

Nielsen Holdings (NLSN)

\$21.60 (As of 02/13/20)

Price Target (6-12 Months): **\$23.00**

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:A

Value: A

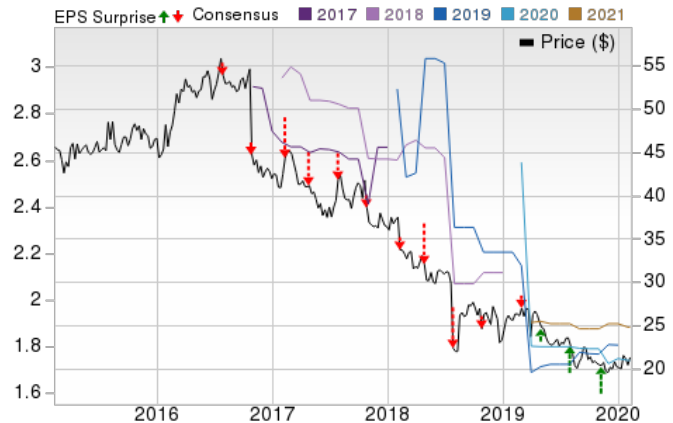
Growth: B

Momentum: C

Summary

Nielsen is benefitting from strength in the Global Media segment, driven by solid execution, as well as operational efficiency. We believe the company's consistent investment in product portfolio, and growing client adoption are expected to continue aiding business growth in the near term as well as long haul. Further, contributions from its acquisitions are positives. However, Nielsen is being impacted by unimpressive performance in emerging-markets served. The company's 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.

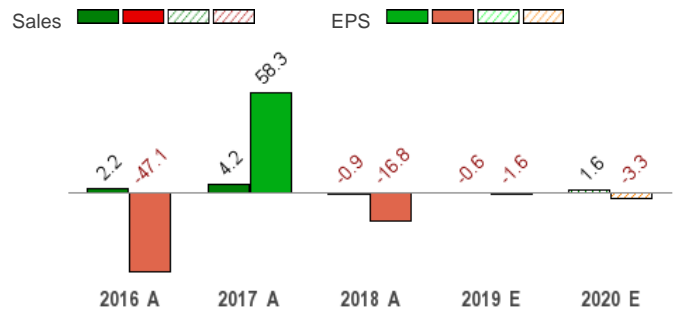
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$27.57 - \$17.94
20 Day Average Volume (sh)	2,610,037
Market Cap	\$7.7 B
YTD Price Change	6.4%
Beta	0.94
Dividend / Div Yld	\$0.24 / 1.1%
Industry	Business - Information Services
Zacks Industry Rank	Top 34% (87 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	21.4%
Last Sales Surprise	0.7%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/27/2020
Earnings ESP	0.0%
P/E TTM	11.4
P/E F1	12.4
PEG F1	1.0
P/S TTM	1.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	1,583 E	1,659 E	1,661 E	1,707 E	6,577 E
2019	1,563 A	1,628 A	1,616 A	1,668 E	6,473 E
2018	1,610 A	1,647 A	1,600 A	1,658 A	6,515 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.35 E	\$0.46 E	\$0.47 E	\$0.48 E	\$1.74 E
2019	\$0.35 A	\$0.53 A	\$0.51 A	\$0.41 E	\$1.80 E
2018	\$0.28 A	\$0.32 A	\$0.49 A	\$0.51 A	\$1.83 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 02/13/2020. The reports text is as of 02/14/2020.

Overview

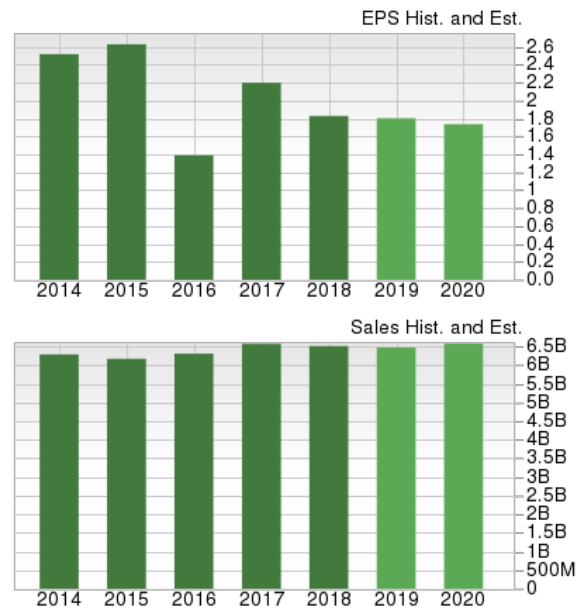
Nielsen N.V. formerly Nielsen Holdings NV, has its headquarters in the Netherlands and New York City. Nielsen is a leading global information and audience measurement company that offers information and analysis about consumers and consumer behavior to organizations.

