

Nielsen Holdings (NLSN)

\$14.19 (As of 05/26/20)

Price Target (6-12 Months): **\$15.00**

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: C

Value: B

Growth: D

Momentum: C

Summary

Nielsen reported weak first-quarter results due to unimpressive performance of the Connect business. Currency headwinds also impacted its results. Nevertheless, solid execution and ongoing focus on operational efficiency drive Nielsen's growth. We believe the company's consistent investment in 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 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.

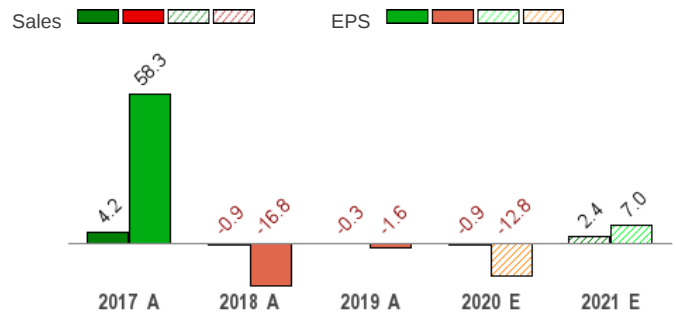
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$24.69 - \$11.62
20 Day Average Volume (sh)	3,475,897
Market Cap	\$5.1 B
YTD Price Change	-30.1%
Beta	1.25
Dividend / Div Yld	\$0.24 / 1.7%
Industry	Business - Information Services
Zacks Industry Rank	Top 34% (86 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-3.3%
Last Sales Surprise	-1.2%
EPS F1 Est- 4 week change	-6.2%
Expected Report Date	07/29/2020
Earnings ESP	-17.7%
P/E TTM	8.9
P/E F1	9.8
PEG F1	0.8
P/S TTM	0.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,611 E	1,689 E	1,700 E	1,782 E	6,589 E
2020	1,559 A	1,590 E	1,617 E	1,709 E	6,437 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	\$1.68 E
2020	\$0.29 A	\$0.34 E	\$0.46 E	\$0.49 E	\$1.57 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 05/26/2020. The reports text is as of 05/27/2020.

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.

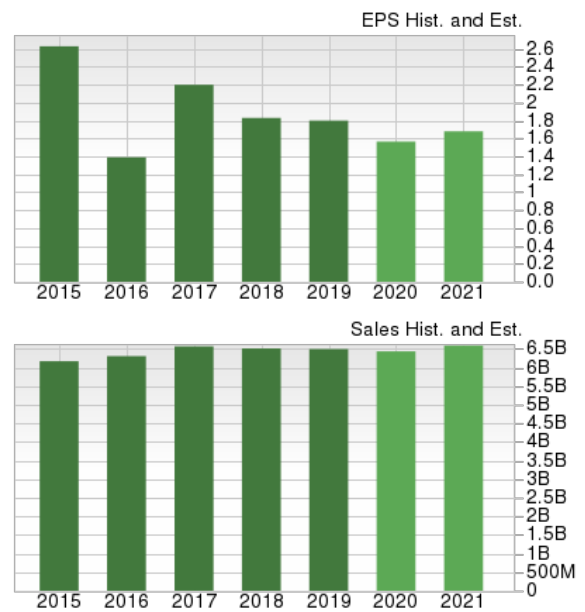
It analyzes what consumers watch and how it impacts their buying behavior, locally as well as globally. Nielsen's clients include media, advertising and consumer packaged goods companies all over the world. The company operates in two segments: Nielsen Global Media and Nielsen Global Connect.

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 Mar 31, 2020, gross debt was \$8.41 billion compared with \$8.31 billion at the end of the prior quarter. Net debt (gross debt excluding cash and cash equivalents) was \$8 billion versus \$7.85 billion in the prior quarter. Net debt leverage ratio was 4.39 at the end of first-quarter 2020 versus 4.24 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's Q1 Earnings and Revenues Miss Estimates

Nielsen Holdings plc reported first-quarter 2020 adjusted net earnings of 29 cents per share, which missed the Zacks Consensus Estimate by a penny. Further, the bottom line was down 17.1% from the year-ago quarter.

