

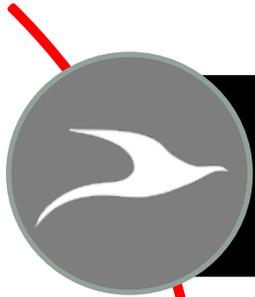


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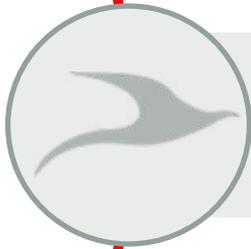
Presented by Steven Gorelik

Firebird U.S. Value

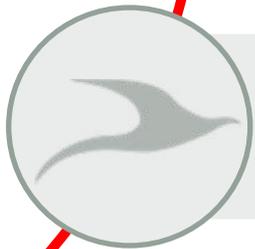




1. Firebird U.S. Value Investment Approach



2. Investing in Inflection Points



3. Nielsen Holdings PLC (NLSN)



# Firebird U.S. Value Investment Approach

## Quality

We invest in companies with strong moats

- What is the source of competitive advantage?
- What is the value proposition to all stakeholders?

## Value

Cash flow focus

- Look at how the company generates and uses its cash
- Consider value derived from actual returns to investors (dividends + buybacks)

## Growth

Business operating in a growing industry

- Essential in current market environment
- Helps avoid value traps



# Current Market Environment

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- In the last five years, Large Growth has outperformed Small Value by 10% per annum

3.0%

Source: Ken French Data Library, Firebird US Value Advisors Research

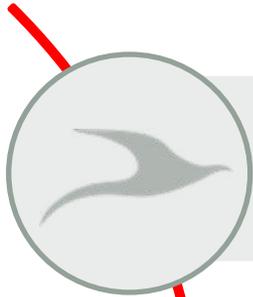


- Average Outperformance of Small Value over Large Growth following a period when Small Value underperformed by 5%+

16.2%

Source: Ken French Data Library, Firebird US Value Advisors Research

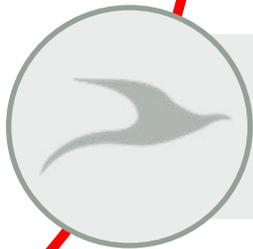




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2. Investing in Inflection Points

