Corrected Transcript

28-Feb-2019

Nielsen Holdings Plc (NLSN)

Q4 2018 Earnings Call

CORPORATE PARTICIPANTS

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

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

David J. Anderson
Chief Financial Officer, Nielsen Holdings Plc

OTHER PARTICIPANTS

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

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

Manav Patnaik
Analyst, Barclays Capital, Inc.

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

Daniel Salmon
Analyst, BMO Capital Markets (United States)

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

Matthew Thornton
Analyst, SunTrust Robinson Humphrey, Inc.

George Tong
Analyst, Goldman Sachs & Co. LLC

Ashish Sabadra
Analyst, Deutsche Bank Securities, Inc.

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

Kevin McVeigh
Analyst, Credit Suisse Securities (USA) LLC

Surinder Thind
Analyst, Jefferies LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Carol, and I will be your operator today. At this time, I would like to welcome everyone to the Q4 2018 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. We ask that you limit yourself to one question and re-queue for any additional questions. [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, and good morning, everyone. Thank you for joining us to discuss Nielsen's fourth quarter financial performance. I'm here with our CEO, David Kenny, and our CFO, Dave Anderson. A slide presentation that we'll use on this call is available under the Events section of our Investor Relations website.

Before we begin, I'd like to remind all of you that our remarks and responses to your questions today may contain forward-looking statements, including those about Nielsen's outlook and prospects that are based on Nielsen's current expectations. Our actual results in future periods may differ materially from those currently expected because of a number of risks and uncertainties, including those identified in the Risk Factors section of our most recent Annual Report on Form 10-K and the subsequent reports filed with the SEC which are available on our website. We assume no obligation to update any forward-looking statements except as required by law.

On today's call, we will also refer to certain non-GAAP financial measures. Reconciliations of these non-GAAP financial measures to the most comparable GAAP measures are available in the earnings press release, which is available at the Investor Relations section of our website at nielsen.com.

For Q&A, as always, we ask you to limit yourself 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, David Kenny.

David W. Kenny

Chief Executive Officer & Director, Nielsen Holdings Plc

Thank you, Sara. Good morning, everyone.

I am so excited to be here this morning on my first earnings call as CEO. And more importantly, I'm really excited to be at the helm of Nielsen at this pivotal point in our history. It's been an exciting three months as I've gotten started here, and I'm really happy to give you an update.

This morning I want to cover five topics. First, I want to spend a minute on what attracted me to Nielsen and why I am so excited to take this job. Secondly, I know you're all thinking about the strategic review, and I want to give you a clear update on that. Then I'm going to turn it over to Dave to review the quarter and the year. After that, I do want to come back and give you some clarity on our strategic focus and vision and where we're energized right now and where we're prioritized to make changes. And then finally, I'm going to turn it back to Dave, who's going to talk about 2019 guidance and the operational discipline we're putting in place to deliver that.

Let me start with what brought me to Nielsen. I'm not new to Nielsen. I've known Nielsen a long time as a customer. And as a customer and as a player in the media and marketing industry for many decades now, I've known for a long time the strength of Nielsen's franchise, and I continue to believe that we have a centrally important role in the media economy and the FMCG [Fast-Moving Consumer Goods] economy. Independent measurement is more important than ever. Our measurement and the analytics out of it will be increasingly helpful, as advertisers, advertising agencies, and publishers seek to understand and monetize their audiences.

I would say this approach is unique in the world today in combining both big data sets and finely tuned and precise panels. This is really important in the age of privacy. And I would also say that technology is going to make Nielsen more valuable in the future. As we bring machine learning and artificial intelligence to super-charge these efforts to turn data into models and predictions, we're going to be able to help our clients make better decisions and optimize their businesses. At the same time, there are a lot of changes in both the media and FMCG world. And as those end markets change, so must Nielsen.

In the past few weeks, a lot of the work has been making clear decisions so that we can move and change at the velocity that our end markets need us to. Toward that end, we've simplified the organization onto two core platforms. We call these Nielsen Global Media and Nielsen Global Connect. There are a lot of similarities to what you might have known as Watch and Buy, but there's an important clarity that helped us simplify the organization, which we'll cover later.

I do have to be clear that media is much more than watching a glass screen. Nielsen measures what people watch, what they listen to, what they share, how they engage, and that will continue to expand as media expands. Similarly, Connect is about a lot more than what people buy. It's how manufacturers connect to retailers and how they both connect to end consumers, both before, during, and after the purchase.

I would also say it's very important that both of those platforms be called Global. Our Media business is already quite global and has tremendous potential around the world. And similarly, our Connect business has an important differentiator in being the most global of any of the platforms in the FMCG and retail industries today.

The last thing I'd say about platforms is that we've got many businesses that we've acquired and built over time. These moves have made it a lot easier to bring them together under one platform, which should help us scale.

With that background, let me talk for a minute about Q4, and Dave will go into detail. I'm proud of the Nielsen teams for delivering on the key operational metrics that they set out for in the second half of 2018. We're working very hard to develop strong discipline and increased visibility into the business. As you know, I wasn't here for all of Q4, but I joined a team that was executing well.

Dave will talk about our decision to take a non-cash impairment charge of the Buy business. This resulted as a result of the work Dave and I did to take a fresh look at the long-term forecast across our businesses and especially for the Buy business and its market environment. This work was already being done as part of the strategic review analysis and is a normal annual assessment at Nielsen. Given changes in the market conditions of FMCG, given some competitive pricing actions and other factors, this did result in lower forecasts, and this led to the non-cash charge.

I also want to be clear. That charge does not impact business operations nor in any way does it diminish my aspirations for the business. We have a clear plan to improve revenue, margin, and cash flow generation in our Global Connect business.

Going forward, I think you should expect to see greater consistency in our results and in the expectations we've set for you at Nielsen. We have a great team in place here, and we are very focused on instilling operating discipline and end-to-end accountability throughout the organization to drive faster revenue growth, a higher velocity of product innovation, and higher profitability.

Now let me take a moment to talk about the strategic review, which has occupied a fair amount of my time since I came here. This is an ongoing and very active process. As previously discussed, the outcomes could include: continuing to operate as a public independent company; or a separation of Nielsen's Global Connect from the Global Media segment; or a sale of the entire company. And we are very actively evaluating potential opportunities to determine the best path forward.

