

Nielsen Holdings plc
Form 10-Q
April 26, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-35042

Nielsen Holdings plc

(Exact name of registrant as specified in its charter)

England and Wales	98-1225347
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
85 Broad Street	Nielsen House
New York, New York 10004	John Smith Drive
(646) 654-5000	Oxford

Edgar Filing: Nielsen Holdings plc - Form 10-Q

Oxfordshire, OX4 2WB

United Kingdom

+1 (646) 654-5000

(Address of principal executive offices) (Zip Code)

(Registrant's telephone numbers including area code)

London Road, Oxford, Oxfordshire, OX3 9RX

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a small reporting company) Small reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 356,225,426 shares of the registrant's Common Stock outstanding as of March 31, 2018.

Table of Contents

Contents

	PAGE
PART I. <u>FINANCIAL INFORMATION</u>	- 3 -
Item 1. <u>Condensed Consolidated Financial Statements</u>	- 3 -
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	- 28 -
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	- 41 -
Item 4. <u>Controls and Procedures</u>	- 41 -
PART II. <u>OTHER INFORMATION</u>	- 43 -
Item 1. <u>Legal Proceedings</u>	- 43 -
Item 1A. <u>Risk Factors</u>	- 43 -
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	- 43 -
Item 3. <u>Defaults Upon Senior Securities</u>	- 43 -
Item 4. <u>Mine Safety Disclosures</u>	- 43 -
Item 5. <u>Other Information</u>	- 43 -
Item 6. <u>Exhibits</u>	- 43 -
<u>Signatures</u>	- 45 -

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Nielsen Holdings plc

Condensed Consolidated Statements of Operations (Unaudited)

(IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)	Three Months Ended March 31,	
	2018	2017
Revenues	\$1,610	\$1,526
Cost of revenues, exclusive of depreciation and amortization shown separately below	719	661
Selling, general and administrative expenses, exclusive of depreciation and amortization		
shown separately below	493	473
Depreciation and amortization	167	155
Restructuring charges	24	32
Operating income	207	205
Interest income	2	1
Interest expense	(96)	(90)
Foreign currency exchange transaction losses, net	—	(2)
Other income, net	1	2
Income from continuing operations before income taxes	114	116
Provision for income taxes	(39)	(43)
Net income	75	73
Net income attributable to noncontrolling interests	3	2
Net income attributable to Nielsen stockholders	\$72	\$71
Net income per share of common stock, basic		
Net income attributable to Nielsen stockholders	\$0.20	\$0.20
Net income per share of common stock, diluted		
Net income attributable to Nielsen stockholders	\$0.20	\$0.20
Weighted-average shares of common stock outstanding, basic	356,460,561	357,399,749
Dilutive shares of common stock	813,254	1,655,219
Weighted-average shares of common stock outstanding, diluted	357,273,815	359,054,968
Dividends declared per common share	\$0.34	\$0.31

The accompanying notes are an integral part of these condensed consolidated financial statements.

Nielsen Holdings plc

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended March 31,	
(IN MILLIONS)	2018	2017
Net income	\$75	\$73
Other comprehensive income, net of tax		
Foreign currency translation adjustments ⁽¹⁾	41	75
Changes in the fair value of cash flow hedges ⁽²⁾	11	2
Defined benefit pension plan adjustments ⁽³⁾	4	3
Total other comprehensive income	56	80
Total comprehensive income	131	153
Less: comprehensive income attributable to noncontrolling interests	5	5
Total comprehensive income attributable to Nielsen stockholders	\$126	\$148

(1) Net of tax of \$3 million and \$2 million for the three months ended March 31, 2018 and 2017, respectively

(2) Net of tax of \$(4) million and \$(1) million for the three months ended March 31, 2018 and 2017, respectively

(3) Net of tax of \$(1) million for each of the three months ended March 31, 2018 and 2017

The accompanying notes are an integral part of these condensed consolidated financial statements.

