

Nielsen Holdings (NLSN)

\$17.58 (As of 03/03/20)

Price Target (6-12 Months): **\$19.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/30/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:B

Value: A

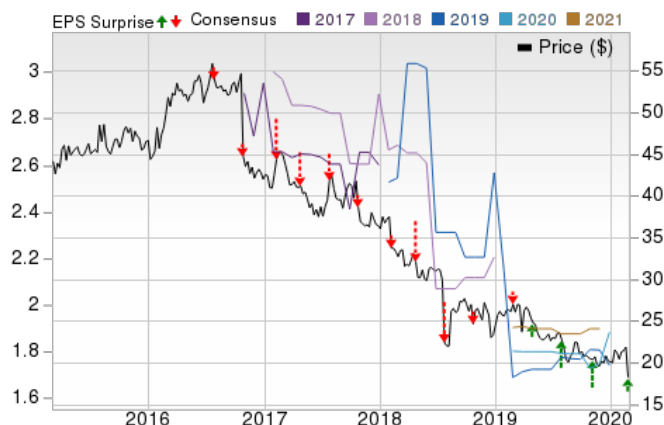
Growth: C

Momentum: B

Summary

Nielsen reported mixed fourth quarter results wherein earnings went down while revenues were up on a year-over-year basis. Solid momentum across Audience Measurement and Plan/Optimize aided the performance of the Global Media segment. Additionally, robust outcome-based solutions benefited the company. Further, well-performing Predict/Activate on the back of growing momentum across analytics and innovation, drove the top-line growth within the Global Connect segment. Moreover, strong performance of retail measurement services remained positive. However, the company's rising investments in technology and infrastructure remain risks for margin expansion and profitability. Mounting competition in the digital space poses a threat to its market position. The stock has underperformed the industry it belongs to in the past year.

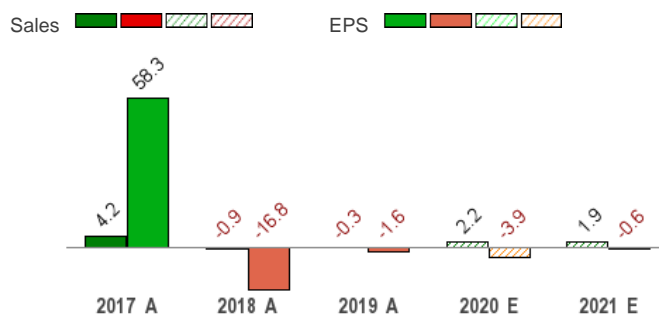
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$27.57 - \$17.42
20 Day Average Volume (sh)	3,649,377
Market Cap	\$6.3 B
YTD Price Change	-13.4%
Beta	0.95
Dividend / Div Yld	\$0.24 / 1.4%
Industry	Business - Information Services
Zacks Industry Rank	Top 43% (110 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.0%
Last Sales Surprise	1.4%
EPS F1 Est- 4 week change	-2.1%
Expected Report Date	05/05/2020
Earnings ESP	-3.2%
P/E TTM	9.8
P/E F1	10.2
PEG F1	0.8
P/S TTM	1.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,611 E	1,689 E	1,700 E	1,782 E	6,766 E
2020	1,579 E	1,658 E	1,664 E	1,742 E	6,640 E
2019	1,563 A	1,628 A	1,616 A	1,691 A	6,498 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.32 E	\$0.44 E	\$0.46 E	\$0.47 E	\$1.72 E
2020	\$0.31 E	\$0.38 E	\$0.51 E	\$0.52 E	\$1.73 E
2019	\$0.35 A	\$0.53 A	\$0.51 A	\$0.41 A	\$1.80 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 03/03/2020. The reports text is as of 03/04/2020.

Overview

Nielsen N.V. formerly Nielsen Holdings NV, has its headquarters in the Netherlands and New York City. Nielsen is a leading global information and audience measurement company that offers information and analysis about consumers and consumer behavior to organizations.