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. Nielsen operates in two segments: Watch segment and Buy segment.

The Watch segment provides viewership data and analytics across television, online and mobile screens, primarily to media and advertising industries. This information helps Nielsen's clients to understand their audience in a better way and accordingly maximize the value of their content. Nielsen measures television viewing in 29 countries, including the U.S. Its ratings are the primary metrics used to determine the value of programming and advertising in the television advertising marketplace. This segment accounted for 48% of total revenue in 2018.

The Buy segment provides data regarding retail measurement, consumer panel measurement, consumer intelligence and analytical services. Nielsen's clients in this segment are mainly businesses in the consumer packaged goods industry. The company tracks billions of sales transactions each month in retail outlets in many countries. This information is then used by the clients to measure their sales and market share. Nielsen's solutions and services also enable them to better manage their brands, uncover new sources of demand, launch and grow new products, analyze their sales and improve their marketing mix. This segment accounted for 52% of total revenue in 2018.

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.



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**. At the end of 2018, net debt (gross debt excluding cash and cash equivalents) was \$7.86 billion and net debt leverage ratio was 4.25x. 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 & Revenues Beat Estimates in Q3

Nielsen Holdings plc reported third-quarter 2019 adjusted net earnings of 51 cents per share, beating the Zacks Consensus Estimate of 42 cents. Also, the figure was up 13.3% from the year-ago quarter.

The increase in earnings was driven by higher operating profit and a lower effective tax rate.

Total revenues came in at \$1.616 billion, increasing 1% year over year. Also, the reported revenues increased 2.4% on a constant-currency basis. The top line marginally surpassed the Zacks Consensus Estimate of \$1.60 billion.

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.

Top-Line Details

Global Media revenues during the third quarter were \$870 million (accounting for 54% of its total revenues), reflecting an increase of 3.9% from the year-ago level or 4.6% on a constant-currency basis. Audience Measurement revenues also increased 4.2% from the prior-year quarter, driven by continued client adoption of its Total Audience Measurement system, partly offset by pressure in local television measurement.

However, Plan/Optimize revenues decreased 3.3% year over year or 4.2% on a constant-currency basis, driven by growth at Gracenote, partially offset by pressure in Telecom.

Global Connect revenues during the quarter were \$746million (46% of total revenues), reflecting a 2.2% decrease from the year-ago period. The figure was flat on a constant-currency basis.

Revenues in Measure decreased 2.8% year over year. Excluding foreign currency impact, revenues decreased 0.4% from the prior-year quarter, reflecting declines in developed markets, partially offset by strong retail measurement services and improved trends in emerging markets. Also, Predict/Activate revenues decreased 0.9% from the year-ago quarter but increased 0.9% on a constant-currency basis.

Operating Results

Gross margin was 57.1%, down 30 basis points (bps) from the year-ago period.

Nielsen's operating expenses — namely selling, general and administrative — were \$467 million, increasing 0.6% from the year-ago figure.

Adjusted EBITDA was \$476 million in the third quarter, increasing 1.1% from the prior-year level. Also, adjusted EBITDA margin expanded 2 bps to 29.5%, as productivity initiatives were offset by investments in growth initiatives.

Balance Sheet & Cash Flow

Nielsen exited the quarter with a cash balance of approximately \$389 million compared with \$393 million in the second quarter.

Gross debt in the third quarter was \$8.49 billion. Net debt (gross debt excluding cash and cash equivalents) was \$8.1 billion, and net debt leverage ratio was 4.38 at the end of the quarter.

Cash flow from operations was \$413 million, capex totaled \$112 million and free cash flow amounted to \$301 million in the third quarter.

Guidance

Management reiterated its full-year 2019 guidance for revenues, adjusted EBITDA and free cash flow but upwardly revised its view for adjusted earnings per share.

The company expects total revenues to be approximately \$6.4 billion on a constant-currency basis, adjusted EBITDA margin of 28-29% and adjusted EBITDA within \$1,800-\$1,900 million. Nielsen expects free cash flow in the range of \$525-\$575 million.

It now expects adjusted earnings per share in the range of \$1.77-\$1.83 versus \$1.70-1.80 projected earlier.

Quarter Ending **09/2019**

Report Date	Nov 07, 2019
Sales Surprise	0.69%
EPS Surprise	21.43%
Quarterly EPS	0.51
Annual EPS (TTM)	1.90

Recent News

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.

On **May 22, 2019**, Nielsen announced the launch of Retail Ready. It is a new service for manufacturers of packaged goods that is aimed at helping companies to win retail distribution for new products.

On **May 9, 2019**, Nielsen entered into a multi-year agreement with Conroy Media, Ltd. for local TV and audio electronic ratings services in multiple markets across the country. Conroy Media is a full-service boutique advertising media buying agency.

