

22-Mar-2016

Nielsen Holdings Plc (NLSN)

Telsey Advisory Group Spring Consumer Conference

CORPORATE PARTICIPANTS

Karen Fichuk

President, North America, Nielsen Holdings Plc

Kate White Vanek

Senior Vice President-Investor Relations

OTHER PARTICIPANTS

Thomas William Eagan

Telsey Advisory Group LLC

MANAGEMENT DISCUSSION SECTION

Thomas William Eagan

Telsey Advisory Group LLC

Good morning, everybody, my name is Tom Eagan. I'm the media analyst at Telsey. And we are thrilled to have Nielsen here this morning.

As many of you know, measurement is – has become one of the most important elements of the consumer space. Nielsen is the preeminent company, measuring both consumer in terms of media and of course in retail and wholesale.

Nielsen is comprised of two divisions, the Watch and the Buy division. Many on the Street have been following intently the Watch division because of what's happening in the industry. However the Buy division is bigger than the Watch division.

In terms of Nielsen here, many of you know Kate Vanek, SVP, Head of Investor Relations, but in keeping with our focus here on the consumer and retail, we have Karen Fichuk here, President of North American Buy. She's been with Nielsen for more than 20 years.

Karen Fichuk

President, North America, Nielsen Holdings Plc

[ph] Hello (00:59). 25 years, actually, yeah.

Thomas William Eagan

Telsey Advisory Group LLC

And contributed to very – many functions here in Nielsen and not just North American Buy, so we're thrilled to have you.

Karen Fichuk

President, North America, Nielsen Holdings Plc

Yeah. Well, thank you for having me here.

Thomas William Eagan

Telsey Advisory Group LLC

Thanks.

Karen Fichuk

President, North America, Nielsen Holdings Plc

Yeah. And the Buy business is the bigger part of the business. I suppose everybody heard that, we never get any of the questions, so – so we're very excited to be here today.

Thomas William Eagan

Telsey Advisory Group LLC

So, we do have a mic in the room I think, so if there are any questions, please feel free to ask them. Again, we'll focus more on the Buy division, but there might be questions on the Watch division and Kate can of course answer those.

QUESTION AND ANSWER SECTION

Thomas William Eagan

Telsey Advisory Group LLC

Q

So, I think I'll start. Karen, why don't you tell us a little bit about the network of CPG clients you have really across North America?

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

Yeah. So, in the Buy side of the business, we have a great portfolio of clients that includes retailers, so we literally work with over 100 retailers – hundreds of retailers in the U.S., and then also consumer packaged goods companies, so the likes of the biggest marketers and advertisers, including Procter & Gamble or Coca-Cola as well as the fast-growing mid-tier segment and some of our smaller clients, so thousands of clients.

Thomas William Eagan

Telsey Advisory Group LLC

Q

And are they evenly distributed across the country or are they West Coast, East Coast?

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

Well, from a retailer point – well, they're all national...

Thomas William Eagan
Telsey Advisory Group LLC

Q

National.

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

...from a manufacturer standpoint, from a retailer perspective – that, we really look at those by channel.

Thomas William Eagan

Telsey Advisory Group LLC

Q

Yeah.

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

You know, with – so – and that's aligned with our Measurement business, so we work with retailers in the grocery channel, which obviously has a lot more regionality in the U.S. You have national players like your Kroger, but also some regional players as well. And then we work with mass, so obviously the Walmarts and the Targets of the world. Club stores, like BJ's, for example; convenience is a big channel for us. Probably the fastest-growing channel right now is the e-commerce channel, so as we see purchases – consumer purchases migrating to online, even in consumer packaged goods categories, that's kind of the fastest-growing area. And we're very focused on measuring that and creating a holistic e-commerce Measurement channel.

Thomas William Eagan

Telsey Advisory Group LLC

Q

Well, that was kind of – what [ph] went through as (03:18) I was wondering, what are the issues you're finding your CPG clients are grappling with right now? Is it e-commerce?

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

That's definitely one of them. I think the whole face of digital, I mean, at the macro level – growth, right, especially in the developed market, everybody is grappling with growth. And I think there is probably two themes and areas where we spend a lot of time working with clients and where we're placing a lot of our investments to help them understand that. The first one would be consumer fragmentation, so just like on the Watch side of our business, we have fragmentation on the Buy side of our business as well across nearly kind of every dimension of consumer purchase behavior. So whether or not that's income level, age, right, Boomers versus Millennials, multi-cultural, and then also attitudes and trends like health and wellness. Health and wellness is probably one of the biggest trends that we see in terms of driving growth in the consumer packaged goods industry.

And we spent a lot of time helping clients understand what are those opportunities and what are those trends. Health and wellness is a fascinating one. It's the fastest growth driver, but it's changed significantly, so I think as most of you know the definition of health and wellness today, 21st Century characteristics very different, right, than 20th Century. It used to be free, right, everything was fat-free, sugar-free, and now it's not. It's all organic, right, and more about what you're – the goodness that you're putting into the food versus things that you're taking out and replacing with artificial substitutes.