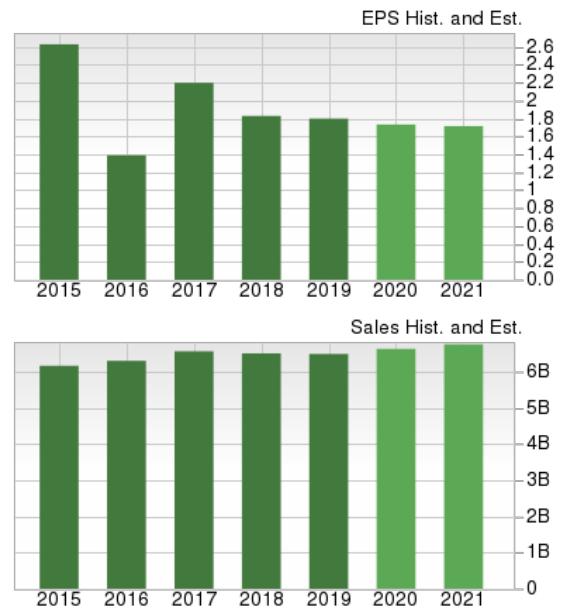
It analyzes what consumers watch and how it impacts their buying behavior, locally as well as globally. Nielsen's clients include media, advertising and consumer packaged goods companies all over the world. The company operates in two segments: Nielsen Global Media and Nielsen Global Connect.

Global Media: This segment is comprised of Audience Measurement and Plan / Optimize. The company offers listening data, analytics and viewership to the media and advertising industries via this segment. Further, it helps these companies to establish the value of their advertising inventory and maximize the value of their content. Nielsen generated \$3.4 billion of revenues from this segment in 2019, which accounted for 53% of the total revenues.

Global Connect: This segment is comprised of Measure and Predict / Activate. It offers analytical services and tracking and scan data via its measurement services to the consumer packaged goods companies. Further, the segment helps these companies to measure their market share and track sales transactions per month in their retail outlets. The company generated \$3.1 billion of revenues from this segment in 2019 which contributed 47% to the total revenues.

As part of the ongoing strategic review plan, the company has decided to separate Global Media and Global Connect businesses into two independent, publicly-traded companies - the Global Media business and the Global Connect business.

The company has many direct and indirect competitors in all markets around the world including GfK, Ipsos, Kantar and local companies in individual countries. It also faces competition in the United States and globally from companies that provide panel-based internet measurement services such as comScore, providers of site-centric Web analytics solutions, including IBM Digital Analytics, Google, Adobe and WebTrends. Other competitors include companies that measure consumer generated media on the internet such as Twelvifold and Visible Technologies.



Reasons To Buy:

- ▲ Nielsen has a **dominant position in the U.S. television market**. It is the leading and primary provider of audience measurement information and analytics for TV in the country. As new technologies enable video viewing online, both content providers and advertisers are looking for a known and trusted source to compare performance and reach. Since they have traditionally relied on Nielsen for TV, it positions the company very strongly to cater to this trend.
- ▲ Management believes that the key to sustained growth is through expansion into **emerging markets**. The company will continue to benefit from positive demographic trends and ongoing investments in coverage and penetration. The main reason for this is the growth of the middle class in these emerging markets namely Brazil, Russia, India and China. Additionally, retail trade in these markets is quickly evolving from small, local formats into larger, more modern ones with the installation of electronic point of sale terminals. Nielsen's measurement methodologies help consumer packaged goods companies, retailers and media companies to harness the growing consumer buying power of the local consumers in a more effective way. Given the increasing middle class population and the rapid modernization of the retail trade in these regions, there is a significant long-term opportunity for the company.
- ▲ Nielsen has **strong prospects in China**, where the e-Commerce market is growing at a double-digit rate. Nielsen has signed many deals with Alibaba, giving its clients a better understanding of the highly-competitive Chinese e-Commerce space. Recently, Nielsen announced the launch of its Digital Ad Ratings solution in China in collaboration with Tencent, which is one of the largest and most-used Internet service portals in the country with more than 800 million active user accounts. The deal will allow Nielsen to offer mobile data from Tencent's huge user base to advertisers, publishers and agencies in China. Therefore, by collaborating with the largest players in the region, Nielsen has good growth opportunity in China. Moreover, with these Internet companies enjoying a tremendous control over the total retail experience, Nielsen's is poised well to grow over the long term.

