



Nielsen Holdings plc (NLSN)

Updated March 5th, 2020 by Jonathan Weber

Key Metrics

Current Price:	\$17	5 Year CAGR Estimate:	9.2%	Market Cap:	\$6.1 B
Fair Value Price:	\$22	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	03/06/20
% Fair Value:	79%	5 Year Valuation Multiple Estimate:	4.9%	Dividend Payment Date:	03/19/20
Dividend Yield:	1.4%	5 Year Price Target	\$25	Years Of Dividend Growth:	0
Dividend Risk Score:	D	Retirement Suitability Score:	B	Last Dividend Increase:	-

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 reported its fourth quarter earnings results on February 27. The company announced that its revenues totaled \$1.69 billion during the quarter, which was 1.8% more than the revenues the company generated during the previous year's quarter. Revenues were ahead of what the analyst community had forecasted by \$10 million.

Nielsen reported earnings-per-share of \$0.41 for the fourth quarter, which was in line with what the analyst community had expected. During all of 2019, Nielsen managed to generate earnings-per-share of \$1.80, which was perfectly in line with the guidance that the company had given earlier. For fiscal 2020, Nielsen forecasts that its revenues will come in around \$6.6 billion, which is slightly ahead of what the analyst community had expected. On top of that, Nielsen forecasts that its earnings-per-share should come in at a range of \$1.67 to \$1.80 during the current year, which represents a small earnings decline versus 2019, using the midpoint of the guidance range.

Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
EPS	---	\$1.61	\$1.87	\$2.08	\$2.52	\$2.63	\$1.39	\$1.20	\$0.96	\$1.80	\$1.73	\$2.01
DPS	---	---	---	\$0.72	\$1.00	\$1.09	\$1.21	\$1.33	\$1.39	\$1.11	\$0.24	\$0.30
Shares¹	---	360	363	379	371	362	358	356	355	356	357	360

Nielsen only went public in 2011, following a go-private deal in 2006. Therefore, there is no data on how Nielsen has performed 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 2015, before falling for three years in a row. Management expects earnings-per-share will decline slightly during the current year, if the guidance holds true, Nielsen will only be marginally more profitable than during the year of its IPO 9 years ago.

Nielsen has been negatively impacted by adverse currency rate movements during the recent past. Once the currency rate headwind vanishes, Nielsen's reported top line growth should improve. Nielsen is not active in a high-growth business, which is why investors should not expect overly high revenue growth rates, though, even when currency rates cease to be a headwind. Management believes that the company's growth will improve once the company has split into two separate entities, the dividend cut frees up cash that can be invested in growth initiatives.

Following a year of strong growth in 2019, 2020 will likely be a less successful year for Nielsen, although we believe that some earnings growth should be achievable in the long run.

¹ In Millions

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
Avg. P/E	---	17.8	15.4	17.3	18.0	17.3	35.9	33.5	24.0	11.1	9.8	12.5
Avg. Yld.	---	---	---	2.0%	2.2%	2.4%	2.4%	3.3%	6.1%	5.6%	1.4%	1.2%

Nielsen trades at close to 10 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 far too high, but we still see meaningful upside potential towards an earnings multiple in the 12-13 range.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	---	---	---	34.6%	39.7%	41.4%	87.1%	111%	145%	61.7%	13.9%	14.9%

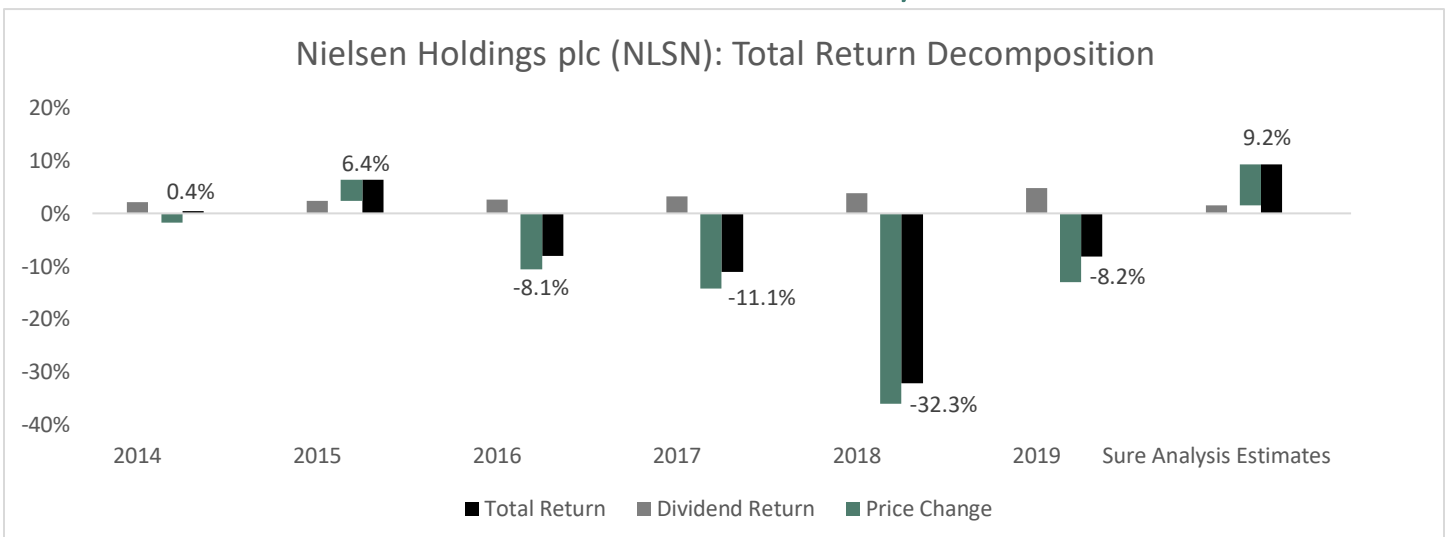
Nielsen's dividend history is not overly long, but since 2013 the company had paid dividends regularly while also increasing its payout for several years in a row. Following the decision to cut its dividend to just \$0.06, the stock is no longer interesting for income-focused investors. Management explains that the dividend cut was based on a decision to improve balance sheet strength and to allow for higher growth investment spending.

