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Nielsen Holdings NV (NLSN)

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MANAGEMENT DISCUSSION SECTION

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Good morning again. It's Andrew Steinerman. This is the Ultimate Services Investor Conferences. This is the Info Services Track. This is Nielsen presentation. Also want to highlight, up here, we have our Info Services Data Book that helps put Nielsen in the context of the Info Services subspace. As I mentioned, again, this is the Nielsen presentation on the Info Services Track.

With us today is Brian West, the CFO, and Amy Glynn in front of me, is the IR. Brian has been part of the management team that the consortium of private equity investors have brought in. I think one interesting kind of historical point is just how much the company has changed under the leadership, as a private company, as a public company. And today, we're going to have mostly an informal conversation, Brian will open up with some kind of overview comments. But mostly it's going to be a dialogue. I'll ask some questions and, of course, I want you to ask questions.

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

Great.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

So, before we jump into all the details, Brian, you know this, there's going to be some people in the room that are less familiar with Nielsen, let me turn the mic. And I was hoping you could just go over major segments of business, quickly define what they are, how that produces your growth targets, and what's your ambition in terms of strategy for that growth.

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

If I miss anything, remind me.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Okay.

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

It's great to be here with everyone. Nielsen is a company that is 90 years young. Believe it or not, we started 90 years ago with Art Nielsen, Sr., who started to measure consumers. And for decade after decade, we have wrapped ourselves around knowing all about the consumer. And we know about it on two really important fronts – what they buy, what they buy every day for their everyday needs all around the world, and what they watch, it's as simple as that, and we've been doing this for a very long time. And it's a very steady, consistent, resilient model. But it is about knowing all about that consumer and we're unique because no one else does it quite the way we do. No one else does the retail measurement of their consumption. No one does the measurement of their exposure with media quite like Nielsen. And believe it or not, it's not just the fact that we measure what they watch and buy but how these things work together. And we do it in 100 countries; actually 104, I was recently told.

So, we're proud of that. That footprint has been around for a very long time. We would love to take all the credit for planting all those flags, but we didn't. Those flags were planted by the second generation of the Nielsen family as they followed their clients from west to east, as those clients looked to go and expand distribution to follow consumption. And we just keep doing that year after year after year in order for us to stay relevant.

And it's an important part of our franchise, being global, because we're unique in that front because the next biggest competitor is in, like, eight countries. So, we've got this big global footprint. We think about what consumers watch, what they buy, and more importantly, how they come together. We are a syndicated info services company. We're not interested in doing things that are custom. We like a scale of a business model. And we are in the midst of two really important big growth trajectories in our business.

On the Buy side, which is about two-thirds of our revenue, the more global business, we are right in the middle of seeing a population growth in the emerging world that is bigger than we'll ever see ever again, the biggest it's ever been grown to this point in time. And it will never grow as fast ever in the next two decades. And that's basically middle class consumers that are going to become first-time consumers and have all new sorts of purchasing power all around the world in these emerging markets. It's a big deal. It's a big deal for our clients. That's where they will find growth. That's where we're investing ahead in order for us to measure that consumption and help them grow their businesses, very big, very important, one that we're excited about. And every time we look around a corner, it's more opportunity, not less.

On the Watch side, the other third of our revenue, we're following this big movement which is fragmentation, fragmentation of audiences as they consume media. Fragmentation, believe it or not, is our friend. Fragmentation is helpful in our world because the more audiences fragment, the more they need one measurement and the more we can provide that one measurement to the industry as buyers and sellers go and grow their businesses. So, that actually is also an important growth trajectory that we're excited about.

And finally, how these things come together. Being able to have a view on what a consumer saw, watched or was exposed to and then how they behaved, what they did, did they buy more or not, is really important to marketers. Because if you could bring that together to be able to show the relationship between audience exposure and retail consumption, big deal, like a whole new set of precision metrics and information that allows marketers to drive ROI.

