



# Nielsen Holdings plc (NLSN)

Updated October 15<sup>th</sup>, 2018 by Nick McCullum

## Key Metrics

<b>Current Price:</b>	\$27	<b>5 Year CAGR Estimate:</b>	6.0%	<b>Volatility Percentile:</b>	68.4%
<b>Fair Value Price:</b>	\$17	<b>5 Year Growth Estimate:</b>	9.2%	<b>Momentum Percentile:</b>	4.4%
<b>% Fair Value:</b>	159%	<b>5 Year Valuation Multiple Estimate:</b>	-8.5%	<b>Growth Percentile:</b>	86.8%
<b>Dividend Yield:</b>	5.3%	<b>5 Year Price Target</b>	\$26	<b>Valuation Percentile:</b>	1.7%
<b>Dividend Risk Score:</b>	X	<b>Retirement Suitability Score:</b>	X	<b>Total Return Percentile:</b>	24.3%

## Overview & Current Events

Nielsen Holdings plc is the global leader in market share research, data, information, and measurement. The company was originally founded by Arthur C. Nielsen, Sr., who invented the approach to measure sales and performance using the concept of 'market share'. Nielsen operates in two reporting segments: Watch (which provides television ratings) and Buy (which provides research on consumer behavior). Revenue is roughly equally split between each business unit. Nielsen was taken private in May 2006 by a consortium of private equity firms, and later was listed in the public markets through an IPO in January of 2011. Today, shares trade on the New York Stock Exchange with a market capitalization of \$9.3 billion.

In late July, Nielsen reported (7/26/18) financial results for the second quarter of fiscal 2018. In the quarter, the company's revenue declined by 0.2%, or 0.7% on a constant-currency basis. Earnings-per-share of \$0.20 fell precipitously from the \$0.37 per share reported in the same period a year ago. The company's poor financial results were driven by declining revenue in the Buy segment as well as higher restructuring charges, retailer investments, and "other growth initiatives." More specifically, the company noted that "the restructuring charges reflect our continuing efforts to rightsize the business, the current market realities, and acceleration of our cost-out initiatives."

More recently, Nielsen announced (9/5/18) that it had hired David J. Anderson as its new Chief Financial Officer, effective September 10<sup>th</sup>. From 2003 to 2014, Anderson had served as the Senior Vice President and Chief Financial Officer of Honeywell International, a tenure that saw Honeywell's revenues nearly double, its margins expand by 600 basis points, and its cash flow grow threefold. Nielsen's prior CFO is leaving the company to pursue an outside opportunity.

Shortly after that, Nielsen announced (9/12/18) an expanded review of strategic alternatives that "includes an assessment of a broad range of options, including continuing to operate as a public, independent company; a separation of either Nielsen's Buy or Watch segment; or a sale of the company." This comes amid pressure from activist investor Elliot Management Corporation, who has an 8% stake in Nielsen and wants the firm to take the business private. When the firm originally announced the strategic review in July, shares rose in price by 10%.

Looking ahead, Nielsen is scheduled to report third quarter financial results on Thursday, October 25<sup>th</sup>, 2018. We will be reading the release closely and reporting any material developments back to you.

## Growth on a Per-Share Basis

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2023
<b>EPS</b>	N/A	N/A	N/A	\$1.61	\$1.87	\$2.08	\$2.52	\$2.63	\$1.39	\$1.20	<b>\$1.00</b>	<b>\$1.55</b>
<b>DPS</b>	N/A	N/A	N/A	N/A	N/A	\$0.72	\$1.00	\$1.09	\$1.21	\$1.33	<b>\$1.35</b>	<b>\$1.45</b>
<b>Shares</b>	N/A	N/A	N/A	359.7	362.5	378.9	371.3	362.3	357.5	356.0	<b>355.0</b>	<b>335.0</b>

