Corrected Transcript

25-Oct-2017

Nielsen Holdings Plc (NLSN)

Q3 2017 Earnings Call

Copyright © 2001-2017 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

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

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

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

OTHER PARTICIPANTS

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

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

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

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Manav Patnaik
Analyst, Barclays Capital, Inc.

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

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

William A. Warmington
Analyst, Wells Fargo Securities LLC

Matthew C. Thornton
Analyst, SunTrust Robinson Humphrey, Inc.

Brian W. Wieser
Analyst, Pivotal Research Group LLC

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

Kevin McVeigh
Analyst, Deutsche Bank Securities, Inc.

Thomas William Eagan
Analyst, Telsey Advisory Group

Douglas Middleton Arthur
Analyst, Huber Research Partners LLC

Copyright © 2001-2017 FactSet CallStreet, 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 Q3 2017 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]

At this time, I would like to turn the call over to Sara Gubins, Senior Vice President, Investor Relations.

Sara Gubins

Senior Vice President-Investor Relations, Nielsen Holdings Plc

Thanks, Carol. Good morning, everyone. Thank you for joining us to discuss Nielsen's third quarter 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, 2017.

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 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 website or at sec.gov.

For Q&A, as always, we ask that you limit yourself to one question, so that we can accommodate everyone. Please 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

Yes, thanks, Sara. Good morning, everyone. Thanks for joining us on the call. In the quarter, we continued to execute on our strategy to provide uniquely better measurement and analytics products to drive growth and efficiency for our clients and for Nielsen. We made significant progress even while facing rapidly changing environments in both Watch and Buy. For more than 90 years, we've leveraged change as a means for progress, by innovating the services we provide and adapting to the changing environments in which we operate. This is both our legacy and our future. Our ongoing commitment to innovation will drive growth and efficiency in the years to come.

I'll now turn it over to Jamere to review the financials, and then I'll come back to provide an update on some of our key initiatives and a look into our future. Jamere?

Copyright © 2001-2017 FactSet CallStreet, LLC

Jamere Jackson

Chief Financial Officer, Nielsen Holdings Plc

Thank you, Mitch. Once again, our results reflect revenue growth and margin expansion in a challenging environment. In our Buy segment, revenue remained soft as a result of the challenging fast-moving consumer goods environment in the U.S., however growth in margins continued to improve in the emerging markets.

In Watch, we're driving revenue and EBITDA growth behind our Total Audience Measurement and Marketing Effectiveness initiatives. Resiliency remains a key attribute of our overall portfolio.

Let me give a few more details on our total company performance in the third quarter. On the left side of the page, our results on a U.S. GAAP basis. Revenue was just over $1.64 billion, up 4.5% on a reported basis, driven by solid growth in our Watch segment and the emerging markets in Buy, partially offset by softness in our U.S. Buy market. In addition, foreign currency rates added 90 basis points to our revenue growth in the quarter.

Net income was $146 million, up 12.3% and net income per share was $0.41, up 13.9%. Our net income per share results were driven by revenue growth, margin expansion and lower restructuring charges.

Moving to the right side of the page on a non-GAAP basis, total revenue was up 3.6% constant currency. The net of acquisitions and dispositions contributed approximately two points to our revenue growth. Our core revenue, which we define as total revenue less noncore or nonstrategic assets, were 5.7% constant currency in the quarter. I will provide more color on the segments in just a few moments.

Adjusted EBITDA was $522 million, up 4% constant currency and adjusted EBITDA margins were 31.8%, up 12 basis points on a constant currency basis. Our margins were driven by favorable mix and cost savings efforts that are driving efficiency and funding growth in both Watch and Buy.

Free cash flow was $425 million, which was a record third quarter and was up 20.4% versus a year ago. We remain on track for our full-year plan of approximately $900 million to fuel growth and return cash to our shareholders.

Next, I'll move to the segments, starting with Watch. The Watch segment continues to deliver solid revenue and EBITDA growth. Revenue was $838 million, up 9.7% constant currency. The net of acquisitions and dispositions contributed approximately seven points to our Watch revenue growth.

Audience Measurement of Video and Text was up 16.5% on a constant currency basis. Excluding Gracenote, it grew 4.6% constant currency, led by strength in National TV and Digital. Digital Ad Ratings campaigns grew 44% in the quarter and we now have over 400 advertisers using the product, including all of the top 25 in the U.S. Digital Content Ratings, Digital and TV Ratings and out-of-home measurement were also positive contributors to our third quarter growth.

Audio was down 7.3% constant currency in the quarter, due to the timing of ratings deliveries, which skews quarterly growth rates from time to time. This dynamic represented about a 130-basis points drag on Watch growth in the quarter and about a 60-basis points drag on the total company. Importantly, we expect Audio to be roughly flat for 2017, consistent with the framework I gave for the year.

Copyright © 2001-2017 FactSet CallStreet, LLC

Marketing Effectiveness was up 15.6% constant currency as we continue to leverage Watch and Buy assets to help advertisers and content publishers measure the return on investment and media spend and execute Audience-Based Buying.

Other Watch was down 19.2% constant currency, due to the previously announced exits, a part of the telecom product offerings, content testing assets and our legacy net ratings product in the U.S. Watch adjusted EBITDA was $390 million, up 7.7% constant currency. Watch margins were 46.5%, down 84 basis points in constant currency.

Excluding a 138-basis points drag from Gracenote, Watch margins were up 54 basis points constant currency. Our Watch business continues to perform well and is delivering solid revenue and EBITDA growth.

Turning to Buy, the key takeaway is that year-to-date Buy revenue trends are in line with the framework we gave in 2Q with continued strength in the emerging markets, offset by a soft U.S. market. Third quarter total Buy revenue was $803 million, down 2.1% constant currency. Core Buy revenue was roughly flat on a constant currency basis.

Previously announced dispositions were a two-point drag to our Buy revenue growth. Our revenue in the developed markets was $491 million, down 5.4% constant currency, behind continued softness in the U.S. and a tough comparison in Europe. The Developed Buy results year-to-date are in line with the full-year framework we gave in the second quarter.