So, exciting for us. Again, we've been around this for seven years, going from a private to a public world. Excited to be here and happy to answer any questions you guys have.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Just go over the growth profile and how much is that dependent on the end markets which is consumer packaged goods industry and the media industry.

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

The beauty of our world is that being Info Services, I'm not tied directly to the outcomes or the performance of our end markets. So, when advertising goes up and down, when program viewership goes up and down, we're steady. It doesn't go way up. It doesn't go way down.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Steady growth?

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

Steady growth.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Yeah.

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

On our Watch side, like steady as she goes, doesn't go down. On the Buy side, similarly, a big part of my business on the Buy side is retail measurement. Every week, I tell loads of consumer product good companies for every one of their brands, down to the SKU level, how am I doing? What's my share versus the competitive set everywhere around the world, and sometimes in 100 markets if our clients are in those markets. And I do that week-in and week-out. And that data is used by literally thousands of folks in a single client. So, you touch sales, marketing, distribution, pricing, the supply chain, research – as they think about how they can go grow their businesses. So, it's very resilient. So, regardless of whether the CPG is up or down – industry is up or down, they still need that data. As a matter of fact, when times are tough, they need the data even more. So, for us, we are this nice steady grower. And since we've been here for seven years, have never had a down quarter. Never a down quarter. You love to think that that's all about management but it has nothing to do with management. That's this wonderful business model that was created 90 years ago, which is measuring things that are important to our clients. And that's the benefit we have and that's the benefit that we invest behind every single day.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Right. I know there, a piece of Info Services is rich free cash flow. Could you describe the free cash flow potential at Nielsen, and what are the priorities for using the free cash flow?

Brian J. West

Chief Financial Officer, Nielsen Holdings NV

So, the beauty of our model is, one, it's a steady consistent top-line growth. We've got the scalable model that we worked on for seven years to get simple and integrated and efficient, so that you've got the attractive drop-through rates in margin expansion. We also reinvest back in the business in the name of growth. And then you've got this cash-flow dynamics. It's very similar to many info-services-type companies. Rich cash flow conversion, again, steady, and we're in a moment in time where in the last year or so, we began to talk about how we plan to allocate that capital.

And first and foremost, we think about reinvesting back into the organic growth of the business. We think about M&A, tuck-in in nature, small not big. We also think about getting to a very specific leverage target. Today, we're at 3.5-ish. We have a stated goal of getting to 2.75 to 3 times by around the 2016 timeframe. And then between now and then, you've got this excess cash flow that we intend to return, and have returned, to investors in the name of primarily a dividend. A dividend that we launched in February of this year, have already grown it, and continue to look forward to growing it, as well as have a modest buyback in that whole capital allocation playbook.

For us, it's a very deliberate balanced approach, this capital allocation. And one that – coming from 9 times leverage in an LBO world, down to where we're at and talking about capital allocations are a real great thing for us. And we look forward to having that conversation over time and delivering on the promise.

Andrew C. Steinerman

Analyst, JPMorgan Securities LLC

Right. And now, the board's decision on future dividend increases. Do you think that's a once-a-year discussion or – we had two this year.

Brian J. West

Chief Financial Officer, Nielsen Holdings NV

Well, we launched it and we announced. We raised it. So, for us, our capital allocation and how that's all going to play out is going to be one very deliberate. We've been talking about this for the better part of two years, very consistent and very steady. And I don't think we'll be too dissimilar from other similarly situated companies. So, I think we're in a very good spot. We're proud of it. More importantly, that commitment to that dividend, we take very seriously.

Andrew C. Steinerman

Analyst, JPMorgan Securities LLC

Great. And just describe your philosophy on share buyback which is new.

Brian J. West

Chief Financial Officer, Nielsen Holdings NV

Yep. So, look, for us, the business model ultimately underwrites all those cash flows, A business model that is steady, consistent, year in, year out for many, many decades; just screams dividend in our mind. And that is the centerpiece. That's one that we've been pretty consistent on. Now there is a room for a modest buyback program as we think about a balanced approach, but the dividend's the centerpiece.

