doing incredibly well. And, we see a pattern in terms of which parts are performing better versus which ones are struggling in the current environment.

And, here is the characteristics of the things that are doing well. If the analytics capability is connected to our core measurement data, that's a positive. Second, if data is more focused on activation or these everyday analytics kinds of questions, that's a positive. And, third, if the talent required in that analytics area is similar to the talent that helps us be successful in our core measurement business, that also tends to do better within the Nielsen portfolio. So, we have a number of analytics capabilities that perfectly fit that profile. And, no surprise, those are the parts that are performing really well.

And then, we have a number of others that don't fit that profile and those are the ones where we have some decisions to make. And, we've already started to take those decisions as Jamere recounted.

One other thing I'll add to this picture, which I hope will be helpful, Todd, is why – you might be wondering, why is it showing up more in the U.S. than it is in other places? Well, fact is the U.S. revenues, a bigger percentage of our U.S. revenues are these discretionary services. In fact, there's about twice as much – slightly more than twice as much of our U.S. revenues come from these discretionary services as compared to Europe where it's a much smaller percentage. So that's why you see it showing up in the U.S. and that's why our focus is currently centered on the U.S. but we're transforming our Buy portfolio really for the entire developed market world and ultimately a lot of these moves that we're making, in particular with the Connected System, will benefit our business in the key emerging markets as well.

Operator: Your next question comes from Tim McHugh from William Blair. Your line is open.

Timothy J. McHugh
Analyst, William Blair & Co. LLC

Q

Hi. Yes. Thanks. Just one more on this topic I guess. You talked about for Connected Buy kind of the timeline, but I guess what pace do you – or how long will it take to kind of make this transition in the areas where just kind of moving away from the business over time. I guess, how long will this be a headwind, how quickly do you want to kind of move away from those areas?

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

A

The last thing we want to do is set expectations too aggressively. The timeline I described in my opening comments, I think is exactly the right way to think about it, which is – well, first of all, let me start with, we already have an initial version of this system built and in the hands of five initial clients. So I want you to just realize that this is real and it's something we've been working on now for the better part of a year, and even before our Analyst Day last December when we first talked about this with our investors and analysts.

We already have it in the hands of five initial clients. We have live modules that are already usable. We've demonstrated those for our clients and we have great feedback so far. In fact, our clients are already thinking through what it's going to mean in terms of implementation on their side, that's the kind of reaction we've received so far.

We'll roll it out to 20 to 30 additional clients by the middle of 2017, and by the end of the year is when we think we'll be prepared for a more full rollout to all clients who want to start to make the shift to transition to this

Connected System. So, we're certainly hopeful that it'll start to have some impact on our business in 2017, but I think the better way to think about it is it'll start to show up meaningfully, significantly in our business, especially the financial results, in the 2018 timeframe.

But one other thing to add to that, just to put maybe a reference point on that, I mentioned in my opening comments that I think it's exactly the right way to think about it. While it's a slightly different system that we're building and a slightly different set of client needs that we're addressing. The magnitude of this and the execution required to do it properly, to do it in a way that really fits with what our clients need is very similar to what you've seen us work successfully through on the Watch side of our business as we developed a Total Audience Measurement framework, and roll that out to our clients over the past couple of years. So look, we know how to do this, we have the teams in place and they're very focused and excited about the task in front of them, and we have a huge opportunity to drive this stronger higher margin business for our future to take cost out of our clients' business, on their side of the table and to give them a lot more value and a lot more speed.

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

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Yeah. Thank you. Good morning, gentlemen. So I just wanted to, I guess again touch on Buy here, but in terms of the sequential changes you've seen because the revenue backdrop you described doesn't seem that new. The margin investments in Connected and the total Buy system or whatever, that isn't new as well. So Q-over-Q what really changed, especially since I think you maybe just said the analytics side of it was lower margin, so I would assume you would have the flex to sort of offset that. So I'm just a little confused quite honestly on what changed over the quarter?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, a couple things. First of all, if you're looking back to the third quarter of last year, you saw our developed markets business grow 4.8% constant currency and as part of that discussion we've said that we saw a pretty strong discretionary environment. We have not seen that since then and if you look at our results in our developed Buy business they've sequentially been going in the other direction and part of that is because that stable or I would say the environment in the third quarter last year actually ran a little hot. I would say that environment has slowly started to erode and we're starting to see the dynamics that Mitch and I have discussed in the call today.