Let me provide some additional color on the U.S. Sequentially, the revenue declines are improving, although the environment remains tough. As we have discussed, some of our clients are cycling through their own significant cost cuts and lowering overall spend. We expect this trend to continue for the next few quarters.

However, we also know that our measurement and analytics are critical and that, over time, clients must invest in the data they need to drive growth and run their businesses. In addition, we are investing in coverage initiatives that will present growth opportunities for us in 2018 and beyond. And we look forward to sharing more details at our Investor Day in a couple of weeks.

Our business in the emerging markets is exceptionally strong. Revenue was $297 million, up 10.8% constant currency. We're adding coverage and scale to drive broad-based growth and margin expansion in all of our key markets.

Our Corporate Buy revenue was down 54.5% constant currency, reflecting pruning of noncore Buy assets that we had previously flagged. Buy EBITDA was $145 million, down 5.2% constant currency in the third quarter. We are investing in growth and efficiency initiatives across our businesses that will help us expand coverage and drive significant margin upside in Buy by 2020.

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 90-basis points increase in revenue and an 80-basis point gain on EBITDA. If yesterday's spot rates held constant through 2017, then we expect a 40-basis point benefit on revenue and an 80-basis point benefit on EBITDA for the full year.

Copyright © 2001-2017 FactSet CallStreet, LLC

Moving to 2017 guidance, we are maintaining our full-year guidance, highlighted by EPS of $1.40 to $1.46 per share, and free cash flow of approximately $900 million. On the right-hand side, we have updated our restructuring expense to approximately $85 million and D&A to approximately $650 million.

Lastly, we remain committed to our balanced capital structure that is funding growth while enabling us to return cash to shareholders in the form of a growing dividend and share buybacks.

With that, I'll turn it back to Mitch to provide more color on the quarter.

Dwight Mitchell Barns

Chief Executive Officer & Director, Nielsen Holdings Plc

Thanks, Jamere. I'll now provide some updates on our key initiatives. And let's start with Watch. The rapidly evolving media landscape continues to be a source of opportunity and growth for Nielsen, as it heightens the importance of independent, comparable and de-duplicated measurement across all platforms and we are uniquely positioned to deliver this to the market.

Last quarter, I highlighted three points that underscore the endurance of our strong position in measurement and our ability to drive new growth opportunities. During the third quarter, we further strengthened our position as the leading measurement company across the media ecosystem. Let's hit those three points again.

First, the investments we made in Total Audience Measurement position us incredibly well for the future. Second, we made great progress in driving penetration of our digital offerings, and we see significant growth opportunities ahead. Third, we're investing and this comes in all forms: new partnerships, acquisitions and new products, all driving incremental growth opportunities. Let me address each of these in more detail.

First, Total Audience Measurement, our system that provides independent, comparable and de-duplicated measurement of both ads and content across all platforms. We see a lot of momentum here. Total Audience is the foundation for the future of our Watch business, providing measurement capability, scale and flexibility. The flexibility that we built into the system allows us to evolve along with the market, providing our clients with the most complete view of their audience for all types of viewing, now and in the future.

Our measurement of out-of-home viewing is a great example of being able to provide our clients with a more complete view of their audience. Since our April launch, we've seen tremendous demand for this important component of Total Audience. CBS and ABC are the latest of a longer list of 23 networks, leagues, and agencies to sign on. Last month, ESPN began offering a Live Total Audience metric, which reflects traditional TV, as well as viewing via streaming devices and out-of-home and their advertisers are now transacting on those metrics.

With all the talk about cord cutting lately, I want to highlight two types of viewing that are growing, partly as a consequence of cord cutting. Both are captured by our Total Audience Measurement system. The first is viewing via so-called skinny bundles like Sling TV, DIRECTV NOW, PlayStation Vue, YouTube TV, Hulu Live and others. We're capturing live viewing with our Digital and TV Ratings metric with eligible viewing added to the C3/C7 ratings. We're the only accredited measurement provider doing this at both the national and local levels.

The second type of viewing that's growing is viewing over-the-air using an antenna. Yeah, I know it's old school, but this group of viewers is growing again. They're more multicultural, and they're trending younger lately. In some local TV markets, over-the-air homes account for up to 65% of the station's audience for local news and sports. These viewers aren't represented in set-top box data. But our measurement, thanks to our panels, captures these viewers well and always has.

Copyright © 2001-2017 FactSet CallStreet, LLC

Also, in local TV, we've been investing in our plan to bring robust, person level, electronic measurement to all of the 210 U.S. local markets. Our efforts are progressing well, and we'll start to produce parallel data later this year.

Last week, we announced the release of our new syndicated subscription video-on-demand measurement service. This is a significant enhancement to our previous solution, which we launched roughly three years ago. We can now independently provide subscribing clients with data that shows how their programs are performing relative to other programs on Netflix. This is a big step forward. A number of major television networks and production studios have already signed up.

On Total Content Ratings, nearly every major media brand is receiving and using live certified data from Nielsen. This was in part fuelled by our Digital Content Ratings data that dozens of clients rely on every day. As we've said before, in today's world, measurement is a team sport, and we're working closely with our clients to help them as they use the data, whether it's internally or externally.

We've also been working closely with our clients to evolve the currency beyond the C3/C7 definition. The consensus is narrowing, and we're confident that we'll emerge as the currency for both linear TV and digital, in other words, for all premium video. This has been a long journey, but there's no question that we're moving forward.

The second key point is around the progress we're making on increasing our penetration of digital measurement. We're relentlessly focused on expanding the range of use cases, adding flexibility and improving the user interface of our tools. Digital Ad Ratings has become the industry standard for major publishers, particularly on mobile. All of the top advertisers are using Digital Ad Ratings, and we uniquely can measure PC and mobile exposure on YouTube, Snap, Pinterest, Twitter and Facebook. Also, Digital Ad Ratings continues to grow internationally. We'll be in at least 32 countries by the end of this year.

For Digital Content Ratings, on last quarter's call, I mentioned that we are enabled for secondary crediting of distributed video content on Facebook. In August, we added Hulu and YouTube. We are the only provider with comprehensive measurement coverage of distributed content across all three of these platforms, and this has led to some key competitive wins. Since our launch of Digital Content Ratings last fall, our progress has been accelerating.