The company's strong position in the U.S. TV measurement market, continuous expansion into emerging markets, strategic acquisitions and strong prospects in China should drive growth.

Reasons To Sell:

- ▼ Nielsen operates in a highly **competitive** segment of the technology and media industry. There have been many technological developments in the past which have threatened the company's position. This technology evolution includes set-top boxes, Internet TV, scan-based retail data, and e-Commerce, which provide alternative means to measure TV viewing habits. Moreover, now-a-days people watch programs over their computers or other electronic devices. As a result, content providers and advertisers are keen to get comparative data regarding how does a digital campaign do with respect to TV. Therefore, Nielsen must change its measurement methods to account for changing viewing habits and also bring in innovative measurement techniques to give a better comparative data. Though Nielsen's measurement techniques are the industry standard in traditional TV, it is not so in digital TV yet. On the other hand, other digital measurement companies like comScore and WPP, which are dominant in the digital space, are making all efforts to achieve census data in TV. However, the company is striving to improve its digital traction by expanding Nielsen Digital Ad Ratings to include smartphone measurement. This will provide their clients with a complete view of their digital audience across computer, tablets and smartphones.
- ▼ Nielsen derives a major portion of its revenues from outside the U.S. This exposes the company to **foreign currency translation impacts** and poses a threat to its growth. The company also faces other risks like local legislation, monetary devaluation, exchange control restrictions and unstable political conditions, which may hamper revenue growth and impact the financial position of the company.
- ▼ The balance sheet remains **highly leveraged**. As of Dec 31, 2019, net debt (gross debt excluding cash and cash equivalents) was \$7.85 billion and net debt leverage ratio was 4.24x. The high financial leverage could pose potential risk in meeting interest and principal obligations, making it a bit risky to invest in this company.

Nielsen operates in a highly competitive segment of the technology and media industry. Its high exposure to foreign currency headwinds, weakness in Europe and high debt level remain headwinds.

Last Earnings Report

Nielsen Earnings Match, Revenues Beat Estimates in Q4

Nielsen Holdings plc reported fourth-quarter 2019 adjusted net earnings of 41 cents per share, which matched the Zacks Consensus Estimate. Further, the bottom line was down 19.6% from the year-ago quarter.

Total revenues came in at \$1.69 billion, which improved 2% year over year. The figure also improved 2.7% on a constant-currency basis. Further, the top line surpassed the Zacks Consensus Estimate of \$1.67 billion.

Solid momentum across Plan/Optimize and Predict/Activate drove year-over-year top line.

As part of the ongoing strategic review plan, the company announced the separation of Global Media and Global Connect businesses into two independent publicly-traded companies - the Global Media business and the Global Connect business in November 2019.

Segments Details

Nielsen Global Media: The company generated revenues of \$889 million (accounting for 52.6% of its total revenues) from this segment, reflecting an improvement of 2.3% from the year-ago level or 2.4% on a constant-currency basis. We note that Audience Measurement revenues increased 0.8% year over year to \$623 million, thanks to growing client adoption of Nielsen's Total Audience Measurement system.

Further, Plan/Optimize revenues were \$266 million, which increased 6% year over year courtesy of growth at Gracenote and solid momentum across outcome-based solutions.

Nielsen Global Connect: The company generated revenues of \$802 million (47.4% of total revenues), reflecting growth of 1.6% from the year-ago period. The figure also surged 3% on a constant-currency basis.

Revenues in Measure came in \$546 million, increasing 0.6% year over year driven by improving trends in developed markets. Moreover, strong performance of retail measurement services remained positive.

Further, Predict/Activate revenues increased 4.1% from the year-ago quarter to \$256 million. This can be attributed to strengthening momentum across analytics and innovation.

Operating Results

Adjusted EBITDA was \$492 million in the fourth quarter, improving 0.8% from the prior-year level. However, adjusted EBITDA margin contracted 33 basis points (bps) to 29.1% as productivity initiatives were offset by investments in growth initiatives. Nielsen's selling, general and administrative expenses were \$499 million, decreasing 1.6% from the year-ago figure. As a percentage of revenues, the figure contracted 110 bps year over year to 29.5%.