So, this idea of consumer fragmentation, I think, is one of the biggest things that clients are grappling with because the days of mass marketing to a consumer – large consumer – all consumers is – it's gone. It's all about precision now. It's all about identifying that highest-opportunity consumer and then reaching that consumer and that's kind of the beauty of the intersection of Nielsen Watch and Buy come together. Digital is probably the other kind of big challenge area.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Well, so I was going to ask you a question. Like, how was Nielsen best positioned to help your clients figure out the path within those issues?

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Yeah. It's really the combination, I think, of the Measurement business. So, on the Buy side of the business, our primary measurement is what we call Retail Measurement, and we literally get POS information from all those channels that I described, 135,000 stores that we process every single week. We add to that reference information, so all the characteristics about those products that are sold within the categories and we make sense of that. We really make sense of that and we pull it together and we help them – clients understand what are they selling, what's their market share, what is – pricing look like within the category, what are the trends of that, how effective are my promotions? We also augment that with panelist information. So, we have 100,000 household panels, longitudinal panels. So they're sending up their purchases every single week. And from that, we can get information about the demographics, right, the fragments and the consumers trends that we've talked about.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Right.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

So, what does my performance look like within specific demographic areas. So, that's kind of the foundation, and then you add on all the analytic capabilities that we have to really help them understand how to be most effective from a marketing standpoint, from a merchandising standpoint, so pricing and promotion in the store or promotion in a feature ad, and then as well as Innovation. So, we have a really big Innovation practice. Innovation or new product introductions are really the lifeblood of the consumer packaged goods industry. And so, we partner with clients to make – to help them to identify, measure, test the New Product Innovation.

Thomas William Eagan
Telsey Advisory Group LLC

Q

So, that's a pretty sizeable infrastructure. How do you maintain that? How do you keep that going? How do you make sure it's efficient, but effective?

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Yes. It is, I know, that's why the Buy business is a very exciting business. So, it is a lot and we've grown up over time, where we have the Measurement business, which is still the majority of the business in terms of where clients spend. And that's where our long-term contracts exist. So, we have long-term contracts with CPG, manufacturers and retailers on the Measurement side.

Then we've added on those practice areas or those analytic capabilities that I talked about; Marketing Effectiveness, Innovation and Sales Effectiveness are the three biggest. Those are more discretionary, right, spend and those have had some of the highest growth rates, Marketing Effectiveness I think we've publicly talked about 20% growth rates, historically double-digits. The exciting thing that we're working on now in the Buy business is literally connecting all of those things and really providing a platform that includes Measurement, so that answers the question for clients, how am I doing? Analytics – automated analytics, that really gets to the driver of the business, why? What's driving that performance? And then connect that to all the analytics that I just talked about which really answers the question, what do I go do next?

And that is what we call the Connected Buy System and for you that's important because number one, it's the stickiness, right, of Nielsen within our clients, we are working across the enterprise end-to-end, it differentiates us from any – we have competitors within some of those spaces, but not any competitor that can do everything that we do end-to-end, and also the efficiency of that, the automation of that. When you start using technology instead of people to do the analytics, obviously you get efficiencies and margin expansion.

Thomas William Eagan
Telsey Advisory Group LLC

Q

So in a market, so say in a household and I watch – I'm watching a show and I see an ad, you can follow me from the promotion to the sale? How is that, how are we connected?

Kate White Vanek
Senior Vice President-Investor Relations

A

Well, we'd start there with our Audience Measurements.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Right.

Kate White Vanek
Senior Vice President-Investor Relations

A

So, because of the Nielsen television panel, which is world-class and MRC-accredited, we would be able to pick up and identify exactly who in the household viewed that content in that ad. Based on that information, we plug it into our Marketing Effectiveness business and Nielsen Catalina is a business that we have that a lot of Karen's clients use, that are able to say, okay, this consumer watches this and then – as a result, they turn around and they purchase this. And so they were able to help advertisers understand, okay if you want to reach your ideal audience that – let's say Toyota wants to steal the market share from Hyundai. Okay, well, we could tell them, well, this is what Hyundai customers typically are watching, so why don't you put more of your advertisements on those shows and therefore we can start to track to see if there is some efficacy of your increased step-up in trying to reach them.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

And that's really the holy grail, right?

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yeah.

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

Did my marketing expenditures, my advertising investment, did it translate to a purchase by a consumer?

Thomas William Eagan

Telsey Advisory Group LLC

Q

Right.

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

And that's what we measure through the Nielsen Catalina joint venture. The other exciting acquisition that we've made recently is eXelate, right, which is the data management platform, on the space of digital programmatic buying, but what that enables us to do, is kind of go from this measurement of many through the activation of one because they take it all the way through individual ID activation.

Thomas William Eagan

Telsey Advisory Group LLC

Q

Yeah. So as Nielsen measures more digital platforms, your side of the house benefits from that as well?

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

Yes. Absolutely.

Thomas William Eagan

Telsey Advisory Group LLC

Q

Okay.

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

Because you see advertisers moving more of their money into digital.

Thomas William Eagan

Telsey Advisory Group LLC

Q

Yeah.

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

And so now they want to understand, number one from the Measurement standpoint, am I getting what I paid for, what I bought, right? And number two, what's the ROI on that investment and how do I continue to kind of improve and optimize that?

Thomas William Eagan

Telsey Advisory Group LLC

Q

This is maybe a question for another panel too, but what we are hearing from some folks is that – some marketers who have been TV-oriented before, have gone into digital, but are coming back. They can't quite get the reach that they want from television.