Andrew C. Steinerman

Analyst, JPMorgan Securities LLC

It makes total sense. Talk about the CEO succession. Everyone loves Dave Calhoun which is a little bit of challenge since he's retiring. And we, as the investor audience, don't know Mitch Barns as well. Obviously, we had the conference call. Give us flavors of one, how engaged do you think Dave will be over the next two years, and two – Dave became Executive Chairman which is a new role for him, and two, give us the characteristics of Mitch Barns that you think we should know.

Brian J. West

Chief Financial Officer, Nielsen Holdings NV

Yeah, great. So, let me just start by demonstrating how this has been a seven-year-in-the-making process, literally.

So, in the first quarter of 2007, Dave and the management team called out a specific strategy to private equity which was, we want to become an academy company. We're going to invest in leadership development, in investment spending money. We wanted to prepare them that we were going to spend money on this. And this is new for them. But it was a stated strategy because we believe that if you could create an academy company and had the commitment to invest in leadership development, good things were going to happen.

So, we started that, and what that meant, really, was two things. First of all, every senior leader in the company established programs. Entry-level programs, mid-level career programs, executive-level programs, all around leadership development so that we could have a bench that is deep and strong, and that started seven years ago. And about four years ago, you started to start to see some of the dividends of that all paying off. So, that is just an indication of how we always thought about our people and our leadership promise.

Secondly, Dave was always committed to movement. We both came from a world of GE where you always moved around the company, different businesses, different industries, all around the world. The company we inherited, that was actually the opposite impression people had. If you move from the Buy side of the business to the Watch side of the business, it usually meant you probably weren't successful over in Buy. So, we were like, we're going to do the opposite.

We want our leaders to move around this company freely to be able to learn, build skills, develop into bigger leaders, and one of the first people that got highlighted as a high potential was Mitch Barns. And it was in January of 2008, where he was asked to pack his bags and go to China. A China business that for us was underperforming, underinvested, it was sleepy. It looked nothing like what a business in China should look like. So, he went over and created that business and built it up, and put it as literally the forefront of the company. And particularly, in our developing market strategy.

Then, a guy who spent his entire career pretty much in the Buy side, went over to run our TV Ratings business. He had that experience. So, this was always very thoughtful. And then in February this year, he was given the role of President of Client Services. All of our client business partners, whether they're on the Watch side or the Buy side, work for Mitch.

So, for us, this has been a deliberate, planned, well-thought-out strategy. Obviously, a discussion with Dave and the board. And it just so happened to get announced within the last week or so. What's different about Mitch? So, Mitch and Dave are different. And Mitch will take this company to the next chapter in ways that Dave couldn't. Mitch is 28 years in the industry, spent 12 years with Procter, 16 years with Nielsen, doing lots of different things all around the world.

If you think about, so he's a domain expert, and for where the company has to head, having a domain expert running the company is a very good thing. Because what is going to happen over time is as the world gets more competitive, people need faster information at the point of the action. You can bring all our data sets together quickly, make them integrate to answer these questions and drive better performance for our clients, all that's going to happen. And who better than a domain expert who could help guide us and the industry and our clients through that process?

So, in our view, the perfect guy to help do that, things that some outsiders never could, so very, very pleased. And in terms of Dave and his time, it's been very clear that he plans to spend around 20% or so of his time. And knowing Dave for as long as I have, I know Dave's going to be helpful. He's not going to try to run anything from the Executive Chairman seat. He'll be a great coach. He'll advise and be there for whatever Mitch or any of us want, and I think he's going to be incredibly helpful. And the transition is, my bet, going to be smooth.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Right. He's been at Nielsen for a decade before you and Dave got there. A lot of your management team are newer. He's really the one that has the most continuity at Nielsen.

