13-Feb-2014

Nielsen Holdings NV (NLSN)

Q4 2013 Earnings Call

CORPORATE PARTICIPANTS

Kate White Vanek
Senior Vice President-Investor Relations, Nielsen Holdings NV

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

OTHER PARTICIPANTS

David Bank
Analyst, RBC Capital Markets LLC

Sara Rebecca Gubins
Analyst, Bank of America Merrill Lynch Global Research

Suzanne Stein
Analyst, Morgan Stanley & Co. LLC

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

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

Paul L. Ginocchio
Analyst, Deutsche Bank Securities, Inc.

William G. Bird
Analyst, FBR Capital Markets & Co.

Dan Salmon
Analyst, BMO Capital Markets (United States)

Andre Benjamin
Analyst, Goldman Sachs & Co.

Mark J. Zgutowicz
Analyst, Northland Securities, Inc.

Douglas M. Arthur
Analyst, Evercore Partners (Securities)

Brian W. Wieser
Analyst, Pivotal Research Group LLC

Aaron L. Watts
Analyst, Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for holding, and welcome to this Conference Call on Fourth Quarter and Full Year 2013 Results for Nielsen Holdings NV. Please note, all lines are in listen-only mode. After the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time. I would like to remind everyone that this call is being recorded today, Thursday, February 13, 2014 at 8 AM Eastern Time.

I will now turn the call over to your host for today's call, Kate Vanek, Senior Vice President of Investor Relations. Ms. Vanek, please proceed.

Kate White Vanek

Senior Vice President-Investor Relations, Nielsen Holdings NV

Good morning, everybody. Thank you for joining us to discuss Nielsen's fourth quarter and full year 2013 financial performance. Joining me on today's call from Nielsen is Mitch Barns, Chief Executive Officer; and Brian West, Chief Financial Officer.

A slide presentation that we'll use on this call is available under the Events section of our Investor Relations website at nielsen.com/investors. Please note in the appendix of this slide presentation are not only the normal GAAP reconciliations, but also a few slides to walk you through a small recast we did during the quarter between our Buy and our Watch segments. Please call us with any questions you might have on this.

Before we begin our prepared remarks, I'd like to remind all of you of the meaning and – this 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, February 13, 2014.

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 nielsen.com/investors.

For today's call, Mitch will start with comments on our results for the quarter and the year, and give some overviews of some key highlights and then provide a business update. Then Brian will discuss financials for the quarter and discuss our full year guidance. And from there, we'll turn to Q&A and we ask that you limit yourself to one question and one follow-up in order to accommodate everybody.

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

Dwight Mitchell Barns

Chief Executive Officer, Nielsen Holdings NV

Thank you, Kate. Good morning, everybody. This is my first earnings call in this seat and it's good to be with you and thanks for joining. So let's dive right in. 2013 was another year of steady and consistent performance in growth, both for our business and for delivering value to our shareholders. Let me walk you through a high level look at the numbers for the full year.

First, revenue. It grew a little better than 6% on a constant currency basis. And if we exclude our acquisition of Arbitron, which we've renamed Nielsen Audio, the top line grew just under 4%. Next, adjusted EBITDA was up 7.5% or 8.7% on a constant currency basis. Adjusted net income per share grew almost 20%, finishing just a little bit over $2. And the number we all love, our full year cash flow, it was $573 million, up almost 35% versus 2012. These numbers reflect our steady, consistent model. It's a model that leverages our global footprint and scale and those are incredibly valuable as we serve our global client base.

A few other highlights for 2013 that I want to call to your attention. First, in late September, as you know, we closed our acquisition of Nielsen Audio and we're thrilled with how this one's gone so far. The integration process continues right on track and we're still comfortable with the cost synergy estimate that we provided at our Investor Day in December, and that was a net savings of $45 million.

2013 also included the ongoing transition in our shareholder base, and now, private equity ownership is down to about one-third of our company. That opened the door for us to join the S&P 500 Index in July and that was an important milestone for our company.

It was also a busy year for capital allocation. As you know, we follow a balanced framework for capital allocation. In 2013, we initiated a dividend and then we subsequently increased it in line with our earnings growth.

We also announced and implemented a share buyback program. Finally, we reiterate our 2014 core guidance that we communicated at our Investor Day back in December. So big picture, we feel great about our progress in 2013 and we continue to be very well-positioned to deliver steady and consistent growth in 2014 and beyond.

Our business and our priorities, they're guided everyday by the two big trends operating in our marketplace, namely population growth and media fragmentation. We stay in front of these trends by increasing coverage, coverage of sales and coverage of consumers as they consume video and audio and other content in a growing number of ways.

And then, what we do is we connect the two sides, we connect what people watch with what people buy. And we do that to help our clients drive better marketing effectiveness and better marketing efficiency, and these are the things we can better than anybody else. It's a great value proposition for our clients.

So, what I want to do now is go into a little more detail about how we did in these areas in 2013 as well as cover some of the opportunities that we see going forward. First, we took steps step to increase our coverage in a number of the key growth markets around the world, including Africa, India, China, and more recently, Mexico. Almost every client we work with is chasing growth in these markets, whether it's in retail sales or video and audio consumption. We're incredibly well-positioned here because of our global footprint and our global scale, and also because of our global client relationships.