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

Right.

Thomas William Eagan

Telsey Advisory Group LLC

Q

You heard any of that?

Kate White Vanek

Senior Vice President-Investor Relations

A

Absolutely. I think what – it's not something there and Nielsen is just talking, it's legacy book, but television remains today as the broadest and most efficient way to reach huge audiences. Now, that's not what everybody wants all the time. We want to balance both that huge amount of reach, but then also an intricate amount of precision. And Karen talked a little bit about the eXelate platform that we purchased which is an enterprise marketing platform to be able to take all of the customers' segment data that Nielsen has, combine its own first-party data and then other third-party data to be able to be more accurate about who they're precisely trying to market and target to. So we're finding more and more is that clients are wanting to use a blend of both methods to be able to have the best advertising suite.

Thomas William Eagan

Telsey Advisory Group LLC

Q

This seems as though big data is so important, but it's a lot of data. So how do you help your clients like interpret all the data?

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

Well, that's the huge part of the – it is, I mean everybody is talking about big data. There's lots of claims out there in terms of what you can do from a predictive analytics standpoint. I think our history – we've been a big data company, we are a big data company. We've been in business for over 90 years. So we know how to do that. We know how to make sense of it. And a lot of it is; A, kind of harmonizing that information, right? You're getting multiple sources of information at different levels of granularity, so POS information and household information or panelist information, how do you make sense of that and actually represent right a geographic area or a consumer segment that's what we do.

The other component that we bring to it is our reference information, which we don't talk a lot about, but it's actually one of the most important components of content that we have. And it is the glue that allows you to bring together big data sources and actually help make sense of that. What do I mean by reference data? So Nielsen spends a tremendous amount of time and investment in harmonizing and coding attributes of all of the products that we measure. So every UPC that's out there in consumer packaged goods, we have information about the size of that, the flavor of that, the ingredients, you name it, we have it and we maintain it. And that is the only way that you can really kind of start to bring together all of these different disparate data sets and make sense of that. We also do that on the store dimension. So we need to have all the store characteristics, where is it located, how many

square feet is the store, what are some of the attributes in terms of freezer space and – we have all of that. Because you need all of that, to really kind of bring together big data and make sense of it.

I think the other thing that we bring and we work with clients on – it starts with the business question – in this kind of frenzy of big data and technology out there, a lot of focus has been on just put all the – get as much data as you can and put it together. And then see if you can learn anything, which is a little backwards, I mean, you really need to start with what is the problem that you're trying to solve, is it that question that you asked about, where do I invest my money and how much of it should go into digital versus TV? Start with that question and then find and build the big data sets that you need to answer that question. And that requires some expertise in the industries that we work. You have to understand what are the drivers of consumer behavior in order to help clients frame that question and then work back through the big data.

Thomas William Eagan
Telsey Advisory Group LLC

Q

So, a couple of years ago, in New York City, when Mayor Bloomberg wanted to ban 32-ounce bottles, did your clients say are those big sellers, I mean?

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Well, that was under, yeah, some of the basic questions, certainly that we answered and then you can add to that the attitudinal piece of it, right? So, all the consumer research that we do about what are the implications of making a decision like that? So, you have to quantify – quantifiable data as well as the attitudinal data.

Thomas William Eagan
Telsey Advisory Group LLC

Q

So, they can't buy the 32-ounce, they'll buy the 16-ounce or whatever happens to it?

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

That's right. Yeah, that's right.

Thomas William Eagan
Telsey Advisory Group LLC

Q

If you might talk a little bit about the client – the client relationships, either three-year to five-year deals, how does that work? How does that...

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Yeah. It may vary, but I would say a three-year to seven-year. Three years to seven years is the typical time period. And that's for the Measurement part of the business, which again is the biggest part of our portfolio today. The fastest-growing part is more on the what we call the improve side or the Analytics side. And they're good – I mean, they're great relationships and we have literally very large teams of Nielsen both kind of onsite with our largest clients, just helping them every single day, use the information, answer the questions, contribute to their strategy and their initiatives, anything and everything that's related to consumers.

And so they're healthy and good relationships. We measure the impact that we make on our Buy client business. It's actually one of the biggest components of our incentive system on the Buy side. So it's not just about what do

our people sell, right, to a manufacturer, but it's really like, do they get the value and do they get the ROI out of the data and the information that they purchased? And that's – that's the relationship, that's how I would characterize the relationship with our clients on the Buy side of the business.

And then the growth opportunities are all those additional analytics that I mentioned in the practice areas, Marketing Effectiveness, huge growth opportunity. Digital Ad Ratings is a huge demand from the advertisers because again that helps them understand, are they getting what they paid for? eXelate and the DMP, lots of activity and demand there as advertisers start to take responsibility, right, for kind of the programmatic part of activation in individual advertising.

And then Innovation is a huge and growing one. Like I said, it's the lifeblood of the industry, I'd say. I think the opportunity for us back to that Connected Buy System, is how do we connect those in a better way and how do we have more holistic relationships, not just kind of a core base contract and then ad-hoc or discretionary purchases.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Right.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

But how do we move to a world where the contract includes more of that, and that's certainly our strategy.

Thomas William Eagan
Telsey Advisory Group LLC

Q

So, in terms of the financials, do you have like escalators in their contracts or...