From a margin standpoint, again, you have a couple of dynamics there. One is, you have sort of a mix shift between our developed markets revenue and our emerging markets revenue that certainly plays into the numbers. And then the second thing, as I said is, we'll continue to invest in our growth initiatives in a softer revenue environment is going to fuel that margin pressure.

But more importantly, we've taken the actions, if you will, that will put us on the right trajectory from a cost standpoint. First of all, as I said, a couple of rounds of restructuring that you saw in the second quarter and the third quarter numbers. We'll continue to work on our productivity initiatives, we're investing in and actually emphasizing the faster growing, higher margin pieces of the Buy portfolio. And so, we have a lot of confidence around that story and what that will mean for us going forward.

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

A

And, what I'll add to that, Manav, is that you're right, it's not new. But we've always viewed this part of the business as lumpy. And so, some quarters up, some quarters down. I think what it comes down to is, we're just not thinking of it so much that way. This – some of these characteristics we're not viewing as lumpiness, we're as I said seeing them more as secular shifts. And so, we just reached the conclusion that it's not viable for the long-term to keep running after these short-term revenue opportunities and keep trying to chase these and work our way through the lumpy nature of this part of our business.

Instead, a much better future is about investing in something that transforms our product portfolio. That takes some of the lumpiness out of this part of our business that better fits with what our clients need and where their needs are evolving toward. And, that's what that Connected System is designed to do.

And so, we're not running after those short-term revenue opportunities as much in the quarter and that will continue going forward. And that allows us to reallocate, enables us to reallocate resources to build faster and do more as we develop this Connected System initiative. So you see all of that reflected in the results in the quarter and our outlook going forward.

Operator: Your next question comes from Kip Paulson from Cantor Fitzgerald. Your line is open.

Kip Paulson
Analyst, Cantor Fitzgerald Securities

Q

Thanks for taking my questions. Just a couple for me. Starting with Watch, Marketing Effectiveness growth picked up nicely in the quarter. How much of this was driven by Marketing and Cloud or eXelate versus Nielsen Catalina? And could you give us a sense of how fast Marketing Cloud is growing? I believe eXelate was growing at a roughly 40% clip a couple of quarters ago?

And then second if I could, how much of the $100 million of reduction in the free cash flow guidance would you attribute to underperformance in developed Buy versus increased investments? Thank you.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. Thanks. So just to give you a little bit of color on our Marketing Effectiveness business is up 31.8% in the quarter. As you know, we did have a couple of inorganic things in there with Nielsen Sports and Nielsen Catalina Solutions that had us growing probably closer to an 18% organic number. The things that we're really excited about in Marketing Effectiveness, first of all is Nielsen Marketing Cloud or eXelate, it's up double-digits. Nielsen Buyer Insights is up double-digits as clients continue to look for our data sets to help them build ROI solutions. And Nielsen Catalina Solutions is up about 18% organically as well. So, we continue to be impressed with the growth that we're seeing in Marketing Effectiveness and it's provided a nice tailwind for our business.

In terms of the free cash flow outlook for the year. So just a couple things. One is as you alluded to, most of the sort of revenue shortfall actually was in our Buy business and so that's a big driver of it. So you get a couple of things rolling through the numbers. One is, just a reduced EBITDA outlook, particularly for the developed Buy regions. The second thing is that we're continuing to invest and actually our investment profile is slightly higher than what we began at the beginning of the year and that is both a Watch and a Buy story. So on the Watch side you've seen us acquire and begin to integrate set-top box data for all the things that we're doing with our Total Audience Measurement initiatives. We've talked about moving away from the paper diaries and bringing more electronic measurement to the marketplace, that's certainly rolling through the numbers, and then, we have a big year in front of us in terms of bringing DCR and DAR to the marketplace and growing that piece of the business.

And then, the last piece is growing the investment profile associated with our Connected System and our Total Consumer initiative. So combination of lower EBITDA expectations and a slightly higher investment profile were some of the key growth initiatives in the future is driving it.

And then one other thing I'd add to that is, we're probably going to be at the upper-end of what we gave as sort of a cash restructuring number and that's focused on the fact that in the second quarter and the third quarter, we've taken a couple actions in our Buy business to set us on the right trajectory for the future. So, those are the things that are driving the number from a free cash flow standpoint.

