



Nielsen Holdings plc (NLSN)

Updated March 1st, 2019 by Jonathan Weber

Key Metrics

Current Price:	\$26	5 Year CAGR Estimate:	11.0%	Volatility Percentile:	69.5%
Fair Value Price:	\$29	5 Year Growth Estimate:	3.5%	Momentum Percentile:	18.2%
% Fair Value:	90%	5 Year Valuation Multiple Estimate:	2.0%	Growth Percentile:	19.0%
Dividend Yield:	5.5%	5 Year Price Target	\$34	Valuation Percentile:	63.6%
Dividend Risk Score:	F	Retirement Suitability Score:	D	Total Return Percentile:	59.6%

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 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 the two business units. 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. Nielsen's shares trade with a market capitalization of \$9.3 billion.

Nielsen reported its fourth quarter and full year earnings results on February 27. The company reported that its revenues totaled \$1.66 billion during the fourth quarter, which was 5.7% less than the revenues that the company generated during the previous year's quarter. Nielsen nevertheless was able to beat the analyst consensus for its top line, as analysts had forecasted an even larger decline. Currency rate changes had a substantial negative impact on Nielsen; at constant currencies Nielsen's revenues would have declined by just 0.7% year over year.

Nielsen reported a net loss of \$2.68 per share, but that was due to an impairment charge of \$1.4 billion. Adjusted for that, Nielsen was profitable, and its earnings-per-share would have totaled \$0.28 during the fourth quarter, which was up from \$0.23 during the previous year's quarter. Nielsen continued to generate solid cash flows, as its free cash flows totaled \$542 million during fiscal 2018, for a free cash flow yield of close to 6% relative to the current market capitalization. Nielsen expects revenues to grow by ~1% during fiscal 2019, and the company forecasts earnings-per-share in a range of \$1.63 to \$1.77 on top of that, which would represent a substantial increase versus 2018. Free cash flows are expected at \$525 million to \$575 million, which would be marginally higher than during 2018.

Growth on a Per-Share Basis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
EPS	N/A	N/A	\$1.61	\$1.87	\$2.08	\$2.52	\$2.63	\$1.39	\$1.20	\$0.96	\$1.70	\$2.02
DPS	N/A	N/A	N/A	N/A	\$0.72	\$1.00	\$1.09	\$1.21	\$1.33	\$1.39	\$1.43	\$1.65
Shares	N/A	N/A	360	363	379	371	362	358	356	355	353	345

Nielsen only went public in 2011 after going private in 2006. Therefore, there is no data on how Nielsen has performed in the long run, especially during the years of the financial crisis. Since its IPO, Nielsen has not been able to grow consistently; the company's earnings-per-share grew at an attractive pace between 2011 and 2016 before falling for three years in a row. Management expects earnings-per-share will rise substantially during the current year, but even if the guidance holds true, Nielsen will only be marginally more profitable than during the year of its IPO 8 years earlier.

Nielsen has been negatively impacted by adverse currency rate movements during the recent past, but if the dollar has stabilized versus other currencies and does not get stronger in the coming years, that key headwind will vanish. Nielsen is not active in a high-growth business, which is why investors should not expect overly high revenue growth rates even if currency rates cease to be a headwind. Management forecasts low-single-digit revenue growth during the current year. Nielsen should be able to grow its margins slightly going forward though, and it has reduced its share count relatively consistently since 2013. In total we believe that Nielsen should be able to grow its earnings-per-share at a low-to-mid-single-digits rate going forward.

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.



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Valuation Analysis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Now	2024
Avg. P/E	N/A	N/A	17.8	15.4	17.3	18.0	17.3	35.9	33.5	24.0	15.3	17.0
Avg. Yld.	N/A	N/A	N/A	N/A	2.0%	2.2%	2.4%	2.4%	3.3%	6.1%	5.5%	4.8%

Nielsen trades at slightly more than 15 times this year's expected net earnings, using the midpoint of management's guidance. This is the lowest valuation in years, which is why shares look relatively cheap versus how Nielsen's stock was valued in the past. We believe that the 20+ price to earnings multiples from 2016-2018 were too high, and that Nielsen should trade at a high-teens price to earnings multiple, which provides some upside potential.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
Payout	N/A	N/A	N/A	N/A	34.6%	39.7%	41.4%	87.1%	111%	145%	84.1%	81.6%