By the way, just a word about our client relationships. You all know that we have long-standing relationships with nearly all of the leading global players in consumer packaged goods. But what's a little less well known is the strong relationships we've built with the big local players in these developing markets, markets like China, India, Africa, and all throughout Southeast Asia. The reality is, our client portfolio is balanced across the global and local players. And over the long run, that balance, that works to our advantage, because in some years it's the global players who are gaining share, but lately it's been more the local players who've grown faster, particularly in developing markets.

Next, I'll turn to media fragmentation. Our digital measurement efforts, they've progressed very well in 2013. And I'm referring personally here to our online campaign ratings metric or OCR. It's gaining broad acceptance among those advertisers and publishers, and in particular, around video. We feel great about the progress that we've made, and we are bullish on the future for OCR, not only for video and display advertising, but also for digital audio advertising. We've also leveraged our OCR capability to extend our measurement of video to mobile devices, tablets, and smartphones. The testing and the pilot phases so far have gone very well and we've gotten very good client feedback. And we're on track for the broader market implementation before the new fall TV season begins.

On the social media front, we made a big step forward for measuring those audiences in 2013 with the launch of Nielsen Twitter TV Ratings. This one's been a lot of fun, but more importantly, it's also proving its value to clients, as they build use cases and as they tap into the insight that it provides for precision marketing and for content programming.

Next, our Ad Solutions business, this part of our business continued to accelerate in 2013. Recall, this is where we help advertisers improve the effectiveness and the efficiency of their advertising. One of the many positives of this part of our business is that we work across a number of different verticals, consumer packaged goods, of course, but also auto and financial, entertainment, tech, telecom and a number of others.

A big part of what we do here is connecting data that shows what consumers watch to what consumers buy. And we're now starting to do this also for what consumers listen to and what consumers buy. In both of these cases, it's incredibly useful and valuable for advertisers and their agencies in their efforts to improve marketing effectiveness. And it's just as useful for media sellers as they look for the best possible price for their audiences.

This whole area is still early in this development. And there's a lot of runway ahead of it. And we love this one. Now as a result of all of these things that I've just walked through, our client relationships, they grew stronger in 2013. That's because we're well positioned against what's important to their business and their growth and they have confidence in our strategy related to coverage as populations grow and our strategy related to media measurement as audiences continue to fragment.

Our major client contract renewals in 2013 went well with clients generally looking for longer terms and broader relationships, both of which are positives for our business model. Ultimately, it's their vote of confidence in our ability to continue delivering value and growth to their business. So the big picture, our business is strong. We're incredibly well-positioned. And as we enter 2014, we're confident and we feel very good about the path that we're on.

Now I'll turn it over to Brian, and he'll give you a deeper look at the numbers.

Brian J. West

Chief Financial Officer, Nielsen Holdings NV

Thanks, Mitch and hi, everyone.Good morning. So I'm on page 8. I'm going to run through total Nielsen full-year results in a little bit more detail. So what we have here is how we did in 2013 in total for the full year, what the year-over-year constant currency growth rates were and then, how that compares to the guidance we've got out there.

So, I'll start with total revenue. It came in at $5.7 billion, up 6.4% year-over-year constant currency and that compares with the 6% we were guiding towards. Revenue ex-Audio, as Mitch mentioned, was a touch under 4% at 3.9% for the full year. Adjusted EBITDA was $1.6 billion, up 8.7% and we continued to deliver cost per activity while at the same time, reinvesting for growth.

Margin expanded 61 basis points. Adjusted net income was $770 million, that's up over 23%. And our diluted ANI per share was $2.02, better than our December guide by a couple cents. Free cash flow was $573 million, up 34.5%, strong performance that reflects the high cash conversion of our business. And on our pro forma net debt ratio, 3.5 times, which was in line with what we'd expected for the year.

So overall, we feel very good about our accomplishments in 2013. The steady consistent core revenue growth of about 4%, margin expanded while we continued to reinvest, earnings growth was powerful and we're delivering very strong free cash flow, enabling the return of capital to our shareholders.

Now, I'll dive into the fourth quarter, so I'm on page 9; total results for Nielsen fourth quarter. Fourth quarter revenue was $1.6 billion, up 13% and up 3.7% constant currency excluding the impact of Audio. Adjusted EBITDA was $508 million, that's up 14% constant currency and margin expanded by almost 30 basis points. We did see the impact of foreign exchange rates in the quarter. There was a 120-basis-point drag in revenue and a 170-basis-point drag on adjusted EBITDA. Adjusted income was $274 million in the quarter, up almost 20%, and adjusted net income per share was $0.71. Finally again, free cash flow, we generated $234 million, which is up 13% year-over-year.

Now, let me move on to segment revenue. The fourth quarter marked our team's 30th consecutive quarter of top line growth. Let me start with buy. Total buy was just over $900 million, up 2.5% in constant currency. Developing markets within buy were up over 9% and we continue to see strong double digit growth in key markets, driven primarily, as Mitch mentioned in our local clients. Growth accelerated in the back half of 2013 and we continue to have a high level of confidence in our strategy to invest ahead and increase coverage of the growing middle class consumer, particularly in the developing world. As we head into 2014, we see very good momentum in this part of our business.

Moving on to Info services was $684 million in the quarter, that's up 1% as we expected. We had good growth in developing markets as client invest more in retail measurement, offset by the developed markets, where Western Europe continued to be soft as we expected and we no longer benefit from last year's coverage expansion in the U.S. from Walmart.