Per the company reported, operating income was \$224 million against operating loss of \$1.2 billion in the year-ago quarter.

Balance Sheet & Cash Flow

As of Dec 31, 2019, cash and cash equivalents balance was \$454 million, up from \$389 million as of Sep 30, 2019.

At the end of fourth quarter, gross debt was \$8.31 billion compared with \$8.49 billion at the end of the prior quarter. Net debt (gross debt excluding cash and cash equivalents) was \$7.86 billion and net debt leverage ratio was 4.24 at the end of the reported quarter.

Cash flow from operations was \$470 million, up from \$413 million in the previous quarter. Further, capex totaled \$177 million and free cash flow amounted to \$293 million in the fourth quarter.

2020 Guidance

The company expects 2020 revenues to growth within the range of 1.5-3% on constant-currency basis.

Further, adjusted earnings are expected between \$1.67 and \$1.80 per share.

Adjusted EBITDA is anticipated in the range of \$1.83-\$1.91 billion. Adjusted EBTDA margin is expected between 27.7% and 28.5%.

Additionally, Nielsen expects free cash flow in the range of \$530-\$580 million.

Quarter Ending **12/2019**

Report Date	Feb 27, 2020
Sales Surprise	1.35%
EPS Surprise	0.00%
Quarterly EPS	0.41
Annual EPS (TTM)	1.80

Recent News

On **Mar 3, 2020**, Nielsen witnessed extension of an agreement by Cumulus Media for its Audio Measurement services. Further, the latter selected Local Nielsen Media Impact (Local NMI) for its Dallas, Atlanta and Chicago markets.

On **Feb 21, 2020**, Nielsen's Board of Directors approved a quarterly dividend of 6 cents per share for the shareholder of the record as of Mar 5, 2020 which will be paid on Mar 19, 2020.

On **Jan 7, 2020**, Nielsen's unveiled its Addressable TV platform which is currently under beta stage. Leading broadcast and cable networks such as AMC Networks, Discovery, FOX, NBCUniversal and WarnerMedia among others joined Nielsen to test the solution.

On **Nov 15, 2019**, Nielsen partnered with General Mills. According to the agreement, where the latter will advance its analytic cogency within the United States through Nielsen's new Connect platform within the U.S. and will expand its international service engagements in key global markets.

On **Nov 7, 2019**, Nielsen decided to separate Global Media and Global Connect businesses into two independent, publicly-traded companies - the Global Media business and the Global Connect business as part of the ongoing strategic review plan.

Valuation

Nielsen shares are down 16.4% in the past six-month period and 34.2% over the trailing 12-month period. While stocks in the Zacks sub-industry are up 0.3%, the same in the Zacks Computer & Technology sector are down 4% in the past six-month period. Over the past year, the Zacks sub-industry is up 25.8% and the sector is up 8.4%

The S&P 500 index is up 0.9% in the past six-month period and 6.3% in the past year.

The stock is currently trading at 9.98X forward 12-month earnings, which compares to 26.37X for the Zacks sub-industry, 23.4X for the Zacks sector and 17.15X for the S&P 500 index.

Over the past five years, the stock has traded as high as 19.03X and as low as 8.18X, with a 5-year median of 15.36X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$19 price target reflects 10.86X forward 12-month earnings.

The table below shows summary valuation data for NLSN

Valuation Multiples - NLSN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	9.98	26.37	23.4	17.15
	5-Year High	19.03	27.35	25.25	19.34
	5-Year Low	8.18	19.42	18.76	15.18
	5-Year Median	15.36	22.04	20.56	17.44
P/S F12M	Current	0.95	5.92	3.75	3.16
	5-Year High	3.08	6.2	4	3.43
	5-Year Low	0.95	3.34	3.08	2.54
	5-Year Median	2.07	4.63	3.63	3.01
EV/EBITDA TTM	Current	5.52	14.82	11.22	10.93
	5-Year High	13.47	18.64	12.54	12.88
	5-Year Low	4.39	11.31	8.74	8.49
	5-Year Median	10.67	15.13	10.4	10.79

As of 03/03/2020

Industry Analysis Zacks Industry Rank: Top 43% (110 out of 255)