Total revenues came in at \$1.56 billion, which declined 0.3% year over year. Further, the top line missed the Zacks Consensus Estimate of \$1.58 billion.

However, the figure improved 1.5% on a constant-currency basis.

As part of the ongoing strategic review plan, the company had made the announcement in November 2019 that it will separate into two independent publicly-traded companies — the Global Media business and the Global Connect business.

The company expects to close the spin-off transaction in early 2021 due to temporary shutdown of government agencies that are necessary to move forward with the separation.

Segments Details

Nielsen Global Media: The company generated revenues of \$842 million (accounting for 54% of total revenues) from this segment, reflecting an improvement of 1.9% from the year-ago level or 2.6% on a constant-currency basis.

Nielsen Global Connect: The company generated revenues of \$717 million (46% of total revenues), reflecting a decline of 2.7% from the year-ago period. However, the figure increased 0.3% on a constant-currency basis.

Operating Results

Adjusted EBITDA was \$395 million in the first quarter, down 4.8% from the prior-year level. Adjusted EBITDA margin contracted 121 basis points (bps) to 25.3%. The decrease reflected increased investments in Media and weakness in Global Connect due to the COVID-19 pandemic.

Nielsen's selling, general and administrative expenses were \$515 million, increasing 7.3% from the year-ago figure. As a percentage of revenues, the figure expanded 230 bps year over year to 33%.

Operating income was \$98 million against operating loss of \$174 million in the year-ago quarter.

Balance Sheet & Cash Flow

As of Mar 31, 2020, cash and cash equivalent balance was \$359 million, down from \$454 million on Dec 31, 2019.

At the end of the first quarter, gross debt was \$8.41 billion compared with \$8.31 billion at the end of the prior quarter. Net debt (gross debt excluding cash and cash equivalents) was \$8 billion and net debt leverage ratio was 4.39 at the end of the reported quarter.

Cash flow from operations was (\$5) million versus \$470 million in the previous quarter. Further, capex totaled \$112 million and free cash flow amounted to (\$117) million in the first quarter.

2020 Guidance

The company has updated its 2020 guidance to reflect the uncertainties associated with COVID-19 and greater FX headwinds.

The company now expects 2020 revenues to decline 1-4% (versus the previous expectation of 1.5-3.0% growth) on a constant-currency basis.

Further, adjusted earnings are expected between \$1.43 and \$1.58 per share versus prior expectation of \$1.67-\$1.80.

Adjusted EBITDA is anticipated in the range of \$1.790-\$1.860 million versus \$1.83-\$1.91 billion projected earlier. Adjusted EBTDA margin is expected between 28.5% and 29.5% versus earlier expectation of 27.7-28.5%.

Additionally, Nielsen expects free cash flow in the range of \$460-\$530 million versus prior projection of \$530-\$580 million.

Quarter Ending **03/2020**

Report Date	Apr 30, 2020
Sales Surprise	-1.18%
EPS Surprise	-3.33%
Quarterly EPS	0.29
Annual EPS (TTM)	1.60

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 30.1% in the year-to-date period and 37.3% over the trailing 12-month period. Stocks in the Zacks sub-industry as well as the Zacks Business Services sector are up 2.2% and 2.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 18.4% and the sector is up 19.7%

The S&P 500 index is down 8.1% in the year-to-date period but up 5.3% in the past year.