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

Brian W. Wieser
Analyst, Pivotal Research Group LLC

Q

Thanks very much for taking the question. I was wondering if you could talk about the grand total of organic growth for the quarter, just to try to dimensionalize that? And maybe relatedly, was there any contribution on the organic side from DCR and TCR to revenue in the quarter?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So from an organic standpoint, we had about 1.5%, just a little under 1.5% of revenue contribution with the combination of Nielsen Catalina Solutions and Nielsen Sports or Repucom offset by NRG. So, those are the numbers from an organic standpoint.

And then, the second part of your question was around...?

Brian W. Wieser
Analyst, Pivotal Research Group LLC

Q

Contribution from DAR?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

From DAR or DCR, so from TCR and DCR still early innings there, we've had the syndication's just taken place as you know, we've had a number of clients looking at the data for a while, so the revenue contribution is immaterial in the quarter and it's again, I expect that to be a much greater contributor in 2017 and going forward.

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

A

But, I'll also say though, as we've said in the past, Digital Ad Ratings, Digital Content Ratings, their presence in our portfolio completely changes the discussion. When we are renewing our contracts with the big media companies. And so while Jamere's comment is more focused on the direct incremental revenues, which mostly come from the digital first players in the marketplace, if you could imagine, which I don't really choose to do, but if you could imagine, what our contract renewals would be like with the big media conglomerates if we didn't have Digital Ad Ratings and Digital Content Ratings and our Total Audience Measurement system, it would be a completely different picture than what you see rolling through our numbers in the core. That's by far the more significant contribution that those products make in our Watch business right now. And the other parts we love as well, we love it just as much but it's at the moment not quite as big.

Operator: Your next question comes from Dan Salmon from BMO Capital Markets. Your line is open.

Daniel Salmon
Analyst, BMO Capital Markets (United States)

Q

Hi, guys. Good morning. Just one question each on the Buy and Watch segments, Mitch, could you just refresh us on where your relationships with Amazon and Alibaba stand in terms of their participation in various Buy products?

And then just on the Watch side, a bit more of a minor one, perhaps just an update on the status in the audio market, both progress on your own initiatives as well as perhaps your comments on the competitive environment, as we know the industry is looking for a sort of co-op collective solution or has initiated that, you obviously have another independent competitor there. I'd just be interested to hear an update on it as well. Thank you.

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

A

Sure. Thanks, Dan. First on your first question related to Buy and e-commerce. We've continued the development of our e-commerce solution for the U.S. where we're bringing together some of our panel data, some other third party data and big data sources, all together in a hybrid solution that allows us to cover the rapidly growing e-commerce channels, both the extensions of the brick and mortar players and the pure play e-commerce platforms including the largest players out there. We're bringing that forward to the marketplace and by the end of this year, that'll be in the hands of a growing number of our clients and start to roll through our business in a more full way in 2017, that's the U.S. And we have similar solutions that employ basically the same design, depends on the country, in 11 other markets where e-commerce sales are significant around the world.

With regard to Amazon, they – no change really in their status, in terms of their willingness to share their sales data, like retailers typically do with us as we measure fast moving consumer goods, they still prefer to remain on the outside of that collaboration model, cooperation model that typifies our retail measurement service. And so, like we've done with Netflix on the Watch side of the business, we find other ways to measure the activity on those kinds of platforms. We've done that very successfully on the Watch side covering Netflix and other subscription video on demand platforms. And we're able to do it on the Buy side as well to measure what's happening on Amazon's platform.

With regard to Alibaba, we continue to be very closely in touch and active with Alibaba in the China market, as well as, Tencent and Sina and Baidu and a lot of the other really big players. In U.S. we have FANG; Facebook, Amazon, Netflix and Google. In China they have their similar four or five major players and we're active with all of them. I was in China last month with our teams and part of that also included a meeting with the most senior leaders at Baidu and talking about how we're going to continue to broaden our relationship there and Alibaba continues to be very active and a key focus for our business in the China market.