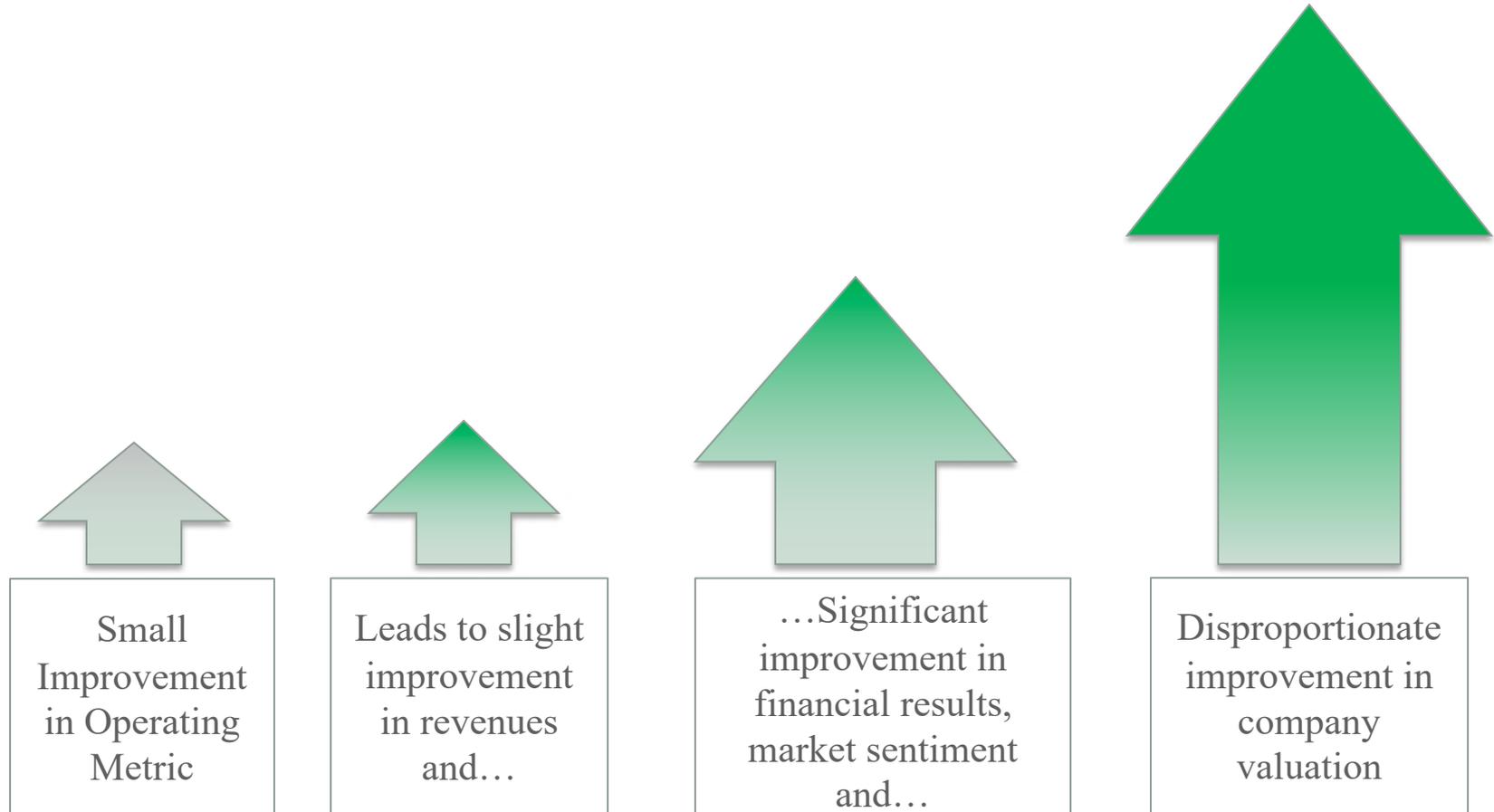


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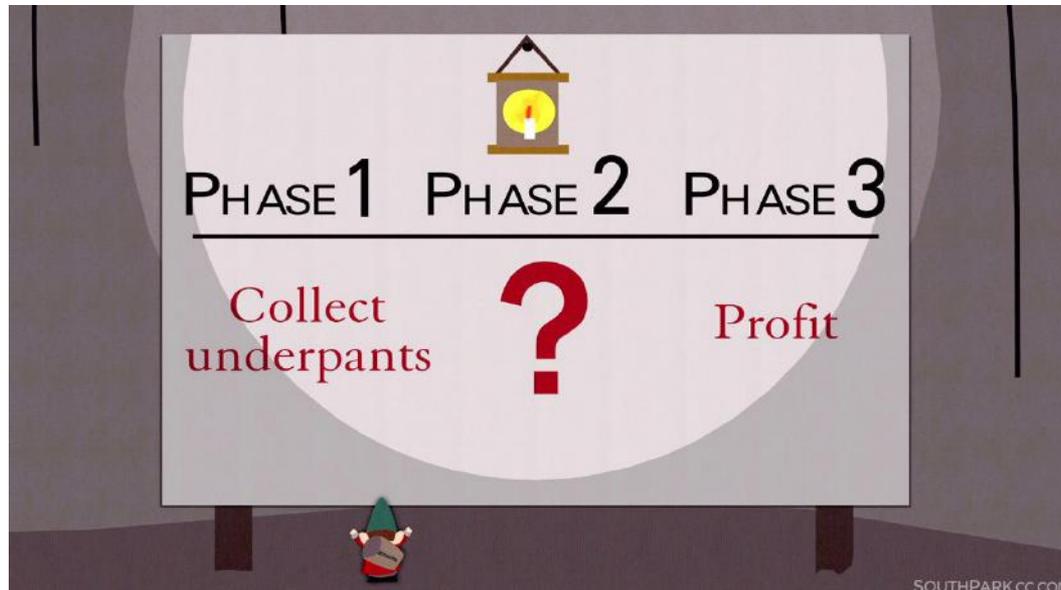
# Why do Inflection Points Matter?