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 benefits from 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. Nielsen would likely see considerable declines in its profitability during a major economic downturn.

Final Thoughts & Recommendation

Nielsen is an industry leader, but unfortunately the company has not been able to capitalize on its scale advantage over the last couple of years, as profitability remains well below peak levels. 2019 was a stronger year, but Nielsen will most likely not turn in high rates of growth in the future. Following the recent dividend cut, Nielsen is not attractive for income investors any longer. Shares promise solid total returns, but forecasted returns are not high enough to make us rate Nielsen a buy. At current prices, Sure Dividend rates Nielsen a hold, due to its unconvincing track record.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	5,126	5,328	5,407	5,703	6,288	6,172	6,309	6,572	6,515	6,498
Gross Profit	2,997	3,140	3,182	3,305	3,668	3,633	3,702	3,807	3,710	3,676
Gross Margin	58.5%	58.9%	58.8%	58.0%	58.3%	58.9%	58.7%	57.9%	56.9%	56.6%
SG&A Exp.	1,648	1,829	1,724	1,815	1,917	1,915	1,864	1,873	1,958	1,929
D&A Exp.	558	529	520	521	573	574	603	640	675	756
Operating Profit	791	809	965	980	1,178	1,144	1,235	1,294	1,077	991
Op. Margin	15.4%	15.2%	17.8%	17.2%	18.7%	18.5%	19.6%	19.7%	16.5%	15.3%
Net Profit	130	84	273	740	384	570	502	429	(712)	(415)
Net Margin	2.5%	1.6%	5.0%	13.0%	6.1%	9.2%	8.0%	6.5%	-10.9%	-6.4%
Free Cash Flow	209	274	426	527	681	801	863	821	538	547
Income Tax	(46)	6	122	91	236	383	309	388	(182)	(260)

Balance Sheet Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Assets	14,429	14,504	14,585	15,530	15,326	15,303	15,730	16,866	15,179	14,319
Cash & Equivalents	421	319	288	564	273	357	754	656	524	454
Acc. Receivable		1,080	1,110	1,196	1,241	1,235	1,171	1,280	1,118	1,103
Goodwill & Int.	11,703	11,716	11,907	12,465	12,386	12,555	12,581	13,572	12,011	10,874
Total Liabilities	11,533	9,863	9,607	9,723	10,193	10,676	11,437	12,423	12,136	11,931
Accounts Payable	962	180	150	143	223	216	238	296	288	230
Long-Term Debt	8,558	6,763	6,584	6,640	6,812	7,338	7,926	8,441	8,387	8,309
Total Equity	2,887	4,633	4,930	5,729	5,056	4,433	4,102	4,245	2,847	2,195
D/E Ratio	2.96	1.46	1.34	1.16	1.35	1.66	1.93	1.99	2.95	3.79

Profitability & Per Share Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Return on Assets	0.9%	0.6%	1.9%	4.9%	2.5%	3.7%	3.2%	2.6%	-4.4%	-2.8%
Return on Equity	4.6%	2.2%	5.7%	13.9%	7.1%	12.0%	11.8%	10.3%	-20.1%	-16.5%
ROIC	1.1%	0.7%	2.4%	6.2%	3.1%	4.8%	4.2%	3.4%	-5.9%	-3.8%
Shares Out.	---	360	363	379	371	362	358	356	355	356
Revenue/Share	18.33	14.90	14.76	14.97	16.36	16.64	17.42	18.35	18.32	18.27
FCF/Share	0.75	0.77	1.16	1.38	1.77	2.16	2.38	2.29	1.51	1.54

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

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