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CORPORATE PARTICIPANTS

Jamere Jackson
Chief Financial Officer

OTHER PARTICIPANTS

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Okay. So good morning. Welcome to Deutsche – first day of Deutsche Bank's Media, Internet, Telecom Conference. I'm Paul Ginocchio, Deutsche Bank's Business and Info Services Analyst. It's a great pleasure to have with me, Jamere Jackson, CFO of Nielsen. He's been the CFO now for two years. He came to the company from GE and before that, stints with Pepsi, First Data, and P&G. Since he arrived as CFO, the cash conversion has gone up for the company, which is great. They're converting more of adjusted EBITDA and net income into free cash flow. We'll talk about at the end and should continue to improve based on their most recent guidance.

So, welcome to the breakers.

Jamere Jackson
Chief Financial Officer

Thanks. Good to be here.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Great to have you here for the first time. Maybe I'll ask first one about Notre Dame Basketball. RPI of 35. Where do you think your seed is going to be?

Jamere Jackson
Chief Financial Officer

I'm hoping for a strong Conference tournament, and it should be a lot of fun. Those guys have done a great job and coach Brey has built a great program there.

QUESTION AND ANSWER SECTION

Paul L. Ginocchio

Deutsche Bank Securities, Inc.

Q

Great. So, moving into – 80% of all the conversations we have on Nielsen are around digital measurement, Total Audience measurement. Can you just talk about where we stand today? What the feedback from clients is and maybe some of the, kind of, key milestones as we go through 2016 upfronts?

Jamere Jackson

Chief Financial Officer

A

Yeah. We've made tremendous progress. At the end of last year, all of the metrics that make up our Total Audience framework were actually in place, and we started the discussions with a number of our clients around redefining the currency. As you know, the currency today is based on a set of rules that were brought to the market in the 2006 kind of timeframe and reality is, is that given media fragmentation, a lot of the changes that happened in the marketplace, it is time to redefine that currency and we've been pretty vocal about it.

And so, we set out over the last year or so to bring all of the metrics in place that are necessary to give our clients a view of the Total Audience, and it's been – it's gone very, very well. We've had two meetings with industry leaders, one on sort of the sales and marketing side, and also the market researchers. We're going to convene a third meeting and the discussions are going well.

We have been working very hard, sort of, instrument our clients on their ability to look at all of the data. We're working side-by-side with them. And I think what you'll see is that some of those tools and metrics will be a part of the conversations around the 2016 upfronts, and we expect by the 2017 upfronts, for sure, that the currency will be redefined. So, we're very pleased with the progress that we've made.

Paul L. Ginocchio

Deutsche Bank Securities, Inc.

Q

Great. Snapchat spoke this morning; they made a news announcement last week that they're now going to have your Digital Ad Ratings available for advertisers via Snapchat. I think Roku did that, maybe a year ago. Can you just remind us, is there any digital-first publishers who are not embedding Digital Ad Ratings on their platform or is there any holdouts?

Jamere Jackson

Chief Financial Officer

A

We've done a tremendous job of helping the platforms to understand that independent third-party measurement offerings to their clients is a way for them to sort of amplify the value of their inventories. And so, you've seen players like Facebook, Google, and Snapchat, all adopt our Total Audience measurement framework or our Digital Ad Ratings product, if you will, to help them amplify the value of that inventory.

But you got to remember, the advertisers are the bill payers here. And so, what you're seeing in this marketplace is that, the advertisers, the big branded advertisers are literally demanding independent third-party measurement and they're demanding guarantees and our Digital Ad Ratings product has really emerged as sort of the de facto standard in the video world, and we're pleased with that.

So, it's going very well. All of the big players are there. Last year, we signed up 100 new Digital Ad Ratings clients and many of them were native digital players. So, we've made tremendous progress over the last couple of years or so and that momentum is going to continue in 2016 and beyond.

Paul L. Ginocchio

Deutsche Bank Securities, Inc.

Q

There is no major digital-first publisher that is not using or that you can think of?