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

It was Mitch Barns and one other individual who literally taught us the business. Who taught you what this was all about.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Right. Perfect. So, maybe we'll get to some of the excitement from last week. Last week, there was a couple of news articles in Adweek and Wall Street Journal about how Google and YouTube are starting to use OCR, that's Online Campaign Ratings, that's Nielsen's ratings for online television. Will start to get incorporated in some, and I therefore, underline the word, some, YouTube Campaigns, this is new. It definitely came from the advertisers requesting it. Do you believe that this is a substantial land shift that's going on right now when it comes to OCR?

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

I believe this was important mile marker, but I think the shift in our view, happened a couple of years ago. So, everyone knows that we measure television audiences. The measurement of digital audiences, up until about two years ago, has been great. They were estimates. There wasn't really accountability. Things didn't trade the way they trade in the television world between buyer and seller. So, we introduced this new product. It was called Online Campaign Ratings. The whole intention was to be able to have a robust metric that could give advertiser and website publisher the next day, how'd they do? Did they deliver the audiences they promised to the advertiser? Simple concept and could stand right next to television so that people could see how their campaign ran across both.

So, simple in concept. I've got a very unique differentiated product because it's big, it can scale. It's got a data relationship with Facebook that allows me to have this massive census-like measurement method. And we've been out in the market with it for a couple of years now. So, in the course of launching it, we now have a lot of uptake by advertisers who now want to spend more money in digital because they've got higher confidence, because it's a metric they believe in, and it's accountable. It holds the publisher accountable.

We also have also introduced not just measuring the campaign but also measuring programs. Media companies, they might get left behind, so they say, well, if you measure the campaign, you got to measure the program. So, now we measure both content. And we do it across and will do it in the fall of next year across any device.

We also had another announcement a couple of weeks ago, which is a relationship with Experian to make OCR more robust, because today, OCR knows a lot about age and gender, when that's the power of my current data relationship. I know how Experian, which will open up new characteristics to make the measurement more relevant, income, lifestyle, et cetera. So, that will make it a better and better differentiated product.

And now you have the announcement with Google. So, my belief is that...

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Is it an announcement, like there hasn't been a press release...

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

So, we have the same exact...

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Information.

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

... information that you do. We've been – so, let me step back. The industry dynamics are set up perfectly for this because the advertisers want one number. They want one number, whether the video or audio ran on television, terrestrial radio, streaming or digital, they want one number. Did I get the audiences that I'm looking for? The media companies are also incented for one number. So, they can show their scale and their breadth. So, all interests align.

And now you have digital come into the equation. And digital, who's trying to go after that big TV money, they want to have one number so that they could compare how they do versus television. So, all of that makes sense on the industry aligned and, yes, now Google is going to test accept the tag, and that's just an indication that the advertiser wants measurement, and they want accountability. So, we think it's a good thing. We think it will help grow the Google platform. And we can't wait to help support the industry and continue to do so. But for us, this wasn't a land shift or however, you characterized it. This has been a commitment to a product over a long period of time to basically bring better and better measurement with a very unique product to the digital space.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Perfect. As you look further into the future for the broader OCR suite, do you think it could become a separate subscription for your clients, or do you think it's going to be rolled into the existing subscription for your, let's call them, TV clients.

Brian J. West

Chief Financial Officer, Nielsen Holdings NV

So, people have to remember that when we talk about digital, for us, this is our opportunity to go get new clients with a new service. Yes, there will be some uptake by our media companies that primarily are buying TV. But OCR, the opportunity is really about new clients, advertisers and publishers who are now going to buy the measurement. So, for us, that's what's in front of us, if this all lines up the way we think it will.

Andrew C. Steinerman

Analyst, JPMorgan Securities LLC

Right. So, I think what you said is for your existing clients, it will be part of their subscription...

Brian J. West

Chief Financial Officer, Nielsen Holdings NV

For our existing client, it will be a new service amongst many others. For a new advertiser, new publisher, brand new. And we build these contractual relationships so that they look a lot like our television subscription model, which is they're syndicated, they're long term, renewals, et cetera. And by the way, at some point, very attractive returns.

Andrew C. Steinerman

Analyst, JPMorgan Securities LLC

And is this enough in aggregation to move the Watch revenue needle?