Moving on to Insights, revenue was $219 million in the quarter, up 7%, another good quarter of solid broad-based growth across every region. Watch revenue, $708 million, up 30%, and up almost 6% excluding audio, a very nice performance in our Watch business. Growth was driven by our steady TV measurement business, as well as strong growth in Ad Solutions as well as our digital products.

Let me make one comment. Kate mentioned at the beginning of the call, we had a small reorg in order to align our reporting with our strategy to link Watch and Buy in our Advertiser Solution business. And you'll see in the press release and the appendix of this document, the movement of two products that went from Buy Insights to Watch. So now we have a complete view of Ad Solutions within our reported Watch segment. There is a lot of detailed schedules that will help you make sure your models get up to speed. The impact in total is de minimis. In the quarter – fourth quarter, Insights revenue would've had $24 million less revenue, Watch would've had $24 million higher revenue as an example. Again, all of this is laid out in the schedules.

Moving on to profitability. Total EBITDA was over $500 million [ph] or (14:42) 14%, and overall we continue to execute on our technology infrastructure improvements to drive cost productivity, while investing for the long-term growth.

Buy EBITDA was just over $200 million and was down almost five points, and there were three drivers in there. One, we accelerated investment in the developing market coverage, where as I mentioned before, we're seeing very good growth. Two, platform investments to support new client wins. And three, year-over-year mix shift between our Info and Insights services business.

On the Watch side, Watch EBITDA was $313 million, that's up 33%, driven by Audio as well as the strong performance of our underlying scalability of our business model.

Moving on, I'm now on page 12, the last time we'll talk about 2013. I'm on the financial metrics box in the upper left. Let me start with CapEx, and I'll focus everyone on the full year 2013 numbers. CapEx, $374 million, in line with what we had forecasted, D&A, $510 million, also in line. Net booked interest, $307 million in line. Cash taxes, $147 million, a couple million higher than we thought but the cash tax rate for the business was a strong 16%, and the cash restructuring was $80 million in line. Free cash flow, I'll spend one more minute on that, $573 million, again, $150 million higher than prior year.

I'll also make one note, in page 7 of the press release, there is an adjustment for a one-time Arbitron deal cost of $46 million that I want to point out so everyone one is aware of it. And then, I'd also point out on page 6 of the press release in the adjusted EBITDA walk, there is a $53 million one-time item in the quarter, which is largely a non-cash purchase accounting adjustment associated with the Arbitron transaction.

And now moving to the balance sheet in the bottom left, gross debt, $6.6 billion, cash, $564 million to get to a net debt of just over $6 billion and again, our pro forma net debt ratio was 3.5 times. Moving to the cap table, in 2013, we repriced $2.9 billion of the loan debt. We refinanced a high coupon 11.625% notes that we funded a portion of Arbitron and as we enter 2014, we have a healthy cash balance of $564 million.

And our weighted average interest rate for the year went down 58 basis points to 4.28%. We continue to work on de-risking the debt portfolio and we still have opportunities to lower our rate and extend maturities.

Page 13. 2014, we showed this exact page at our December Investor Day. There's no change in the core growth framework, but we did add 1.5% of growth accretion for the Harris acquisition, so total Nielsen growth rate range is now 11.5% to 13.5% for 2014.

Page 14. 14 is our updated view on the impact of foreign exchange rates. On the left hand side of the page is a new look at our revenue breakdown and as you'll see that 73% of our revenue is in the first two lines across four currencies, U.S. dollar, Canadian dollar, euro and the British pound. The rest of our revenue reflects the broad diversification of our global footprint, and there's no single currency representing more than 3% of total revenue.

The chart in the right is our updated view of the FX – of the impact of FX rate movements. And this bar chart shows the year-over-year effect on revenue and EBITDA, assuming that yesterday's spot rates remain constant throughout the year. This does not take in account any impact from the potential revaluation of the Venezuelan bolivar, and as you can see on the far right side, total year revenue EBITDA is negatively impacted by 120 basis points and 150 basis points, respectively.

Two items to note that are important. One, I remind everyone to take away, we report on constant currency to reflect our operating performance. We don't take on transactional risk. This is strictly translation impact for reporting purposes.

And two, knowing we know today based on this look, it would impact our adjusted net income per share range, which is a reported number, by up to $0.04, which is offset entirely by the accretive impact of the Harris acquisition.

Page 15, last one from me, guidance. So, not a lot of change in this chart from what we talked about in December. We brought revenue up 1.5 points for Harris to 11.5% to 13.5%. We see margin rates in the 29% to 30% rate for EBITDA. Adjusted income between 22% and 27%, ANI per share, $2.45 to $2.55, as I mentioned, I didn't change that because on the one hand, I've got the FX [ph] strike (19:38). On the other hand, I've got the Harris accretion and they more or lessand they more or less offset. And then free cash flow, a very healthy $700 million. All the other financial metrics on the right hand side, no change.

So to wrap it up, we're really starting to see the strength of our business model and the benefits of our investment strategy ultimately enhance returns to our shareholders.

I'll make one last comment on capital allocation. As we mentioned before, we're committed to a balanced approach, as Mitch mentioned, to return cash to shareholders, starting with an attractive ordinary dividend that we intend to grow in line with earnings, as well as a targeted share purchase program. We believe the balanced approach together with our consistent compounding business model will create meaningful returns for our investors over time.