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Not if – my [ph] sort of (17:50) Watch side of the business, but we do – we do have some, and I would say more in developing markets.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Right.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Because, obviously because of inflation and the cost of doing business in those markets. Remember that we're in 106 countries, right, globally.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yeah.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

We have competition in eight, eight of those, and that's been a huge investment on the Buy side of the business over the past several years, actually getting into those countries, which is not easy, not everyone can do what Nielsen does, especially in developing markets. I talked about POS information, here in a developed market, where we have modern trade in POS systems in most of the stores, that is the not the case in developing markets. Only it's – it's about 50-50 depending on the market. So you've got what we call traditional trade, where we literally have to send people in to count things in the store. That's how Nielsen started, 90-plus years ago, we started doing it that way in the U.S. and we now have taken that capability and approach, but that's not easy to replicate, not everybody has the stomach for that.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yeah.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Not everybody knows how to do that. And so, I think that is where we actually have escalators, because we think about the different business models and the cost structure for Nielsen.

Thomas William Eagan
Telsey Advisory Group LLC

Q

So, on the developed side, in the North America, the growth comes from adding customers, and then adding the new layers of improved services on top of that.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Yes.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Okay.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Yes, yeah. And the nice thing about the developing markets, we were talking about this in the meeting earlier, but they're – we're just starting with Measurement, so we've made all this investment in developing markets to get to the Measurement and that's really what clients need right now. In developing markets the growth opportunity is just distribution, getting to the consumers, getting on the shelf in all of those stores, those millions of stores in India for example. But they're like here on the curve, like if you look at the work we're doing in developed markets or in the U.S., the clients right now from an Analytics standpoint, it's all upside and we've made the investment, we have the content, we have the information in developing markets to enable those analytics. So the growth opportunity is very exciting and developing.

Thomas William Eagan
Telsey Advisory Group LLC

Q

So I would take from that, that the margin growth, is what's driving some of the below-the-line numbers, right, you have the infrastructure in place, so every incremental dollar needs a higher margin?

Kate White Vanek
Senior Vice President-Investor Relations

A

Correct.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yeah, okay. Moving on – giving Karen a break, moving on to the -

Kate White Vanek
Senior Vice President-Investor Relations

A

But I'd love to focus on the Buy.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yeah.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Okay. We're going to go to Watch, all right.

Thomas William Eagan
Telsey Advisory Group LLC

Q

The dovetailing on Marketing Effectiveness. Maybe could you talk about the company at the investor day, increased expectations from 10% to 15%, to 15% to 20% for 2016. What's driving that?

Kate White Vanek
Senior Vice President-Investor Relations

A

Well, I think one thing was the 2015 performance, the Marketing Effectiveness business, which is almost about \$300 million in size and technically is reported up in our Watch segment even though a majority of the revenue are – a big chunk of it comes from Karen's clients and she definitely accesses it. It grew 21% in 2015. So to be able to, there is no reason to think that that's going to slow dramatically and drop that down to 10% to 15%, so which is why we thought 15% to 20%, which is a really great place.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yeah. [ph] Just for the Audience (21:00), maybe, are the customers you have in Marketing Effectiveness the same ones as in Buy or – there was other ones as well, who are the customers in effectiveness?

Kate White Vanek
Senior Vice President-Investor Relations

A

What's very unique about the Marketing Effectiveness business is that this is not just for media or CPG clients. We have an entire expanded verticals team that is working on growing our capabilities within the auto sector, the travel leisure sector, even pharma in some cases. We're doing some things across the board to expand beyond just the normal customer set that you're thinking of.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Okay. And so in terms of big data, as you were just talking about, what are you finding is the connection between companies and advertiser – what are you your customers saying in terms of the Watch business?

Kate White Vanek
Senior Vice President-Investor Relations

A

I think what's really important is that people I think are irrationally enamored with big data, and not understanding that in its essence, it's dirty and it can be flawed. So, while it can be useful in some certain analytical lenses, what Nielsen really brings to the table is a hybrid approach. So, we're calibrating big data with world-class panels to be able to clean and scrub it if you will to be able to get a currency-quality output.

So for instance, our relationship with Facebook is a perfect example of this. We take our perfectly MRC-accredited U.S. representative panel, which is about 100,000 people, and we're able to calibrate the 180-million Facebook U.S. user base to be able to correct for anything that might be a little bit off there. I'll give you an example. There are more 13-year-olds on Facebook than there are in the entire U.S. because you have to be 13 to be on Facebook. So, if you did an ad campaign and you just were looking at a big data set, for instance – Facebook is the highest quality out there, I'm just using it as an example of this. There's many examples of others out there.

You would think that your ad did much better than it actually did with a certain age range, and that's where you need a world-class panel to be able to clean and correct. We know how many 13-year-olds there actually are in the U.S. because of that panel, you can calibrate and correct it to be able to have a currency-quality output. Why is currency quality important? Because it's what's been used between ad buyers and ad sellers as the basis of guarantees, as the basis of tens of hundreds of millions of dollars that are being traded back and forth.

Thomas William Eagan
Telsey Advisory Group LLC

Q

And what we're hearing also is that regarding some of the Digital Measurement whether it's in Google or Facebook that with viewability issues, with bots out there, the data is not perfect, right? I mean, how do you, I guess it was Facebook that sent you the data that up to 50% of their data wasn't quite accurate, so how do you play a role there?