Distributed video content on digital platforms is a growing trend, because it offers incredible scale to digital media owners, and they want measurement that captures the Total Audience for their content across all these platforms. Digital Content Ratings does that. In fact, it measures all types of video content on these platforms, long-form TV content, short clips and digital originals. The result for us is a growing client list, including Group Nine, a leading digital player for Millennial audiences.

Moving to my third point, we continue to invest in new growth opportunities. Last quarter, we talked about our leadership position in Audience-Based Buying, beginning with Nielsen Catalina Solutions and Nielsen Buyer Insights, and we're continuing to build on this.

We recently announced a partnership with clypd, a leading sell-side platform for television advertising, whose 60 broadcast and cable network clients represent close to half of TV's annual $74 billion ad spend. The partnership enables advertisers, agencies and publishers to transact using consistently defined audience segments on linear television. Advertisers can select audience segments using a variety of behavioral attributes and then push those targets to networks for activation and guarantees.

Copyright © 2001-2017 FactSet CallStreet, LLC

It's a great addition to the line-up of solutions we're supporting in the broader area of Audience-Based Buying. We're incredibly well-positioned here.

We're leveraging our acquisition of Gracenote to bring new capabilities to linear TV ads, in partnership with two leading interactive TV advertising providers, Connekt and Ensequence. Using Gracenote's patented automatic content recognition, or ACR technology, marketers can present special offers or custom promotions tied to their brands, driving deeper consumer engagement.

For example, an automaker can enhance existing TV spots by adding interactive content, such as a local dealership address or a promotional discount. With our ACR technology embedded in 25 million smart TVs, this has broad reach.

In Marketing Effectiveness, where Watch meets Buy, our growth in the quarter was driven by the Nielsen Marketing Cloud, which enables Audience-Based Buying in the digital world. As Audience-Based Buying of advertising grows, outcome-based metrics are key to measuring the value of the audience delivered.

Our recent acquisition of Visual IQ strengthens our already powerful capabilities in this area. By combining our marketing mix modeling outputs with Visual IQ's attribution and ROI metrics, we help marketers to optimize across channels. Visual IQ's highly automated platform also allows us to take in and process large datasets more efficiently.

To sum up the overall picture for our Watch business, it's been a great year so far. We have a lot of momentum. Clients are embracing the solutions we brought to the market across both linear and digital. And as the market continues to evolve, our Total Audience system is there to measure all of it.

Turning to Buy, our business in emerging markets continues to be robust, driven by our balanced portfolio of local and multinational clients, along with our investments in coverage and granularity. Revenues were up nearly 11% in the quarter, led by strength in Latin America, Eastern Europe, Southeast Asia and Greater China.

In developed markets, the operating environment in the U.S. remains challenged, as our large, fast-moving consumer goods clients are faced with price and volume pressure in their own businesses. They're carefully managing their spending across all functions, and our results continue to reflect these near-term pressures.

At the same time, we're continuing to invest for the long-term, adapting and evolving to strengthen our leadership position for the future. We're focused on three key efforts. First, efficiency: driving automation and leveraging technology to enable a more scalable growth for our business. We're taking a number of actions to permanently reduce our cost base, enabling us to expand margins, while also investing in our key growth initiatives.

Across Buy and Watch, we're focused on shrinking our operational footprint, reducing manual processes, and increasing efficiency. All of these actions are designed to drive a stronger, higher margin business, and ultimately to create value for our shareholders.

Second, we're increasing our presence in faster-growing channels. As the retail landscape evolves, coverage expansion is critical to both manufacturers and retailers. We continue to build out our e-commerce measurement capabilities globally, and we're now covering this channel in 16 countries.

Copyright © 2001-2017 FactSet CallStreet, LLC

In the U.S., we launched our hybrid e-commerce solution earlier this year and are focused on growing the number of retailers that share e-commerce data directly. We're also expanding our reach into the fast-growing value channel. Building on our expertise and strength with dollar stores, we made good progress with other major players in the value channel, such as ALDI, one of the fastest growing retailers in the U.S. They recently selected Nielsen as their preferred data and analytics provider, covering nearly 1,700 stores in 35 states.

And third, the Connected System, our open platform-based system that integrates Nielsen's data and other data sources and then seamlessly connects measurement with the Everyday Analytics that our clients rely on to run their business. The system is designed to drive speed and efficiency for our clients, which is exactly what they need. We're making good progress on the rollout of the end-to-end Connected System and we're on track to expand to 25 retailer and manufacturer clients by the end of this year and we'll increase that to 100 clients by the end of 2018. There's no shortage of demand from clients to be on that list.

Clients are excited, because when they see the Connected System, they understand why it is uniquely better than anything else out there. We're already seeing the positive impact of the Connected System in our renewal discussions for 2018, as well as with some competitive wins.

Similar to Total Audience Measurement, this will be a multiyear transformation of the business, with some clients wanting the end-to-end system right away, and others leveraging specific components to address their particular business needs. We have great momentum in our Connected Partner Program, which we launched 12 months ago. In that time, the number of partners has grown to 36.

We're also growing our portfolio of Everyday Analytics apps. Next up for launch is Media Budget Explorer, a media optimization tool for brand managers. We'll continue to build out these always-on-analytics capabilities across a variety of other areas, including assortment and innovation. Demand for our apps has been strong. In total, we now have 152 clients using at least one component of the Connected System, up from 106 that we reported on the second quarter call.

To sum up on Buy, emerging markets continue to be a growth engine. In Developed Buy, the landscape in the U.S. remains challenging near-term, but we're investing for the long-term. We're making good progress on expanding our measurement coverage and on the development of the Connected System and its components.

Before I wrap up, I want to thank our teams for their tireless efforts in the face of natural disasters around the globe over these past few months. The safety of our employees is always our first priority. However, our teams also did a tremendous job executing on our contingency plans to minimize disruption for our clients. At our Investor Day on November 9, we'll provide our outlook for 2018, along with more color on our plans to invest in innovation, to drive growth and efficiency over the next several years. We look forward to seeing many of you there in person.

With that, I'll turn it back to Sara.

Sara Gubins

Senior Vice President-Investor Relations, Nielsen Holdings Plc

Thanks, Mitch. If you haven't registered for our Investor Day and you'd like to attend, please contact the Investor Relations team. This year, we'll be hosting the Investor Day at our Tampa, Florida, Operations Facility, and the event will also be webcast.