Top Peers

Quotient Technology Inc. (QUOT)	Outperform
The Rubicon Project, Inc. (RUBI)	Outperform
FactSet Research Systems Inc. (FDS)	Neutral
Netflix, Inc. (NFLX)	Neutral
comScore, Inc. (SCOR)	Neutral
TiVo Corporation (TIVO)	Neutral
Triton International Limited (TRTN)	Neutral
The Trade Desk Inc. (TTD)	Neutral

Industry Comparison Industry: Business - Information Services				Industry Peers		
	NLSN Neutral	X Industry	S&P 500	NFLX Neutral	SCOR Neutral	TIVO Neutral
VGM Score	B	-	-	F	D	A
Market Cap	6.26 B	10.39 B	21.37 B	161.82 B	243.71 M	952.42 M
# of Analysts	5	9	13	13	1	1
Dividend Yield	1.37%	0.62%	2.04%	0.00%	0.00%	0.00%
Value Score	A	-	-	F	F	A
Cash/Price	0.07	0.03	0.05	0.03	0.27	0.44
EV/EBITDA	9.09	20.99	12.65	14.29	-13.16	7.58
PEG Ratio	0.82	2.66	1.87	2.03	NA	NA
Price/Book (P/B)	2.62	7.33	2.96	21.34	0.94	0.88
Price/Cash Flow (P/CF)	2.65	22.21	11.68	14.47	NA	1.48
P/E (F1)	10.19	28.22	16.98	60.88	NA	7.62
Price/Sales (P/S)	0.96	7.29	2.44	8.03	0.63	1.43
Earnings Yield	9.84%	3.54%	5.87%	1.64%	-26.72%	13.12%
Debt/Equity	3.25	1.12	0.70	1.95	0.92	0.66
Cash Flow (\$/share)	6.64	3.61	7.01	25.49	-0.64	5.06
Growth Score	C	-	-	F	C	A
Hist. EPS Growth (3-5 yrs)	-10.68%	15.68%	10.85%	82.45%	NA	-28.94%
Proj. EPS Growth (F1/F0)	-3.67%	9.34%	6.36%	46.66%	82.55%	-22.83%
Curr. Cash Flow Growth	-12.59%	6.86%	6.07%	26.74%	-228.65%	24.46%
Hist. Cash Flow Growth (3-5 yrs)	9.33%	13.46%	8.52%	30.03%	NA	21.11%
Current Ratio	0.79	1.10	1.23	0.90	0.81	1.18
Debt/Capital	76.48%	53.97%	42.57%	66.06%	48.00%	39.61%
Net Margin	-6.39%	12.98%	11.57%	9.26%	-87.23%	-61.38%
Return on Equity	22.20%	22.54%	16.66%	28.45%	-21.16%	4.65%
Sales/Assets	0.43	0.42	0.54	0.66	0.50	0.26
Proj. Sales Growth (F1/F0)	1.96%	3.85%	4.01%	20.90%	0.11%	1.71%
Momentum Score	B	-	-	D	C	B
Daily Price Chg	-2.98%	-0.88%	-2.60%	-3.22%	-5.18%	-2.48%
1 Week Price Chg	-16.66%	-9.32%	-12.06%	-2.90%	-4.89%	-14.17%
4 Week Price Chg	-15.48%	-5.97%	-10.01%	-0.07%	-12.67%	4.77%
12 Week Price Chg	-10.94%	3.12%	-7.46%	25.81%	-26.12%	-10.54%
52 Week Price Chg	-34.18%	29.55%	2.54%	4.08%	-85.01%	-23.70%
20 Day Average Volume	3,649,377	64,058	2,406,738	5,781,276	562,241	1,771,942
(F1) EPS Est 1 week change	-2.06%	0.00%	0.00%	0.00%	9.71%	0.00%
(F1) EPS Est 4 week change	-2.06%	0.00%	-0.06%	0.22%	9.71%	-7.79%
(F1) EPS Est 12 week change	-2.06%	0.00%	-0.39%	10.60%	9.71%	-7.79%
(Q1) EPS Est Mthly Chg	-11.29%	0.00%	-0.45%	0.03%	0.00%	-10.53%

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	C
Momentum Score	B
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.