- “Inflection Point” is a small improvement in an operating metric that was previously causing a drag on company’s financial performance and market perception



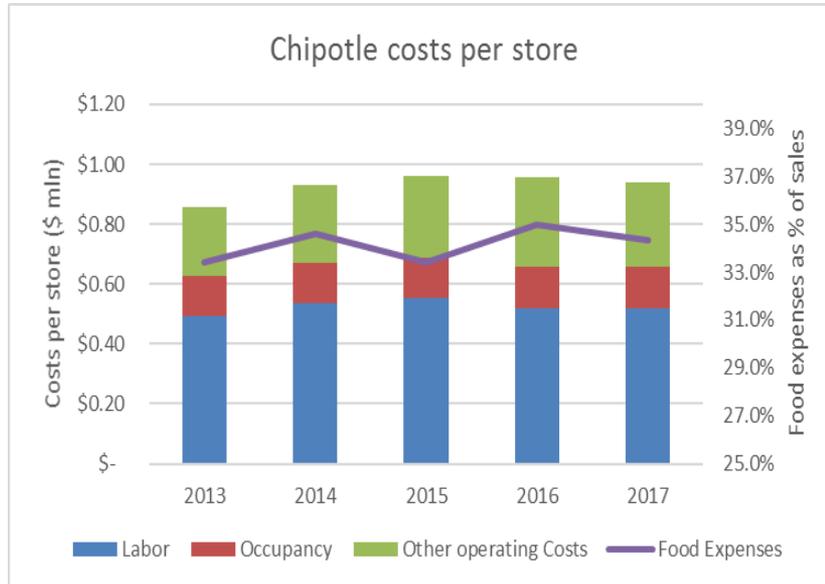
# How to identify an inflection point?

- Identify the key set of operating statistics that are driving company performance
- Evaluate impact of change in operating statistic on financial performance
  - Variable vs. fixed costs
- Use sell side and reverse models to understand market sentiment



# Examples of inflection points – Chipotle (CMG)

- Inflection point – Same store sales recovery after food quality scandals in 2016
  - Only food expenses were truly variable – \$1 change in sales = \$0.65c in contribution margin
  - Market was projecting recovery in sales but underestimated recovery in profit margins
- In 4 years, sales grew by 50% while EBITDA increased 6x and the stock is up 8x



Source: Corp filings, Firebird U.S. Value Advisors research



Source: Bloomberg

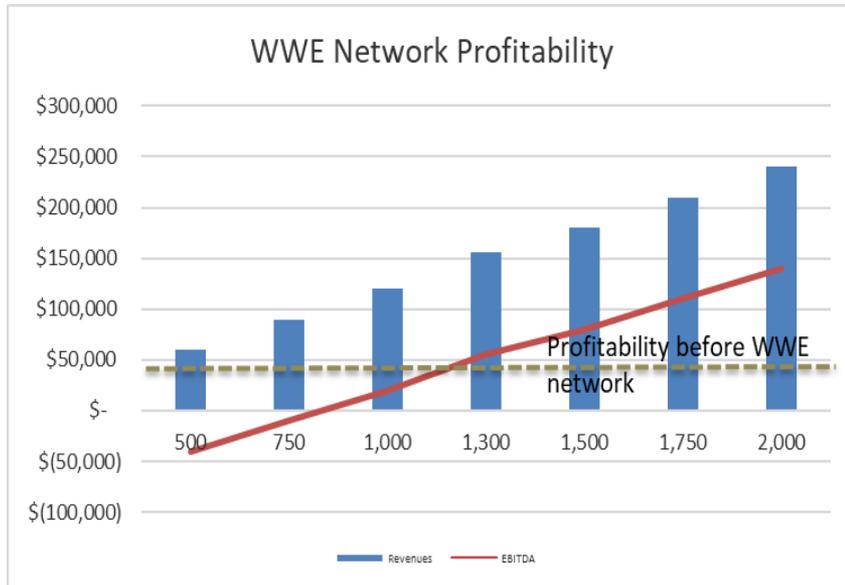


# Examples of inflection points – World Wrestling Entertainment (WWE)

## ➤ Inflection point –WWE Network subscriptions

- WWE network was replacing the cash cow of PPV subscriptions – needed to reach 1.3m subscribers to replace lost EBITDA for PPV
- Network costs were largely fixed at \$100m per annum with each additional subscription dollar falling directly to bottom line

## ➤ WWE rerated when it became clear that network will reach profitability and again when subscriber growth accelerated in 2018



Source: Corp filings, Firebird U.S. Value Advisors research

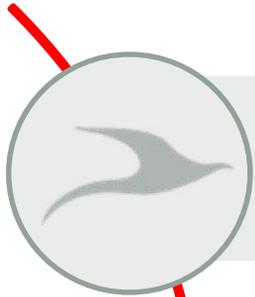


Source: Bloomberg

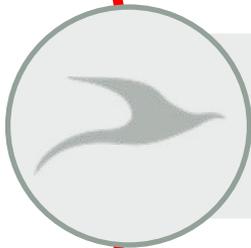


- Is The Underlying Demand For Product Growing?
- Is The Market Sentiment Negative Due To Poor Recent Trends?
- Does the Company Have Significant Fixed Costs?
- Is there a Catalyst leading to change in Sentiment?