Kate White Vanek
Senior Vice President-Investor Relations

A

[indiscernible] (23:52), it always begins with the panel. It's one of the most powerful competitive advantages that we have. It took a couple hundreds of millions to build and it takes hundreds of millions of dollars each year to maintain, not to mention maintaining MRC, the Media Relations Council accreditation that it had – it has and it's the only accredited panel out there that is able to be used for the Measurement in the way that we do it. So those are some of the important things to keep in mind when dealing with big data.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yeah. Moving on to the Total Audience framework, what are you hearing, maybe just you could describe it for a second for the folks in the audience here, but also what are you hearing from say, your clients and say, the TV networks in terms of – they use it going forward?

Kate White Vanek
Senior Vice President-Investor Relations

A

So we completely executed on all elements of Total Audience Measurement. What do I mean when I'm talking about this, it's the way to be able to measure everything that you are watching no matter how you're watching it across timeframes. So today currency is just what is viewed on a glass television screen live plus three days afterwards.

We're working with the industry and we're in the middle of a series of meetings with ad buyers and researchers to be able to determine, which elements of Total Audience Measurement should you add to that to change that definition. Because what Nielsen does is, it measures video across all platforms so whether you're watching something on a Roku device, on Netflix, on your smartphone, on your tablet, if you are watching it 35 days after it's been live, that's all of what Nielsen can measure, and the powerful aspect is that we can de-duplicate it.

Sounds like a fancy word, but what it just means is that I'm not going to triple-count you for watching the same show in three different segments, at home, on the subway on the way to work and then when you – over your lunch break at work. You need to be able to account for the fact that people are watching media on different platforms sometimes at the same time.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Now, does that sometimes put you in opposite ends with the client, I mean the customers will say if Viacom wants you to duplicate, what if they wouldn't mind you duplicating?

Kate White Vanek
Senior Vice President-Investor Relations

A

Well, I think what everyone seems to forget in this equation is who the real payer is and those are Karen's clients.

The advertisers. They are the ones that are footing the bill, so everyone else gets very wrapped up in what the media clients are saying, well, who foots their bill, it's advertising. So what is really important is that advertisers head over heels are using digital ad ratings, Nielsen's Digital Ad Ratings as the basis of video guarantee. And that is what is becoming incrementally important as we move forward of this new era of much more fragmented viewing.

Thomas William Eagan
Telsey Advisory Group LLC

Q

And I guess, as the methodology is only going to improve, so the last thing that the networks want is for the ratings to decline, so they don't want to have a duplicated number decline to a non-duplicated number and have the numbers look worse. So they probably want it right to begin with, I would...

Kate White Vanek
Senior Vice President-Investor Relations

A

Correct.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yeah. So who do you think, this is a leading question, but who do you think is going to be the first network to use Total Audience as a guarantee?

Kate White Vanek

Senior Vice President-Investor Relations

A

Well, we already had the first network which was CBS sign up for Total Audience Measurement.

Thomas William Eagan

Telsey Advisory Group LLC

Q

Yeah.

Kate White Vanek

Senior Vice President-Investor Relations

A

So I can't opine on who is going to be the first to use it as a guarantee, but it would be pretty surprising to me if they weren't already using it in some way like that.

Thomas William Eagan

Telsey Advisory Group LLC

Q

Yeah.

Kate White Vanek

Senior Vice President-Investor Relations

A

And we'll be able to have more sound bites around that around Upfront which happens in June as more and more people are using, testing and feeling Total Audience Measurement as that basis of guarantee. And where we feel we'll march along to the tune – ahead of 2017 Upfront, when we feel that the majority of the trading or currency will be based on Total Audience Measurement from Nielsen.

Thomas William Eagan

Telsey Advisory Group LLC

Q

Well, that was a perfect tee-up, because I was actually thinking that – I know CBS was the first TV network to use, to guarantee C7 back in 2014. So I think it's the same thing, that probably it will be CBS that will use the Total Audience guarantee first in the space. Back to the Upfronts, what do you think, which Upfronts are when the TV networks book the bulk of their spending for 2016 and into 2017, what do you think we should hear from the Upfronts?

Kate White Vanek

Senior Vice President-Investor Relations

A

I think what we would expect you to hear is more people again using Total Audience Measurement in that – Measurement framework as the basis of their conversation. And I think it's going to be across the board a new currency. You have to understand that right now a lot of the elements of Total Audience will finish at the end of last year, so clients are touching and feeling them and this is some disconnect that I find often with investors. I myself also came from manufacturing, so you think about a new product and you think, well, as soon as the drill hits the shelves of Home Depot, why didn't the volume start to shoot up? Because our products and services play the role they do in terms of being currency, it takes a while. So clients are now in a proprietary period with many of those aspects of different forms of measurement that we've been talking about to be able to see just how their old ratings look.

Later on this year, we'll move to a syndicated view, meaning, I could see Karen's ratings and she could see my ratings, right now we can only see our own. So as comfort gains and everyone in the whole ecosystem including the advertisers and the agencies can see everything it is – that's going to be the journey that we go through this year to be able to lead us to a point ahead of 2017 Upfront, where it's really being used across the board.

