Nielsen Holdings plc (NLSN)

Baird Facts

Please refer to Appendix - Important Disclosures and Analyst Certification.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>52WK H-L ($) : 25 - 12</td>
<td>Higher Risk</td>
<td></td>
<td>Q1</td>
<td>0.35A</td>
<td>0.29A</td>
</tr>
<tr>
<td>Market Cap (mil): 5.157</td>
<td></td>
<td></td>
<td>Q2</td>
<td>0.53A</td>
<td>0.27E</td>
</tr>
<tr>
<td>Shares Out (mil): 356.4</td>
<td></td>
<td></td>
<td>Q3</td>
<td>0.51A</td>
<td>0.40E</td>
</tr>
<tr>
<td>Float (mil): 351.3</td>
<td></td>
<td></td>
<td>Q4</td>
<td>0.41A</td>
<td>0.50E</td>
</tr>
<tr>
<td>Avg. Daily Vol (mil): 4.82</td>
<td></td>
<td></td>
<td>Total</td>
<td>1.80A</td>
<td>1.45E</td>
</tr>
<tr>
<td>Dividend ($) : 0.24</td>
<td></td>
<td></td>
<td>FY P/E</td>
<td>8.0x</td>
<td>10.0x</td>
</tr>
<tr>
<td>Yield (%): 1.7</td>
<td>Insider Ownership: 1.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

EPS (Net): EPS, as presented above, is adjusted EPS, excluding D&A expense associated with acquisitions, excluding restructuring charges and other unusual expenses, and utilizing NLSN's cash tax rate.

Company Description
Nielsen Holdings plc is a leading global provider of consumer information and analytics that measure consumer behavior across a variety of channels, and assist companies (predominantly across the CPG and media verticals) in their efforts to better understand, reach, monetize, and expand their customer base. The company operates two reporting segments consisting of solutions that quantify and analyze Media consumption (~53% of 2019 revenue) and consumer good purchasing (“Connect” ~47% of 2019 revenue) on a daily basis. NLSN's Connect services include retail sales measurement, market share information, and analytics. The company's Media solutions primarily provide measurement of consumers’ media consumption across video and audio channels, and act as an industry-wide metric/currency utilized to facilitate advertising spend. Nielsen Holdings plc is incorporated in England and Wales, and headquartered in Oxford, the United Kingdom and New York, USA.

Revenue Profile
NLSN’s Connect segment offers products and solutions measuring global consumer purchases and behavior across more than 100+ countries. The company’s products and analytics cater predominantly to the CPG industry, and accounted for approximately 47% of 2019 consolidated revenue and approximately 23% of adj. EBITDA. The company operates in various geographies, broken up between Developed markets (~62% of segment revenue) and Emerging (~38%), with ~73% of revenue coming from outside the US. Revenue is derived from a mixture of subscription based multi-year contracts (typically 3-10 year contracts), as well as transactional analytics solutions that provide companies with information on retail sales and consumer behavior across the globe.

NLSN’s Media segment provides measurements of consumers’ media consumption, predominantly for national and local U.S. television where the company is considered the industry standard rating metric. The company’s products and analytics cater predominantly to the advertising and media industries, and accounted for approximately 53% of total 2019 revenue and 77% of EBITDA. Offerings include audience measurement in linear TV, video-on-demand, streaming video, audio and text, and analytics aimed at optimizing advertising/content budgets. Segment revenue is derived primarily from subscription based multi-year contracts (~90% of segment revenue), with high contract renewal rates (undisclosed, but we believe mid- to upper-90s on a dollar basis, before cross-sells and up-sells).

Competition
NLSN's Connect segment product offering largely competes within the global market research industry (particularly CPG measurement), with competitors varying by market and product offering, including, Information Resources, Inc. (IRI; primarily, U.S. retail measurement), Ipsos SA (UK), GfK SE (Germany), Kantar (consumer panel services and analytics); and local competitors.