Jamere Jackson

Chief Financial Officer

A

None with premium inventory. And what you're going to see over time is that, those big platforms want to make sure that their clients have the optionality to have their independent metrics, so that they can get what they're always looking for when they're spending their money, which is accountability and guarantees that they reach the audiences that they initially paid for.

So, our teams have done a tremendous job, and the platforms I think are coming at the realization that the metric that we've put in place, the ability to have a metric that is on an apples-to-apples basis with what they see in the linear TV world is really, really important in terms of convincing big branded advertisers to spend money in the digital world.

Paul L. Ginocchio

Deutsche Bank Securities, Inc.

Q

You touched on this a little bit on the first question, but as we go through the 2016 upfront – the 2017 upfront, what are some of the things you're going to be looking forward to make sure that you're on track to get Total Audience measurement as a currency in 2017 upfront?

Jamere Jackson

Chief Financial Officer

A

Yeah. Here, the reality is that none of our clients wait around for a new metric to hit before they start to trade on that basis. And so, what we expect to see even in the 2016 upfronts is that the Total Audience tools, metrics, and capabilities will be a part of guarantee conversations that clients are making. And we expect sometime in the 2017 timeframe that the market which works more efficiently when there is one referee on the field and a single currency will adopt and move towards the new currency. So, we expect some conversations this year in the 2016 upfronts. We expect some deals to be done based on some of those guarantees, and we expect the conversation to continue into 2017 and, ultimately, end up with a new currency.

Paul L. Ginocchio

Deutsche Bank Securities, Inc.

Q

Great. You made an acquisition last week of PointRoll, (sic) [Pointlogic] (6:24) and I think it's...

Jamere Jackson

Chief Financial Officer

A

Pointlogic. Yeah.

Paul L. Ginocchio

Deutsche Bank Securities, Inc.

Q

Sorry. Pointlogic, yeah, sorry. And I think it uses some of the Total Audience measurement data to sort of improve media mix in ROI, is that right?

Jamere Jackson
Chief Financial Officer

A

Yeah. So, that acquisition really stood as a way for us to increase the distribution and the adoption of our Total Audience measurement product. So, today, the Pointlogic software actually sits on the desktop of many agencies and advertisers and they use it as a planning and analytics tool. And so, what we did with this acquisition is we actually sped up the adoption of our Total Audience products by putting a planning tool on the desktop of agencies, that gives us a sort of immediate distribution. The option was for us to either go out and build it ourselves and then have to go, sort of, agency-by-agency and slog our way through it, but this is a way for us to speed up adoption and we're pretty pleased with it.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

So, on the Digital Content Ratings, I think the publishers have had been getting their own data for a while now or just maybe the last two or three quarters. What kind of feedback are they giving you? I think, they're evaluating, giving feedback? What's been the best so far, any changes since they've been looking at their ratings?

Jamere Jackson
Chief Financial Officer

A

Yeah. The feedbacks have been great. All of our clients are looking at ways to take a look at their content both in the linear world and in the digital world, put the two together and be able to tell a told story. And so, Digital Content Ratings is part of the total content ratings piece of total ad – our Total Audience. And all of our clients are looking at the data, they're getting instrumented, they feel good about what they see today, and we're working side-by-side with them to help them understand that.

So, I couldn't be more pleased with where we are in the rollout cycle, and we'll get to the point where we'll have a syndicated product and the market will be very efficiently operating.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

When do you think the syndicated product will go out?

Jamere Jackson
Chief Financial Officer

A

Yeah. We think the syndicated product will be ready first half of this year, I would say, in the second quarter. We should be in pretty good shape there. But when you're introducing new metrics into the marketplace, we are very careful and very diligent about working with our clients, side-by-side, helping them understand the data, helping them understand the nuances of what we've put in place from a metric standpoint, and answering lots of questions. And we've been doing that and our client services teams have done a tremendous job, sort of, hand-holding and instrumenting our clients.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

Do you need a syndicated product outlook for the upfront or that's not – it's not necessary?