On your – on part B of your one question, Dan. With regarding audio and the competitive situation in the industry. First on audio, we're still thrilled with that business. It did exactly what we expected, low-single-digit growth, strong free cash flows. You're now seeing us gain some leverage from the audio business in a new way, leveraging the

PPM measurement capability to add more effective sample size to our local TV measurement over on the video side of the equation.

And then, we're continuing to pursue international wins in the Radio Audience Measurement business through the capabilities we have. We have some of those in our history and there's a few more opportunities in front of us. And the other thing we're doing there is obviously continuing to bring our analytics portfolio to the radio industry to help them better tell their ROI and penetration story in the marketplace.

On the cooperative industry collaboration that's going on to try to prop up a competitive alternative, it uses ACR technology, automated content recognition technology. I think that's the one you are probably referring to. Look, we're very familiar with that kind of technology. We have it ourselves already in our tool bag. We know what it's good for and how – what it works well for and we also know quite a bit about its limitations. And so, we're staying focused on our strategy in – on audience measurement and currency-grade measurement that the marketplace trades on. It has representative panels that represent all the key segments of the marketplace in a manner that's always been important, currently is and will remain important. That's what Nielsen's about. And that's easier said than done, we know that from experience.

Operator: Your next question comes from Ryan Cary from Jefferies. Your line is open.

Ryan A. Cary
Analyst, Jefferies LLC

Q

Good morning. One more on the Buy business. While it was understandably too early to give any 2017 guidance, how should we be thinking about the growth rates in the developed markets beyond 2016, even if just directionally? And clearly you're doing a lot to evolve the business. Just trying to gauge how long it could take before the developed business returns to more historical growth rates. Thanks.

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

A

Let me start. Maybe, Jamere, you will add. Look, especially for the U.S., we're planning for it to continue to be a tough environment next year. So we're starting there and then we're thinking about our cost base, our allocation of resources, our investment in our key initiatives, with that as the starting point. If the environment improves then that's going to be great. But if it doesn't, we're building our plan with that tough growth environment in mind, again because we don't see this as just a cycle that the market is passing through. That's our judgment of what we're seeing in the marketplace, we see it as more of a secular shift and we're designing and transforming our product portfolio accordingly.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. I mean, we'll give more color in December at Analyst Day, but what I'll say from a total company standpoint is you've all seen our long-term growth framework, what we guided for this year was in line with that long term growth framework and I would say just based on what we're seeing in developed Buy that we're planning for a year that's at the lower end of that growth range. And again we'll give a lot more color at Analyst Day, we're working through our 2017 operating plan over the next few weeks and we'll fill out the picture then.

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

Tim Nollen
Analyst, Macquarie Capital (USA), Inc.

Q

Hi, thanks. So it does seem like this is a fairly important initiative you're taking on and there will be effects beyond the Q3 just reported. We have the Q4 guidance, I respect you're not going to give us much on 2017 yet. But your restructuring charges as you mentioned earlier, Jamere, are going to be toward the upper-end. How will you be reporting restructuring and other below-the-line items after this year?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah, it's a great question. So, as many of you know, when I took the CFO job in 2014, I rated myself as a plain vanilla GAAP kind of CFO and we're marching towards that path. I would say a couple of things, you – those of you who followed our business over the last few years know sort of where we've been consistently with things like restructuring and one-time items, cash taxes, et cetera. So we've reached a point in our cycle in our maturity that we know pretty much where those line items are going to come in and quite frankly, we feel comfortable being measured against them. And so you'll see us provide a lot more clarity around how we'll guide going forward at our 2017 Analyst Day.

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

Thomas W. Eagan
Managing Director and Senior Research Analyst, Telsey Advisory Group LLC

Q

Great. Thank you. Just a follow-up on developed Buy business. We saw the same light organic growth in the U.S. business versus other markets at several ad agencies this past quarter, namely OMC and IPG. So is your business a leading indicator of theirs or vice versa, and then additionally, how would you describe or explain the dynamics for your competition in that business? Thanks.

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

A

I don't know that we're a lead versus theirs or vice versa, I think it's the same wallet and a lot of the same dynamics. Within our portfolio, we do know that there are some parts that do tend to see these kinds of swings in the marketplace sooner than others. For instance, we've always seen that in our innovation analytics, the innovation analytics part of our business, that tends to swing down or swing back up as a lead indicator of some of the other discretionary services in our portfolio, but as a whole, I think our broad portfolio and the broad portfolio of services that the media and advertising agencies provide, we're probably moving more similarly to each other rather than one being lead versus the other.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

I just think it's indicative of the environment. When we talk to our clients, particularly as I talk to CFOs at our clients, they are all very focused on every line item of the P&L just like we are and agencies aren't immune, the discretionary parts of our business aren't immune. And so I think it's just indicative of the environment that you're seeing.