While NLSN is the dominant provider of U.S. television audience measurement, its Media business also competes with several companies across broader U.S. media measurement, including: comScore (SCOR - not covered), which previously merged with Rentrak (RENT - not covered), a provider of global cinema and DVD sales measurement, as well as television and digital measurement products. Outside of the U.S., measurement of consumer media usage also varies by geography, with NLSN competing primarily with Kantar Media, as well as Ipsos, GfK, Mediametrie, and local providers within certain markets.
Quick Summary
Neutral-rated. Reduced revenue guidance proving fairly resilient in the context of COVID-19 challenges, combined with aggressive expense management, were positives following 1Q20 report. However, our structural concerns remain (elevated leverage, low FCF conversion, weak organic cc revenue trends) and structural risks are arguably amplified by accelerating secular trends under current conditions. NLSN continues to progress with plans to separate its Media and Connect businesses into two publicly-traded companies (transaction now expected to occur in early 2021)

$16 price target reflects 7.4x EV/2021E adj. EBITDA, below its one-year average EV/NTM EBITDA multiple of 8.6x given broader market multiple contraction and decelerating Audience Measurement growth. While the assumed multiple is below most potential peer companies, we believe it is reasonable given NLSN’s low FCF conversion, weaker underlying organic cc revenue trends, and long-term end market risks

Investment Thesis
Exceptionally strong position in U.S. television audience measurement. Nielsen holds a dominant position in the U.S. television advertising market, serving as the de facto currency by which advertisements are bought and sold, with TV the largest advertising spending medium in the U.S. Further, it has benefited from continued growth in the number of programs (it is paid for each program rated), its competitive position and market dynamics afford it pricing power, and it enjoys a scalable model.

Unique global presence in retail measurement a competitive differentiator, and increased exposure to faster growing emerging markets is additive to growth. Nielsen’s geographic breadth and the tie in to its Media business are competitive differentiators for its Connect business. Further, developing markets account for ~40% of Connect segment revenue, and typically are additive to its growth given the growth of the emerging market middle class, and of emerging markets-based consumer packaged goods companies. Further, now that Nielsen has built global coverage in its Connect business, while we expect the company to continue to invest, its investments should now skew more toward deeper penetration, new products/solutions, and enhanced productivity, in our view, and therefore its current (and future) Connect segment investments may have a quicker payback than its prior investments that were skewed toward building out its global footprint by entering new geographies.

Potential to emerge as the primary, or one of the key, currencies for digital/online audience measurement. Currently, no established “currency” exists from online/digital audience measurement. However, Nielsen has the technological capabilities to provide such a currency, and its positioning in the television and radio markets provide it with positions of strength that it may be able to leverage in its pursuit of establishing itself as the multi-platform currency.

Unique “Consumer 360” view given intersection of Media and Connect positions NLSN to deliver differentiated Advertiser Solutions. We believe marketing spend is becoming increasingly data-driven and targeted, and Nielsen has the ability to leverage its unique competitive advantage afforded to it by its “360 consumer view” of what products consumers buy and what media they consume. We believe that its Resonance and Reaction products have the potential to be highly differentiated, high ROI solutions that enable its clients to be more effective and efficient in their advertising efforts.

Embedded provider of industry standard data. NLSN’s Media segment product offerings monitor more than 9,000 broadcast and cable signals, providing television ratings data across 34 countries, including 210 U.S. markets. The company’s Nielsen rating is considered industry standard data, and acts as a currency for the more than ~$70bn in U.S. television advertising spend in 2019. Additionally, the company’s Connect segment receives point-of-sale information from more than 2bn electronic purchases collected weekly, conducts 1.7mn monthly store visits, and receives 3mn annual store level data files, which are used to provide global retail market share data primarily for clients across the CPG industry.

Long-standing and diversified client base. The company’s client base of more than 20,000 customers consists of a diversified group of Fortune 500 companies, including the majority of CPG and media companies. Additionally, the company’s largest client accounts for less than 4% of revenue, and its 10 largest relationships have all been clients for more than 30 years.