Jamere Jackson
Chief Financial Officer

A

No, you don't. Because, as I said, what the – what our clients are all going to do once they get their hands on the data and they have confidence around that data, is they will use those data sets to help tell their story. For example, we saw in previous upfronts when clients didn't have their hands on digital data, is they try to monetize their inventories with things like their own internal server logs and any other piece of audience measurement that they could get their hands on.

So, nobody waits for syndication before they start trying to do business. But, as I said, the market works more efficiently when you have one referee on the field, when you got a set of syndicated data when everybody is looking at the same data, and there is a trusted independent third-party referee on the field.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

Yeah. I think the other referee on the field, [indiscernible] (9:55) can't get his 10-K filed, so anyway. How does the currency – once you become currency or if you become currency, how does that changed the revenue opportunity, if at all?

Jamere Jackson
Chief Financial Officer

A

Yeah. So, for us, what we see is that this is a business that is growthier than it was three or four years ago, and if you look back at our core Watch business in three or four years ago, it was a 3% to 4% kind of grower business. It's now growing 5% to 6% and that is because we've continued to innovate and bring additional things to the marketplace to help our clients sort of measure their audiences, if you will.

So, what you've seen is that the business has grown. This isn't a business that you're going to wake up and all of a sudden it's grown at 8% or 9%. It doesn't work that way. We've got long-term contracts with pricing escalators. But over time, as we add incremental things to measure into those long-term contracts, then we end up with a growthier business. I think the other thing that's exciting for us as well is that as we've added all of the digital capabilities in terms of measurement and we've added a number of native digital clients that long clients of Nielsen before this.

Last year, we signed up 100 new Digital Ad Ratings clients, many of which were native digital clients, and that's a big piece of our growth story. Google was now a top 20 client for Nielsen and if you just go back four or five years ago, the reality was, you had a company that wasn't sure that they wanted to be measured like television, wasn't sure that they needed independent third-party measurement and they've embraced it.

They've embraced it with allowing Digital Ad Ratings to be on their YouTube platform, measuring their premium content, the integration with DoubleClick enables their advertisers to use that metric as well. And so we made tremendous progress not only with advertisers, but also with platforms in terms of bringing the metric to the marketplace.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

Great. I'm going to ask a few more, if you do have a question, raise your hand and I'll ask – I'll reach out to you. In your Watch business – in the Watch business Audience Measurement, does it become a little bit more volume -

driven over the next couple years than kind of move back to subscription with the digital -first publishers coming on board?

Jamere Jackson
Chief Financial Officer

A

Well, I mean, today our linear TV ratings are still the lion's share of our business, and we're still doing that on firm fixed-priced long-term contracts with pricing escalators in it. I would say that the digital piece of that is helping us to be a little bit more growthy, but what you're seeing from our clients today is that they're contracting with us on a Total Audience basis. So, we're not only including sort of a linear TV metrics in it, but we're also including all the things digital in it, and that's a nice business model for us that has served us very, very well. So, you'll see a little bit more volume coming into play, but over time, we see this business being nice, long-term contracts, all of the metrics being included and then all the things that we do with the native digital guys will be incremental on top of that.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

Do you think you'd get a slightly better price increase now that you've rolled out Total Audience measurement? Is it helping the pricing discussions, are you -- maybe some of the big media companies can no longer complain that you're missing something?

Jamere Jackson
Chief Financial Officer

A

Well, I'm not sure that we'll ever get away from complaints, but what we'll -- what you see from us is that as we bring incremental things to the marketplace and incremental things to our clients in terms of measurement, then it certainly helps the pricing discussions. In fact, some of the easiest pricing discussions that we've had had been around the things that we brought to the marketplace in terms of incremental digital things.

So, Digital Ad Ratings, we built the platform back in 2010, 2011. The platform scales very nicely. All of our clients know how difficult it is to find and reach and target fragmented audiences, and so those are pretty easy discussions when you can bring that kind of innovation to the marketplace and we've seen that in our contract renewals.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

Just maybe move on within Total Audience measurement and Digital Content Ratings that's through the joint venture with Adobe. I think part of that was to help penetrate some display advertising and text advertising. Why don't you just talk about how that's going?