With that, I'll turn it back over to Kate.

Kate White Vanek
Senior Vice President-Investor Relations, Nielsen Holdings NV

Operator, we'd love to kick off Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of David Bank from RBC Capital Markets. Your line is open.

David Bank
Analyst, RBC Capital Markets LLC

Q

Hey, thank you very much. So one question and an unrelated follow-up. Can you give us a little more color regarding the Local Reach product? I think it just went live and kind of how it's ramping. It seems like it's the local version of your NBI product that seems to be gaining so much traction nationally, I think you've said in the past, the national version has contributed something like 100 bps of growth to the Watch business a quarter the last couple of quarters. Does local have the potential to do more? Where are we with it and where are you on sort of NBI digital?

And then second, if I can. There's a pretty high profile article in the Journal today about your competitors potentially gaining some traction online in traditional measurement. It seems like from our read of the channels, OCR is gaining a lot of traction itself. So, what did you make of the commentary, particularly regarding the potential edge-making PPM technology available to competitors, as required by the DOJ for [ph] the close of (21:51) Arbitron gives to competitors. Do you think there's something, like, what was your read of that?

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV

A

Well, thanks for the question. First on your question about Local Buyer Reach, that is a part of a lot of things that we're doing in the local market right now. You can even take a step back and look at our Nielsen Audio acquisition.

That's a big local play, we have our big local hybrid initiative, and then the Local Buyer Reach product that we've just launched in the marketplace.

Yeah, you're exactly right, this is taking our strategy of connecting Watch and Buy, what consumers watch and what consumers buy and bringing that kind of a view to the world to the local market and the clients in that market. And so, we've just rolled out the Local Buyer Reach product to deliver against that part of our strategy for those clients. And it's just rolled out there, so it's just too early to really comment on what it's going to do for our business, but the early response from clients has been fantastic and we feel great about that.

On your second question related to the article that appeared in the Journal this morning. Look, I think if we think about our Watch business and you take the broader view, our Watch business numbers really speak for themselves. And look, we're the market leader. It's to be expected that there is going to be some noise around the market leader from time-to-time. We're used to that, we've seen it before, I'm sure we'll see it again.

But the reality is, what we do is, we measure the consumer across all platforms and we provide those measures to the marketplace. And we take a very big and very broad approach to the role that we play in the market. We're not out there doing custom projects and sometimes, that type of activity does tend to draw some attention. But our role is a broader role, measuring the consumer across all platforms, that's what our strategy and our investments are focused on and we'll continue to be focused on that going forward.

David Bank
Analyst, RBC Capital Markets LLC

Q

Terrific. Thanks very much.

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

Sara Rebecca Gubins
Analyst, Bank of America Merrill Lynch Global Research

Q

Thanks. First, Mitch, could you give us an update on the competitive landscape on the Buy side? And any signs – and I'm thinking in particular around Europe and whether or not you're seeing any signs of improving demand there?

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV

A

Well, on the Buy side, we're operating in more than 100 countries, 103, soon to be 104 countries around the world. We're more focused on our clients and what our clients' needs are rather than being very focused on competition. The needs that our clients have, the good news is there that their needs are broad and our relationships with our clients on the Buy side continue to broaden. That's where the Insights part of our business in particular tends to come into play. The Insights business coupled with the Information business allows us to answer a much broader range of questions for clients around the world. So we're not only measuring their performance, but we're working with them to help drive improved performance in their business. And this is the role that we continue to play. So, that's the story behind that particular part of our business.

In Europe, turning to Europe for a second, we're still calling it flat from the standpoint of our business plus or minus. So we're not – we're seeing some of the same stories that you see in terms of people wondering if Europe is coming back. But for the part of the business that we serve, it really relies on consumers and whether there are more jobs and whether average household incomes are increasing. That's what matters to the consumer packaged goods firms, in particular on the Buy side of our business. And so, whatever might be happening in Europe hasn't shown up yet with consumers and it might eventually, but that's what we're focused on. So, we're still staying with our view of Europe going forward as flat.

Our business, though, at the same time is executing very well in Europe, winning market share, gaining new clients and in particular, one that's come on board for us this year is Mars, not just in Europe, but also in markets all around the world and so, we're thrilled about that, the opportunity to help Mars in a much bigger way with their business going forward than we have in the past.

Sara Rebecca Gubins
Analyst, Bank of America Merrill Lynch Global Research
Q

Thank you. And then separately, could you dive a bit more into your reaction around the new comScore Google relationship and what it means for your longer term goal to be the measurement currency for video? Thanks.

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV
A

Yeah. Sure. Thanks for that question. If you look at the big picture here, too, there is some good news here and the good news is Google continues to show signs of being open to independent third party measurement. And I think that's good for the industry. It's good for the market. And it's good for Nielsen. So, as you know, we announced our deal with Google back in November and we continue to work with them on that and we continue to build on that deal and so, stay tuned on that front. You'll see more happen with regard to the work that we've been doing with Google now for several months, but the bigger picture is Google continues seeing the value in third-party measurement. That door gets opened more broadly and we view that as a good thing. So, we're good.

Sara Rebecca Gubins
Analyst, Bank of America Merrill Lynch Global Research
Q

Thanks.