Attractive economic model. Nielsen’s multi-year client contracts (avg. 4-10 years), and resulting substantial subscription revenue base provide the company with significant near- to intermediate-term visibility (~70% of revenue locked in as of the beginning of the year). Coupled with the company’s extremely high client retention rates (undisclosed, but we estimate mid- to upper-90s on a dollar basis) NLSN maintains a consistent, solid business model, with below-average cyclicality and above-average ROIC characteristics.

Risks & Caveats
Secular changes in end markets served could pose risks to historically very strong competitive position. We believe that secular changes in end markets served by Nielsen (time-shifted viewing, non-ad supported subscription SVOD, streaming video and audio, etc.) coupled with increased data availability create both sources of risk and potential sources of opportunity for Nielsen.

Data privacy and potential data regulations. We believe that data privacy and potential regulations could potentially represent significant risks to Nielsen’s business model, and believe that data privacy concerns represent a heightened risk for the company given that many of its data collection methods require a presence in consumers’ residences, and its value is in large part based on census measurement.

Macroeconomic and consumer spending sensitivity. While we believe that Nielsen’s business model is relatively acyclical, some of its solutions do exhibit sensitivity to macroeconomic and consumer spending trends.

Financial leverage. As of 1Q19 Nielsen had $8.6bn in gross debt and $8.2bn in net debt, which reflects ~4.5x LTM adj. EBITDA.

Sizeable third-party outsourcing relationship. Nielsen contracts with Tata Consultancy Services to globally provide it with professional services relating to information technology, business process outsourcing, client service knowledge process outsourcing, management sciences, analytics, and financial planning and analytics.

FX risk. 43% of NLSN’s 2017 revenue was generated in currencies other than the U.S. dollar, including 11% of revenue in euros. No single currency other than the USD, EUR, CAD, GBP, and CNY represent >3% of consolidated revenue.
Pending separation into two publicly traded companies. Following a strategic review, NLSN announced in November 2019 they would be splitting the Media and Connect businesses into separate entities, expected to occur in 2H20. The restructuring remains subject to various approvals and the development of a Connect management team.
Appendix - Important Disclosures and Analyst Certification

Approved on 27 May 2020 18:17EDT/ Published on 27 May 2020 18:22EDT.

Rating and Price Target History for: Nielsen Holdings plc (NLSN) as of 05-27-2020

1 Robert W. Baird & Co. Incorporated makes a market in the securities of NLSN.

Appendix – Important Disclosures and Analyst Certification

Robert W. Baird & Co. Incorporated (“Baird”) and/or its affiliates expect to receive or intend to seek investment-banking related compensation from the company or companies mentioned in this report within the next three months. Baird may not be licensed to execute transactions in all foreign listed securities directly. Transactions in foreign listed securities may be prohibited for residents of the United States. Please contact a Baird representative for more information.

Investment Ratings: Outperform (O) - Expected to outperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months. Neutral (N) - Expected to perform in line with the broader U.S. equity market over the next 12 months. Underperform (U) - Expected to underperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months.

Risk Ratings: L - Lower Risk – Higher-quality companies for investors seeking capital appreciation or income with an emphasis on safety. Company characteristics may include: stable earnings, conservative balance sheets, and an established history of revenue and earnings. A - Average Risk – Growth situations for investors seeking capital appreciation with an emphasis on safety. Company characteristics may include: moderate volatility, modest balance-sheet leverage, and stable patterns of revenue and earnings. H - Higher Risk – Higher-growth situations appropriate for investors seeking capital appreciation with the acceptance of risk. Company characteristics may include: higher balance-sheet leverage, dynamic business environments, and higher levels of earnings and price volatility. S - Speculative Risk – High growth situations appropriate only for investors willing to accept a high degree of volatility and risk. Company characteristics may include: unpredictable earnings, small capitalization, aggressive growth strategies, rapidly changing market dynamics, high leverage, extreme price volatility and unknown competitive challenges.