1. Firebird U.S. Value Investment Approach



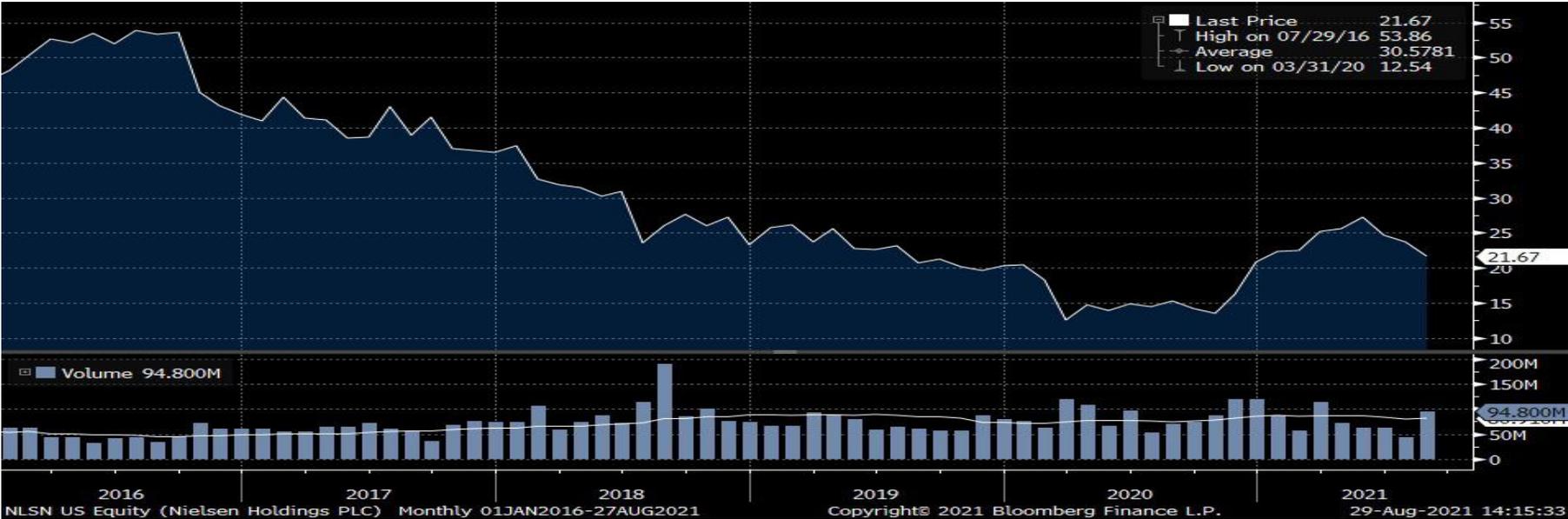
2. Investing in Inflection Points



3. Nielsen Holdings, PLC (NLSN)

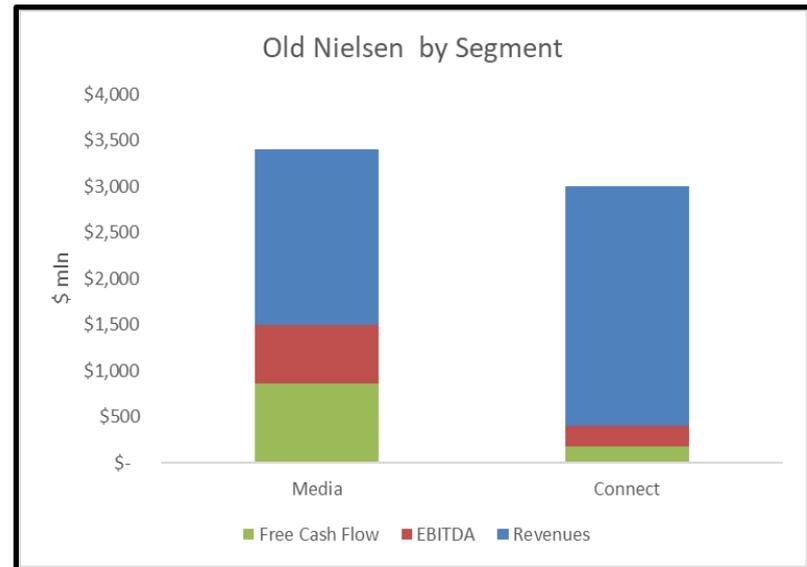
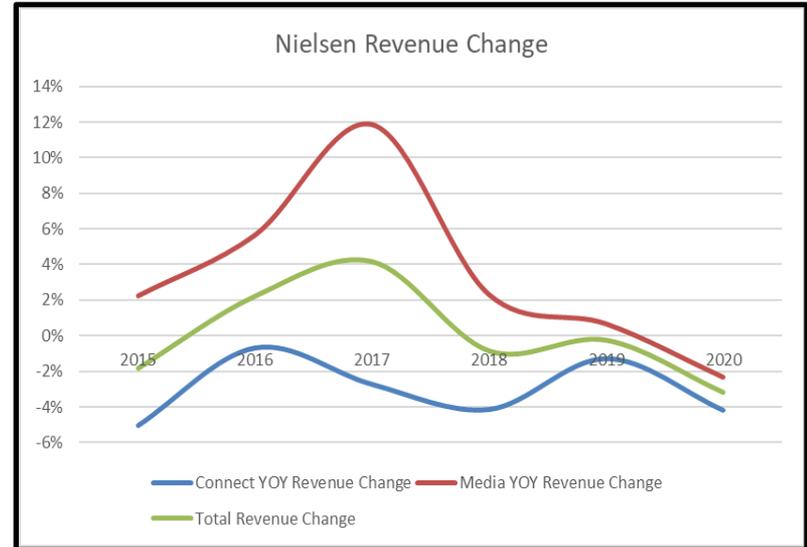


- Ticker – NLSN - \$7.8B market cap, \$13.6B EV, ADTV \$75M
- Established standard for measurement of media audiences
- Sale of shrinking consumer goods measurement business creates an inflection point



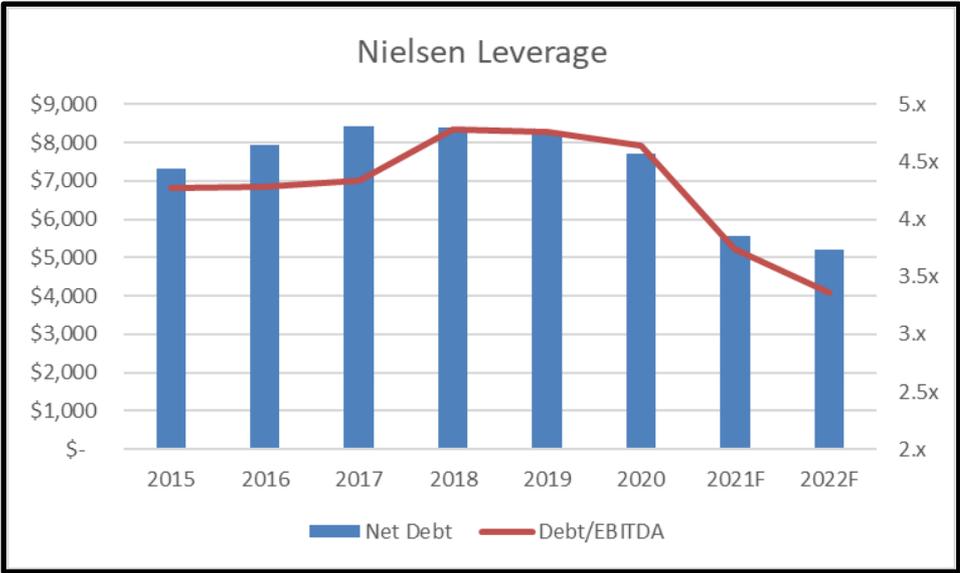
# Nielsen Holdings (NLSN) – Sale of CPG oriented business

- Nielsen Connect is a market analytics business working with CPG companies
- Traditional CPG brands are increasingly challenged by store and direct to consumer brands
- Nielsen Connect is less profitable than audience measurement and has been declining since 2017
- Nielsen Connect was sold to Advent for \$2.7 billion – 6x EV/EBITDA, 15x FCF in April 2021
- Proceeds were used to pay down debt bringing Nielsen Leverage down to 3.6x