Valuation

Nielsen shares are up 6.7% in the six-month period but down 17.9% over the trailing 12-month period. Stocks in the Zacks sub-industry as well as the Zacks Business Services sector are up 13.4% and 26.2% in the six-month period, respectively. Over the past year, the Zacks sub-industry is up 36.7% and the sector is up 29.8%.

The S&P 500 index is up 19.2% in the six-month period and 20.9% in the past year.

The stock is currently trading at 13.21X forward 12-month earnings, which compares to 27.5X for the Zacks sub-industry, 26.3X for the Zacks sector and 19.41X 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 15.48X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$23 price target reflects 14.4X 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	13.21	27.5	26.3	19.41
	5-Year High	19.03	27.5	26.3	19.41
	5-Year Low	8.18	19.42	18.77	15.18
	5-Year Median	15.48	21.98	20.57	17.47
P/S F12M	Current	1.17	5.84	4.19	3.58
	5-Year High	3.08	6.16	5.13	3.58
	5-Year Low	1.05	3.34	3.09	2.54
	5-Year Median	2.08	4.61	3.63	3
EV/EBITDA TTM	Current	4.57	16.17	12.44	11.36
	5-Year High	13.47	18.58	12.55	12.85
	5-Year Low	4.39	11.24	8.75	8.47
	5-Year Median	10.71	15.11	10.42	10.7

As of 02/13/2020

Industry Analysis Zacks Industry Rank: Top 34% (87 out of 255)



Top Peers

FactSet Research Systems Inc. (FDS)	Neutral
Netflix, Inc. (NFLX)	Neutral
Quotient Technology Inc. (QUOT)	Neutral
The Rubicon Project, Inc. (RUBI)	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	A	-	-	F	C	B
Market Cap	7.69 B	10.86 B	24.56 B	167.36 B	282.93 M	881.43 M
# of Analysts	3	8	13	13	1	1
Dividend Yield	1.11%	0.59%	1.78%	0.00%	0.00%	4.89%
Value Score	A	-	-	F	F	A
Cash/Price	0.05	0.02	0.04	0.03	0.22	0.31
EV/EBITDA	9.92	23.04	14.00	14.75	-5.42	7.89
PEG Ratio	0.99	2.61	2.10	2.10	NA	NA
Price/Book (P/B)	3.27	8.59	3.31	22.07	0.98	0.68
Price/Cash Flow (P/CF)	2.84	24.62	13.68	14.96	6.83	1.68
P/E (F1)	12.41	30.34	19.23	62.97	NA	6.82
Price/Sales (P/S)	1.19	7.76	2.69	8.30	0.70	1.33
Earnings Yield	8.06%	3.30%	5.20%	1.59%	-25.50%	14.66%
Debt/Equity	3.65	1.12	0.71	1.95	0.86	0.53
Cash Flow (\$/share)	7.61	3.61	6.92	25.49	0.59	4.15
Growth Score	B	-	-	F	A	D
Hist. EPS Growth (3-5 yrs)	-10.24%	15.36%	10.85%	82.45%	NA	-28.49%
Proj. EPS Growth (F1/F0)	-3.65%	8.82%	7.17%	46.66%	80.38%	13.33%
Curr. Cash Flow Growth	93.50%	18.62%	8.56%	26.74%	-115.61%	59.80%
Hist. Cash Flow Growth (3-5 yrs)	16.47%	15.01%	8.36%	30.03%	-1.54%	18.66%
Current Ratio	1.10	1.33	1.23	0.90	0.76	1.11
Debt/Capital	78.48%	53.97%	42.91%	66.06%	46.11%	34.70%
Net Margin	-19.46%	14.61%	11.81%	9.26%	-85.61%	-71.94%
Return on Equity	21.91%	22.75%	16.86%	28.45%	-12.69%	2.04%
Sales/Assets	0.42	0.42	0.54	0.66	0.48	0.25
Proj. Sales Growth (F1/F0)	1.58%	4.07%	3.85%	20.90%	-0.22%	2.86%
Momentum Score	C	-	-	A	C	B
Daily Price Chg	-0.92%	0.50%	0.00%	0.37%	-1.34%	-2.25%
1 Week Price Chg	4.36%	0.32%	2.47%	6.28%	-2.03%	-2.47%
4 Week Price Chg	-0.78%	2.80%	0.56%	12.63%	-23.05%	-18.21%
12 Week Price Chg	10.04%	12.08%	6.96%	22.36%	-1.70%	-2.11%
52 Week Price Chg	-17.18%	34.09%	16.68%	6.22%	-82.08%	-36.09%
20 Day Average Volume	2,610,037	58,195	2,020,569	7,938,394	397,839	997,894
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.23%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	-0.05%	11.18%	0.00%	0.00%
(F1) EPS Est 12 week change	-3.79%	-0.22%	-0.17%	10.08%	0.00%	0.00%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	-0.24%	44.19%	0.00%	0.00%

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	B
Momentum Score	C
VGM Score	A

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.

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