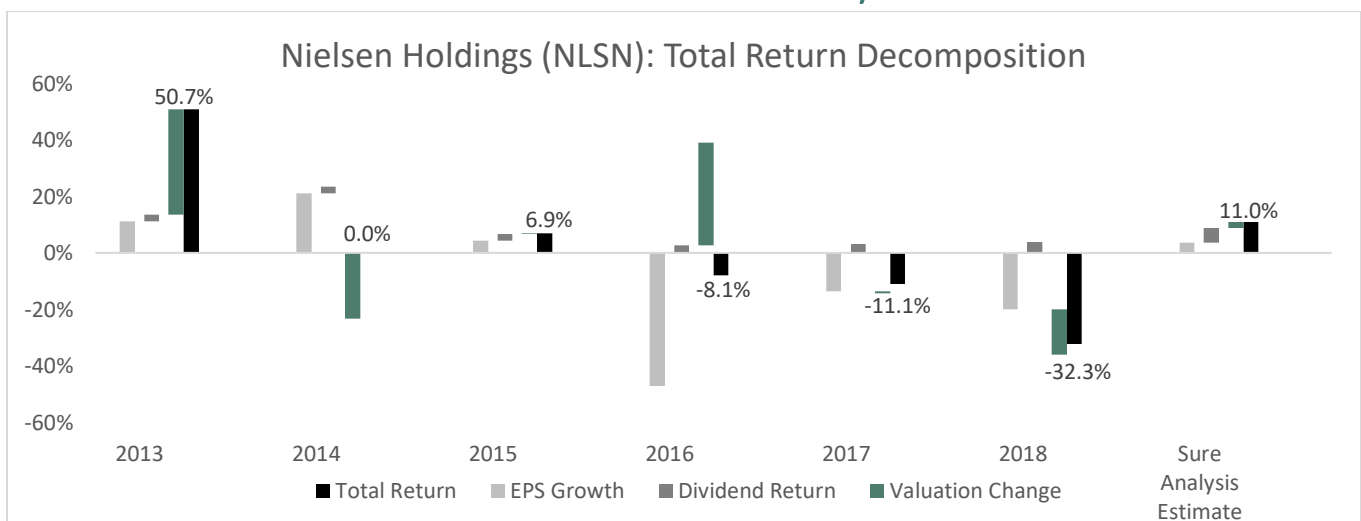
Nielsen's dividend history is not overly long, but since 2013 the company has paid regular dividends and has increased the payout consistently. During 2017 and 2018 Nielsen paid out more than its net earnings, but the dividend was still covered by the company's cash flows. Based on current forecasts Nielsen will pay out \$496 million of its free cash flows of ~\$550 million this year. During a steep economic downturn, Nielsen's dividend could easily get cut.

Nielsen is the global leader in its industry, which makes Nielsen relatively safe versus competition from other market research companies. The company has advantages in terms of scale and a presence in all relevant markets. Cord-cutting and the rise of TV alternatives such as Netflix is a long-term headwind for Nielsen's television rating business, though. Nielsen would likely see considerable declines in its profitability during a major economic downturn.

Final Thoughts & Recommendation

Nielsen is a leader in its industry, but unfortunately the company has not been able to capitalize on its scale advantage over the last couple of years, as profits during 2018 were the lowest since its IPO. This year looks like it will be a better year, but Nielsen will nevertheless not turn in high rates of growth. Investors get a relatively high dividend yield that could be in danger during a recession, though. We rate shares a hold due to the elevated risk of a dividend cut as well as uncertainty about the company's long-term prospects.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	4808	5126	5328	5407	5703	6288	6172	6309	6572	6515
Gross Profit	2785	2997	3140	3182	3305	3668	3633	3702	3807	3710
Gross Margin	57.9%	58.5%	58.9%	58.8%	58.0%	58.3%	58.9%	58.7%	57.9%	56.9%
SG&A Exp.	1523	1648	1829	1724	1815	1917	1915	1864	1873	1958
D&A Exp.	562	558	529	520	521	573	574	603	640	675
Operating Profit	705	791	809	965	980	1178	1144	1235	1294	1077
Op. Margin	14.7%	15.4%	15.2%	17.8%	17.2%	18.7%	18.5%	19.6%	19.7%	16.5%
Net Profit	-491	130	84	273	740	384	570	502	429	-712
Net Margin	-10.2%	2.5%	1.6%	5.0%	13.0%	6.1%	9.2%	8.0%	6.5%	-10.9%
Free Cash Flow	235	209	274	426	527	681	801	863	821	538
Income Tax	-197	-46	6	122	91	236	383	309	388	-182

Balance Sheet Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Assets	14600	14429	14504	14585	15530	15326	15303	15730	16866	15179
Cash & Equivalents	514	421	319	288	564	273	357	754	656	524
Acc. Receivable	N/A	N/A	1080	1110	1196	1241	1235	1171	1280	1118
Goodwill & Int.	11813	11703	11716	11907	12465	12386	12555	12581	13572	12011
Total Liabilities	11788	11533	9863	9607	9723	10193	10676	11437	12423	12136
Accounts Payable	1000	962	180	150	143	223	216	238	296	288
Long-Term Debt	8655	8558	6763	6584	6640	6812	7338	7926	8441	8387
Total Equity	2798	2887	4633	4930	5729	5056	4433	4102	4245	2847
D/E Ratio	3.09	2.96	1.46	1.34	1.16	1.35	1.66	1.93	1.99	2.95

Profitability & Per Share Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Return on Assets	-3.3%	0.9%	0.6%	1.9%	4.9%	2.5%	3.7%	3.2%	2.6%	-4.4%
Return on Equity	-20.5%	4.6%	2.2%	5.7%	13.9%	7.1%	12.0%	11.8%	10.3%	-20.1%
ROIC	-4.3%	1.1%	0.7%	2.4%	6.2%	3.1%	4.8%	4.2%	3.4%	-5.9%
Shares Out.	N/A	N/A	360	363	379	371	362	358	356	355
Revenue/Share	17.55	18.33	14.90	14.76	14.97	16.36	16.64	17.42	18.35	18.32
FCF/Share	0.86	0.75	0.77	1.16	1.38	1.77	2.16	2.38	2.29	1.51

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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