Operator: Your next question comes from the line of Suzy Stein from Morgan Stanley. Your line is open.

Suzanne Stein
Analyst, Morgan Stanley & Co. LLC
Q

Touched on this, but just given all the noise around emerging markets, which seem to add some volatility to your stock earlier in the year, can you just provide some more detail on some of your key markets and has there been any evidence that any of these markets are weakening, just given the macro environment in some of the geographies? And I guess based on what you're seeing, have you changed your priorities at all in terms of where you're investing?

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV
A

Well, the long-term story here for us is the story about population growth, growth of the middle class. And in some of these markets, in particular China, it's about urbanization. And that's going to play out over decades, over the long run. And you might see some short-term acceleration or deceleration in GDP growth rates, things like that, but the population growth story is going to continue steadily and at least for a few more decades. So, that's what we're focused on, that's what we invest behind right there. Our play is the coverage play, measuring the consumer, giving that complete view of the consumer to the clients in that market. And that's worked well for us in the past, it'll continue to work well for us going forward.

As far as the GDP growth rates going up or down a little bit in the short run, which they are inclined to do, our business really isn't that closely tied to GDP. We're still underpenetrated in these markets, very underpenetrated. So, we can grow independently of GDP in many cases.

And the other thing that I mentioned earlier in my opening comments, we work a lot with the big global players, but increasingly our business is growing stronger and stronger with the big local clients in these markets and that's been really important for us in the last year or two as well.

Brian J. West
Chief Financial Officer, Nielsen Holdings NV
A

Another way to add on that, Suzy, if you look at just what Mitch said, we have in very important markets local books of business growing anywhere from 10% to 30%. So, that reinforces that ability to have a very diverse strong business portfolio.

I'd also mention, there's two ways to think about this for us in the developing world. As I mentioned, we've got broad diversification to all the markets, no one single concentration is meaningful, which is good. And secondly and most importantly, as you know, the first couple of quartersof 2013, we were posting 6% revenue growth rates in the developing world. The third quarter was close to 8%, the fourth quarter was 9%. So our view of the developing world is strong and it's got momentum and we feel good about it, because of this client mix that Mitch mentioned.

Suzanne Stein
Analyst, Morgan Stanley & Co. LLC
Q

So the local customers are not more sensitive to these swings and GDP growth. Is that basically what you're saying?

Brian J. West
Chief Financial Officer, Nielsen Holdings NV
A

Yeah. It is. They might be sensitive too, but they tend to be up when the global players are down. They don't move in the same way as each other. So that's what gives balance to our business, because of that balance in our client portfolio. Plus, we are so underpenetrated with local clients in these markets, our big thing is, how do you get our local teams to get more feet in the street to call on more new customers, because there's a lot out there.

Suzanne Stein
Analyst, Morgan Stanley & Co. LLC
Q

Great. Thank you.

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

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC
Q

At slide 13, under the Watch segment, this is a sub segmentation of Watch that you started breaking out at Analyst Day, which I appreciate, and you're giving some growth expectations. Could you give me a sense of how the relative sizes are of audience measurement, Ad Solution, and Other within Watch?

Brian J. West
Chief Financial Officer, Nielsen Holdings NV
A

Sure. So, audience measurement, I believe is 80% of that number-ish. And Ad Solution, as we mentioned at Investor Day, is a couple hundred million dollars of revenue. So the rest you saw for Other. For us, what is very important as we think about this part of our business is our unique ability to measure all audiences across any device or any platform, that's going to drive some growth, because we feel very confident in our digital product strategy. And then there's this Ad Solutions, which as Mitch mentioned, you got a whole new set of products linking Watch and Buy, very unique across verticals outside of just traditional media and CPG.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC
Q

Right. And then the core Nielsen number, 4.0 to 6.0, remind me if that's a pure organic number? I actually forgot when we anniversary Social Guide.

Brian J. West
Chief Financial Officer, Nielsen Holdings NV
A

Yeah. I think Social Guide probably is almost anniversaried and it's so small it wouldn't even show up. So think about that as pretty darn close to an organic number as you can get.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC
Q

Perfect. Thank you.

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

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

Hi. Thanks. Your customers in the traditional TV business have been quite complimentary, I think, of your efforts lately to develop broader measurement, including C7 mobile device measurement and VOD. Is it possible to give us a sense to quantify what that could mean to your traditional TV business? And do you think there is a realistic chance any of those are actually incorporated into the upfront market this season? Thanks.

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV
A

Yeah, our approach again is to measure the consumer across all screens. We already – with regard to C7, we already provide that measure to the marketplace, it's not really our call whether the market shifts to that from C3 as the currency. We make it available and so, it's the market's call in terms of what they decide to use to trade on as the currency. But our approach will continue to be to do all the things that we have been doing in the area of mobile, in the area of video-on-demand, and whatever else the market needs us to do in order to measure the consumer and all of their consumption of video content. That's our strategy. It'll continue to be our strategy and it'll drive our investments and our product priorities. That's our role, right, to operate on behalf of the industry. And so, we stay close to them and in sync with them and always just a little bit ahead, if we can.

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

Okay. But presumably, if they become more incorporated in the TV measurement service, it should be some incremental revenue and presumably earnings to you as well, I guess. Is that right, first off, and any sense of timing on that?