As we do that, I am very focused on maximizing the value for the company and for all of our shareholders. At the same time, we need to improve our execution, and our execution will largely be the same regardless of whether we're public or private, and so I have the team largely focused on improving and clarifying our operating strategy.

With that, let me turn it over to my partner and Chief Financial Officer, Dave Anderson, to share some detail on the fourth quarter results. Dave?

David J. Anderson

Chief Financial Officer, Nielsen Holdings Plc

Thanks, David, very much, and thanks to all of you for participating in our call this morning.

I want to start with slide number 5, entitled Today's Discussion, go through a few key topics, basically set up the discussion that we'd like to have with you this morning.

First, we're very pleased, obviously, that we finished 2018 on track with the updated guidance that we provided. It reflects the organization demonstrating strong operating discipline over the last six months. To David, they've been very responsive. As you can see on the right-hand side of the page, we performed in line or ahead on revenue, margin, and free cash flow.

Let me just add a little bit to David's comments on the non-cash impairment charge that we took in the fourth quarter related to the Buy business. As he said, we perform our annual assessment of goodwill in the fourth quarter of each year. This timing corresponds with the development of our formal budget as well as our business plan, and it also aligned with the timing of the analysis for the strategic review. So our updated assessment led us to record a non-cash goodwill impairment charge of $1.4 billion, $3.97 per share, and resulted in an updated carrying value for the Buy business of $3.5 billion.

Separately, we booked $370 million of net income tax benefits, $1.04 per share, driven by adjustments from U.S. corporate tax reform and also from intercompany tax restructuring that we completed at year end. There were no significant cash impacts from these tax adjustments. They were discrete items, and they better position us going forward.

And finally, I will cover our 2019 plan. As you would expect, we've taken a grounded bottom-up approach that was informed by the strategic review. It included a detailed review of the revenue outlook as well as the significant productivity and reinvestment that will enable us to deliver on our 2019 guidance. We also believe that 2019 will serve as the foundation for growth and value creation in Media as well as Connect over the medium and long term.

With that, let's go to slide number 6 and take a little more detailed look at our fourth quarter and our full-year results. As you see, revenue declined 3.5% for the quarter and 0.7% for the full year. Both were on a constant currency basis. The full-year revenue was in line with expectations. Net of the benefit from acquisitions, revenue was down 3.8% in the fourth quarter. But if we exclude M&A and one-time revenue items in the prior year, fourth quarter revenue declined 0.2% constant currency.

For the fourth quarter, adjusted EBITDA was $488 million, down 13.3% constant currency. Adjusted EBITDA margins were 29.4%, down 332 basis points constant currency. Full-year adjusted EBITDA was $1.85 billion, down 7.9% constant currency, and adjusted EBITDA margins were 28.4%. Margins for both periods were impacted obviously by revenue weakness and also investments in our growth initiatives, partly offset by productivity.

GAAP net income per share was a loss of $2.68 in the fourth quarter, a loss of $2.00 for the full year. And again, both periods were impacted by the Buy impairment charge and the tax benefits that I mentioned.

We also incurred an $8 million expense in the fourth quarter, $9 million for the full year, both of those post-tax, associated with the strategic review, which also impacted our GAAP net income. If you exclude those items, net income per share was $0.28 in the quarter, $0.96 for the year, so the operational EPS for 2018 was in line with expectations.

Free cash flow was $397 million in the fourth quarter, $542 million for the year, and cash flow exceeded our expectations for the second half of the year. The outperformance was driven mostly by a significant improvement in cash collections. Just to give you some insight on that, DSO improved by four days during the fourth quarter versus the same period last year and resulted in one full day for the full year.

Let's now spend a few minutes on each of the businesses. Going first to Watch, which is on slide 7, you could see our fourth quarter results were consistent with what we referenced at the end of the third quarter. Revenue for the segment for the fourth quarter was $881 million, down 2.8% year over year on a constant currency basis. If we adjust for M&A and other items, Watch revenue would have been up 1% year over year. Audience measurement of video and text was up 1.6% constant currency. And as expected and we guided, growth slowed in the fourth quarter due to pressure on digital client spend on products related to targeting given changes in the privacy landscape.

We also saw slower growth at Gracenote. Importantly, we continue to see strength in national TV, which grew mid-single digits for the year.

Audio was down 1.5% in the quarter, down 0.6% for the year, largely in line with expectations. Marketing Effectiveness was down 22.3% constant currency, as we're still being impacted by some privacy-related changes as well as a tough comparison from a historical data sale in the fourth quarter of last year. If we adjusted for that data sale, Marketing Effectiveness would actually have been up approximately 11%.

Now Watch adjusted EBITDA was $390 million, down 5.6% constant currency, and adjusted EBITDA margins were 44.3%, down 131 basis points constant currency. The decline was mostly again driven by a difficult comp related to last year's historical data sale. I referenced that earlier. It impacted segment margins by approximately 190 basis points. Stated another way, if we excluded that, margins would have actually been up approximately 60 basis points.

Let's turn now to slide number 8, just a quick summary on the Buy segment. We expected and we saw continued softness in developed markets, while emerging markets showed some improvement, again, in line with expectations. Fourth quarter, the Buy revenue was $770 million, down 4.4% constant currency. The impact from M&A was negligible in the quarter. Revenue in developed markets was $482 million, down 7.1% constant currency, reflecting weakness from global multinationals and then obviously competitive impacts in the U.S. Importantly, retailer initiatives are performing well, and we expect this to be a tailwind in 2019.

Revenue in emerging markets for Buy was $289 million or up 4.4% constant currency. We saw faster growth in short-cycle revenue, strong growth from local clients, offset in part by continued pressure from multinationals. And as an update, China revenue declines lessened in the fourth quarter, and we expect continued improvement for that important market during 2019.

Buy adjusted EBITDA was $108 million, down 32%. Constant currency adjusted EBITDA margins were 13.9%. And key contributors to the decline include revenue softness, product mix, as well as investments that we've made in retailer programs and other initiatives.

So with that quick summary of the finish for 2018, let me turn it back to David for some of his comments and perspectives.

David W. Kenny

Chief Executive Officer & Director, Nielsen Holdings Plc

Thank you, Dave, and where I want to comment is where we go next.

Clearly, I didn't come to Nielsen to keep operating it the way it's operating. We need a big inflection. We can and must perform better, and I'm focused on that transformation to a high-performance company. The company deserves it, our clients deserve it, and we can do it.