Operator: Your next question comes from Jeff Meuler from Baird. Your line is open.

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

Q

Thank you. On the long-term framework, you've also provided us for margins. You've talked about a lot of margin levers. It sounds like you still think you have to pull, but just wanted to gauge your sense of comfort with the long-term margin framework you previously provided and is it reasonable to expect that it may be below that pace of expansion at least in the intermediate term, call it 2017, 2018 as you go through some of these changes? Thank you.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. As I said, we're currently working through our 2017 operating plans over the next few weeks or so and we'll certainly fill out the picture at December Analyst Day. Three things that I have a lot of confidence in; the first is that in our Buy business, we're continuing to see scale benefits from the emerging markets and that's certainly a tailwind for margins. The intensity around cost out and productivity has not waned inside the company and we've got a very strong deck of productivity projects that are going to produce margin expansion for us inside the company. And then I'd say the third thing is that the restructuring efforts that you saw us take in the last couple of quarters are going to give us the right trajectory.

So again, we'll manage the margin expansion inside the total company. You'll see us guide to what that is. We'll balance that with the real window of opportunity that we have here to accelerate this journey that we're on in our Buy business and accelerate the growth initiatives that we have in our Watch business.

Operator: Your next question comes from Bill Warmington from Wells Fargo. Your line is open.

William A. Warmington
Analyst, Wells Fargo Securities LLC

Q

Good morning, everyone. So, I wanted to ask about the new rating standard and assuming it's ready in time for 2017 upfronts. Just to ask about the direct and indirect revenue opportunity for you guys in terms pricing modules and so on and then as part of that I just wanted to double check the Watch guidance that you've given for the segment. It had been 6% to 7% I believe and I just want to double check that.

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

A

I'll take the first one. Jamere will cover the second one for you, Bill. Thanks for the question. On the currency definition, I commented on that earlier, maybe just a thing to add. We've had this series of meetings with the industry, the most recent one was last week. We continue to narrow in on the definition and there are a lot of reasons for us to be confident that our Total Audience Measurement system's going to play a big role in the 2017 upfronts.

Let me tell you what we're hearing though also, not just what Nielson thinks, but what some of the key industry players think. One example is Rino Scanzoni. He is the Chief Investment Officer at GroupM. He was quoted a few weeks ago saying something like, we're looking probably to making the Total Audience the currency in the next upfront, then what he said was, "We have to go there." There is 10% to 12% more audience if you're factoring the viewing on these other devices. His voice is really important because well, he was central to the C3 metric 10 years ago when that was converged on by the industry and has since served as the definition of the currency. So, that's how Rino is thinking about the Total Audience and the new definition of the currency for the 2017 upfront.

David Poltrack, Chief Research Officer at CBS, he was just more direct, he just said, "We're definitely moving forward." That was his attitude toward it. And so, I think the key to this way of thinking for these key industry influencers are the fact that we've passed the syndication point for Digital Content Ratings, at the end of September. We are on the path to fully syndicate Total Content Ratings by the early part of 2017. Already in full syndication for the participating publishers, we're just going to add agencies and other members of the of ecosystem in the early part of the year. Those are the last few pieces in the puzzle. And so, we've delivered on those and that's why I think everybody is pretty confident in terms of this measurement system. And some sense of what that new currency definition is going to be playing an important role in the 2017 upfronts.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah, in terms of our Watch guidance, this year, we guided 4.5% to 6.5%, you've seen us on a year-to-date basis be at about 6.3%. And for the fourth quarter the only thing that – for those of you who are modeling have to adjust for is that remember, we lap the NCS consolidation in the fourth quarter last year and we're also lapping the NRG divestiture in the fourth quarter. So those are the only material adjustments that you need to make and I think they're in the right ballpark.