Nielsen Holdings has failed to generate meaningful earnings-per-share growth since its IPO in 2011. In fact, 2017's earnings were actually lower than the company's first year as a public company. We expect Nielsen's performance to continue deteriorating in 2017, with a turnaround allowing it to rebound to near its prior earnings power over the next 5 years.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Nielsen Holdings plc (NLSN)

Updated October 15<sup>th</sup>, 2018 by Nick McCullum

## Valuation Analysis

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Now	2023
Avg. P/E	N/A	N/A	N/A	17.8	15.4	17.3	18.0	17.3	35.9	33.5	26.5	17.0
Avg. Yld.	N/A	N/A	N/A	N/A	N/A	2.0%	2.2%	2.4%	2.4%	3.3%	5.3%	5.5%

Using our 2018 earnings-per-share estimate of \$1.00, Nielsen is currently trading at a price-to-earnings ratio of 26.5. This valuation is far too high for a company like Nielsen that is experiencing notable operational difficulties. Because of this, we expect valuation contraction will have a meaningful negative impact on the company's total returns moving forward. If the company's valuation reverts to a price-to-earnings ratio of 17 over the next 5 years, this will reduce its total returns by 8.5% per year during this time period.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

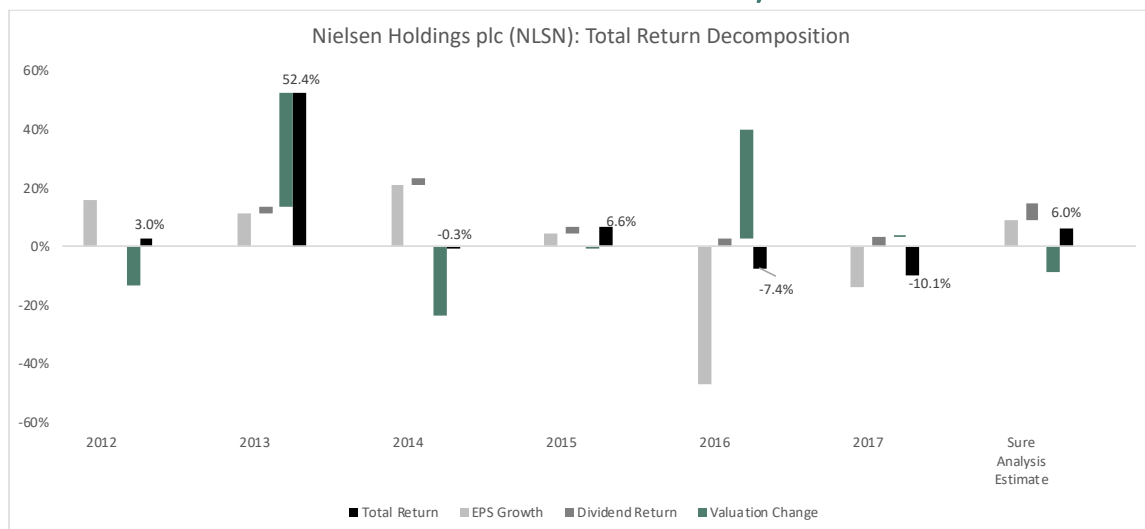
Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2024
GP/A	18.2%	19.1%	20.8%	21.6%	21.8%	21.3%	23.9%	23.7%	23.5%	22.6%	22.5%	22.5%
Debt/A	86.7%	80.7%	79.9%	68.0%	65.9%	62.6%	66.5%	69.8%	72.7%	73.7%	72.5%	67.5%
Int. Cov.	0.6	0.1	1.2	1.2	1.9	2.7	3.1	4.1	3.5	3.2	3.25	3.75
Payout	N/A	N/A	N/A	N/A	N/A	34.6%	39.7%	41.4%	87.1%	111%	135%	93.5%
Std. Dev.	N/A	N/A	N/A	22.6%	19.2%	16.0%	17.1%	11.9%	23.1%	19.6%	22.0%	22.0%

Nielsen clearly made an effort to deleverage its balance sheet in the years following its initial public offering. With that said, several of its other quality metrics have deteriorated in recent years. The company's current dividend payment is higher than its annual earnings, and its stock price standard deviation is higher than the average in our investment universe. In addition, Nielsen earns a D rating for Dividend Safety due to its high payout ratio and short dividend history.