Valuation, Ratings and Risks. The recommendation and price target contained within this report are based on a time horizon of 12 months but there is no guarantee the objective will be achieved within the specified time horizon. Price targets are determined by a subjective review of fundamental and/or quantitative factors of the issuer, its industry, and the security type. A variety of methods may be used to determine the value of a security including, but not limited to, discounted cash flow, earnings multiples, peer group comparisons, and sum of the parts. Overall market risk, interest rate risk, and general economic risks impact all securities. Specific information regarding the price target and recommendation is provided in the text of our most recent research report.

Distribution of Investment Ratings. As of April 30, 2020, Baird U.S. Equity Research covered 724 companies, with 59% rated Outperform/Buy, 40% rated Neutral/Hold and 1% rated Underperform/Sell. Within these rating categories, 12% of Outperform/Buy-rated and 4% of Neutral/Hold-rated companies have compensated Baird for investment banking services in the past 12 months and/or Baird managed or co-managed a public offering of securities for these companies in the past 12 months.

Analyst Compensation. Research analyst compensation is based on: (1) the correlation between the research analyst's recommendations and stock price performance; (2) ratings and direct feedback from our investing clients, our institutional and retail sales force (as applicable) and from independent rating services; (3) the research analyst's productivity, including the quality of such analyst's research and such analyst's contribution to the growth and development of our overall research effort; and (4) compliance with all of Baird's internal policies and procedures. This compensation criteria and actual compensation is reviewed and approved on an annual basis by Baird's Research Oversight Committee. Research analyst compensation is derived from all revenue sources of the firm, including revenues from investment banking. Baird does not compensate research analysts based on specific investment banking transactions.
A complete listing of all companies covered by Baird U.S. Equity Research and applicable research disclosures can be accessed at http://www.rwbaired.com/research-insights/research/coverage/third-party-research-disclosures.aspx. You can also call 800-792-2473 or write: Robert W. Baird & Co., Equity Research, 777 E. Wisconsin Avenue, Milwaukee, WI 53202.

Analyst Certification
The senior research analyst(s) certifies that the views expressed in this research report and/or financial model accurately reflect such senior analyst's personal views about the subject securities or issuers and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report.

Disclaimers
Baird prohibits analysts from owning stock in companies they cover. This is not a complete analysis of every material fact regarding any company, industry or security. The opinions expressed here reflect our judgment at this date and are subject to change. The information has been obtained from sources we consider to be reliable, but we cannot guarantee the accuracy.

ADDITIONAL INFORMATION ON COMPANIES MENTIONED HEREIN IS AVAILABLE UPON REQUEST
The Dow Jones Industrial Average, S&P 500, S&P 400 and Russell 2000 are unmanaged common stock indices used to measure and report performance of various sectors of the stock market; direct investment in indices is not available. Baird is exempt from the requirement to hold an Australian financial services license. Baird is regulated by the United States Securities and Exchange Commission, FINRA, and various other self-regulatory organizations and those laws and regulations may differ from Australian laws. This report has been prepared in accordance with the laws and regulations governing United States broker-dealers and not Australian laws.