Brian J. West

Chief Financial Officer, Nielsen Holdings NV

Well, I fully expect it to someday create a faster-growing Watch business. I just don't know how big or when. And we haven't put that pressure on ourselves. We're going to let this seed in the marketplace because when you're – serve the industry that we do, things take time. You have to be very attentive to clients and how fast they want to move. So, someday, yes, I just don't know how big or when. But we wouldn't do it if we didn't think there was a faster-growing opportunity and one that, by the way, when it does happen, it's going to be accretive to the margins.

Andrew C. Steinerman

Analyst, JPMorgan Securities LLC

Perfect. Let's talk about overall organic revenue growth. The company's stated ambition is mid-single digits. Obviously, there's a range of kind of the low end of mid-single digits where we've been recently. I surely am sympathetic that we're comping against a successful new product last year with the Walmart data. What does it take to get the kind of back into, let's call it the 4-plus area, right now, we're a little under 4%. And then nextly, how can we get kind of right in the center of mid-single digits?

Brian J. West

Chief Financial Officer, Nielsen Holdings NV

Europe. Western Europe. If not for Western Europe, we'd be right where you said. So, Western Europe, 20% of my business for four years has done nothing, which basically means it's about a full 1 point drag to my revenue growth, okay?

Now, I believe on our Buy side of our business, which has been growing at 3% range, our Buy business is set to grow faster, because I'm not losing market share. It just so happens that clients aren't feeling so good they want to invest everywhere. But the developing opportunity is big. And they know it, and they're going to lean into it, and my view is that when the world feels better about itself, and budgets get a little loosened up, they're going to start to continue that march towards investing in these developing world to find these consumers, and we play a very important role in that. And that's when our developing business will get back to what we invest for which is double-digit growth. Not there yet. And I don't have my crystal ball. I don't know when that happens.

But the investment thesis for Nielsen has to be about our Buy business and reaccelerating that growth because, again, I'm not losing share. I just got to get the macro world feeling better about itself and it's likely to grow like it has when times are more normal. So, I think that that is an important thing to remember. And what we do is we continue invest in those propositions for the developing world.

Andrew C. Steinerman

Analyst, JPMorgan Securities LLC

Right. And then also as we anniversary Walmart – I know we just really fully did it in the third quarter, that also should help accelerate growth, too.

Brian J. West

Chief Financial Officer, Nielsen Holdings NV

Yeah. It was fun when it went up, but it's not fun when you comp it, I guess. That's life. But better to have it. So, we're perfectly comfortable with all the things we see in front of us. The important thing to know is that, again, it doesn't go down, doesn't go way up either, but it's steady and consistent. And nothing changes our point of view on that front.

Andrew C. Steinerman

Analyst, JPMorgan Securities LLC

When you talk about emerging markets getting back to double-digit growth for your Buy business, which geography do you think is likely to take us there? We think of the major geographies for Nielsen being India, Africa and China, but maybe at some smaller emerging markets right now that are holding us back?

Brian J. West

Chief Financial Officer, Nielsen Holdings NV

To be honest with you, if you're in our field team, developing markets are on fire and it's just with the local clients. So, they see it as the developing markets hot, growing 10% to 30% depending on the market – Africa, India, China, Southeast Asia, Latin America. It's the local book of business that's growing very fast and that's a good thing because, as we spread out our data to local clients who are trying to compete against the big multinationals, that's a good thing.

It's the multinationals that have suppressed growth. And it's not that they're not growing. It's just that they're investing less. So, the growth rates aren't quite what they were when it was a double-digit promise. But as we penetrate local clients...

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

It's still a double-digit promise.

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

It is. Thanks for correcting me on that. It's still a double-digit promise. As we think about the complexion of that, it will be a combination of multinationals leaning back in, but also a very rich robust local book of business. And I think that's a good thing.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Right. So, you don't really think about one country, you're thinking maybe more like when are the multinationals stepping up?