To do that, the most important thing we can do is to increase our velocity so that the company is better serving changing client needs in both the media and FMCG space. How do we do that? We need to make faster, bolder decisions. We need to execute those decisions, and we need to transform Nielsen into a truly product-driven measurement and technology organization. Here is how I'm going to do that.

Number one, we're going to have really clear product roadmaps that prioritize saleable products. Number two, all those products are going to align on single cloud-based architectures for the Connect segment and the Global Media segment, and we're going to take the tough and important decision of retiring many legacy systems because those systems slow us down, they drive inefficiency. And quite honestly, by having an architecture we can move much faster, more efficiently, and drive bigger revenue opportunities.

Thirdly, those products are going to become modern by leveraging artificial intelligence and machine learning. We do a very good job of measuring the past. With these new technologies, we're going to do a much better job of predicting the future as well. And that asset, our data, is going to continue to improve both measurement and predictive models. And our clients are going to continue to rely on Nielsen, in fact, rely on Nielsen more to drive better decisions that improve their businesses.

That doesn't happen without talent. I've got an obsessive focus on making sure we've got the best talent and that we're focusing the best talent on the best projects.

I want to be clear. I've been very impressed in my first 90 days by the tremendous amount of talent already in-house at Nielsen. We've got world-class data science and data integration capabilities. We've got great product leaders who understand the market. We've got great commercial leaders who understand their clients. There's a lot to work with here.

That said, it needs to perform better and I'm holding myself and my management team accountable for performance, and we will continue to make the changes to have a high-performance team at every level of the organization. And that will include adding some key talent from the outside. We've added a couple of great people already. We're going to continue to work hard to make sure we have their talents focused on the best products and deliver everything Nielsen is capable of.

Lastly, that talent needs to be well organized, so we're doing I think a simpler job of aligning our technology and operations into the two business segments so that we've got end-to-end accountability for delivering these platforms and the products that run on them. All of that's been done to make sure we're organized around driving speed and scale. And I have to say I'm pleased so far with our momentum and our ability to move quickly and get focused on the task ahead.

Let me now break them into the two parts, Media and Connect. In the Nielsen Global Media platform, we have a lot of strengths. Obviously, we're using that to build one end-to-end platform that brings together all those strengths and assets across discovery, measurement, planning, activation, and optimization since we're several discrete businesses that are coming together. And we're delivering that in over 60 markets around the world.

As I said earlier, this is a global opportunity, and I believe our growth comes from more services to the existing clients, new media clients, growing as our media clients grow, and expanding globally. We've got a lot of places that we can grow that Global Media segment.

I would say that we've already demonstrated that we have the ability to respond as the market evolves. The launch of Total Audience Measurement platform, including digital ad ratings and digital content ratings, subscription video-on-demand, out of home, streaming media, and many more, Nielsen has done a good job of keeping up as the media business evolves. That said, we're going to focus this much more, and we're focusing on three key points.

Number one, we must continue to invest and expand in our digital platform. We know this is where the media market is heading. We know we've got a leadership position, and we need to continue to invest to extend that lead.

Secondly, we're focused on becoming even more embedded with our media clients. We have broad and longstanding client relationships across the media ecosystem. But we also know they are changing, they're automating, they're making more data-driven decisions, and we're working with them to embed Nielsen into the way our publishers, advertisers, and agencies work.

And thirdly, we're going to continue to focus on product advancements that expand Nielsen's currency position. This is a strong leadership position that the industry relies on, and we can expand currency to underpin custom metrics above it that such as NBC CFlight in a way that helps our clients differentiate and extends the currency position.

This was underway in 2018. In 2018, there were some important things done. The media platform launched Qualified Ad Audience solutions for Digital Ad Ratings, which enables some really important solutions around viewability and fraud, key issues in that segment. Secondly, we launched Total Ad Ratings for mobile, which was really important for member of our customers, including YouTube, and we made big progress in driving adoption of Digital Content Ratings.

Nielsen continues to adapt through emerging industry trends in media. Very recently, you saw us acquire Sorensen Media, which I approved because combining that with Gracenote's automatic content recognition technology means that Nielsen has far and away the best IP portfolio in the world and the best tech platform in the world to make addressable TV a reality. This is a challenge that has hounded the media industry for some time, and Nielsen has finally put all the pieces together in one company to make it happen.

The other thing I'd say that affected media and certainly affected Nielsen is the changes in privacy. Clearly, 2018 saw a number of changes in the privacy landscape, which honestly we support. We think they're important for society, and we applaud the effort. As I said, velocity is important to respond to those because I don't think we're done. I think there will continue to be changes to the privacy landscape and we need to have answers for that.

Nielsen uniquely has a key differentiating factor in its panels. The ability to use panels to translate big data into something that reflects the total population is unique at Nielsen. The panels are very privacy-friendly. We certainly protect our panelists at all costs, which is why they share more with us. And this is going to enable us to continue to differentiate and solve an important issue in the media landscape.

Let me sum up on the Media side. You can hear my enthusiasm. We've got a lot of opportunity. Nielsen is an unrivaled solid leader, and we have been and should continue to be the one media truth across the entire media value chain. Media is getting more complicated and Nielsen's going to make it more simple to be able to operate in that complexity.

Let me turn to the other platform, Connect. Clearly, FMCG and retail clients have big changes in front of them, and they're looking for Nielsen to help understand what consumers buy, how they got a better shopping experience before they buy, what is their path to purchase, and how does that all work more seamlessly across retailers, manufactures, and consumers.

Nielsen's unique in the solution for that. We're the only global player in the FMCG space operating in more than 100 markets. And I would also say we're working quickly to deal with some dynamic changes, whether those be cost pressures on manufactures who need data to make smarter decisions or whether those are retailers who need better insights as data becomes key to keeping up with changing consumer preferences. And then I would also say we have competitors that we need to stay ahead of, especially in markets like the United States.

So with both those opportunities and leadership and the challenges, we've been focused on strengthening the position and operating leverage of our Connect business. Over the last couple years, Nielsen has made significant progress on what you might have seen in the past called the Connected System, now a product called Nielsen Connect, which over time will serve as the single architecture for our entire FMCG and Retail business.

I like Nielsen Connect a lot. As a guy who comes from the technology side, it's an impressive first-of-a-kind platform. It's an open system, which enables Nielsen to work more easily with our client architectures because all of our clients are improving their backbones as well. It enables us to embed more clearly into the client workflows. It enables us and our clients to connect Nielsen with other third-party vendors. And as a single cloud-based platform, we can drive now much higher velocity of innovation.