So, with that, let's turn to Q&A. Carol, can you open up the line?

Copyright © 2001-2017 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

Operator: Absolutely. [Operator Instructions] Our first question today comes from Todd Juenger from Sanford Bernstein. Please, go ahead.

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

Q

Hi. Good morning, everybody. Listen, I know there's an Investor Day in two weeks, so I'm going to ask this anyway, realizing I'm sure we'll get a lot more. But, on the cost and the restructuring element of that, it looks like it was a pretty light quarter on restructuring, but then you took up your guidance for restructuring for the year, implying there's something bigger coming in Q4 and maybe beyond. I wonder if you could talk a little bit more about what specifically is driving that, assume it's in the Buy segment, but maybe not. Whatever you can tell us about that and how that rolls forward would be appreciated.

If I could check on one super quick mini follow-up, Jamere, I think, last quarter, you said the Buy segment developed revenue would be flat in 2018. Just wanted to confirm that you still see it that way. Thanks.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Okay. Thanks, Todd. First, on restructuring, we do expect to step up in the fourth quarter. It's primarily around rightsizing for some of the market realities that we're seeing, particularly in our Buy business. And the second piece of that is preparing for our 2018 productivity and efficiency initiatives, and we'll talk a little bit more about those as you suggested in our Analyst Day in a couple of weeks.

On Developed Buy, again, we'll share more details when we give our 2018 outlook in a couple of weeks. We do still expect the Developed Buy business to be down less in 2018 than in 2017, and as I said in my opening comments, we see the revenue declines in the U.S. improving sequentially, although the environment remains challenging and we expect these dynamics to continue over the next few quarters.

What give us confidence that the trends will improve are the following, and I actually talked about these last quarter. One is we have new wins with both retailers and manufacturers. The second thing is we're renewing 100% of our long-term contracts with our large global manufacturers. And the third thing is our Connected System is actually giving us incremental capabilities that we're selling in during these renewals, and that adds a positive impact on the value of the agreement.

So, these three dynamics alone will drive improving trends in 2018. But, how much better 2018 trends will be over 2017 is really based on, what I'll call, the fourth and final factor, which is client spending and, candidly, the environment is still tough. Clients are making tough cost tradeoffs, and I expect it to continue for the next few quarters. We still believe, ultimately, they will need to invest more in the data and analytics that help them grow their business. And it's a question of the pace and timing of that spend.

Operator: Our next question comes from Toni Kaplan from Morgan Stanley. Please, go ahead.

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

Q

Copyright © 2001-2017 FactSet CallStreet, LLC

Hey. Good morning. The growth rate in Developed Buy has been fluctuating quite a bit this year. So, last quarter, it seemed like it was getting a little bit better, even though you did lower the full-year guide. Would you expect to be closer to the bottom end of the 3% to 5% range?

And, like, basically, if you could just give us a little bit of color on what drives sort of these, sort of, largish deltas between quarters? I know comps is part of it, and I know you just mentioned a couple of things in the last answer, but is it project revenue? Like, how should we think about it just in terms of what specifically drives these deltas? Thanks.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah, thanks, Toni. So, year-to-date, our Developed Buy revenue is down 4.6%, and that's actually in line with the full-year framework I gave last quarter. As we've been saying all along, we know that our measurement and analytics are critical, and that, over time, clients must invest in the data they need to run their business.

In the second quarter, we saw this dynamic play out as clients actually spent a bit more behind some of their data and analytics needs. And this spending can be a little lumpy from time to time and in 3Q, we actually saw a bit less spending.

The second thing I'll say is that the U.S. improved sequentially after being down double digits in the first half. And as I said in the second quarter, we expected a better second half, and it played out that way in 3Q as the U.S. was actually down mid-singles in the third quarter.

On Western Europe, we said that we'd have tougher comps in the second half, but the environment is as good as we've seen it in three or four years. Western Europe actually grew high singles in the third quarter of 2016, which we did not expect to repeat. But on an underlying basis, the demand is still pretty strong there.

And then, as it relates to the framework that we gave, we gave a framework of down 3% to 5% in 2017. Year-to-date, we're down 4.6% as I said. And with only one quarter left in the year, I would expect this to be at the lower end of the year, just given those results and the environment that we see for our FMCG clients.

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

A

Yeah, what I'll add to this, Toni, this is Mitch. Yeah, on the quarter-to-quarter fluctuations, if we look at the longer-term, one thing I mentioned last quarter is in our conversations with our client CEOs, recognizing broadly that the cost-cutting zero-based budgeting activities are going to take them only so far and that they're going to have to start to invest in growth in their business, whether that's for new products or whether on their existing brands.

So far, we've seen some of them start to act on that intention, but it remains to be seen really just how fast this will develop through the end of this year and into 2018. It's something we're watching very closely.

Operator: Our next question comes from Anj Singh from Credit Suisse. Please, go ahead.

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

Q

Hi. Good morning. Thanks for taking my question. Just wanted to ask regarding your recent commercial release of SVOD Content Ratings. It seems there's some chatter on the accuracy of the data, some pushback on that. So,

Copyright © 2001-2017 FactSet CallStreet, LLC

I was wondering if you can share some thoughts and color on what the general reception and feedback has been amongst your initial set of subscribers and as you try to sign on additional subscribers. Just any color there would be helpful. Thanks.

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

Yeah. Thanks, Anj. The initial marketplace reaction has been tremendous, lots of excitement, lots of interest in this. And so, we're very pleased with the start that we're off to. I have seen some of that commentary about maybe the data is not perfect. These are comments made by people who probably don't have the data. And so, I have to take that in context.

One thing I have seen is – hey, wait a minute. Initially, this doesn't cover mobile viewing, which is true. We'll add that later. But, what may be surprising to some people is almost 90% of the viewing, even on Netflix, takes place on the TV glass. And mobile viewing, it's there and it's meaningful, but it's relatively small and certainly smaller than most people think.

So, no, we're very pleased about the initial reaction and interest. I think – we've had a product out there already for three years, but this new product is different and better and that it will offer syndicated view of the market. In other words, subscribing clients will be able to see how their program compares to other programs, from other studios, from other providers. That will be the new thing.