Jamere Jackson
Chief Financial Officer

A

Yeah. So, our partnership with Adobe is one that's very exciting for us inside the company because, today, Adobe has infrastructure that reaches 70% to 75% of the Web content that's out there today. So, building a partnership with them as a data provider enables us to get distribution for Digital Content Ratings in a way that would be much more difficult if we were doing it on a stand-alone basis.

So -- and there are really two pieces of it. The first piece is that Adobe through their Primetime Player, basically is the white label for a number of the big video providers. So, if you watch live sports on the Internet, chances are, it

was with the Adobe Primetime Player. And so, embedding our software meter in there to be able to measure that content and measure those ads is a big win for us in terms of productivity and infrastructure. But in addition to that, Digital Content Ratings actually will help us accelerate the growth of Digital Ad Ratings.

So, a client can basically buy Digital Content Ratings and say, where do I go spend my money in order to reach the audiences that I'm looking for in a very precise way? And then they'll buy Digital Ad Ratings to make sure that they got what they paid for. So, the two products work hand-to-hand, built on the same architecture, apples-to-apples, and you can compare all of that back to what you're spending in the TV world, and that's a really big deal for big branded advertisers.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

Question?

Q

Can you just give us a little bit more color around [indiscernible] (16:06) Digital Content Ratings?

Jamere Jackson
Chief Financial Officer

A

So, in Digital Content Ratings, there are really two things. One is, on the video side of Digital Contents Ratings, we're able to measure sort of ads that are being played or content and ads that are being played on a digital property, if you will. And then in video – or in the text or banner ad world, we're able to have new symmetric sort of combined with the Adobe Analytics infrastructure to be able to give age and demographics for those sites as well. So, when I say the two products work very well together, you can use Digital Content Ratings to help you identify the properties where you want to go spend your money. And those Content Ratings will tell you sort of who's there, what the age and demographics are. And then, you use Digital Ad Ratings to say, when I spent my money there, did I get the audiences that I paid for? And that's why the two products working hand-in-hand are very good for a big branded advertiser.

Q

So, there will be unique visitors, time spent, all of that sort of stuff included in the Content Ratings?

Jamere Jackson
Chief Financial Officer

A

Yeah. So, in addition to – if you've seen the Adobe Analytics product, it has all of the data around number of visitors, it has data around sort of the attribution of what sites they came from. So now, you have the ability inside that Adobe Analytics infrastructure to have sort of age and demographics of that content. We also will use that Digital Content Ratings product inside of what we present as Total Audience to say, here were your linear audiences, here were your digital audiences, those metrics will be on an apples-to-apples basis, so that you get a feel for your total content ratings and not the two metrics independently.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

Great. I'll ask one and then we'll take the gentleman here. A couple quarters ago, Comcast talked about using their set-top box data either creating their own business or merging it with some – somebody else's business; they're looking at all options. Obviously, they have a lot of subscribers, a lot of households, so that data set is a very valuable and interesting data set on sort of – for second viewing. Obviously, you don't know who's viewing it, but you have some great detail. Can you just talk about what kind of competitive effect that is? Do you need that data, do you not need it? And if they were to go with maybe a comScore or Rentrak, what would be your competitive response be?

Jamere Jackson
Chief Financial Officer

A

Yeah. So first, we said that the future of measurement is a combination of high-quality panels and big data sets, and in fact, in the digital world, that's exactly what we're doing. We have sort of our high-quality in-person recruited multi-device panels. And then we use a data set like a Facebook registration data set, to be able to deliver measurement in the digital world.

We see a parallel in the a linear TV world, where we have our high-quality representative panel that we have today, that we use for measurement, but you can also combine a big data set like a set-top box data set to help you get more granularity. And that's particularly important as media fragments and long tail cable networks in some of the local markets feel the pressure of fragmentation more than you see in some of the bigger markets or the national markets.

And so, we work with set-top box data for a number of years inside of our marketing effectiveness practice inside the company. We're very comfortable with the data. What we know firsthand that set-top box data on a stand-alone basis doesn't work for measurement. It's not representative. You've got data quality issues that you have to work your way through. But if you can take that and calibrate that with a panel, it's very powerful.