## Final Thoughts & Recommendation

Nielsen Holdings is currently going through a period of significant business change, and management is considering strategic alternatives as a result. In addition, the company is priced to deliver total returns that are just in the mid-single-digits. For these reasons, Nielsen fails to earn a buy recommendation from Sure Dividend at current prices. For retirees, the company earns a D rating for Retirement Suitability due to its similarly poor marks for Dividend Safety.

## Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Nielsen Holdings plc (NLSN)

Updated October 15<sup>th</sup>, 2018 by Nick McCullum

## Income Statement Metrics

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenue</b>	4806	4808	5126	5328	5407	5703	6288	6172	6309	6572
<b>Gross Profit</b>	2749	2785	2997	3140	3182	3305	3668	3633	3702	3807
<b>Gross Margin</b>	57.2%	57.9%	58.5%	58.9%	58.8%	58.0%	58.3%	58.9%	58.7%	57.9%
<b>SG&amp;A Expense</b>	1616	1523	1648	1829	1724	1815	1917	1915	1851	1862
<b>D&amp;A Expense</b>	504	562	558	529	520	521	573	574	603	640
<b>Operating Profit</b>	634	705	791	809	965	980	1178	1144	1248	1305
<b>Operating Margin</b>	13.2%	14.7%	15.4%	15.2%	17.8%	17.2%	18.7%	18.5%	19.8%	19.9%
<b>Net Profit</b>	-589	-491	130	84	273	740	384	570	502	429
<b>Net Margin</b>	-12%	-10.2%	2.5%	1.6%	5.0%	13.0%	6.1%	9.2%	8.0%	6.5%
<b>Free Cash Flow</b>	-53	235	209	274	426	527	681	801	863	821
<b>Income Taxes</b>	36	-197	-46	6	122	91	236	383	309	388

## Balance Sheet Metrics

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Total Assets</b>	15.1	14.6	14.4	14.5	14.6	15.5	15.3	15.3	15.7	16.9
<b>Cash &amp; Equivalents</b>	0.5	0.5	0.4	0.3	0.3	0.6	0.3	0.4	0.8	0.7
<b>PP&amp;E</b>	0.9	1.0	1.2	1.3	1.3	1.3	1.4	1.3	1.3	1.5
<b>Goodwill &amp; Int. Ass.</b>	12.3	11.8	11.7	11.7	11.9	12.5	12.4	12.6	12.6	13.6
<b>Total Liabilities</b>	13.1	11.8	11.5	9.9	9.6	9.7	10.2	10.7	11.4	12.4
<b>Accounts Payable</b>	1.0	1.0	1.0	0.2	0.2	0.1	0.2	0.2	0.2	0.3
<b>Long-Term Debt</b>	9.4	8.7	8.6	6.8	6.6	6.6	6.8	7.3	7.9	8.4
<b>Shareholders' Equity</b>	2.0	2.8	2.9	4.6	4.9	5.7	5.1	4.4	4.1	4.2
<b>D/E Ratio</b>	4.7	3.1	3.0	1.5	1.3	1.2	1.3	1.7	1.9	2.0

## Profitability Metrics

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Return on Assets</b>	N/A	-3.3%	0.9%	0.6%	1.9%	4.9%	2.5%	3.7%	3.2%	2.6%
<b>Return on Equity</b>	N/A	-20.5%	4.6%	2.2%	5.7%	13.9%	7.1%	12.0%	11.8%	10.3%
<b>ROIC</b>	N/A	-4.3%	1.1%	0.7%	2.4%	6.2%	3.1%	4.8%	4.2%	3.4%

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.