Other Disclosures
The information and rating included in this report represent the research analyst's views based on a time horizon of 12 months, as described above, unless otherwise stated. In our standard company-specific research reports, the subject company may be designated as a “Fresh Pick”, representing that the research analyst believes the company to be a high-conviction investment idea based on a subjective review of one or more fundamental or quantitative factors until an expiration date specified by the analyst but not to exceed nine months. The Fresh Pick designation and specified expiration date will be displayed in standard company-specific research reports on the company until the occurrence of the expiration date or such time as the analyst removes the Fresh Pick designation from the company in a subsequent, standard company-specific research report. The research analyst(s) named in this report may, at times and at the request of clients or their Baird representatives, provide particular investment perspectives or trading strategies based primarily on the analyst’s understanding of the individual client’s objectives. These perspectives or trading strategies generally are responsive to client inquiries and based on criteria the research analyst considers relevant to the client. As such, these perspectives and strategies may differ from the research analyst's views contained in this report. Baird and/or its affiliates may provide to certain clients additional or research supplemental products or services, such as outlooks, commentaries and other detailed analyses, which focus on covered stocks, companies, industries or sectors. Not all clients who receive our standard company-specific research reports are eligible to receive these additional or supplemental products or services. Baird determines in its sole discretion the clients who will receive additional or supplemental products or services, in light of various factors including the size and scope of the client relationships. These additional or supplemental products or services may feature different analytical or research techniques and information than are contained in Baird’s standard research reports. Any ratings and recommendations contained in such additional or research supplemental products are consistent with the research analyst's ratings and recommendations contained in more broadly disseminated standard research reports. Baird disseminates its research reports to all clients simultaneously by posting such reports to Baird’s password-protected client portal, https://bol.rwbaired.com/Login("BairdOnline"). All clients may access BairdOnline and at any time. All clients are advised to check BairdOnline for Baird’s most recent research reports. After research reports are posted to BairdOnline, such reports may be emailed to clients, based on, among other things, client interest, coverage, stock ownership and indicated email preferences, and electronically distributed to certain third-party research aggregators, who may make such reports available to entitled clients on password-protected, third-party websites. Not all research reports posted to BairdOnline and/or written by our research analysts are disseminated at the request of clients or their Baird representatives, provide particular investment perspectives or trading strategies based primarily on the analyst’s understanding of the individual client’s objectives. These perspectives or trading strategies generally are responsive to client inquiries and based on criteria the research analyst considers relevant to the client. As such, these perspectives and strategies may differ from the research analyst's views contained in this report. Baird and/or its affiliates may provide to certain clients additional or research supplemental products or services, such as outlooks, commentaries and other detailed analyses, which focus on covered stocks, companies, industries or sectors. Not all clients who receive our standard company-specific research reports are eligible to receive these additional or supplemental products or services. Baird determines in its sole discretion the clients who will receive additional or supplemental products or services, in light of various factors including the size and scope of the client relationships. These additional or supplemental products or services may feature different analytical or research techniques and information than are contained in Baird’s standard research reports. Any ratings and recommendations contained in such additional or research supplemental products are consistent with the research analyst's ratings and recommendations contained in more broadly disseminated standard research reports. Baird disseminates its research reports to all clients simultaneously by posting such reports to Baird’s password-protected client portal, https://bol.rwbaired.com/Login("BairdOnline"). All clients may access BairdOnline and at any time. All clients are advised to check BairdOnline for Baird’s most recent research reports. After research reports are posted to BairdOnline, such reports may be emailed to clients, based on, among other things, client interest, coverage, stock ownership and indicated email preferences, and electronically distributed to certain third-party research aggregators, who may make such reports available to entitled clients on password-protected, third-party websites. Not all research reports posted to BairdOnline will be emailed to clients or electronically distributed to such research aggregators. To request access to Baird Online, please visit https://bol.rwbaired.com/Login(RequestInstLogin or contact your Baird representative.

Dividend Yield. As used in this report, the term “dividend yield” refers, on a percentage basis, to the historical distributions made by the issuer relative to its current market price. Such distributions are not guaranteed, may be modified at the issuer’s discretion, may exceed operating cash flow, subsidized by borrowed funds or include a return of investment principal.

United Kingdom (“UK”) disclosure requirements for the purpose of distributing this research into the UK and other countries for which Robert W. Baird Limited holds a MiFID passport.