And so we said, to a point where the quality of the data and availability of the data gets to the point where we could build a very robust product that we would do that. We're in a number of discussions today to get more set-top box data inside of the company. And when that quality and availability of that data coming back on the return path data from the MVPDs is such that we can go build a high-quality product around it, we'll do that and it will be great for the marketplace.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

I think one of the issues with set-top box data is you can't really do overnights. How long until set-top box data could do an overnight rating?

Jamere Jackson
Chief Financial Officer

A

Well, I think the MVPDs and the technology is getting better. So you're right, today, the return path data for many of the MVPDs isn't available overnight and even the data that you get back in many instances isn't of high enough quality for you to take it, process it, and turn that into a high-quality rating. But it's getting better and as that data gets better, again, we'll be able to build the product around it that meets all the needs of the marketplace.

Q

[inaudible] (21:12-21:19)

Jamere Jackson
Chief Financial Officer

A

Yeah. We haven't seen any impact at all; in other words, if the ad is viewed, we're able to measure it. And from our vantage point, what we're measuring is really what's actually viewed and what people are asking for guarantees on is what's actually viewed. So, we haven't seen a whole lot of impact from it at all.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

Maybe, eXelate, you – at your Analyst Day in December you spoke a lot about eXelate. It seems like with all the data you have not only are you going to obviously capture some of the measurement share, but you're also going to use some of that data plus some other data you're getting through eXelate [ph] and then you had to buy (22:00) to help target ads better. So it's, almost like you're getting, which is nice, two bites of the cherry. Can you just talk about the strategy with eXelate and does it mean that you can capture more of the sort of digital ad market than you could of the TV ad market?

Jamere Jackson
Chief Financial Officer

A

Yeah. So, a couple things are happening in the media world today. One is, you've got clients that are still paying a premium for reach, so television is still the most efficient way to reach a large unfragmented audience, it's the reason why you pay \$5 million for a Super Bowl ad this year and you're going to pay \$5 million and some change next year for an ad, because there is a premium when you reach a large unfragmented audience. The promise of digital was that you have an opportunity to be more precise in reaching those audiences and eXelate acquisition gave us the ability to help our clients target those audiences better.

So, we take – today, eXelate has roughly 200 data partnerships. They run the data through 125 plus platforms. It's a combination of sort the Nielsen media data but also third-party data sets, and it is helping clients get more precise on targeting those audiences. So, we've built the beginning of an Enterprise Marketing Platform that does exactly that and there isn't a media company that's out there today or an advertiser for that matter that isn't looking to get more precise on the audiences that they're trying to reach.

And so, it's a great marketing effectiveness tool for us and a great capability. When we originally bought the business, just having a data management platform by itself was a huge win for us, but this notion as the world has changed and as media fragmentation has continued to accelerate, the ability to be able to help our clients target those audiences is an important capability for us as a company.

Q

Hi. Thanks. I know that you talk about selling your service kind of holistically. So, I'm just wondering if there's any way to disaggregate demand and pricing dynamics for digital versus your traditional Audience measurement?

Jamere Jackson
Chief Financial Officer

A

Yeah. We're actually doing both, to be honest with you. So, for the native digital guys, obviously, who do n't have a footprint in the linear world, those are all incremental contracts for us and incremental measurement opportunities. And so, today, we literally view them on whatever platform they're on and we're just giving them sort of the digital metrics associated with that. What's important though is that almost every branded advertiser

wants the comparability to TV, so that as they're allocating their budgets, they want to be able to say this metric and this metric are the same and, therefore, I know how much I'm paying in each world.

And the dynamics may be different because you may pay a little bit more of a premium for precision in one instance; in another instance, you may pay a little bit more of a premium for reach, but we have the ability to show them on a stand-alone basis. But I got to tell you, as big publishers that have footprint in both worlds, they're looking to monetize it more on a Total Audience basis and the game has changed, the game has changed in that regard over the last couple years.

Paul L. Ginocchio

Deutsche Bank Securities, Inc.