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV

A

That's exactly right. But it's not something that I can really put a number on, either a dollar number or a timing number, it'll evolve.

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

Q

Okay. Thank you.

Operator: Your next question comes from the line of Paul Ginocchio from Deutsche Bank. Your line is open.

Paul L. Ginocchio
Analyst, Deutsche Bank Securities, Inc.

Q

Thanks. Just a couple of questions and I'll return. I think you talked about $15 million of cost savings in the fourth quarter and $30 million in 2014. Is that still the number and is there any updated view on revenue synergies from Arbitron? Thanks.

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

A

No. We said $45 million net for the program. I don't know if we gave that specifics, I don't think we gave that. There might have been a little bit in the fourth quarter, but most of that synergy is going to be seen in 2014.

And in terms of the revenue side, look, we feel the closer we get to the commercial teams and our new audio clients, the better we feel about the ability to, as Mitch mentioned, first, start to link local audio audience information with our local retail data, create those linkages as Mitch described off to a good start.

And then, streaming, we have a natural play with our ability to measure digital video and then finally, global opportunity. So, we're fast and hard at work at all of those things, and what makes this fun for us is that, these are growth opportunities that Arbitron on its own never really had the ability to do. We take those on and over the long-term, we think it's going to create nice growth prospects for us.

Paul L. Ginocchio
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you.

Operator: Your next question comes from the line of William Bird from FBR. Your line is open.

William G. Bird
Analyst, FBR Capital Markets & Co.

Q

Good morning. Could you talk about how you see pricing developing in Watch in 2014 and 2015? Is there an opportunity to earn higher price, given your multi-screen initiatives? Thank you.

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV

A

We have long-term multi-year contracts with all the big players there. So you're not going to see a change in short-term on the Watch side of our business with regard to price.

William G. Bird
Analyst, FBR Capital Markets & Co.

Q

And separately, in Audio, could you talk about maybe the timeline to getting into some new areas that you alluded to like streaming radio, for example?

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV

A

I'm sorry, say again.

William G. Bird
Analyst, FBR Capital Markets & Co.

Q

For the Audio side of the business, could you talk about the timeline to getting into some new product areas like streaming radio, also European radio ratings for example?

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV

A

Okay. I got you. Yeah. Our focus so far, I think appropriately so, has been on the integration process in the cost synergies side of that acquisition and we're really just getting started on what you might think of as the commercial opportunities and the commercial synergies. As Brian mentioned a moment ago, we see a lot of them out there, but we're going to have to move at the pace of the clients in the marketplace. So, too early for us to make a call on that in terms of timing or numbers.

William G. Bird
Analyst, FBR Capital Markets & Co.

Q

Thank you.

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV

A

Stay tuned on that front, we'll have more to say on that in the future.

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

Dan Salmon
Analyst, BMO Capital Markets (United States)

Q

Just a quick question. Facebook's gotten a little bit more active doing [ph] social CDA (36:57) analytics lately with a partnership with an independent company. I'm just wondering if there's any potential for a change with your relationship there and potentially expanding to do something similar to what you do with Twitter on the NTTR?

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV

A

Well, we're obviously always in touch with Facebook. We have a very good relationship with them on a number of fronts, and we're open to talking with them about all of those kinds of opportunities in the marketplace. But I don't have anything to comment on specifically beyond that right now, related to your exact question.

Dan Salmon
Analyst, BMO Capital Markets (United States)

Q

Okay. [indiscernible] (37:35).

Operator: Your next question comes from the line of [ph] Tamza Movara (37:39) from Credit Suisse. Your line is open.

Q

A question on the Ad Solutions business. Could you give us some more color as to how long it takes to scale up some of the new products and new verticals that you talk about that could potentially put you towards the high-end of the guidance range? I mean, I think this Ad Solutions business was $50 million back in 2007, you guys had highlighted. So, just trying to get a sense of how long it takes to scale up some of the new products?

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV

A

Yeah. Thanks for that question. I guess I would probably characterize the development of Ad Solutions differently, not so much scale based. We have the scale, it's already there. I think it's a matter of the market starting to understand what these types of capabilities can do for their business and then for them to work their business processes in the direction of how do you incorporate these and make them part of your flow and leverage them for your business. So, that's what's going to govern the growth of this part of our business, more than anything related to scale. We've got the scale.

Q

Okay. And just a follow-up on the developing market exposure. Could you give us a sense of how big local customers are? Are they still one-third of your mix? And within developing markets, how would you characterize your exposure to sort of early stage versus late stage markets, Africa versus Brazil or however you want to talk about it? Thank you.

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV

A

Thanks. Thanks for that question. First, in terms of local client and how big of a partpart of the mix they are, it really varies by country to country. In some parts of the world, in some developing markets they are closer to a third or even approaching half. In others, it's a much smaller percentage. That'll probably converge over time, but it varies quite a bit. We do have a couple of the key developing markets around the world where our biggest client, our biggest single client is in fact a local client. That is the case for India, for example, in 2013 and my guess is, it'll be true in 2014 as well. So that's what I would say about that.

In terms of your second question, early stage, later stage, we see a lot of development data. I think the right way to think about our early versus later stage, it just comes in waves. Our first objective when we go into a market is just to provide a broad view of the market and then, the next stage is granularity. The clients will want more city-based views or provincial-based views. And so we have to go in waves and the market develops in waves like that, as growth shifts from being driven primarily by distribution and then later on moves to being more marketing-driven, you see the mix of our investments and the mix of our product focus shift as well. That's kind of the broad way I would answer your question, your second question.