I would say measurement is the backbone in Nielsen Connect, but this foundation will allow us to do a lot more with predictive analytics and activation, which adds more value to our clients and more growth to the Connect platform.

We're going to continue to add capabilities now to expand our market opportunity such as the supplier collaboration programs we've launched with Walmart and Sam's Club, which has been very good for Walmart and Sam's but also very good for Nielsen. As an example, that platform in 2018 signed up 850 clients, and more than 70% of those clients were new manufacturers for Nielsen.

Many of those new clients are small and midtier-sized clients, who can easily take advantage of the platform, and this size client has not historically been a client base that Nielsen has served well. But now that we have technology, we can use retailer programs to connect all of those companies, big and small, with Nielsen Connect.

At the same time, the backbone of the measurement is coverage, and we continue to invest in coverage across all the channels that matter to our clients. This includes a big focus on e-commerce measurement, where we're now in 30 markets that comprise over 90% of global FMCG sales, clearly a very strong and important platform at Nielsen Connect.

Let me then summarize what that means for 2019, and Dave's going to go through the details of the 2019 guidance. As you hear that guidance, you should hear three key clear focal points, which I've already talked about. Number one, we're going to be obsessed about our products and the revenue growth that those products generate for our shareholders and, more importantly, the value those products create for our clients. At the core, we're a measurement company. We're going to continue to strengthen our measurement products.

In Media, we are – Nielsen is the single source of truth throughout the entire media ecosystem. This media measurement business is stable, it's recurring, and it's highly visible. More importantly, it is the backbone on how the media industry works.

In Connect, our core measurement will help retailers and manufacturers understand what is driving market share. Again, this is a very important critical way that the FMCG and retail industry works, and we're deeply embedded in those companies as an independent source of truth.

Now, above measurement, we have analytics and predictive models. This is where a lot of future growth should come from. Analytics have always been a focus of Nielsen. But unfortunately, what I found here was a series of point solutions as opposed to an analytics platform. That's a lot of what we're changing. We need to change that for leverage, but we also need to change that so as that moves to the cloud, we can take more advantage of AI and ML to make all of those solutions more predictive and more valuable to existing and new clients. And clients need this to be able to compete as technology evolves.

So we've got a really important combination of measurement and analytics to talk about here. And I would say what you're going to see is where we are today. A lot of the transition in 2019 is simplifying, consolidating, and strengthening that analytic and predictive model platform while we continue to strengthen core measurement. And we're going to share our numbers with you in those segments on both sides.

Secondly, we are very focused, as I said, at aligning all of this around a cloud-based platform for Media and a cloud-based platform for Connect, and where valuable, those two can talk to each other. This is essential to scaling our solutions. Getting a modern platform right is key, and having a single architecture is the only way to do that. And that means we continue to see clients taking on components of the platform today, and we're on a path to be able to move all events to the new platform and retire legacy platforms. This is something I've done before in prior companies. We've got the people here to do it, and it's essential to get this right.

Finally, we put a number of initiatives in place to improve our operational discipline. We have a recurring business with a fair amount of visibility that gives us a lot of opportunity to be disciplined, predictable, and to continue to deliver on our commitments. Our 2019 plans commit to this operational excellence, which lays the foundation for operating in a way that executes on this vision in the years ahead.

I'm very excited that we know what we need to do and we're laying that foundation. That foundation is going to provide better revenue growth, profitability, and increase shareholder value over time. Nielsen can and it will and it must do better. And I have confidence early on here that we're taking the right actions quickly to position your company for success.

Now let me turn it back to Dave, who can help you translate that into numbers for the 2019 guidance. Dave?

David J. Anderson

Chief Financial Officer, Nielsen Holdings Plc

Thanks, David, very much.

So I want to start with a focus on 2019 by going to slide number 12. As David mentioned, we're now organized into two segments, Media and Connect. We're also making changes to the categories within these segments, as you can see here on the top half of the slide. Our segment categories are based around our core measurement platforms in both Media and Connect with plan/optimize and predict and activate designed to build on measurement and enhance client decision-making.

The moves better align our external view to our go-forward internal view, which is going to enable us to drive greater accountability throughout the organization, and they're also very consistent with what David emphasized in terms of our product-driven focus. Now we've laid out these changes for you in the appendix of today's earnings slides.

As you can see on the bottom half of the slide, we're also now incorporating organic constant currency revenue growth and adjusted EPS into our reporting framework to give you more clarity into the normalized revenue and earnings power of the organization. The definitions for adjusted EPS are consistent with the approach to adjusted EBITDA.

Now the enhancements are consistent with the goal of greater transparency and improved communications. We spoke about that in the third quarter earnings release, and have since subsequently spoken to many of you regarding these financial metrics. We appreciate your inputs.

In our press release, we've provided the recast historical figures to the new segments, including organic revenue constant currency growth and also adjusted EPS. Importantly, the definition of organic revenue includes the net effect of business acquisitions and divestitures over the last 12 months. It doesn't adjust for any one-time items.

Finally, although we will no longer break out developed versus emerging markets in the Connect segment, we'll obviously provide you with additional color on growth by region going forward.

So let's now go to more specifics on 2019, starting on slide 13. On a total company basis, we expect total constant currency revenue growth to be approximately flat to up 1.5%. It represents an improved obviously trajectory over the 2018 results. It includes roughly 40 basis points of net benefit from acquisitions and divestitures completed in the last 12 months, but we also had some one-time revenue items in 2018 that do not recur in 2019, which create roughly 80 basis points of revenue headwind for us in 2019.

We expect adjusted EBITDA margin of 28% to 29%, roughly flat year over year at the midpoint. Adjusted EBITDA margin will be driven by significant productivity, partly offset by reinvestment in the business. I'm going to walk you through some of those drivers in a few moments.

Adjusted earnings per share expected to be in the range of $1.63 to $1.77. This reflects higher depreciation and amortization compared to 2018 as well as higher interest expense. And lastly, free cash flow we expect to be in the range of $525 million to $575 million, at the midpoint roughly flat with 2018. Now the drivers include lower incentive compensation payouts and also lower retailer payments, offset in part by higher cash interest and also cash taxes.

We expect CapEx to be up slightly in 2019, driven primarily by increased investments in Media, which includes investment in Total Audience Measurement, digital, as well as Gracenote. The distribution of CapEx spend and resource allocation will be directed at our greatest growth opportunities with discipline around ROI.