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

Yeah. In the meantime, what I do with my field sales team is, do you have enough feet in the street? Are you knocking on enough doors? Because I believe that we're underpenetrated in local client bases in the developing world. But the same markets are the same ones that are growing, that's no surprise, but it's more about how multinationals reengage.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Right. When you think about long-term goals, one that you sort of just underlined before evolving was your deleveraging. You've slowed down your deleveraging plus you're pretty close to your target, and your balance sheet has already been very well cleaned up. Are there are other goals, long-term goals, that you feel are evolving?

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

Well, the capital structure, the debt profile is much better than it was. We've worked hard on that but there's more in front of us. So, we have more opportunity to continue to take the weighted-average interest rate down. That's in front of us. We have $1 billion worth of notes that come callable about a year from now. It's 7.75% interest rate. I've been out in the market printing a lot better than that. So, that's in front of us.

The deleveraging itself, we had a specific view of wanting to make sure that ahead of the 2016 refinancing that we were in the 3 or just under 3 range. We'll see economically whether that means much. It was our aspirational goal seven years ago because when you're with 36,000 people and you're just got levered up, and you're at 9 times leverage, and you try to give people hope, you say, look, someday, we're going to get to investment grade.

So, we've kept on that path. We'll figure out economically what exactly it's worth. But 3 or just under 3 remains our goal, and we're going to march our way there. And I feel confident we'll do that. And in the meantime, plenty of room to fulfill the commitment around the dividend and capital allocation I've already talked about.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Great. Any other long-term goals sort of evolve as you're showing success?

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

I think that's about it.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Okay. Cool. Why don't I open it up for questions. We have about nine minutes right now. Go ahead, [ph] Kelly (30:33).

QUESTION AND ANSWER SECTION

Q

Thanks. I was hoping you'd talk a little bit more about what you expect in the fairly near term from the developing markets, I mean, it's obviously a good opportunity long term. But some of the consumer packaged goods companies and consumer staples, broadly, are talking about a bit of a slowdown in emerging markets and that's a theme in the broader market. So, what do you think about that?

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

A

Our commitment to the investment side is still high. So, for us, we've talked a lot about investing ahead in Africa, India, China. Now, we're adding Mexico to the list because we see a Mexican market that is feeling better about itself, and potential for faster growth. So, we're going to invest there. So, we feel very confident about the long-term view and we put our money where our mouth is in the investment side.

In terms of the revenue picture, we've steadily been marching our way up from 6% developing market growth, 7%-ish, 7.5%, closer to 8% last quarter. And that's a nice steady progression.

And as I mentioned, that is a combination of CPG multinational clients still investing, not quite as fast, and local clients. Because the beauty of my business model is once we go out and measure a market – largely, it's the multinational that underwrites it because it's their revenues that we're counting on to make that investment return work. But over time as we introduce local clients, here's how measurement works, here's how you should think about it, by the way, you want to buy some insights, we start to teach them how market research can help their business grow. And when you get more of those local clients, and there's a lot of them, you start to have a very robust business.

So, my view is that that piece of the equation, the local side, is more and more confident about it. When exactly we get back to double digits? I don't know. But I know that I've got multinationals that know they got to be there. They will lean in and be very deliberate. And then I'll keep working this developing book of business. And I think the trajectory gets better and better.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Okay. Another question? [ph] Alan (32:50) up here.

Q

What is your biggest threat over the next three to five years? Is it a technology? Is it another company? And I'm sorry I don't know your company that well, but could you just maybe go over...

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

A

Sure.

Q

... the things that maybe give you a little [indiscernible] (33:09) at night.

Brian J. West
Chief Financial Officer, Nielsen Holdings NV

A

So, the good news is I sleep really good at night. And part of that is because there's this model that's been pretty consistent for a long, long time, and even in the seven years that I've been fortunate enough to be around it. I would say the things that we need to be prepared for is speed, because information is going to need to move much more quickly and I've got to be ready for that. And I spend a lot of time and energy making sure I'm ready for that, but the speed with which markets move and my ability to be able to stay in front of that, adapt to it, lead it, is really important. And the good news is I've got this great technology leader and leadership team that helps us do that every single day with scale.