Q

Great. Thank you. I appreciate it.

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

Andre Benjamin
Analyst, Goldman Sachs & Co.

Q

Thank you. Good morning. My first question has to do with the cross platform measurement efforts and whether or not there's any thought to a need to either improve channel size or any technological elements to differentiate versus peers that are now offering more and more products in the same space? And as you talk to your clients, are there any rumblings of potentially any change in the paradigm to now not necessarily have just one currency but more currencies going forward for new deals?

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV

A

Well, with regard to panel size, our cross platform effort is underpinned by our OCR metric, in particular on the digital side of that. And if you take a look at what we do with OCR, it is tied to an enormous panel of consumer data in terms of our reliance – our work with Facebook and with Experian and other players there, so panel size really is not an issue at all. It's incredibly precise, incredibly accurate measure. So, we're in very good spot from a panel-size perspective. Your second question, could you say it again, please?

Andre Benjamin
Analyst, Goldman Sachs & Co.

Q

I guess as you talk to clients, the assumption is that ultimately, there will be one currency going forward, and that will just be driven by whatever the marketplace gravitates to. But at the same time, there has been some pushback at times that – you are the main player in the marketplace and the only one, so to really set the stage, it would be the one that currency deals are struck on. So, I was just wondering if there's any discussion in your current deal as a client that maybe that paradigm may shift and they will look to diversify and not have just one currency going forward?

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV

A

The history in these businesses, not only in the U.S. but generally around the world is there is one currency, and I don't see anything unfolding in the U.S. market right now that suggests anything different than that. That's the most efficient thing for the marketplace and for all the players on both sides of the table. We measure the consumer. We measure the consumer across all the different screens, all the different platforms, all the different ways that they consume content. And that's been our strategy and will continue to be our strategy here.

Andre Benjamin
Analyst, Goldman Sachs & Co.

Q

Thank you.

Operator: Your next question comes from the line of Mark Zgutowicz from Northland Capital Markets. Your line is open.

Mark J. Zgutowicz
Analyst, Northland Securities, Inc.

Q

Good morning. Just a couple of questions on the Buy segment, both revenue and profitability. Just looking at the consistent constant currency revenue client that you've seen in Info Services, I'm just wondering is what the likelihood may be that this trend results in a down year-over-year for full year? And then, curious, you talk about Wal-Mart in Europe as sort of contributing to the weakness there, but I'm also curious how you would characterize the discretionary nature of clients spend on your retail sales measurement solutions? And are you seeing, for instance, clients pare back on sort of your tiered offerings and would that have any sort of consistency with the results that you're seeing?

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

A

Let me take a shot at that one. So Info for the quarter was up 1%. And as I pointed out and as you made mention of, you had some Western European pressure that we expected. You did have the year-over-year comp impact of Wal-Mart. This was as expected. What happened is, at the end of the year, clients' budgets got tighter, they bought fewer off-the-shelf data sets and there was some of that rolling around in the numbers. But what I tell you is that, we don't see this as a trend that this is going to go down. As we enter the year, we're confident that our business platform is solid. And when you add in clients like Mars, which will be a win that we'll see on 2014, we feel great about our information business. So from time to time, it might have a little bit of a trend here, like you mentioned, but I don't see it going down and I see the opposite, because I see our big clients wanting to lean into it more and more.

Mark J. Zgutowicz
Analyst, Northland Securities, Inc.

Q

Okay. Great. And then, just on the profitability side of the Buy segment. Was the 5% EBITDA decline expected, and specifically where the incremental investments that you mentioned that contributed to the decline, were those contemplated pre-quarter or were those intra-quarter decisions?

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

A

Yeah, so we knew that we wanted to go faster in Africa and faster in Mexico, because the opportunities are just that compelling for us over the long term. And you've got, as I mentioned, you've got getting ready to bring on a big global client like Mars and that requires upfront investments ahead of the revenue. So all of that plays into the numbers. Yeah, there was a little bit of mix shift that you can't control. It'll word its way out, but for us, we feel very good about where we're at in our buy business and over time, that business will scale and our investment strategy will be pretty consistent. So we like what we see.

Mark J. Zgutowicz
Analyst, Northland Securities, Inc.

Q

Okay, just one follow-up to that then is, do you expect to see EBITDA growth in the buy segment in 2014?

Brian J. West
Chief Financial Officer, Nielsen Holdings NV
A

Look, we're going to see EBITDA growth in the total company. And it's going to be tied towards our ability to accelerate investment in the developing world, which is going to hit the buy side. So when we do that, yes, the buy margins might be suppressed deliberately because of long-term strategies. We love that, we love that because that means we've found new areas to go invest in, so we're perfectly comfortable with that. Over time, the scale of the model will show itself and what that means in 2014 or a particular year, can't tell you. It will really depend upon our appetite to invest.

Mark J. Zgutowicz
Analyst, Northland Securities, Inc.
Q

Okay. Thank you.

Operator: Your next question comes from the line of Doug Arthur from Evercore. Your line is open.

Douglas M. Arthur
Analyst, Evercore Partners (Securities)
Q

Questions have been covered. Brian, is it fair to say that Arbitron added about $134 million in revenues in the quarter and if so, that looks a little bit better than I would have thought?

