

Nielsen Holdings (NLSN)

\$15.38 (As of 08/06/20)

Price Target (6-12 Months): **\$16.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/30/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: B

Growth: C

Momentum: C

Summary

Nielsen reported decent second-quarter results due to improved execution. However, a challenging environment due to the COVID-19 global pandemic and currency headwinds impacted the results. Nevertheless, ongoing focus on operational efficiency is driving Nielsen's growth. We believe the company's consistent investment in the product portfolio and growing client adoption are expected to continue aiding business growth. Positive contributions from acquisitions are also driving the company's growth. However, Nielsen is being impacted by unimpressive performance in the emerging markets served. The company's ongoing investments in technology and infrastructure remain risks for margin expansion. Mounting competition in the digital space poses a major threat to its market position.

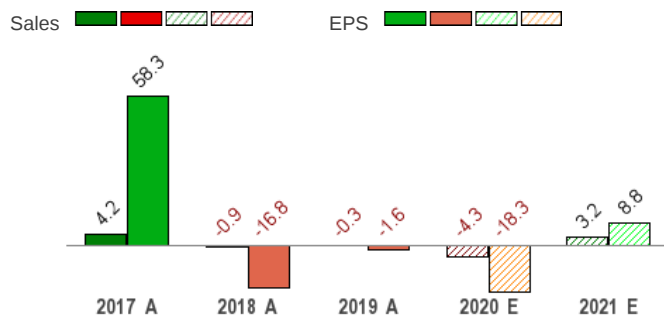
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$23.31 - \$11.62
20 Day Average Volume (sh)	2,813,738
Market Cap	\$5.5 B
YTD Price Change	-24.2%
Beta	1.20
Dividend / Div Yld	\$0.24 / 1.6%
Industry	Business - Information Services
Zacks Industry Rank	Top 19% (47 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	41.4%
Last Sales Surprise	0.8%
EPS F1 Est- 4 week change	0.4%
Expected Report Date	11/05/2020
Earnings ESP	-1.8%
P/E TTM	9.5
P/E F1	10.5
PEG F1	0.8
P/S TTM	0.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,539 E	1,553 E	1,572 E	1,660 E	6,417 E
2020	1,559 A	1,496 A	1,531 E	1,634 E	6,220 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	\$0.30 E	\$0.38 E	\$0.44 E	\$0.48 E	\$1.60 E
2020	\$0.29 A	\$0.41 A	\$0.42 E	\$0.49 E	\$1.47 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, except sales and EPS estimates, is as of 08/06/2020. The reports text and the analyst-provided sales and EPS estimates are as of 08/07/2020.

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.

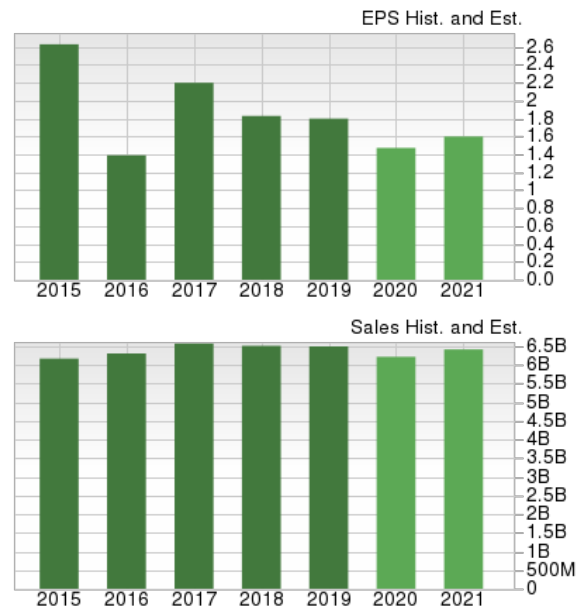
It analyzes what consumers watch and how it impacts their buying behavior, locally as well as globally. Nielsen's clients include media, advertising and consumer packaged goods companies all over the world. The company operates in two segments: Nielsen Global Media and Nielsen Global Connect.

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 Jun 30, 2020, gross debt was \$8.42 billion compared with \$8.41 billion at first quarter-end. Net debt (gross debt excluding cash and cash equivalents) was \$7.98 billion versus \$8 billion in the first quarter. Net debt leverage ratio was 4.46 at the end of second-quarter 2020 versus 4.39 in the prior quarter. The high financial leverage could pose a potential risk for Nielsen to meet 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 Beats Earnings and Revenues Estimates in 2Q

Nielsen Holdings plc reported second-quarter 2020 adjusted net earnings of 41 cents per share, which surpassed the Zacks Consensus Estimate of 29 cents. However, the bottom line was down 22.6% from the year-ago quarter.

Total revenues came in at \$1.5 billion, which declined 8.1% year over year. Also, the figure declined 5.9% on a constant-currency basis.