And as I mentioned earlier, we've taken a bottom-up approach to 2019. We've spent considerable time unpacking and repacking numbers to provide us with a solid understanding of the full-year outlook, and important for you to know, the guidance at roughly the midpoint of our 2019 operating plan. We've provided commentary on additional inputs to our key 2019 metrics in the appendix of our slides.

So let's go now to slide 14 and go quickly through the segments. For Global Media, we expect constant currency revenue growth to be approximately 2% to 3%. We expect acquisitions completed in the last 12 months to add about $35 million in revenue. Additionally, as part of our product category exit in 4Q 2017, we provided transitional services for one year following that product category exit. The loss in servicing revenue in 2019 will result in about a $30 million drag on revenue, so roughly equal to the add that we're looking to from acquisition.

We expect Audience Measurement within Media to grow 2% to 3% in 2019 compared to 3.8% in 2018, so continued strength in National TV measurement, which we expect to be up mid-single digits, as well as strength in digital. The main driver of the slower growth is local, which we expect to be down mid-single digits, and I'd also note the Audience Measurement category also now includes Audio, which has a relatively flat growth outlook, and that obviously includes as the year-over-year comp. We expect Plan and Optimize to grow 1% to 2% in 2019, with the anticipation of continued privacy headwind.

In the Connect segment, we expect constant currency revenue growth to be down 2% to flat. The net impact from acquisitions and divestitures completed in the last year is about a 20 basis point drag due to a small divestiture that we've completed.

Now, we expect constant currency revenue in Measure to be down 1% to up 1% within Connect, reflecting expectations for increasing growth rate internationally as well as reduced declines in the U.S. We expect Predict and Activate to be down 2% to 4%, reflecting continuing but lessening pressure in innovation, in consumer insights practices, as well as growth in everyday analytics.

Now to help reconcile with our current reporting structure, our guidance assumes improvement in both developed and emerging trajectories for Connect, with developed revenue down 2% to 3% and emerging up mid-single digits.

Let's turn now to slide 15 to take you through some of the expectations around margins.

We expect to drive significant productivity across the organization, partly offset by strategic reinvestments. You can see that pictured here on the slide. The productivity is based partly on carryover from actions we began in 2018. These are mostly operational initiatives, and we've got additional actions that are either underway or planned for which we have clear line of sight for 2019.

The productivity will be offset by two primary factors. First, we're going to have higher expense for annual incentive pay. As you would expect, incentive compensation was significantly reduced in 2018. Our goal is to make the numbers in 2019 and to recognize and reward the organization, so the guide includes this accrual.

Second, we're making strategic investments to drive future growth. The majority of the reinvestment will be in Media, including investments in digital, addressable advertising, as well as local. And as a result of these factors, the midpoint of our guidance suggests margins roughly flat compared to 2018.

Let's go to slide 16 now and talk just a little bit about what we anticipate in terms of phasing for the 2019 outlook. We think this is very important additional color for you.

Overall, we expect the second half of 2019 to be stronger than the first half. For revenue, we had some one-time items in the first half of 2018 that make for a more difficult comparison in the first half of 2019. And importantly, we expect the first quarter revenue to be essentially flat year over year.

Our adjusted EBITDA margin should be correlated with the revenue pattern that I just mentioned. We'll also see the benefit of productivity initiatives that will be phased through quarters two through four. So in other words, we'll see greater lift and benefit in those periods. The first quarter adjusted EBITDA margin is expected to be below the prior year, but we expect to see margin uptick in the second quarter.

Quarterly free cash flow should be consistent with historic patterns, which are heavily second half weighted. The first quarter 2019 free cash flow should show an improvement versus our first quarter in 2018, driven by lower retailer payments and also from lower cash incentive payouts this year compared to last year.

So in summary, we're confident in our plan. As you heard in David's comments, we have a strong commitment to deliver on all fronts. We look forward to updating you on our continued progress.

And with that, I'm going to turn it back to Sara for Q&A.

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

Thank you, Dave. Carol, we're ready to open the lines up for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Andrew Steinerman from JPMorgan. Please go ahead.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Good morning, David and Dave. My question is do you think this high level of reinvestment the company needs now could be achieved in this year of 2019, or might this full reinvestment of the productivity gains extend beyond one year?

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Listen, I think at this point, it's not good to call an end to it. I think we're going to continue to invest to build really strong products. I do believe those should drive scalability, so the new products should have higher margin. But I would say at this point, I want the flexibility to really build some longer-term plans before I would be committing to a change in the long-term model.

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

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

Q

Great, thanks. It's nice to hear your voice again, David, after many years under different guises. My question really is about all the commentary you're making about the changes that you guys need to do since you've come in. the prior management team made a pretty good presentation I thought about the changes to Connected System, and I think you seem to be continuing that in some sense, but I guess I wonder. I understand about open architecture and so forth, but this sounds like a big change, maybe with a lot of CapEx needs. I guess what do we need to know in terms of what you're doing to really improve the Connected System effort? I'm focusing more on what used to be called the Buy side. Can you give us a bit more on what needs to be done to improve this business?

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

A

And I do want to correct that I don't think it's a big capital investment because part of what we're doing here – first of all, I have to say there was a good plan in place, and so we don't have to start over. Where I think we need more clarity in the organization is that we create one system, that we're more aggressive in retiring the old system, so that frees up productivity. And quite honestly, that retires old capital.

Secondly, it is a cloud-based system. It will run on public cloud. Microsoft has been a really good partner on that. And so I think that changes the capital dynamics from things that would have historically been built in our own data centers.

Thirdly, I think that it's been important that we design the architecture more clearly so that you do things horizontally, so there are different functions across the Connected System. You don't need to do that more than once. And so having this top-down architecture across the system would be helpful.

Lastly, I think some of the concept was more of a big bang in the past that somehow we could launch this brand new system and then we would go sell it. In reality, I think we've done a much better job of componentizing it so that clients can move to it over time. We've got hundreds of clients already using components of the Connected System. They're moving in the right direction. And I think this migration of continued value and improvement is the way you do this in a more effective way. And without a big bang investment up front, with some big bang changes on the back end, it's more of a continued improvement in the way it operates and then in its growth and margins.

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

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Thank you. Good morning, gentlemen. You talked a lot about the individual segments I guess and why you find them attractive. I was wondering if your initial thoughts, if you could give us some of the merits you see of having both of them together under one company.