Thomas William Eagan
Telsey Advisory Group LLC

Q

So what's the importance of it being syndicated in terms of client use of it, is that an important milestone?

Kate White Vanek
Senior Vice President-Investor Relations

A

It's an important milestone because you need to know how you're doing on a comparative basis, right. It's one of the beauties of Karen's Buy business is that Pepsi not only knows how well it's doing, but you can see how it's doing against all of its different competing businesses, so it knows its market share, it knows where it needs to spend, where it needs to stop spending, where it needs to differentiate, where it's distributing. It's the same thing on the content side.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yeah.

Kate White Vanek
Senior Vice President-Investor Relations

A

If you only know how you're doing, you have no idea on a relative basis how that's faring or how you're going to be able to or need to best market your content or add space to the advertisers.

Thomas William Eagan
Telsey Advisory Group LLC

Q

So – and you expect the syndication to be when?

Kate White Vanek
Senior Vice President-Investor Relations

A

Syndication should be close to the second half of this year, right around that midpoint of the year point.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Okay. So, can – Viacom can see Time Warner's numbers and they can see Disney's numbers?

Kate White Vanek
Senior Vice President-Investor Relations

A

Correct.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Can they go to you guys and say, how are we doing versus TBS and TNT?

Kate White Vanek
Senior Vice President-Investor Relations

A

No.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Okay.

Kate White Vanek
Senior Vice President-Investor Relations

A

It's proprietary. I mean, this is a period where you're building confidence with your clients.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yeah.

Kate White Vanek
Senior Vice President-Investor Relations

A

They're just looking at their own, they're feeling comfortable with theirs...

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yeah.

Kate White Vanek
Senior Vice President-Investor Relations

A

And then when it's time to move to syndicated format, then we'll do that with all clients and [ph] locks up (30:29).

Thomas William Eagan
Telsey Advisory Group LLC

Q

And in terms of the – this is maybe a little bit technical, but can – the measurement has to be completely uniform, right? So the what – how Viacom is measured, it measures again TV, can be any difference in terms of the methodology of then how TBS is being measured, right?

Kate White Vanek
Senior Vice President-Investor Relations

A

Correct. Because again one of the unique advantages of Nielsen is that we are able to measure video across all of these platforms. And then apples-to-apples, again de-duplicated way. So, if I'm watching a program on my glass TV screen, it needs to be rated with the same gross rating point or GRP to use – to throw industry at you – as it would be if it was viewed digitally. So, you view it on your laptop, your PC or in a different timeframe. It's only Nielsen has the assets to be able to do that on an apples-to-apples basis, which is key to our currency.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Right. Okay. So – so, right now, if someone's watching that channel, some – Comedy Central, for example on Snapchat, is that part of the Total Audience, is that not yet part of it?

Kate White Vanek

Senior Vice President-Investor Relations

A

So, what we're doing with Snapchat, we just announced this a couple of months ago, probably about a month or so ago is that there are three platforms by which advertisers can reach you on Snapchat for any of you who are savvy enough, so you do what, I just had to have one of the younger members in my team teach me what Snapchat, was. But within the main platform whereby advertisers can put their brand in front of you we have our Ad Ratings tagged within that. So, we're able to measure who you are – who are those advertisers, which gives Snapchat more legitimacy as an advertising platform, and it helps them better monetize their space. So the key to monetization is world-class measurement and that's where Nielsen is going hand-in-hand with advertisers to be able to enable that.

Thomas William Eagan

Telsey Advisory Group LLC

Q

So, ultimately it will be a part of the overall framework?

Kate White Vanek

Senior Vice President-Investor Relations

A

I wouldn't say it will be necessarily woven into Total Audience's framework, but it's just when advertisers are looking at all their different platforms, they'll be able to know on an apples-to-apples basis, how did my ad do on Snapchat versus all of these other platforms because they're all measured with the same Digital Ad Ratings. Format, is it digital and then calibrated with the same panels to incorporate linear video.

Thomas William Eagan

Telsey Advisory Group LLC

Q

Okay. We've – I've been reading about the Connected System, maybe you could describe what that is and how the clients are using that?

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

Yes. So, the Connected Buy System is again taking Measurements and then also Analytics, kind of combining those all into one system for clients. I think that probably the best example would be work that we do with our clients from the Innovation space. So, today we might have a client that we work with their Innovation group or their R&D group on new products or concepts and helping them optimize and forecast what the opportunity is for that new product release that they're working on. That client may also have a measurement contract with us, right? That is probably primarily used more by the insights or the strategy or the finance team. What we can do in the Connected Buy System is just that – kind of connect our clients within – their organizations, so that we're not just working with the R&D group on a new product launch but we're actually using the measurement information to help them post-launch.

So, what stores are the highest opportunity stores for this new product, how is my marketing campaign resonating or breaking through to the targeted consumers for that new product? What's the trial and repeat rate for that new product versus what my assumptions were in the forecast? And then measuring – taking that all the way through – to also measure my performance in terms of New Product Innovation versus my peers and if you go to CAGNY or any of the other conferences, that's a huge metric, all right, the consumer packaged goods companies use,

basically the – a percent of sales that are coming from New Product Innovation. So, the ability for us to measure that and take it all the way through puts us in a position to actually inform clients when they need to start innovating and building their pipeline. And so it's this continuous connected system of all of the Nielsen capabilities that we have.