Q

Okay. I'll ask a question. Maybe a question about Buy, [ph] why not – (25:30) you've been talking – I think...

Jamere Jackson

Chief Financial Officer

A

A little early ...

Paul L. Ginocchio

Deutsche Bank Securities, Inc.

Q

Few moments, yeah. So, on Buy, I think you've done some deals around e-commerce, Alibaba. Can you just talk about where you are globally on adding e-commerce coverage to your Buy business and once you increase that exposure or coverage of the e-commerce channel, will that lead – have you seen it in certain markets lead to increase in subscription prices?

Jamere Jackson

Chief Financial Officer

A

Yeah. So, e-commerce is the fastest-growing channel even in the CPG world that we measure today. And in certain categories, things like cosmetics and in certain countries, it could be as much as 30% of the volumes move through an e-commerce channel. And so, what we've been doing is really building partnerships with e-commerce players around the world, building partnerships with brick-and-mortar guys, to be able to give our clients a read on how much volumes have been moved through those channels and how they ought to be thinking about going after that.

So, for example in China, we have an omni-channel partnership with Alibaba, where we give sort of the offline view, we standardized the categories, they have the online view, we sell an omni-channel product. We've got relationship with JD.com, Flipkart in India. So, those big e-commerce platforms really want to help their clients understand sort of the view of online and offline.

In the U.S., obviously, the big player is Amazon. We don't have that partnership with them yet, in terms of building a big broad retail market share platform. But we work with them in a number of different ways. And so, what we've done in cases where we don't have a big platform is, we build a hybrid. So, it's a combination again of our high-quality panels and other big data sets like receipt panel data, to give a view of the world on e-commerce. And as our clients are looking at more and more volume being moved through those channels, it's important that we bring measurement capability, so that enable them to do that.

Paul L. Ginocchio

Deutsche Bank Securities, Inc.

Q

Does that allow you to raise pricing or is that just sort of table stakes that you have to have that channel?

Jamere Jackson
Chief Financial Officer

A

So, two things allow you to get price in the Buy world, three things actually. One is just coverage. So, as you expand your coverage, clients will pay more for that. The second thing is that as you bring additional analytics capability to help clients improve their performance, you're able to get price associated with that. And then, the third thing is if you are able to help clients find pockets of growth in terms of new innovation, those are ways for you to command additional pricing, and certainly, covering e-commerce fits into the coverage bucket and that's a way that we bring additional capability [ph] to bear (28:25) and are able to have get more price.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

As mic's going over, I'll just throw one out for you. Three kind of CFO questions. What are the two business units? If you look at the two business units today, which one has more margin upside over the next three to five years?

Jamere Jackson
Chief Financial Officer

A

I think our Buy business has more margin upside, I would say, in the next two to three years and here's why, because we – go back three or four years, we invested roughly two points of margin back into the business to be able to expand coverage and capability in the emerging markets. And as those emerging markets start to scale, then you start to see the margins improve and so we had two straight years of declines. We're now on a role where we've got six straight quarters of Buy margin expansion and that is because some of those early investments have started to scale.

In our Watch business, the margins are still going to be great as well, but what you're also seeing us do in our Watch business beginning this year is, as you pointed out, to go after those digital audiences which are much more fragmented, you got to add more commercial capability. As I said, we signed 100 new Digital Ad Ratings deals last year and some of those are really big campaigns and some of those are really small campaigns. So, you got to have the commercial chops to be able to go after each segment of the marketplace.

And same with Digital Content Ratings as we roll that out and look to go, bring that capability to different properties, you got to have – the commercial boots on the street to go do that. But we manage margins on a total company basis. We've historically been a 40 basis points to 60 basis points of margin expansion. In our December Analyst Day, I upped that target range to 50 basis points to 70 basis points. And in any given year, we'll be making trade-offs between the two segments to make sure that we're going after the right growth opportunities. And so, it's the beauty of our business model and the strength of the portfolio that enables us to do that.