And the second new thing about this new service is that we're now able to measure the audience for these programs independently. We're no longer reliant on our clients to give us the audio track for the program as our previous product required. So, we're really off to the races now and, again, very pleased with the initial reaction.

Operator: Your next question comes from Andrew Steinerman from JPMorgan. Please, go ahead.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC
Q

Hi. Two questions. One, is ALDI a new data contributor? And, two, my usual question, I want to know the organic revenue growth for Buy, Watch, and overall.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc
A

Okay. Thanks, Andrew. Let me hit the organic revenue again. As I mentioned in my opening comments, we had about two points of organic revenue in the quarter. So, on a total Nielsen basis, our organic revenue was up 1.5%.

I'll also remind you again that we had about a 60-basis points drag from Audio timing in the third quarter that impacted that number. In Watch, our organic revenue is about 3%. Again, we had about eight points added from Gracenote, offset by approximately a point from some of the other Watch assets. And then, in Buy, our organic revenue was flat. And again, that's two points of drag from the exit of assets and segmentation in custom research.

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

Copyright © 2001-2017 FactSet CallStreet, LLC

And on your question – this is Mitch, Andrew. And your question about ALDI, initially, our work with them will focus on analytics, and that will be important for how they run their business and also how they engage with their suppliers. And we'll build from there. So, we're really excited there obviously, a fast growing retailer in a hot space in the U.S. marketplace right now, and we're really looking forward to building on this relationship with ALDI in the U.S.

Operator: Our next question comes from Manav Patnaik from Barclays. Please, go ahead.

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Yeah. Thank you, guys. My question is more on the Watch business. So, you talked about out-of-home release, SVOD, all the components of Total Audience over the last 12 months that are all sort of I think incremental contracts that you're going to sign with the clients. But then the organic growth in the Watch business is still being 3% I guess this quarter and so forth.

So, what I'm trying to understand is, are we early in the contribution of these products to your revenue growth? Or I think, in the past, you've said, a lot of these initiatives probably just keep you in that 4% range. But, just wanted to know what the latest thoughts and how we should think about the trajectory of Watch around those items?

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

A

I'll let Jamere add some color to this, but I think the last thing you said, Manav, is really the right way to think about this generally with these new capabilities that we're bringing to the market. In other words, we have these broad engagements with our big clients, and they want us, first and foremost, to measure the Total Audience across all screens and platforms. And a lot of these new capabilities are about continuing our ability to do exactly that. And in doing that, what we also do is maintain our ability to continue to drive the mid-single digit growth that you've seen in this business over the last several years. So, that's the way to think about it.

And in some cases, they're incremental in the short-term, but what they're really more about is preserving our ability to continue the kind of growth that you've seen over the last several years in this part of our business.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah, and just a couple of things I'll add to that. One is, if I point to sort of the Audience Measurement of Video and Text, if you look at in our growth there in the quarter, it's up close to 5%. That's in line with our framework. I'll say that our National and Digital businesses remain solid, and we also saw some improvement in our local business in the quarter as well. The numbers in Watch organically overall again being up about 3%, actually had about a 130-basis points drag from Audio as I alluded to. So, we'd be up a little bit over 4% without that impact.

I think what you can expect from our Watch business, as we've said many times, is a sort of consistent steady growth. The initiatives that we have added to the portfolio have made this a growth year business than it has been historically, and we're pretty pleased with the execution by our teams and the adoption of those products in the marketplace.

Operator: Our next question comes from Tim Nollen from Macquarie. Please, go ahead.

Copyright © 2001-2017 FactSet CallStreet, LLC

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

Q

Hi. Thanks. I'd like to pick up again on the underlying spending issue with the CPGs. I understand your comments, Jamere, especially about the sector remaining weak. It seems like it is, you said, a little bit better in the U.S. in the quarter, but maybe tough comp in Europe, but still kind of tough there. I guess my question is twofold. One, is there still further deterioration possible in CPG sector spending, or is it kind of flatline now, not good but not getting worse, and that might be good enough?

And relatedly, what about the retail sector? Obviously, a core sector on your buy side. Heading toward year-end, a lot of those companies under a lot of pressure, cyclical structure, et cetera, do we need to worry about retail sector underlying spending with you?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, a couple of things. One, as we said, the environment is still tough. I mean clients are still making some really tough cost trade-offs, and we expect that environment to continue for the next few quarters. Again, we ultimately believe that there will be more investment in data and analytics that help clients grow their business. And it's a question really of the pace and timing of that. You've seen the read-throughs not only from our results, but across really the entire supply chain feeding into the FMCG environment.

From a retailer standpoint, obviously, the retailer environment has gotten more competitive. We've seen those dynamics play out in terms of the M&A activity that's happening in the industry. We've also seen those dynamics play out in terms of the hard discounter foray into the U.S. So, that environment is a little bit tougher as well. In terms of the impact on our spending, or retailers spending with us, we haven't seen that yet. Most of the pressure has actually been on the manufacturing side to this point.

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

A

I think the thing I would add to that is our business internally is stabilizing, and even as the market continues to be challenging, fundamentals of our business are improving. We've been given a lot more focus to retailers in response to really what you've pointed to. And what we're focused on is all the things that we can control, so that we can manage through some of the impacts of the things that we can't control. And I'm really pleased with the trajectory of our business in the developed markets and especially the U.S. business.

Operator: Our next question comes from Jeff Meuler from Baird. Please, go ahead.

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

Q

Yeah. Thank you. Question on local TV, you're calling out National TV and Digital as driving the growth in Audience Measurement. So, I guess first, there have been some press reports or comments on the Sinclair, and for a while now, they continue. Last quarter, you characterized it I think as an ongoing client negotiation. Are you still characterizing it that way?

And then the second bigger question is, I guess, how are the improvements resonating with clients in terms of the set-top box? And I mean you called out your ability to measure over the year where there is some share shift

Copyright © 2001-2017 FactSet CallStreet, LLC

going, more electronic measuring, just are they resonating well with clients? And, obviously, they're somewhat related. Thank you.