# New Nielsen – Leverage

- Nielsen was listed in 2011 after a period of ownership by a consortium of private equity firms
- Since the listing company operated with leverage of 4 to 6x debt/EBITDA
- Most of the proceeds from sale of Connect are going towards paying down debt. Leverage at the end of Q2 2021 was 3.7x – close to the long-term target of 3 to 3.5x



# New Nielsen – Management

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- Most of the top management has changed over in the last three years
- David Kenny – CEO since December 2018 – ex-IBM Watson, founder of digital advertising agency Digitas.
- Linda Zukauckas – CFO since February 2020 – ex-American Express
- Management is Incentivized primarily on Revenue Growth Rate and Free Cash Flow generation
  - Free Cash Flow metric has been given an increased weight in compensation in 2021



# New Nielsen

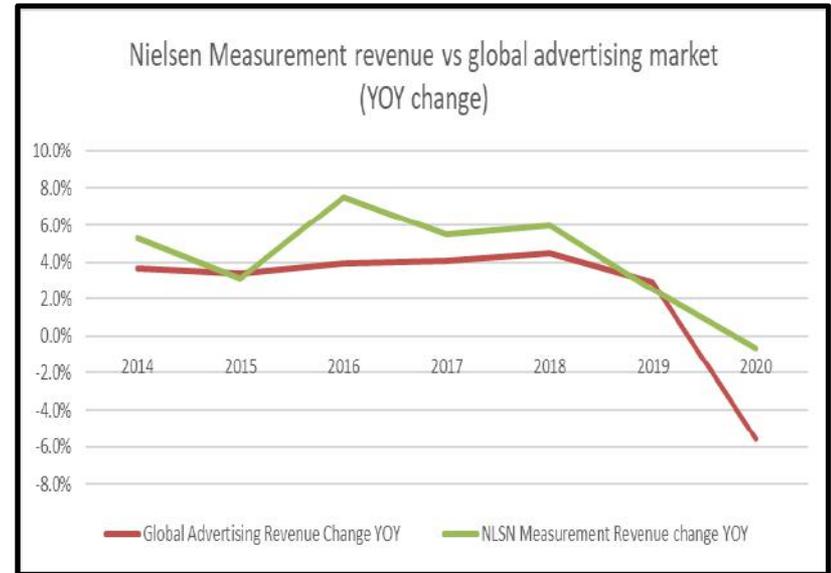
- 80% of Revenue is recurring and is tied to its role as the currency for \$600B+ Global TV advertising market

	AUDIENCE MEASUREMENT	AUDIENCE OUTCOMES	GRACENOTE CONTENT SERVICES
AT A GLANCE	<p><b>Measures viewing and listening of ads and content</b></p> <p><i>How many people viewed my video content?</i></p> <p><i>Who did my ad campaign reach?</i></p>	<p><b>Connects viewing/listening of advertising to consumer outcomes</b></p> <p><i>How many people who saw/heard my ad made a purchase?</i></p> <p><i>How can I maximize the effectiveness of my marketing spend?</i></p>	<p><b>Enables audience discovery of content and drives key business decisioning around content</b></p> <p><i>Where is my content being played?</i></p> <p><i>How do I ensure my content is distributed as profitably as possible and help viewers find it?</i></p>
WHAT MAKES NIELSEN UNIQUE	<p><b>Currency</b> for transactions in the advertising market</p> <p><b>Global, Independent Measurement</b></p> <p><b>Scientific Panels + Big Data</b></p> <p><b>Deduplication</b></p>	<p><b>Scaled Analytics</b> linked to Nielsen measurement data</p> <p><b>End-to-end Solutions</b> spanning planning through measurement</p>	<p><b>Global Premier Entertainment Data Set</b> across video, music and sports</p> <p>Industry leading <b>Content Tracking and Analytics</b></p> <p><b>Gracenote ID</b> as the common identifier</p>
KEY CLIENT GROUPS	<p><b>Cross-Media Video Companies</b></p> <p><b>Audio Companies</b></p>	<p><b>Digital Ad Giants</b></p> <p><b>Streaming Providers</b></p> <p><b>MVPDs</b></p>	<p><b>Advertisers/ Agencies</b></p> <p><b>Content Creators</b></p> <p><b>Media Companies</b> Production companies, Studios, Talent agencies, Networks</p> <p><b>Manufacturers</b> Consumer electronics, Automotive</p> <p><b>Distributors</b> Broadcasters, MVPDs, digital platforms</p>