Q

Yes. Just wondering, how much incursion you're seeing on a competitive basis. As the markets move to more data and analytics, whether you see more competition both from the agencies – the other agencies who are in the public, WPP, Publicis and so on, but also some of the actual software and data group, so your SAPs, your Capgemini and so on. As data becomes and you're linking sales and viewing data increasing, and that's what advertisers want, does that potentially mean that there are new routes for competitors to enter and just wondering whether you're seeing any of that?

Jamere Jackson
Chief Financial Officer

A

Yeah. It's a good question. So, our business is made up of measurement and analytics. And so, from a measurement standpoint, the competitive dynamics really haven't changed. But in the space of analytics, the competitive dynamics indeed have changed and that's why you've seen us continue to invest in platforms like an Enterprise Marketing Platform through eXelate. We've talked about building that Connected Buy System where we take not only our retail market share data, but combine that with all the other analytics products inside what I call the Nielsen Store, if you will, to give our clients a view of all of their activity in the marketplace.

And what you're seeing in the analytics space is that a number of players have come in and said, how do we go take big high quality data sets like Nielsen and combine that with other data sets, whether it's weather or some other data set to help a client understand where their market opportunities are and help them sort of predict consumer behavior. We're in that space today, but in most instances, our dataset is the foundation for a lot of those analytics.

So, it's a nice position for us to be in both on the measurement side and the analytics side, and we'll continue to increase our capabilities. We have the world's best innovation practice around introducing new products into the marketplace and what can you expect in terms of sales and marketing lift. You combine that with retail market share data, you combine that with the things that we do around price and promotion, and we're pretty powerful from a competitive standpoint. And we work with all of these other platforms to the extent that they either buy our data sets or working with our clients to help our clients improve their performance. It's a really nice place for us to be as a company.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

Maybe just – last two minutes, just couple questions around free cash flow, maybe cap structure. So, in 2014, 37% of adjusted EBITDA converted to free cash flow; 2015, it bumped up to 43%, nice job; and then the – based on the guidance, it looks like it's going to go around 49% in 2016. Looking forward, how do the cash tax rate, any restructuring charges, and leverage impact that? Is 49% the right target, it can go – or can it go higher?

Jamere Jackson
Chief Financial Officer

A

Yeah, we've had a laser light focus on improving our free cash flow performance. If you look at coming out of the IPO in 2011, we converted roughly 70% of our adjusted net income into free cash flow. I think we finished last year around 82%. Our target going forward to be at roughly 90% plus of our adjusted net income be in free cash flow. This gives us tremendous flexibility to grow our business and return a big chunk of cash back to shareholders in an investor-friendly way.

What we said about our free cash flow is that we're going to hold our leverage targets somewhere in the three times area. And as our free cash flow continues to grow, we're going to allocate roughly 45% to the dividend which we intend to grow in line with earnings. We'll toggle 40% between buybacks and tuck-in M&A opportunities, and the remainder to service the debt. And that give us tremendous flexibility, as I said, to grow and give a large chunk of that back to shareholders.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Q

Let's say you had perfect foresight, you knew a recession was coming in two or three years, would you need a change in capital structure? Your company was like the only company with leverage that didn't take a wobble in December and January. Lots of other companies' leverage did, but you didn't. So, the markets saying that you – they don't care about the leverage or is it just the nature of the business...

Jamere Jackson
Chief Financial Officer

A

I think the market has seen us performed through the cycles. Listen, during the 2008-2010 timeframe when things were really choppy, we were still clipping along growing at 4.5% plus on the top line, and we were at a much higher leverage than we were – than we are today. I mean, in that timeframe, we were at somewhere in six times to seven times leverage which I'd probably be losing sleep if I was there, but – and it's certainly operating in the three times area is something that we're comfortable with.

We've always had good access to the capital markets and our business model, if I do nothing except execute, I can take leverage down two to three ticks every single year. So, I'm pretty comfortable in the three times area and that gives me a lot of flexibility to grow and return cash.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Great, Jamere. Thanks for your time today. Thanks, everyone.

Jamere Jackson
Chief Financial Officer

Thanks.

Paul L. Ginocchio
Deutsche Bank Securities, Inc.

Thanks.

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