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

A

Yeah. Thanks for the question. With regard to the first part of your question related to Sinclair, I'm going to say the same thing I said last quarter and that we're not going to comment on that, and that is part of an ongoing active contract negotiation.

With regard to our local business and the improvements we're making in the measurement product, we're on track with that program. It's a great program. What we're aiming to do is bring electronic measurement to all of the 210 markets in the U.S. for local television by the middle of 2018. We're incorporating set-top box data all across that measurement system. And it's also going to bolster, not only our measurement, but also our analytics offerings to our clients in that part of the market.

In terms of how our clients are reacting, it's resonating extraordinarily well. We're going to start to share parallel data with them later in this year. They'll start to see how the new data compares to the data from the existing product. They'll gain comfort, and then the product will start to prepare to flip over to that product in the middle part of next year.

It's already having a positive impact, in fact, on our contract renewals. We mentioned some on previous calls like CBS and FOX Local, and Entravision. And, again, we're really pleased by the marketplace reaction. It's a big set of changes, very complicated, but it's going to really bolster that part of our portfolio in a very important way.

Operator: Our next question comes from Bill Warmington from Wells Fargo. Please, go ahead.

William A. Warmington
Analyst, Wells Fargo Securities LLC

Q

Good morning, everyone. So, a question for you on the Connected System. You mentioned the 36 partners and 25 clients by the end of 2017. I just want to make sure I understood the difference between those two metrics and how the tracking versus expectations? And then, also ask about how you think about the revenue contribution from Connected System in 2018 and 2019?

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

A

I'll take the first part. Jamere, you can take the second. We're right on track, Bill, with regard to the development of Connected System right where we thought we would be at this time.

When we refer to the 25 clients that we'll be engaged with by the end of the year, that includes the five charter clients, and then we're adding to that. And that'll be exciting really to start to have the system in the hands of more clients, and they'll learn their ways through it, and it'll start to play a role in their business as they reorient themselves around it.

As we've said, those are the process, big change management process, especially on the side of our clients. So, it's not like we flip the switch and they switch over right away. It takes them a little bit of time.

Copyright © 2001-2017 FactSet CallStreet, LLC

The 36 that we mentioned refers to the number of partners who are part of our Connected Partner Program. And these Connected Partners are providing apps that run on our platform, that tap into the data and address recurring business questions that our clients have. So, by opening up our data to this ecosystem of third-party application providers, it really increases the underlying value of the data that we're providing to the marketplace.

So, it's that open approach that we've been taking not only here, but in other parts of our business and we're really pleased with the response, the interest of companies to be part of that Connected Partner Program. And I'll tell you, our clients absolutely love it, absolutely. So, again, we feel great. We're on track right where we thought we would be and excited for the next couple of quarters ahead to see the development continue.

Jamere?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc
A

Yeah. So, we do expect some revenue from the Connected System, some of which will be incremental, specifically the revenue from the Connected Partner Program. The second dimension, as I mentioned earlier, is that the Connected System is actually giving us some incremental capabilities to sell in during renewals, and this is actually having a positive impact on those agreements.

We are starting to see some new client wins that are based on the capabilities in the Connected System, and we'll have some announcements to that effect in the future. But as Mitch said, our primary focus really is on conversions and we expect that ramp to be in the back half of next year, and we're getting very good client feedback and the teams are executing well.

Operator: Our next question comes from Matthew Thornton from SunTrust. Please, go ahead.

Matthew C. Thornton
Analyst, SunTrust Robinson Humphrey, Inc.
Q

Hey. Good morning, guys. Thanks for taking the questions. A couple modeling questions if I could. I guess, first, would you be willing to quantify the contribution to Watch from digital first clients either as a percentage of total Watch revenue or any sizing you might be able to provide there? Is it larger than local TV or something along those lines?

And then, secondly, would you be willing to quantify what Visual IQ could contribute in the fourth quarter? And then, relatedly, you guys talked about more pruning in the Watch, other portfolio that was down a little more than expected in the quarter. With Visual IQ coming in and maybe the other stuff coming down a little bit, should we expect Marketing Effectiveness, I guess, to probably move towards the higher end of the range and the other piece to maybe move below that prior guide down of 10%? Any color around those housekeeping items would be helpful. Thanks, guys.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc
A

Yeah. So, a couple things on Marketing Effectiveness, we saw our Marketing Effectiveness assets this quarter deliver 15.6% growth. That was all organic. So, no acquisitions were rolling through that numbers. And that's really driven by the progress that we're seeing with Nielsen Catalina Solutions, the Marketing Cloud, Repucom, they were all up double digits. So, we do see strong demand and higher growth in the second half from those products, and we feel good about the 15% to 20% range.

Copyright © 2001-2017 FactSet CallStreet, LLC

In terms of Visual IQ, this is an acquisition that we're actually really excited about the capabilities of Visual IQ, because it is falling right in the sweet space of an area that has very high demand from our clients around marketing mix modeling and Multi-Touch Attribution. The revenue contribution won't be significant. This really is a buy-versus-build situation for us where we actually get to market faster with a much better product. It will actually cannibalize some of the revenue in our existing business in the near-term, but longer-term, it will be accretive to growth.

And then in terms of digital, while we don't break out necessarily our digital revenue, we feel pretty good about a few things. Number one, the progress that we're making with Digital Content Ratings and Digital Ad Ratings and Digital TV Ratings, are all products and progress that is accretive to the growth rate in the Watch business. So, to the earlier question around whether or not we're seeing incremental growth in the business, those things are actually contributing to the growth of the business, and it's why we've been sort of marching along in a pretty steady growth rate in our Watch business over the last couple of years.

And then, on your last point on Other Watch, we'll be on track for the prior framework of down 10% for the year in 2017.

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

Two quick things I'd like to add to that. I understand why you'd want to know the specific contribution from digital products to digital first clients. What I would also want to highlight is our digital products are important to almost all of our Watch revenues. Just the way our clients think about what we're doing, what they need us to do, there's no way we accomplish what they need us to do without the digital products in our portfolio. And so it really has an impact all across our revenue base.

On Visual IQ, one thing to add there, we're going to leverage obviously their capabilities in the digital world, but another real big benefit of them is their automated platform, it'll drive unbelievable speed and efficiency. Let me give you an example. Right now, we do marketing mix modeling for our clients. We're the largest marketing mix modeling provider in the world. All the top ten companies in the U.S., for instance, use our marketing mix modeling services.