# New Nielsen – The Inflection Point

- Media Measurement business growth is linked to global advertising spend
- Remaining businesses are participating in markets with TAM growing in mid to high single digits
- Nielsen is uniquely positioned to navigate the shift from linear to VOD viewing



	AUDIENCE MEASUREMENT	AUDIENCE OUTCOMES	GRACENOTE CONTENT SERVICES
Nielsen Revenue % of Total (2020E)	73%	20%	7%
Total Addressable Market (TAM)	\$4.5B	\$4.0B	\$1.1B
TAM Medium-Term Growth Rate	3-6%	6-10%	6-10%
Nielsen Medium-Term Growth Rate	Low-to-Mid Single Digits	Mid-to-High Single Digits	Mid-to-High Single Digits



# New Nielsen – Shift to SVOD

## [Why Have TV Networks Turned Against Nielsen Ratings?](#)

Jul 28, 2021 — In its **complaint**, the VAB suggested that **Nielsen** hadn't maintained the measurement technology in the "panelist" households that participate in ...

- Shift of viewership to VOD creates a significant disruption to traditional audience measurement methods
- Media partners are complaining about mismeasurement of audiences creating negative headlines
- Nielsen is creating new OneNielsen ID designed to measure both linear and VOD audiences
  - Nielsen is using combination of audience panels and partnerships with VOD device providers (ROKU, Vizio, etc)
  - Will be ready by end of 2022 and is expected to replace Nielsen points by 2024

The challenges that Nielsen is facing shows how difficult it is to replace existing standard



# Inflection Point Checklist

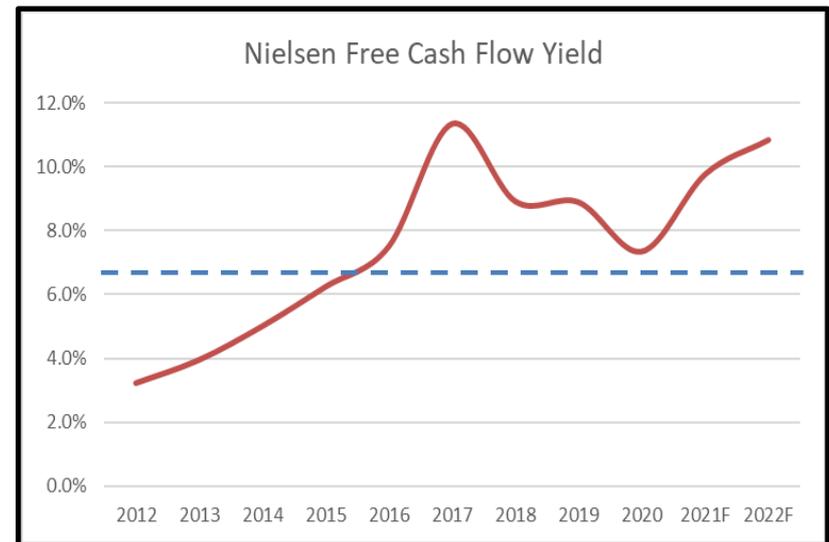
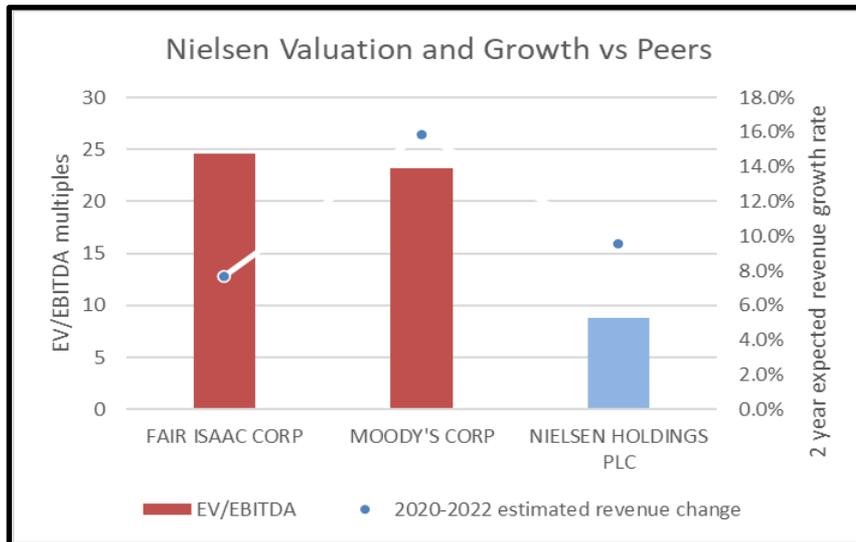
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- ✓ Is The Underlying Demand For Product Growing?
  - ✓ Yes – together with advertising market
- ✓ Is The Market Sentiment Negative Due To Poor Recent Trends?
  - ✓ Yes – market is concerned about Nielsen’s ability to measure audiences shifting to video on demand
- ✓ Does the Company Have Significant Fixed Costs?
  - ✓ Yes – most of the costs are not directly linked to revenue generation. Revenue growth to drive 150bps margin increase.
- ✓ Is there a Catalyst leading to change in Sentiment?
  - ✓ Yes – sale of Connect business