However, the top line surpassed the Zacks Consensus Estimate of \$1.48 billion.

Segments Details

Nielsen Global Media: The company generated revenues of \$811 million (accounting for 54% of total revenues) from this segment, reflecting an decline of 5.3% from the year-ago level or 4.6% on a constant-currency basis.

We note that Audience Measurement revenues decreased 3.1% year over year to \$603 million, reflecting the impact of the COVID-19 pandemic on sports and non-contracted revenues. Also, pressure in local television measurement attributed to the downfall.

Further, Plan/Optimize revenues were \$208 million, which decreased 11.1% year over year due to the COVID-19 pandemic.

Nielsen Global Connect: The company generated revenues of \$685 million (46 % of total revenues), reflecting an 11.3% decline from the year-ago period. Also, the figure decreased 7.4% on a constant-currency basis.

Revenues in Measure came in at \$495 million, decreasing 9.3% year over year. Further, Predict/Activate revenues decreased 15.9% from the year-ago quarter to \$190 million.

Operating Results

Adjusted EBITDA was \$426 million for the second quarter, down 9.4% from the prior-year level. Adjusted EBITDA margin contracted 39 basis points (bps) to 28.5%. The decrease reflected weakness in both the segments due to the COVID-19 pandemic and increased investments in Media, partially offset by cost savings.

Nielsen's selling, general and administrative expenses were \$451 million, decreasing 6.6% from the year-ago figure. As a percentage of revenues, the figure expanded 40 bps year over year to 30.1%.

Operating income was (\$64) million for the quarter. In the year-ago quarter, operating income was \$149 million.

Balance Sheet & Cash Flow

As of Jun 30, 2020, cash and cash equivalent balance was \$438 million, up from \$359 million on Mar 31, 2020.

At second quarter-end, gross debt was \$8.42 billion compared with \$8.41 billion at the end of the prior quarter. Net debt (gross debt excluding cash and cash equivalents) was \$7.98 billion and net debt leverage ratio was 4.46 at the end of the reported quarter.

Cash flow from operations increased to \$250 million from (\$5) million in the first quarter. Further, capex totaled \$120 million and free cash flow amounted to \$130 million for the second quarter.

2020 Guidance

The company updated its 2020 guidance.

It has narrowed 2020 revenue expectation on a constant-currency basis. Revenues are expected to decline in the range of 2-4% from the previous expectation of 1-4% fall.

Further, adjusted earnings are expected between \$1.50 and \$1.62 per share versus prior expectation of \$1.43-\$1.58.

Adjusted EBITDA is anticipated in the range of \$1.800-\$1.860 billion versus \$1.790-\$1.860 billion projected earlier. Adjusted EBTDA margin is expected between 29% and 30% versus earlier expectation of 28.5-29.5%.

Additionally, Nielsen expects free cash flow in the range of \$480-\$530 million versus prior projection of \$460-\$530 million.

Quarter Ending 06/2020

Report Date	Aug 05, 2020
Sales Surprise	0.79%
EPS Surprise	41.38%
Quarterly EPS	0.41
Annual EPS (TTM)	1.62

Recent News

On **Jun 9, 2020**, Nielsen unveiled virtual suite of smart solutions which include Nielsen SmartStore, Nielsen SmartShelf and Nielsen SmartShopper. With these solutions, the company strives to enhance shopper research with extreme reality and gaming technology.

On **Jun 3, 2020**, Nielsen announced the appointment of Chandler Bigelow as the Chief Financial Officer of the Nielsen Global Connect business.

On **May 14, 2020**, Nielsen's Global Connect announced the successful rollout of its new Retail Pricing Analytics application tools. These tools help retailers to quickly enact, adjust and track pricing and promotion strategies by leveraging artificial intelligence (AI) modules.

On **Apr 30, 2020**, Nielsen announced that it plans to appoint digital media veteran Jonathan Miller to the Board of Directors. The Company expects the appointment to be effective in June.

Valuation

Nielsen shares are down 24.2% in the year-to-date period and 30.4% over the trailing 12-month period. Stocks in the Zacks sub-industry as well as the Zacks Business Services sector are up 16.3% and 20.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 17.9% and the sector is up 34.3%

The S&P 500 index is up 3.3% in the year-to-date period and 13.6% in the past year.

The stock is currently trading at 9.94X forward 12-month earnings, which compares to 30.85X for the Zacks sub-industry, 30.12X for the Zacks sector and 22.7X for the S&P 500 index.