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Sure, Manav. And I want to be clear that I think it's an option. What's important is that each of these businesses is optimized for its segment, and the segments are quite different and their needs are quite different. So that is important. That said, there is synergy in having them together as they both get stronger because you can of course take everything you're doing on the Connected System to understand the best way to market. The data from the Media business can help improve that, and that can then feed into the models in the Media business that help the Connect segment.

I should be clear though that the FMCG and retail world is only 10% to 12% of advertising. So it's for that segment. But obviously the Media business is equally looking at connecting to data from the auto segment, from the financial services segment, from hard goods, all the other folks who advertise. And the Media business will cover the whole consumer economy, not just the part covered by our own FMCG business.

Operator: Our next question comes from Todd Juenger from Sanford Bernstein. Please go ahead.

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

Q

Hi, thanks. Good morning. Can I focus my one question, please, on the guidance on the Audience Measurement? David, thank you for your help in componentizing that into the various line items. Of course, I'm going to pick on the one that stuck out as the most negative, at least to me, which is the local markets business, which I think you talked about being down mid-singles. Can you explain a little bit more to us the dynamics around that? Are there any timing issues with particular customers? Is it a competitive issue? Is it political in 2018 and comping that? There's a bunch of stuff it could be. But I'd love to understand a little more and then think about how we should think about a normalized growth rate for that over time. Thanks.

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Thank you, Todd. The end market of local has certainly seen the changes as things go to digital, as things move to streaming. Local broadcast had some headwinds. And so we're not going to outgrow our clients, but I think we're working with them as they deal with this, number one.

I'd say secondly, we have made a number of important investments on the local business. Retiring paper diaries happened this year. We did get to direct measurement of people versus households. We have measured out-of-home measurements on local, which has been important. We also then focused on skinny bundles, virtual MPDs, and advanced audience segments, so we're helping the local market in many places.

I would say there were some delays in some of the markets in what we were counting on in terms of a new platform, so that is being finished now, but that did affect us a bit in 2018. Some of that's us, and some of that is industry acceptance of these changes took a little more time than we might have anticipated. There's a complexity to rolling out a change. So I think we're on a good path to fixing the issues.

When you bring up competition, and there's some noise from another measurement company at the tail end of local. So to be clear, local is not equal across the market. There are big urban areas where you need what Nielsen does. You need to have the panels. You need to be able to scale up. Some of the smaller markets have, because of their economics, [indiscernible] (50:47) a lower degree of rigor in their analytics. They're just going to measure straight households. It doesn't serve everything that the Nielsen currency does, but they're selling to local advertisers on a different standard.

We're not competing at that standard. We are competing for the Nielsen currency. We're delivering the Nielsen currency increasingly efficiently. But I think there's a long tail that we're just going to make a decision as to whether we focus on it or not and how to do it in the right way.

Operator: Our next question comes from Dan Salmon from BMO Capital Markets. Please go ahead.

Daniel Salmon
Analyst, BMO Capital Markets (United States)

Q

All right. Good morning, everyone. David, I think I've got a high-level one for you that hopefully helps flesh out your vision a little bit more. I think traditionally the concept, you keep referring of course to the concept of the currency in media, and I think traditionally that was a relatively straightforward concept, and it basically boiled down to the GRP. But as you see in the market, obviously you're seeing marketers move much more towards business outcomes. So here's my high-level question. Can you lay out for us what is in your view a currency in the modern day advertising economy where business outcomes are more important?

And then as a dovetail to that, you mentioned a little bit more about the synergy between the two businesses. If business outcomes are more important, it would seem that that does imply that it would be good to have the two segments working more closely together. But as you noted, the segment formerly known as Buy is more focused on FMCG and retail, so presumably that would mean that business outcomes require more partnerships in other sectors. So just high level, I'd be interested to hear your color on that. Thank you.

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Thank you, Dan. Those are very good questions. So first of all on currency, there is I think a really important need to understand who watches and how long they watch in Media. There's a foundational element that is essential for the investment, and we measure that uniquely. And the way we do it and the investment we put into it means that we uniquely measure everyone. And that's really important I think for Media, which serves all of society, to measure everyone. Part of the reason that we go to age and gender is that those are two metrics that every person has, and therefore we can make sure we're measuring every person. That foundation is key to understanding the base level.

Above that, you are absolutely right, so they put the base value. Above that, then you create differential investment connected to business outcomes and to attribution. We did a lot of things in that. The investment a couple years ago in Visual IQ is helping with Multi-Touch Attribution. A lot of our modeling is helping with that, so that you can get to those outcomes. But it's important to get to those outcomes in a sophisticated way that looks at all the things that led to the funnel of a purchase versus just attributing the last click. So all of those analytics have been important. And quite honestly, those analytics only work if you start with a base measurement of everybody.

So this is why I think it's important, and there's a reason why a lot of the digital platforms, particularly in the Video segment, are now Nielsen-measured. I would tell you that since I've gotten here, a lot of the inbound calls have been my old friends on the West Coast and some of the big digital platforms elsewhere in the world who monitor your [ph] how to be (54:35) Nielsen measure because having that foundation, having that common currency across all of this is essential. And then you do the outcomes-based work above it, and we clearly need to play in both segments, which is why we're doing it that way.

Secondly, you are absolutely right that the design of this cloud-based platform on the media side is also designed to be open so there will be more partnerships. You may have seen a good partnership last week between Connect and NPD so that we could look at the whole store. We could do the FMCG side, they could do the hard goods side of the store, and that's certainly helping retailers. That's also helping provide data that helps those companies with their media investments across the entire store.

I think we've got a good one with J.D. Power around auto. There are several underway. But yes, I think the company needs to be more open, easier to work with, so that we can bring our data together with other data and serve the entire consumer economy.

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

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

Q

Yes, thank you. So maybe a different take on an earlier question, but as you look to drive a big inflection in the business and you've taken a fresh look at the different businesses and opportunities, there's not really a margin reset in the 2019 guidance. There's not really a CapEx reset. So as you talk about I guess funding analytics platforms and addressable TV and more global, et cetera, et cetera, et cetera, are the productivity opportunities in the business such that you can continue to fund all of these opportunities and raise the growth profile of the company around the current margin profile?

And similarly, from both an OpEx and CapEx perspective, the back-end tech platform that you're inheriting, is it sufficient to enable the modern client-facing platforms that you foresee for the company? Thank you.