But, it's a labor intensive process and it takes us usually several months to deliver a project to a client. Using Visual IQ's platform, we'll take a process that takes a couple of months to update models, and we'll be able to do that in a couple of hours. We'll be able to deliver refresh metrics almost on a daily basis, if our clients would like us to do that. Now, we're talking about a huge step change here and this will be one to watch, I'd encourage you to watch, we'll have more to say about it at our Investor Day on November 9.

Operator: Our next question comes from Brian Wieser from Pivotal Research. Please, go ahead.

Brian W. Wieser
Analyst, Pivotal Research Group LLC — Q

All right. Thanks for taking the question. I was wondering if you may have seen that one of your main competitor's CEO just announced they'll be leaving in January, their CFO just left recently. I'm wondering to a degree especially in the Audience Measurement space that you feel that the weakness, if you will, on part of your competitors, is it providing more ground to build more traction with your clients faster than would otherwise have been the case or do you think that their competitive intensity hasn't changed at all, and this is just – you're actually

Copyright © 2001-2017 FactSet CallStreet, LLC

performing well despite a strong competitor? And maybe just quickly relatedly, wondering if you could just comment on the weak results in the Audio business this quarter?

Thanks.

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

A

I'll take the first part. Jamere, you get the second. I don't think our performance is that closely correlated to anything happening at a competitor. Really, it's much more about our ability to execute on our strategy, to deliver to our clients what they need, to continue to shape and grow their businesses, given the changes that are happening in the marketplace. So, again, I think it really highlights the incredible execution of our Watch teams, bringing all of these different products to the marketplace and having them exist independently, but also work together in this interoperable system that is Total Audience Measurement.

On the comScore's CEO leaving, look, he's a good man and I hope he stays involved in the industry. He's been a real positive factor in the industry for a number of years, so we wish him well.

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. On the Audio timing, we saw the results in the quarter being down roughly 7%. It was all timing. So, as you've seen us report from time to time, the timing of the deliveries in Audio will impact our growth rates. So, last year, in the third quarter, we had more of the deliveries in the third quarter versus the fourth quarter. This year, it's a little bit more balanced, so you saw that skew the rates. That should balance out between the 3Q and 4Q results.

On an underlying basis, we expect the Audio business to be roughly flat for the year, which is in line with the framework that we gave.

Operator: Our next question comes from Tim McHugh from William Blair & Company. Please, go ahead.

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

Q

Hi. Wondering if you could talk a little bit more about the Buy margins. I guess, is it just a function of investing and at the same time, I guess, negative leverage, or is there any sign, I guess, of underlying kind of pricing pressure or I guess ability to monetize the product as you face pressure from the clients that – or any other issues, I guess, impacting the margins that we should think about there?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Great. So, on the margins in Buy, the developed margins are obviously under pressure due to the fact that we've got a softer revenue environment. And we've actually been taking cost actions there that are aimed at rightsizing our business for those market realities. I think, importantly, none of these actions actually impact our ability to invest in our key initiatives.

In the emerging markets, margins are actually improving as we gain scale, and there's still more work to be done here. And then, the final point is we're continuing to invest in coverage in the Connected System. So, we see those dynamics sort of playing through the Buy margin results through the first three quarters of the year.

Copyright © 2001-2017 FactSet CallStreet, LLC

Operator: Our next question comes from [indiscernible] (52:05) from Jefferies. Please, go ahead.

Q

Good morning, gentlemen. I'd actually just like to clarify in some earlier comments around the developed markets Buy business. So, last quarter, I left with the impression that your expectations for growth in 2018 were to be relatively flat. And so, on this call, I heard that maybe you're looking at trends to continue to improve year-over-year. There seems to be a delta in my mind for that, given that the developed markets is down roughly about 4.5% year-to-date, so between 0% to 4.5%. Any additional color on that?

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc

A

Yeah. So, again, as I said, we'll share more details when we give our 2018 outlook in a couple of weeks. We do expect Developed Buy to be down less in 2018 than 2017. And as I said in my opening comments, the U.S. is actually improving. The fundamentals are improving, although, the environment there remains challenging.

Again, there are three things that we feel very good about heading into next year. It's our wins with retailers and manufacturers.

As we go through our operating plans, we're looking at our contract renewals with our large global manufacturers. We're renewing all of those at 100%. I think the environment there is getting better. The Connected System has given us incremental capabilities to sell in. We'll see some incremental revenue from the Connected Partner Program. So, those three things are the dynamics that are – will help us drive improving trends in 2018.

And the final factor, as I said, is what happens in the client environment and it's still tough, and clients are making cost trade-offs. We expect that to continue for the next few quarters and it's a question of the pace and timing of that spending snap back.

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

A

I mentioned earlier to the question from Toni that client CEOs are clear that they know they need to invest in growth in their business, but only some of them have actually started to take action on that yet. And so, that's really going to be the wildcard.

Operator: Our next question comes from Kevin McVeigh from Deutsche Bank. Please, go ahead.

Kevin McVeigh
Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thanks. Hey, can you just tighten up for us the approximately 4% growth in 2017? And just where does that come like what's going to be Watch, what's going to be Buy, like is there a way to just tighten that range a little bit? And then as we think about 2018, is there a way to – for the longer-term, can we still kind of think about mid-single-digit type organic growth in the business or just any thoughts on that given all the puts and takes?

Copyright © 2001-2017 FactSet CallStreet, LLC

Jamere Jackson
Chief Financial Officer, Nielsen Holdings Plc
A

Yeah. So, we gave a framework last quarter on this, and I'll just reiterate that. We said our total Buy business is going to be down 2.5% to 3%. On a year-to-date basis, we're at about 2.6% down. Developed Buy, we said, is going to be down minus 3% to minus 5%. Year-to-date, as I said, we're at about 4.6%.

And given that we have one quarter left in the year, we don't expect improvement in the fourth quarter. Emerging markets, 8% to 10%, we've been trending towards a high end, year-to-date, just a little over 10%. And then Corporate is down 60%. Year-to-date, we're down 54.5%. So, that gives you the pieces for the Buy business being down 2.5% to 3%.