Thomas William Eagan
Telsey Advisory Group LLC

Q

So, when – with all that data – is it the client's data, they own the data?

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

It's a combination. Clients own the data from a concept, from a new [indiscernible] (35:09) – is that what you mean, from the product?

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yeah.

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

Yes, I mean that's – those are their ideas usually, they come from within the organization. Although we help identify what the trends are, right? And what consumers are buying to kind of inform that new concept, but the concept itself would be the client's information, but all the testing and analytics that are done on whether or not that new concept is going to work with consumers and how big we think that new product could be, \$50 million, \$100 million for Breakthrough Innovation, all of that is from Nielsen Analytics and content, basically baselines and benchmarks of information that we have from testing so many new products and innovations historically. And then that measurement information is really Nielsen's information as well.

Thomas William Eagan
Telsey Advisory Group LLC

Q

I guess what investors are sometimes concerned about is – is there a way for the company to be disintermediated against or around. Can the client – well, you've helped them so much, now they can do it themselves?

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

That's not how we see the – it plays out, to be honest. I mean, it gets back to that, like the way that we partner and work with our buyer clients. Actually the more – the higher the return they get from the work they do with Nielsen, so like that....

Thomas William Eagan
Telsey Advisory Group LLC

Q

Right. Yeah.

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

If they have a Breakthrough Innovation and they worked with Nielsen on their Breakthrough Innovation, they're going to come to us the next time that they are working on something, it's a bit of that virtuous cycle, th at the higher the impact, the more value we deliver, we see them reinvesting in us in that area and other.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yeah. Yeah. Right. And...

Kate White Vanek
Senior Vice President-Investor Relations

A

And you can't forget one thing, Tom, it's key to the Nielsen story, is the value of third-party independent measurements.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yeah.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

And that's extremely critical on the Watch side, but then also plays an enormous role on the Buy side.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Right. We've – we've heard a lot at the conference so far about the Omni Channel, which is essentially e-commerce and mobile, right? What – what are you – what are clients saying about that?

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Yes. Well, I think in addition to that consumer fragmentation, it's the second-biggest trend. So, depending on the client and depending on where they sit. So, with our retail clients, traditional brick-and-mortar, right? A huge topic, because they see more and more sales obviously going to the online channel, huge area of investment. And really their approach is thinking about how do they leverage their real estate and the connection they have with their consumers. They compete against an Amazon, for example, that offers convenience and in some cases price. Then you have the reverse of that, right, with Amazon very active even in consumer packaged goods, although the penetration rate varies greatly by category.

Some of our – the categories that we cover and measure are as low as 2%, others are higher, as high as 20% – over 20% of the category sales are now through online. A lot of that has to do with the subscription model. So what are the categories, whereas routine purchases, that it's just convenient to kind of go online.

So that – that's a little bit of the battleground right now, from a retail perspective. And from a manufacturer perspective, they are just trying to figure out kind of where do I invest again. They see it, they see online as one of the highest growth channels right now. And there aren't a lot of those in some of the developed markets, so that's appealing. But they're trying to balance, right, kind of the margin impact of that and the customer relationship impact of that given kind of a lot of their business is still in brick-and-mortar. And so that's where measurement becomes so important, helping both sides, all parties answer those questions.

And so we're investing heavily this year in bringing a comprehensive e-commerce measurement capability to our industry. It's a combination of POS information, traditional panel information and new consumer store methodologies, to get at purchases like Amazon. It's not easy. I think a lot of people have kind of approached us and said I will just get e-mail receipt information. I can tell you that we'll not cut it. I think one of the questions you had is, is the data always right? Yes, it's right on certain things, but it's not going to provide a holistic measurement of everything e-commerce, and so that's why we're investing in this hybrid approach, very similar to the Watch side of the business, combining panels with big data, granular data sets, and now exploring new consumer source techniques.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Is Amazon a client?

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Amazon is actually a client on the Watch side of business. So we do a lot of work with them, like keep Marketing Effectiveness.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Right.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

They are not a participant, yet, in terms of providing their POS information to us on the consumer packaged goods category and so therefore we're pursuing that consumer source methodology and panels.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Are they a wolf in a henhouse?

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Yeah. Look, we have a great relationship with them on the Watch side of the business and we're eager to continue that on the Buy side of the business.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Right.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

But there are a lot of questions that manufacturers have right now about – about the investment levels and the allocation and how big could big be in my categories, when it comes to online purchasing.

Thomas William Eagan
Telsey Advisory Group LLC

Q

You mentioned you're investing a lot in this – in a new approach to gathering data, point of sale, panel and consumer, how much is that, how much is a lot?

Kate White Vanek
Senior Vice President-Investor Relations

A

Well, if you think about what we've already said about our margin expansion, margins could expand, EBITDA margins could expand 100 basis points a year if we let them. We choose to reinvest a little less than half of that each year in our own internal efficiencies. So all of these things that we're talking about largely are going to be covered within that and then our normal CapEx budget which is about 6% to 7% of sales.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Okay. So as we – as most of us probably know, Nielsen has been providing clients with data on both the Buy and the Watch side for a long time, but you're also involved in thought leadership.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Yes.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Maybe either one of you could describe where we are on that?