David J. Anderson
Chief Financial Officer, Nielsen Holdings Plc

A

Maybe I could just, Jeff, start with that and, David, you can add to that. I think first of all, the productivity that we've identified and included in the 2019 plan, I stated this earlier, but a portion of that is carryover from very solid programs that were initiated in 2018, and a portion of that is new where we've got clear line-of-sight plans underway. So we've got confidence in what we need to do and what we need to deliver for 2019.

Frankly, there is a lot more that we will continue to drive and will continue to influence in terms of overall productivity in the company. But the best productivity is going to come as a result of improving our top line. And the revenue growth and the reinvestment that David talked about and the strategic focus that he mentioned is really obviously critical to that.

Regarding the tech stack and the re-platforming, that's a critical priority for us. That is really on top of what we've identified to date. We're working through that now in terms of what the reinvestment requirement is. We think we can transition that successfully to the architecture, one reference architecture, one for Buy or Connect, one for Media. In the course of the next 12, 18, 24 months, we think we can successfully transition that. That's also going to be very important to us in terms of both the product delivery and marketplace competitiveness of our products, but also in terms of our cost structure. So all of that is included in our thinking and in our planning.

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

A

So, Jeff, you've gotten to the heart of a core issue. To give you a sense, my first day at Nielsen I started it in Oldsmar to start with a platform review. And my office is not in Connecticut. It's in New York in the tech center at a desk in the middle of the engineers. I want to keep my finger on this. It's the issue that will hold us back if we don't get it right.

I do say there was the right thinking. There was the right architecture on Connect and quite honestly the right architecture on Media, and both of those were working well with public cloud companies because that's how you solve it. You move it more to rented infrastructure and you modernize.

What I think was missing a bit is the top-down detailed understanding of what needs to be done and just the ruthless pulling out the weeds of all the old system. These economics will only work if we retire old systems. That takes some courage. That takes a little bit of client hand-holding. That's what we're in the middle of doing right now, is getting everybody onto this.

This is an execution issue. It's not a strategy question in my mind. And I do believe we've improved the execution already, but we've got a ways to go, and that's what we're going to focus. But I'm committed to it because that's the way we deliver this profile is we modernize the platform by retiring old and moving to new, and we're going to go as fast as we can over the next year to make that happen.

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

Matthew Thornton
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Hey. Good morning, everyone. Thanks for taking the question. Maybe just one quickly on the formerly known as Watch segment and one on the formerly known as Buy segment. On the Watch side, maybe you could talk a little bit about the TAM framework and how you're thinking about cross-platform evolving this year and into 2020. Do we start to see any material economics from cross-platform here in 2020?

And related to that, when do we start to see more of the set-top box there? I know you have smart TV data. Some of the bigger data sets start to get incorporated into the syndicated Watch measurement. Any color there would be helpful, but I'll stop there and I'll bag the Buy question. Thanks, guys.

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Thank you, Matt. I'm sure somebody else will have a Buy-Connect question after you. Listen, on the TAM framework, that is the framework under which [ph] we get into (1:01:04) Total Audiences. It's the way that all of this is working, and I think we're already seeing it. I would say in the several renewals that were done last year, more services were being used and folks were committing to that. I think it's been a key differentiator in the discussions I'm having right now with all of our media clients in that they really want us to measure all of this in a very positive way.

So, I think it's [ph] out (1:01:33) there and it's part of our differentiation. And as I mentioned before, we've got many new media companies coming to Nielsen for the first time, not only in the United States, but in 50 countries around the world, all of whom say listen, in the future, we're going to distribute in all these ways. We need a common currency to be able to do that. And increasingly we need new tools to be able to market that in the way that NBC is doing with CFlight. So that's certainly I think – we're seeing it already. We should see it ramp up as digital improves.

I would say secondly on the set-top box data, we made an investment there for local, but we found it useful well beyond local to enhance our knowledge of what's going on in the economy. So that's continuing to happen in big ways. Beyond set-top box data, I would say one of the other important moves as we called this Media is the integration of the Gracenote platform. Everything we're doing with ACR is another source of metadata, and that's helping us understand consumers in other ways. And as we get to that bridge between date measurement and analytics, that platform will be key. And then Gracenote of course combined with Sorenson, as I said before, creates the IP portfolio for addressable, which is data at a very specific individual level, which I think is really going to help our media customers as well.

So I think we've got the pieces to work with our media clients as they go through I think a pretty accelerated pace of getting to new ways to monetize their content here, and that data is just going to continue to make all of this stronger. Finally, I would say machine learning is going to bring that data into predictive models for the future as well.

David J. Anderson
Chief Financial Officer, Nielsen Holdings Plc

A

And maybe just quickly to tag on, just as a reminder, National guide is up mid-single digits. The guide digital is up low double digits in 2019, so that's reflected also in our numbers.

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

A

And most of those national customers are also using the digital product.

David J. Anderson
Chief Financial Officer, Nielsen Holdings Plc

A

That's right.

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Thank you, [ph] George (1:03:32).

Operator: Our next question comes from George Tong from Goldman Sachs. Please go ahead.

George Tong
Analyst, Goldman Sachs & Co. LLC

Q

Hi, thanks. Good morning. David, you discussed a number of initiatives to drive improvement across Global Media and Global Connect. I guess where are your priorities among the initiatives you talked about, and what internal metrics will you watch most closely to measure your success?

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

A

So listen, as I said, they're in three areas. First of all on metrics, let me start with the fact that what I really want is consistency in results. I want no surprises on these calls. I want to be really clear what we're going to do and I want to hit it. And I'm being very clear to people, there is no tolerance for inconsistency. We have to be a predictable performance company.

In order to do that, what you should know about this guidance and the 2019 plan is that we worked very hard, 24/7 practically from the day I got here, to build it all from the ground up, to make sure we understand each and every initiative, and there are clear requirements to deliver on those results. And while we are changing a lot of things, we also have a large organization. And so we've been able to allocate each of these to clear people I hold accountable to make sure that we deliver it. So I'd start with that framework.

When I get to the KPIs above that, I would say, as I said, there are three areas, and number one is I'm really focused on customer value. I'm trying to split my time half internal and half with clients because we really need to help our end markets deal with the changes that are happening there. So the products have to be solid, they have to have high usage, they have to have high satisfaction. And I'll measure that in terms of renewal rates, in terms of price escalators, in terms of engagement score, in terms of use of the product, in terms of market share. So very product/customer-driven KPI is where we begin.