On the Watch business, we said, up 11% to 13%. Year-to-date, we're at 10.6%. Audio is going to be flat. We had a 130-basis point headwind in the third quarter that won't repeat on the Watch side of our business. Audience Measurement of Video and Text, 14% to 16%, Marketing Effectiveness, 15% to 20%. And Other Watch, as I said, down 10%. So, that just gives you the framework for how we see the guidance shaping up, and we said no change to our overall guidance. We'll give guidance on 2018 in our Investor Day in a couple of weeks, and we'll unpack all the details at that time.

Operator: Our next question comes from Tom Eagan from Telsey Advisory Group. Please, go ahead.

Thomas William Eagan
Analyst, Telsey Advisory Group
Q

Great. Thank you. Just, Mitch, I had a question on your latest thoughts on some of the new media measurement developments, like, for example, the rollout of OpenAP. Do you think that that will gain traction with advertisers and other TV network groups? And then secondly, your thoughts on the new store concept, and how that compares with what you do with Visual IQ? Thanks.

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

Yeah. Thanks, Tom. OpenAP is one of a number of things that are happening in the marketplace to enable Audience-Based Buying that enables advertisers to select specific audiences that they want to target and then direct their spend against those audiences. And they can activate on those audiences, and in some cases, the systems also enable them to have guarantees offered to deliver those audiences.

So, OpenAP is one of several systems that are being stood up in order to support this interest that's growing in the marketplace. It's still early with respect to OpenAP, and so, there's not a whole lot to say about that yet. We're looking forward to being involved in it as it does expand, but we're also supporting some other approaches to this. We already have our Nielsen Catalina Solutions and Nielsen Buyer Insights capabilities that also support Audience-Based Buying.

We also announced this partnership with clypd that does something somewhat similar to what OpenAP is designed to do. So, I think you're going to see more of these. And the beauty for us at Nielsen is we're going to be able to support them all, and it's going to create incremental growth opportunity for us. We're really very well-positioned to support Audience-Based Buying, because we not only have the data to do it, but importantly, we have the Universe Estimates.

Copyright © 2001-2017 FactSet CallStreet, LLC

Reason why that's important is, it's one thing to be able to say, here's how you can go reach specific kinds of consumers. It's another thing to say, just how big is that group of consumers in the real world? And it's that second thing in particular that we're uniquely positioned to do. When people start putting money against these audience segments, that second question is going to be really important. So, again, we're in a good spot as far as how this is going to develop.

With regard to Thor, that's about attribution in the marketplace. And this is really what we do in our Marketing Effectiveness business on an everyday basis, connecting the exposure of an ad to the subsequent sale of a brand in the marketplace. This is the oldest question in advertising frankly. You've heard the old saying, I know half of my advertising is wasted, I just don't know which half. Well, in today's world, we actually know which half, because we have the data and the technology to pinpoint it, and that's what our Marketing Effectiveness business is all about. It is helping people drive more precision, more efficiency in their advertising spend to drive up the ROI, and one of the best ways to do it is through attribution modeling. And that's exactly what Visual IQ does in the digital world.

And that's why I say, by combining what they do in the digital world, with attribution, with what we do mostly in the linear TV world, with our marketing mix modeling capabilities, we really have a world-beating combination of capability there. And then to do it on their automated platform allows us to do it with incredible speed and efficiency. And so, as the desire for attribution continues to grow in the market, and it definitely will, we're going to be in a really good spot to capture that growth opportunity.

Operator: Our next question is from Doug Arthur from Huber Research. Please, go ahead.

Douglas Middleton Arthur
Analyst, Huber Research Partners LLC

Q

Follow-up on local TV measurement. I know it's not a big part of the Watch business, and I know obviously there's some contract issues out there right now. Is it fair to say that when you get the rollout of all your initiatives in the second half of 2018 that you expect it to be an area of growth again, or is it a growth area right now? Thanks.

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

A

Well, it did grow a little bit this quarter. In the third quarter, it's up a little bit more than a percent. So, it's not a lot, but it is some growth, and we like growth anywhere we can get it. And, yeah, as this new product capability rolls out to the marketplace, it's going to bring more stability to the ratings, more granularity to the data as well.

What that will probably do is open up additional analytics capabilities for us to support our clients, who are either selling advertising or buying advertising in the marketplace, and that's probably where more of the incremental contribution will come into play. As far as this turning into a big growth contributor, long-term, we're going to be tied to the growth of advertising spending in this particular part of the market. And that's been a tough story over the last couple of years and probably will continue to be a low growth environment from a total advertising spend over the next few years.

Operator: Well, we have no further time for questions today. I'll turn the call back over to Mr. Barns for closing remarks.

Copyright © 2001-2017 FactSet CallStreet, LLC

Dwight Mitchell Barns

Chief Executive Officer & Director, Nielsen Holdings Plc

Yeah. Thanks very much. Just to sum up, in Watch, solid growth with Audience Measurement of Video and Text. We're driving toward being the currency for all premium video content with linear TV and digital. Marketing Effectiveness continues to see solid double-digit growth. And really, the continued ramp of Total Audience Measurement in all the products that we're bringing to the market like out-of-home, subscription video-on-demand measurement, Digital and TV Ratings, all these are supporting the continued growth of this part of our business. In Buy, emerging markets is really the key growth driver, up almost 11% in the quarter, and it's leveraging our leadership position in all of the faster growing emerging markets.

We're progressing on track with our development of the Connected System, including our in-house apps and the Connected Partner Program. We have 152 clients now using at least one part of the Connected System. That's triple what we reported in the first quarter of this year. We continue to invest in coverage in our Buy business with value retailers, specialty outlets and, of course, e-commerce.

Our Gracenote acquisition is performing well and it's having a great first year as part of Nielsen. Across Watch and Buy, we're investing and innovating to drive efficiency and growth. And the way we look at it, it's a goldmine of opportunity. Automation and consolidation of our operations will drive efficiency and enable more scalable growth from our strategy to provide uniquely better products that provides value for our clients and our shareholders.

So, thanks once again for joining us on the call this morning and we look forward to sharing more with you at our Investor Day on November 9.

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

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2017 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.