The contents of this report may contain an “investment recommendation”, as defined by the Market Abuse Regulation EU No 596/2014 (“MAR”). This report does not contain a “personal recommendation” or “investment advice”, as defined by the Market in Financial Instruments Directive 2014/65/EU (“MiFID”). Please therefore be aware of the important disclosures outlined below. Unless otherwise stated, this report was completed and first disseminated at the date and time provided on the timestamp of the report. If you would like further information on dissemination times, please contact us. The views contained in this report: (i) do not necessarily correspond to, and may differ from, the views of Robert W. Baird Limited or any other entity within the Baird Group, in particular Robert W. Baird & Co. Incorporated; and (ii) may differ from the views of another individual of Robert W. Baird Limited.

This material is distributed in the UK and the European Economic Area (“EEA”) by Robert W. Baird Limited, which has an office at Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB and is authorized and regulated by the Financial Conduct Authority (“FCA”) in the UK.
For the purposes of the FCA requirements, this investment research report is classified as investment research and is objective. This material is only directed at and is only made available to persons in the EEA who would satisfy the criteria of being "Professional" investors under MiFID and to persons in the UK falling within Articles 19, 38, 47, and 49 of the Financial Services and Markets Act of 2000 (Financial Promotion) Order 2005 (all such persons being referred to as “relevant persons”). Accordingly, this document is intended only for persons regarded as investment professionals (or equivalent) and is not to be distributed to or passed onto any other person (such as persons who would be classified as Retail clients under MiFID).

All substantially material sources of the information contained in this report are disclosed. All sources of information in this report are reliable, but where there is any doubt as to reliability of a particular source, this is clearly indicated. There is no intention to update this report in future. Where, for any reason, an update is made, this will be made clear in writing on the research report. Such instances will be occasional only.

Please note that this report may provide views which differ from previous recommendations made by the same individual in respect of the same financial instrument or issuer in the last 12 months. Information and details regarding previous recommendations in relation to the financial instruments or issuer referred to in this report are available at https://baird.bluematrix.com/sellside/MAR.action.

Robert W. Baird Limited or one of its affiliates may at any time have a long or short position in the company or companies mentioned in this report. Where Robert W. Baird Limited or one of its affiliates holds a long or short position exceeding 0.5% of the total issued share capital of the issuer, this will be disclosed separately by your Robert W. Baird Limited representative upon request.

Investment involves risk. The price of securities may fluctuate and past performance is not indicative of future results. Any recommendation contained in the research report does not have regard to the specific investment objectives, financial situation and the particular needs of any individuals. You are advised to exercise caution in relation to the research report. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Robert W. Baird Limited and Robert W. Baird & Co. Incorporated have in place organisational and administrative arrangements for the prevention, avoidance, and disclosure of conflicts of interest with respect to research recommendations. Robert W. Baird Limited’s Conflicts of Interest Policy, available here, outlines the approach Robert W. Baird Limited takes in relation to conflicts of interest and includes detail as to its procedures in place to identify, manage and control conflicts of interest. Robert W. Baird Limited and or one of its affiliates may be party to an agreement with the issuer that is the subject of this report relating to the provision of services of investment firms. Robert W. Baird & Co. Incorporated’s policies and procedures are designed to identify and effectively manage conflicts of interest related to the preparation and content of research reports and to promote objective and reliable research that reflects the truly held opinions of research analysts. Robert W. Baird & Co. Incorporated’s research analysts certify on a quarterly basis that such research reports accurately reflect their personal views.

This material is strictly confidential to the recipient and not intended for persons in jurisdictions where the distribution or publication of this research report is not permitted under the applicable laws or regulations of such jurisdiction.

Robert W. Baird Limited is exempt from the requirement to hold an Australian financial services license and is regulated by the FCA under UK laws, which may differ from Australian laws. As such, this document has not been prepared in accordance with Australian laws.

Copyright 2020 Robert W. Baird & Co. Incorporated

This information is prepared for the use of Baird clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Baird. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this information (including any investment ratings, estimates or price targets) without first obtaining expressed permission from an authorized officer of Baird.