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

So, yeah, we spend a lot of time in – I mean we've kind of – as a leader in the industry, feel like it's part of our responsibility to provide thought leadership on some of the most important topics. I think Millennials is a great example of that. Everybody wants to understand kind of Millennials. And what impact is that going to have in terms of sales and purchase behavior, and so we do a lot of research and work on Millennials.

I think the one thing, if there is one thing that you take away on Millennials, is that you really can't talk about Millennials without talking about multi-cultural. It's just a fact, 40% of Millennials are multi-cultural and that's compared to about 26% of Boomers, for example. So this world of you're having multicultural being kind of a niche part of the marketing, organization like it's mainstream, it has become mainstream, and so we do a ton of work with our clients in terms of helping them understand that.

They spend a lot of their money so 82% of their income, they actually spend that compares to Boomers of only 70% so they – nearly 50% will buy online, 76% on a smartphone and as we know they're always connected. I have a few of those of my own at home. And they're more inclined to purchase online. I think especially compared to Boomers were only one-third of them are really kind of inclined to purchase online.

The other interesting shopping dynamic is that they actually make a lot fewer trips than some of other segments that we've seen, so they're going to the store less frequently, that could obviously be the online purchase influence there but they spend more per trip than Gen X or Boomers. And so from a marketer's perspective, you've got to

make the most and from a retailer's perspective you've got to make the most of that trip once you get them in the store, so how do you make sure that you're capturing kind of the biggest share of wallet or the biggest part of their basket. And from a Watch perspective, always on modern clients, they kind of try new technologies, Netflix, not traditional kind of networks as we see in some of the other demographics.

And 90% Millennials are reached weekly by radio.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Radio?

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

And they actually listen an hour, 11 hours per week. Yes. So obviously there is the audio component of Nielsen's portfolio and I think didn't we just announce the ratings, I mean Digital Ratings.

Kate White Vanek
Senior Vice President-Investor Relations

A

Digital Ratings capabilities.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Digital Ratings on the Audience side as well.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Yes.

Kate White Vanek
Senior Vice President-Investor Relations

A

Yeah. And so these are the things that from a thought leadership standpoint, we share with clients and then we get in on an individual basis and say how do we help translate this and can you build out stronger and more effective marketing plans.

Thomas William Eagan
Telsey Advisory Group LLC

Q

Interesting. I want to make sure you guys know to ask any questions on the audience, I know we have a couple of minutes left, but I get a lot of questions about Millennials in the broader media space. And the question I get is about whether there'll ever be Pay TV or cable customers because a lot of them are just over-the-top customers. And my favorite anecdote was from John Malone of Liberty Media when at a recent investor day he said that his son calls him, his son is probably 22. And he said, dad would you want to come over and watch the game with me and he is like wait a minute, you have a TV? So here is John Malone of Liberty Media, his son didn't have a TV and was not a cable subscriber and now is. So even Millennials are actually going to be subscribers at some point.

Kate White Vanek
Senior Vice President-Investor Relations

A

Sports is a big one right now. Sports shows.

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

We also find the Millennials differ to the largest and best screen available to them. So, I ask them do a little informal survey, if they have a chance to watch something on a huge glass TV screen, they're going to do it.

Thomas William Eagan

Telsey Advisory Group LLC

Q

Yeah. Any – again any questions in the audience. Sure. There is a mic – microphone coming up.

Thomas William Eagan

Telsey Advisory Group LLC

Q

Your comment on the radio, is it online radio like Pandora, Spotify, that type of thing? Is that what you're referring to or is it traditional radio that they tend to listen to?

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

It's a blend of both, so we consider radio both terrestrial and digital.

Thomas William Eagan

Telsey Advisory Group LLC

Q

Having worked with Millennials the last few years, an observation is they're not terribly loyal to a company. And as I think about the power of brands which are enduring, do you see that certain brands have the risk of going in and out and with instant communication, with Twitter, that new brands could gain market share?

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

Yeah. I think, first I'll say, I think Millennials got a little bit of a bad rap on that loyalty thing with companies. We've done some internal work; I mean, this is going to be a huge part of our workforce.

Thomas William Eagan

Telsey Advisory Group LLC

Q

Right.

Karen Fichuk

President, North America, Nielsen Holdings Plc

A

And – anyways, there is a few of those myths, but I think there are some unique things in terms of continuous feedback and trends, right. Trends are really important, but here is the foot side to that. We did – we actually did a sustainability study, a global sustainability study not that long ago. And Millennials are much more inclined to pay a premium for a company that they believe is doing good. You know what I mean. I mean, is for not only the earth, but – and the globe, but also for people. And so that's a different angle I think on brand loyalty than what we might have seen with other generations, but I believe that it's there. We just as marketers have to figure out how to tap into that.

Thomas William Eagan
Telsey Advisory Group LLC

Q

So they're ethical...

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Yes.

Thomas William Eagan
Telsey Advisory Group LLC

Q

...in a different way.

Karen Fichuk
President, North America, Nielsen Holdings Plc

A

Yes.

Thomas William Eagan
Telsey Advisory Group LLC

With that, I want to thank Karen and Kate from Nielsen. Thank you very much. Very helpful you guys.

Kate White Vanek
Senior Vice President-Investor Relations

Thank you, Tom.

Thank you.

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