Brian J. West
Chief Financial Officer, Nielsen Holdings NV
A

Doug, that sounds about right. We are excited about bringing Audio in for a full quarter. Obviously, it's all in through our numbers for our guidance. And I think for us, what'll be better is when we can start to show progress on these growth fronts, which too soon to tell, not counting on it, but I tell you, our teams around the world are just chomping at the bit to try to go figure out how we could put some growth accelerants. Stay tuned, nothing to communicate other than we like what's in front of us.

Douglas M. Arthur
Analyst, Evercore Partners (Securities)
Q

Okay. Great. Thanks.

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

Brian W. Wieser
Analyst, Pivotal Research Group LLC
Q

Question – just wanted to touch on the comScore Google news. I am curious to hear your thoughts from a product perspective about whether or not real-time measurement is important. That was sort of one of the things that they were trumpeting and I know that your turnaround on OCR is next day, which currently trumps what comScore can do. But just curious if TV buyers can't reconcile their TV buys anyways for days or weeks, how important it is?

Relatedly then, I'm curious to hear about your relationship with other video ad servers. As we all know, I think Google is not the dominant player among the video ad serving market. And interrelated to that is, can you update us on status on tablet measurements, because I guess that's the one screen that maybe comScore has a bit of an advantage on at this point in time?

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV
A

Well, let me start with the last one. We, as I mentioned in my opening comments, using our OCR capability, we have been out in the market for months now in the pilot and testing phase with mobile video measurement. And that's for tablets, but also for smartphones. We've gotten very good client feedback on that. We feel great about how that's gone. And we're well on track for broad market implementation for the new fall TV season later on this year.

So, we're in an incredibly good position there. Not only are we able to measure all of thethe mobile devices, but we're going to do it in such a way that allows that viewing to be incorporated into the currency for the marketplace. That's a really big deal, a really big deal.

Going through your other – your first question about real-time. The broad market – we see the broad market, in fact we see the practice of marketing just shifting in that direction. It'll happen gradually over time, most marketers in most industries aren't there yet and they probably won't be there anytime soon, but we do see a general shift in that direction. And so, it's important for our business and our company to rethink and adapt our portfolio to be in sync with that shift in what we see in terms of how marketing performs. And so, we've been on that one for a long time. You already see a lot of our portfolio aligned with that and we'll keep our strategy focused on being in sync with the marketplace that it shifts more real-time. We're able to do it, but there is no point in doing it if your clients aren't ready for it, because you can't be out of sync with them.

Brian W. Wieser
Analyst, Pivotal Research Group LLC
Q

And maybe the last point was, to what degree do you think it's important to have these sort of deeper relationships with video ad servers versus allowing – and right now, the same solution it sounds like comScore and Google are offering, an agency can do by themselves right now, but it sounds like this automates the process. Is that important, is it not important, what are your thoughts on that?

Dwight Mitchell Barns
Chief Executive Officer, Nielsen Holdings NV
A

We have great relationships with a lot of video ad servers, the ad exchanges, RTB capabilities that are out there in the marketplace. And again, our OCR metric once again plays a very important role in terms of us being able to serve them in their businesses. And so, we feel great about where we are there and we'll continue to develop those relationships and help them with their businesses.

Brian W. Wieser
Analyst, Pivotal Research Group LLC
Q

Okay. Thank you very much.

Operator: And your last question comes from the line of Aaron Watts from Deutsche Bank. Your line is open.

Aaron L. Watts
Analyst, Deutsche Bank Securities, Inc.
Q

Hey, guys. Maybe just one quick one on the capital structure for Brian. You talked about how you've done a great job chopping down your cost of capital, extending out maturity. The one thing that kind of stands out to me is you have a few billion of term-loan debt that comes due in a couple of years. Just curious how you're thinking about that and the timing of extending that out and if there's any mitigating factors? I don't know if you're thinking about your ratings, curious to your thoughts there? Thank you.

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

A

Aaron, it's been seven years of you on this call. You're the longest guy by, like, two times.

Aaron L. Watts
Analyst, Deutsche Bank Securities, Inc.

Q

All these S&P guys crowd me out.

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

A

We'll never forget about you. So look, we view, first of all, our access to capital markets in good times and not-so-good times has never been questioned. So we feel very good about access, I think the debt markets understand the credit. In terms of what's ahead of us, for sure, there are two components, there is making sure that we could continue to de-risk and extend the 2016, 2017 maturities. I'm not compelled that I'm too anxious. It's going to happen and evolve over time. And we're not going to try to call a moment in a market, but we do think a lot about what the framework looks like to take that and extend it.

And then secondly, more near-term is we have $1.1 billion of what I'll now call our new high-coupon notes, 7.75% notes that are callable in the fall and we just can't wait to get a hold of that, because that will create accretion for the company. So I think for us, we're very confident, we like the access, and over time, you're going to see us continue to have a very deliberate strategy to de-risk this balance sheet for sure. So stay tuned.

Aaron L. Watts
Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thanks for taking the question.

Operator: As there are no further questions at this time. I'd like to turn the call back over to our presenters.

Kate White Vanek
Senior Vice President-Investor Relations, Nielsen Holdings NV

Thanks, everybody, for tuning in today. Please reach out if you have any questions.

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