# Valuation

- Currently trading at over 7% Free Cash flow yield
- Management is targeting \$800m of free cash flow by 2023 – 10%+ yield to current market cap – 3x that of the S&P 500
- Other companies with similar business models are trading at 3x the EV/EBITDA multiple

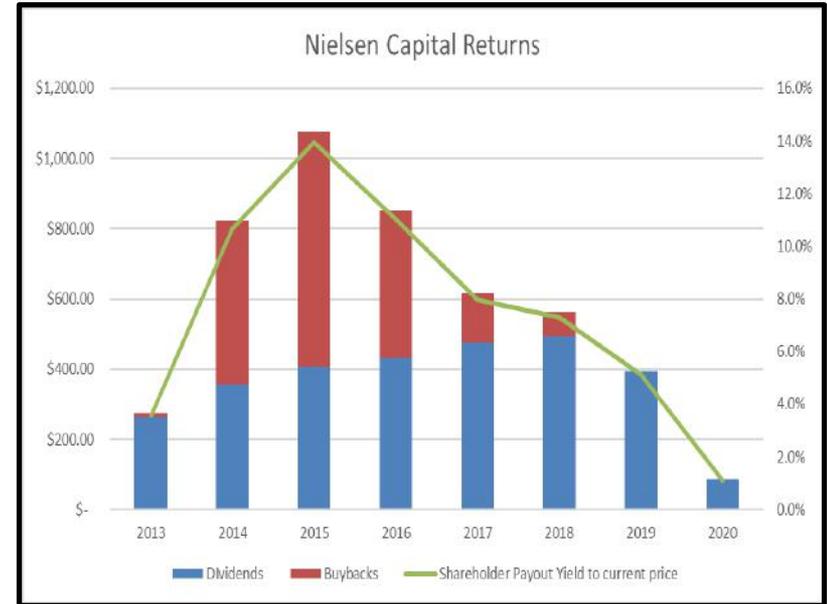


Source: Bloomberg, Company Filings, Firebird US Value Advisors calculations



# Capital Allocation

- Historically Nielsen has paid out most of the free cash flow generated in dividends and buybacks.
- Returned over \$4.5B – 60% of current market cap since 2012
- Low capital intensity allows for 50% EBITDA to FCF conversion



- Management compensation is largely tied to capital efficient growth
- Will be in position to restart buybacks by end of the year when leverage comes down to 3 – 3.5x target range

Source: Company Filings, Firebird US Value Advisors calculations



# Valuation & IRR

- Nielsen is trading at 8.8x EV/EBITDA and 9% 2021 FCF estimate
- Current valuation is 1/3 of peer level
- At half of peer EV/EBITDA multiples Nielsen investment should generate 30%+ IRR\* over 4 year holding period

Total Return	2021	2022	2023	2024	2025
Outflow	(20.98)				
Dividend	0.33	0.53	0.77	0.83	0.90
Exit Price					60.67
Total CF	(20.65)	0.53	0.77	0.83	61.57
IRR	33.3%				

\* Assuming annual revenue growth of 4% and EV/EBITDA multiple of 13.9x



# Summary & Contact

- Deeply entrenched incumbent data provider for media advertising industry
- Best positioned to navigate the challenging shift to video on demand viewing
- Sale of declining business transformed the business into highly profitable growing company with mostly recurring revenues
- Trading at 1/3 of the peer multiples
- Estimated IRR of 30%+ on 3-4 year time horizon



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