Secondly, I need to measure scalability. So it's not just productivity. We need to know that the incremental product innovations come at higher margin. That happens when you use a common platform and a single architecture because the next things are easy to build on top of it. At the same time, that also enables higher product velocity, which should help the first thing on customer value.

And thirdly, you have to hold us accountable for the outcome. So revenue, free cash flow, ROI are key. And underneath it, I'm really making sure I look at product profitability and the cost of the print to make sure we continue to be nimble and that we don't have excess costs where we don't need it, and everything is directed to delivering that product value and scalability.

Operator: Our next question comes from Ashish Sabadra from Deutsche Bank. Please go ahead.

Ashish Sabadra
Analyst, Deutsche Bank Securities, Inc.

Q

Thanks, a quick question on the Measure guidance, the expectation for reduced decline in the U.S. I was just wondering how much confidence you have there. We continue to see negative headlines on the FMCG companies. Do you expect any impact from those? Thanks.

David J. Anderson
Chief Financial Officer, Nielsen Holdings Plc

A

We have pretty good confidence in those numbers. We both mentioned that the development of this guide, the development of the numbers we're sharing with you has really been done on a bottom-up basis. So we've looked client by client, contract renewal by contract renewal. There's a lot of data obviously that informs us with that. There's also over time consistency in the performance of that particular segment of the business, so we feel good about that. David, anything you'd want to add to that?

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

A

All I can say is there's give and take here. There are some real bright spots and upsides in the Connect business. I'm very excited about what we're doing with retailers. I talked before about the Madrid project at Sam's Club and what we've done at Walmart and other places. Those retailer initiatives are bringing in new clients and getting an increased return on their investment from retailers. [indiscernible] (1:07:47) now runs our U.S. business, who is running retail. We're putting this together in a really simple way. I'm excited about what we're going to do there in the U.S. with new initiatives.

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

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

Q

Thanks. I just wanted to follow up on the technology discussion. I guess I'm not quite clear how aggressive and I guess how all-encompassing is the transformation you're trying to pursue. Is this all the back-end systems as well as the front-end systems? And I guess when you talk about trying to push as fast as you can over the next 12 to 24 months, are you envisioning that at the end of 12 to 24 months you would be fully completed with this and most of the systems on the cloud and most of the old systems retired I guess? What's the end line you're talking about in 12 to 24 months? Thanks.

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Tim. I'm not going to put a final date on it, but this is the right timeframe. At the end of it, we do need the vast majority of our systems to have our data ingested, stored, computed, and delivered on public cloud. And other companies have done this. The public cloud companies from the very top are engaged on this. We're a really good client for them, and the folks I know well. So we have a good roadmap to make that work, and I would say at the top level we've got a clear vision.

I think the key to it – and yes, it does mean we'll be [ph] unlimited (1:09:25), pretty aggressive, and it is both the back end and the front end. And quite honestly getting the back end right and getting the data rates right is the most important because those are horizontal. They serve all the applications, and then the applications can be built on it.

Where I think there might have been, in my view, some mistakes in the past was to try to fix the front end first, because just putting a new UX on top of the old back end doesn't scale the same way. So the big change here is actually doing it end-to-end.

And then I would say that the other thing that's super-aggressive here is to make sure that we work with our clients to get them all on the platform. Maintaining multiple legacy systems is a killer to your economics, and I think we've got to show more courage on that. And I think our clients as they alter their own architecture are more open to that answer now than they might have been three or four years ago.

Operator: Our next question comes from Kevin McVeigh from Credit Suisse. Please go ahead.

Kevin McVeigh
Analyst, Credit Suisse Securities (USA) LLC

Q

Great, thank you. Hey, really helpful to frame things up, particularly given the different scenarios. Is there a way to think about as you're planning the business because obviously you framed three really different scenarios, a probability of each one? And it may be difficult to frame that out, but it seems like there's more focus on the Watch versus the Buy just based on the prepared remarks. Just any way to think about the probability of the different outcomes as you're planning the business because you did a real nice job of framing this within the context of a lot of cross-currents from an activity perspective.

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

A

so let me take – it sounds like there were two questions there. First of all, I want to be clear that I'm not putting more focus on the Media business versus the Connect business. There is an equal focus on both. Obviously, given the margins and profitability of the Media business, it's a more critical driver of shareholder value given its size. So that's probably why you heard more on it, but there are equal efforts on both, and both have opportunities and strengths.

In terms of the scenarios, this is just not the moment to go into any details on the strategic review. I think, as I said, there are three potential outcomes, and that decision will be made when we've got the facts, which is not just in our control but the other people we're talking to. And as soon as we can give an update, we will.

Operator: Our next question comes from Surinder Thind from Jefferies. Please go ahead.

Surinder Thind
Analyst, Jefferies LLC

Q

Good morning, guys. David, maybe just following up on the earlier question here or a big-picture question on maybe how you approach decision-making. In terms of how patient are you willing to be to see some of the results? At what point do you think about changing course or when you're evaluating the investments? And if we were to maybe apply that to the previous question about the strategic review and maximizing shareholder value, how do you decide between maybe pocketing a dollar today or waiting to maybe earn two dollars tomorrow?

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

A

Patience isn't my strong suit. I think that's just reflective of the end markets we're in. So we're certainly running fast sprints to make faster, bolder decisions and to focus on execution. And certainly, if the execution isn't performing as it needs to, we need to change people, process, decision-making to make that happen. So I focus on those everyday decisions to make that work.

In terms of the strategic review, listen. I think the board just got a look at that in a risk-adjusted way when we've got all the facts. What I'm looking at is just to make sure that we are all aligned on this vision and executing it.

Operator: I would now like to turn the call back to David Kenny for closing remarks.

David W. Kenny
Chief Executive Officer & Director, Nielsen Holdings Plc

Hey, listen. Thanks, everybody, for joining us. Sorry we ran a little over. As you could tell, I'm enthusiastic about what we're doing, and I appreciate the chance to be clear and a little bit detailed on this. Our vision around the product is increasingly clear. Our vision about how we deliver is increasingly clear. We have work to do on execution but we're making a lot of progress, and I am 90% focused on the execution right now. We will continue the strategic review, and we will get back to you as soon as we have an answer on that. Thanks again. We look forward to keeping you updated.

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