From a technology standpoint, a pure technology like, is there something I worry about not being able to measure? No. Because believe it or not, it's rarely about us not being able to measure consumption of video, let's say. Rarely is it a technology problem. Usually it's about trying to work with the industry to come together to agree because you're hanging around an industry of buyers and sellers who every day, what about this? So, that's usually something that just takes longer and I wish it would move faster, but from a technical standpoint, it's not that hard because we've always – it's important to remember for Nielsen, particularly on the media side, our Watch business.

I don't follow or measure distribution. I measure consumption. So, I don't care how video got to you. I don't care whether it came over the air, over the top, satellite box, set-top box or whether it came to you on your television, on your tablet or your smartphone because I got to measure all of it. And I got to measure who's consuming it. Is it the teenager, your spouse, et cetera, so that's what makes us unique. And as the world fragments and there's more distribution points, I just keep on adding into the measurement and keeping it one single simple metric, I'm just fine. And rarely is it technology. But I spend a lot of resource making sure I stay ahead of that.

I would say, on the Buy side – so it's speed – on the Buy side, I always would have said that if the retailers are very important to my Buy business, because it's the retailers sharing their data in a cooperative format, it's the underpinning of me being able to give a market read for everyone. So, I tell – any client knows all about their own stuff. They need to know the other guy. And that's what I do for them. And that is because their retailers cooperate, and they sell me their data.

If for some reason that were to stop working, that'd be a bad day. I used to worry about it because there was a big retailer that was out of the cooperative, called Walmart. And you know what, we didn't miss a beat because we figured out a way to project the next best view of Walmart, and it turns out it was a pretty darn good estimate. But I'm happy to say that Walmart even came back into the cooperative. So, that would have worried me before, not so much anymore. And as long as we keep steady, consistent and focused on that speed of information, this thing holds up beautifully.

So, on the competition on the Buy side, I'm in 100 countries. I don't face anybody else. I might have jurisdictional competitors in a local market, and I do pretty good in those markets, too. But usually if you're a global company, and you're wanting a view of the world, you go with Nielsen. And that's worked to our advantage because we've got a global footprint. And now, more and more, we're also showing how we could be a more strategic relationship because – oh, by the way, we're bringing over all this Watch data, not just Buy data. And we're bringing that together for clients. So, that one feels pretty good. The way I stay ahead and keep that competitive moat where it's at is I continue to invest in coverage. I never take my foot off the gas pedal. I always want to go cover more and go cover where consumption's about to happen, not where it just happened.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC Q

You ever think of covering more product like you basically cover fast-moving consumer packaged goods stuff that you can find in the supermarket or drugstore. You ever think about broadening the SKUs you cover?

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

Well, if it fits in that CPG world, where it's fast-moving consumer goods, I cover everything. If you're talking about different verticals like electronics and durables and that sort of stuff, I think about it all the time. But there just happens to be another – a very, very good company that already does that. So, we're fine with where we're at. And for us, what that means going forward in terms of growth is there's plenty of opportunity, not just geographic coverage in growth but also online retail. It's a phenomena that we're right in the middle of, we're representing, we think a lot about and that's another trajectory going forward that we could see a growth opportunity.

Outside the fast-moving consumer goods, not so much. We've got plenty to do with what we've got. And then finally on the Watch side competitively, our U.S. TV Ratings business is very unique in its position. On the digital side, there are other competing products. But as it pertains to OCR, in measuring these digital audiences around video, we're pretty darn unique. So, I feel comfortable on that front.

I think a lot about it. Right now, I'm pretty confident about our product set and how they compete in the marketplace, and I think we're going to do just fine.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Perfect. I think we should leave it at that, if everyone's okay with that. Thank you for joining us today.

Brian J. West

Chief Financial Officer, Nielsen Holdings NV

Thank you.