Over the past five years, the stock has traded as high as 19.03X and as low as 7.31X, with a 5-year median of 14.81X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$16 price target reflects 9.1X 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	9.94	30.1	30.49	22.71
	5-Year High	19.03	30.1	30.49	22.71
	5-Year Low	7.31	19.56	18.7	15.23
	5-Year Median	14.8	22.51	20.93	17.55
P/S F12M	Current	0.75	5.82	3.67	3.19
	5-Year High	3.08	6.35	3.94	3.44
	5-Year Low	0.63	3.34	3.05	2.54
	5-Year Median	2	4.66	3.57	3.01
EV/EBITDA TTM	Current	5.03	16.36	10.75	10.36
	5-Year High	13.47	18.64	13.38	12.87
	5-Year Low	4.38	11.01	8.53	8.27
	5-Year Median	10.62	15.28	10.47	10.78

As of 08/06/2020

Industry Analysis Zacks Industry Rank: Top 19% (47 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
FactSet Research Systems Inc. (FDS)	Outperform	1
TransUnion (TRU)	Outperform	2
Black Knight Financial Services, Inc. (BKI)	Neutral	3
Netflix, Inc. (NFLX)	Neutral	3
Quotient Technology Inc. (QUOT)	Neutral	3
comScore, Inc. (SCOR)	Neutral	3
Triton International Limited (TRTN)	Neutral	3
The Trade Desk Inc. (TTD)	Neutral	3

Industry Comparison Industry: Business - Information Services				Industry Peers		
	NLSN	X Industry	S&P 500	FDS	NFLX	SCOR
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	1	3	3
VGM Score	C	-	-	F	D	B
Market Cap	5.49 B	11.34 B	23.20 B	13.43 B	224.51 B	231.73 M
# of Analysts	4	8	14	8	12	1
Dividend Yield	1.56%	0.57%	1.78%	0.87%	0.00%	0.00%
Value Score	B	-	-	F	D	D
Cash/Price	0.07	0.03	0.07	0.04	0.03	0.27
EV/EBITDA	9.12	21.72	13.21	27.67	19.37	-28.96
PEG Ratio	0.84	3.12	2.94	3.95	2.70	NA
Price/Book (P/B)	2.49	6.90	3.12	16.88	24.05	0.94
Price/Cash Flow (P/CF)	2.32	23.01	12.27	30.09	19.97	NA
P/E (F1)	10.47	33.94	21.69	33.58	81.01	NA
Price/Sales (P/S)	0.86	9.10	2.48	9.10	9.92	0.62
Earnings Yield	9.56%	2.95%	4.39%	2.98%	1.23%	-27.22%
Debt/Equity	3.85	0.81	0.77	1.07	1.64	0.98
Cash Flow (\$/share)	6.64	3.94	6.94	11.74	25.49	-0.64
Growth Score	C	-	-	C	B	A
Hist. EPS Growth (3-5 yrs)	-11.07%	16.10%	10.46%	15.22%	99.94%	NA
Proj. EPS Growth (F1/F0)	-18.19%	1.51%	-6.80%	5.24%	52.16%	83.30%
Curr. Cash Flow Growth	-12.59%	7.63%	5.39%	14.30%	26.74%	-228.65%
Hist. Cash Flow Growth (3-5 yrs)	9.33%	12.63%	8.55%	12.63%	30.03%	NA
Current Ratio	1.18	1.29	1.33	2.86	1.12	0.78
Debt/Capital	79.39%	44.79%	44.50%	51.75%	62.10%	49.37%
Net Margin	-9.89%	11.62%	10.13%	25.45%	11.85%	-86.38%
Return on Equity	23.38%	23.04%	14.39%	57.06%	33.32%	-21.52%
Sales/Assets	0.45	0.45	0.51	0.83	0.66	0.53
Proj. Sales Growth (F1/F0)	-4.50%	0.00%	-1.51%	3.71%	23.21%	-5.70%
Momentum Score	C	-	-	F	F	C
Daily Price Chg	2.46%	0.00%	-0.04%	0.95%	1.39%	2.51%
1 Week Price Chg	-3.35%	0.00%	0.14%	-0.47%	1.75%	-3.23%
4 Week Price Chg	6.81%	3.59%	7.78%	1.73%	0.26%	14.34%
12 Week Price Chg	19.69%	17.48%	17.48%	26.61%	15.19%	38.56%
52 Week Price Chg	-30.47%	5.94%	0.68%	25.52%	61.15%	65.99%
20 Day Average Volume	2,813,738	91,597	2,057,775	185,608	10,532,221	181,225
(F1) EPS Est 1 week change	0.44%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.44%	0.22%	1.36%	-0.08%	-2.19%	0.00%
(F1) EPS Est 12 week change	-7.54%	0.58%	1.57%	5.19%	-2.38%	4.30%
(Q1) EPS Est Mthly Chg	-1.52%	0.00%	0.54%	0.53%	5.99%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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	B
Growth Score	C
Momentum Score	C
VGM Score	C

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.