The stock is currently trading at 9.49X forward 12-month earnings, which compares to 28.05X for the Zacks sub-industry, 28.31X for the Zacks sector and 21.5X 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 14.98X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$15 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	9.49	28.05	28.31	21.5
	5-Year High	19.03	28.05	28.31	21.5
	5-Year Low	7.31	19.42	18.68	15.23
	5-Year Median	14.98	22.19	20.69	17.49
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 05/26/2020

Industry Analysis Zacks Industry Rank: Top 34% (86 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
comScore, Inc. (SCOR)	Outperform	1
TiVo Corporation (TIVO)	Outperform	1
FactSet Research Systems Inc. (FDS)	Neutral	3
Netflix, Inc. (NFLX)	Neutral	2
Quotient Technology Inc. (QUOT)	Neutral	3
The Rubicon Project, Inc. (RUBI)	Neutral	3
Triton International Limited (TRTN)	Neutral	4
The Trade Desk Inc. (TTD)	Neutral	2

Industry Comparison Industry: Business - Information Services				Industry Peers		
	NLSN	X Industry	S&P 500	NFLX	SCOR	TIVO
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Outperform
Zacks Rank (Short Term)	4	-	-	2	1	1
VGM Score	C	-	-	C	C	B
Market Cap	5.06 B	9.86 B	21.18 B	182.42 B	240.11 M	892.62 M
# of Analysts	5	9	14	12	1	1
Dividend Yield	1.69%	0.67%	2.03%	0.00%	0.00%	0.00%
Value Score	B	-	-	D	D	B
Cash/Price	0.07	0.02	0.06	0.03	0.26	0.12
EV/EBITDA	8.31	21.45	12.37	15.94	-29.55	9.03
PEG Ratio	0.79	3.10	2.88	2.15	NA	NA
Price/Book (P/B)	2.27	6.48	2.90	21.69	0.98	0.99
Price/Cash Flow (P/CF)	2.14	23.01	11.55	16.27	NA	1.38
P/E (F1)	9.90	31.30	21.24	64.58	NA	9.08
Price/Sales (P/S)	0.78	7.64	2.24	8.52	0.64	1.33
Earnings Yield	10.22%	3.20%	4.57%	1.55%	-26.02%	11.02%
Debt/Equity	3.46	0.79	0.76	1.69	0.98	0.76
Cash Flow (\$/share)	6.64	3.58	6.96	25.49	-0.64	5.06
Growth Score	D	-	-	B	A	C
Hist. EPS Growth (3-5 yrs)	-11.07%	15.32%	10.87%	92.67%	NA	-27.51%
Proj. EPS Growth (F1/F0)	-19.33%	-0.23%	-10.31%	55.51%	83.30%	-39.37%
Curr. Cash Flow Growth	-12.59%	6.76%	5.46%	26.74%	-228.65%	24.46%
Hist. Cash Flow Growth (3-5 yrs)	9.33%	12.63%	8.55%	30.03%	NA	21.11%
Current Ratio	0.78	1.26	1.29	0.82	0.78	1.55
Debt/Capital	77.58%	49.20%	44.54%	62.76%	49.37%	43.12%
Net Margin	-7.33%	15.47%	10.59%	10.43%	-86.38%	-84.00%
Return on Equity	23.01%	23.51%	16.29%	30.83%	-21.52%	7.80%
Sales/Assets	0.44	0.42	0.55	0.66	0.53	0.28
Proj. Sales Growth (F1/F0)	-0.94%	0.00%	-2.34%	22.59%	-5.70%	1.58%
Momentum Score	C	-	-	C	F	D
Daily Price Chg	4.41%	1.79%	2.82%	-3.39%	8.23%	1.01%
1 Week Price Chg	6.92%	2.88%	4.99%	-5.48%	32.22%	6.79%
4 Week Price Chg	4.34%	5.71%	3.55%	2.71%	22.58%	-0.50%
12 Week Price Chg	-19.28%	-4.20%	-4.95%	12.47%	-1.72%	-6.43%
52 Week Price Chg	-37.30%	6.40%	-3.04%	16.91%	-65.63%	3.56%
20 Day Average Volume	3,475,897	151,017	2,429,758	6,568,338	493,728	899,608
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-6.20%	-2.77%	-2.27%	-0.12%	4.30%	8.45%
(F1) EPS Est 12 week change	-12.00%	-6.68%	-16.39%	7.44%	13.59%	8.45%
(Q1) EPS Est Mthly Chg	-12.57%	-3.75%	-4.03%	-0.05%	-16.67%	13.33%

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	D
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.

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