Operator: Your next question comes from Ashwin Shirvaikar from Citi. Your line is open.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc. (Broker)

Q

Thanks. Good morning, Mitch. Good morning, Jamere. I want to go back to the Buy business. If I think of it as data tools and people, I'd say that the issues that you currently have are on the people based side of it. These are expensive resources that you have from consultants and such to expense and as you do the restructuring, as you go through that, I just want to figure out what are we talking about in terms of eventual sort of head count drops, what are we talking about in terms of cash restructuring associated with that. And then as you move to Connected Buy and build out an ecosystem, how is the economics going to work with regards to how you share across the ecosystem?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

So, thanks for the question. I'll start and I'll let Mitch sort of chime in. I think your characterization of our businesses is exactly right. What the Connected System does is it transitions our Buy business to look a little bit more like an info services business than it does today. Currently for a lot of the things that we've been talking about, we have more of a people as a service business mix than a typical info services company, and so the implication is that we'll have a higher margin business post the transition as we'll have more opportunities to fill data as a service and software as a service business. And as Mitch said, this should add tremendous value and reduce cost on the client side and it should help us be more efficient and more productive in terms of how we deliver that service to our clients, and so it's an exciting transition for us.

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

A

And the idea of people remains every bit as important in that future business model versus how they've been important in our business historically. What it will mean is a different mix of people, slightly different set of skills and different roles inside the business.

As our system, Connected System, this hugely important initiative that we're focused on is developed, it will be connected directly to our clients' business processes and systems, whereas right now there's a lot of manual intervention required, both on our side and on our client side in order to draw full value out of these data resources that we provide to our clients.

So, it creates a lot of efficiencies, both on our side and on our client side, and that's back to our point about, this is a stronger higher margin business, more valuable to Nielsen and more valuable to our clients. So, that's the transition we'll work through. It's not a flip the switch kind of impact though. It's a gradual transition that will evolve over time. We've done some restructuring already and if we get to the point where we see the next move that needs to be made on that front, of course you'll see us do it.

Operator: Our final question today comes from Doug Arthur from Huber Research. Your line is open.

Douglas M. Arthur
Managing Director, Huber Research Partners LLC

Q

Yeah, thanks. Mitch, in terms of the national TV out of home measurement roll out, how significant could that be to growth, is it modest or more than modest?

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

A

For our business modest. It will be a very important addition to our capabilities for certain clients and not so important for others. For instance, if you're March Madness, if you are one of the networks carrying March Madness, it's a big deal. If you are CNN, if you are CNBC, these kinds of networks, this is a big deal. But others that are, maybe their programming is more serial based genre or sitcoms, things of that nature, this isn't as high a priority for those kinds of networks. And so, you'll see it work its way through our client portfolio accordingly and it'll all add up to a being a modest impact on our business. But look, that's what's required, when you take on the task of measuring the total audience, you can't just go for the easy parts or the more efficient parts. To really live up to that standard and to fulfill that vision, you got to take it all on and this is part of that.

Operator: This concludes our question and answer session. I'll now turn the call back to Mitch Barns for closing remarks.

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

Yeah, just to take one minute before we wrap up to share a few closing thoughts in terms of how I see the overall picture. Watch business again we continue to be thrilled with the progress, the syndication of Digital Content Ratings and the path we're on for full syndication of Total Content Ratings. The overall Total Audience Measurement system gaining adoption and well positioned for the 2017 upfronts.

On top of that, the improvements that we're rolling out for our local TV ratings business, our Watch business really on a roll. Marketing Effectiveness, strong growth, more than 30% in the quarter.

Our Buy business, emerging remained solid. Even within developed, Europe, the Pacific, Canada all turned in solid quarters of growth. The U.S. is where we have the declines. A tough environment, we've talked about, we're judging these to be secular shifts and we're responding accordingly. In terms of the magnitude and the pace of the changes we're making in our business to reduce our cost base, reallocate our resources, accelerate our investments, in particular in this Connected system that helps us move from what today is much of a people as a service business model to be much more of a data as a service and software as a service business model in the future.

All of it adds up to a stronger, higher margin business for Nielsen going forward, and we're going to continue to update you on our progress on the Connected system front on future calls and of course, at our December Analyst Day, much like we have done with Total Audience and its development over the past many quarters.

So, thanks again for everybody for tuning to the call. Thanks for your questions and we'll look forward to talking with you in the days and weeks ahead.

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