Nielsen Holdings plc

Condensed Consolidated Balance Sheets

(IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)	March 31, 2018 (Unaudited)	December 31, 2017
Assets:		
Current assets		
Cash and cash equivalents	\$ 462	\$ 656
Trade and other receivables, net of allowances for doubtful accounts and sales		
returns of \$29 as of March 31, 2018 and December 31, 2017	1,374	1,280
Prepaid expenses and other current assets	428	346
Total current assets	2,264	2,282
Non-current assets		
Property, plant and equipment, net	468	482
Goodwill	8,524	8,495
Other intangible assets, net	5,082	5,077
Deferred tax assets	171	170
Other non-current assets	414	360
Total assets	\$ 16,923	\$ 16,866
Liabilities and equity:		
Current liabilities		
Accounts payable and other current liabilities	\$ 969	\$ 1,141
Deferred revenues	389	361
Income tax liabilities	121	111
Current portion of long-term debt, capital lease obligations and short-term borrowings	360	84
Total current liabilities	1,839	1,697
Non-current liabilities		
Long-term debt and capital lease obligations	8,286	8,357
Deferred tax liabilities	1,423	1,435
Other non-current liabilities	917	934
Total liabilities	12,465	12,423
Commitments and contingencies (Note 12)		
Equity:		
Nielsen stockholders' equity		
Common stock, €0.07 par value, 1,185,800,000 and 1,185,800,000 shares		
authorized; 356,225,677 and 355,956,031 shares issued and 356,225,426 and		
355,944,976 shares outstanding at March 31, 2018 and December 31, 2017,		
respectively	32	32
Additional paid-in capital	4,750	4,742
Retained earnings	362	411
Accumulated other comprehensive loss, net of income taxes	(886)	(940)
Total Nielsen stockholders' equity	4,258	4,245
Noncontrolling interests	200	198

Edgar Filing: Nielsen Holdings plc - Form 10-Q

Total equity	4,458	4,443
Total liabilities and equity	\$ 16,923	\$ 16,866

The accompanying notes are an integral part of these condensed consolidated financial statements.

- 5 -

Nielsen Holdings plc

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
(IN MILLIONS)	2018	2017
Operating Activities		
Net income	\$75	\$73
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	13	15
Depreciation and amortization	167	155
Changes in operating assets and liabilities, net of effect of businesses acquired and divested:		
Trade and other receivables, net	(110)	(53)
Prepaid expenses and other assets	(123)	(65)
Accounts payable and other current liabilities and deferred revenues	(179)	(131)
Other non-current liabilities	(2)	(1)
Interest payable	45	56
Income taxes	(3)	(9)
Net cash (used in)/provided by operating activities	(117)	40
Investing Activities		
Acquisition of subsidiaries and affiliates, net of cash acquired	(2)	(572)
Additions to property, plant and equipment and other assets	(26)	(17)
Additions to intangible assets	(102)	(97)
Other investing activities	(2)	—
Net cash used in investing activities	(132)	(686)
Financing Activities		
Net borrowings under revolving credit facility	195	—
Proceeds from issuances of debt, net of issuance costs	—	495
Repayment of debt	(8)	(6)
Decrease in other short-term borrowings	—	(5)
Cash dividends paid to stockholders	(121)	(111)
Repurchase of common stock	(20)	(42)
Proceeds from issuance of common stock	14	11
Proceeds from employee stock purchase plan	1	2
Capital leases	(19)	(12)
Other financing activities	(2)	(3)
Net cash provided by financing activities	40	329
Effect of exchange-rate changes on cash and cash equivalents	15	14
Net decrease in cash and cash equivalents	(194)	(303)
Cash and cash equivalents at beginning of period	656	754
Cash and cash equivalents at end of period	\$462	\$451
Supplemental Cash Flow Information		
Cash paid for income taxes	\$(42)	\$(52)
Cash paid for interest, net of amounts capitalized	\$(51)	\$(34)

The accompanying notes are an integral part of these condensed consolidated financial statements.

- 6 -

Nielsen Holdings plc

Notes to Condensed Consolidated Financial Statements

1. Background and Basis of Presentation

Background

Nielsen Holdings plc (“Nielsen” or the “Company”), together with its subsidiaries, is a leading global information and measurement company that provides clients with a comprehensive understanding of consumers and consumer behavior. Nielsen is aligned into two reporting segments: what consumers buy (“Buy”) and what consumers watch and listen to (“Watch”). Nielsen has a presence in more than 100 countries, with its registered office located in Oxford, the United Kingdom and headquarters located in New York, USA.

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited but, in the opinion of management, contain all the adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the Company’s financial position and the results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the U.S. (“U.S. GAAP”) applicable to interim periods. For a more complete discussion of significant accounting policies, commitments and contingencies and certain other information, refer to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017. All amounts are presented in U.S. Dollars (“\$”), except for share data or where expressly stated as being in other currencies, e.g., Euros (“€”). The condensed consolidated financial statements include the accounts of Nielsen and all subsidiaries and other controlled entities. The Company has evaluated events occurring subsequent to March 31, 2018 for potential recognition or disclosure in the condensed consolidated financial statements and concluded there were no subsequent events that required recognition or disclosure other than those provided.

Earnings per Share

Basic net income per share is computed using the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed using the weighted-average number of shares of common stock and dilutive potential shares of common stock outstanding during the period. Dilutive potential shares of common stock primarily consist of employee stock options and restricted stock.

The effect of 4,217,335 and 4,581,215 shares of common stock underlying outstanding equity awards under Nielsen’s stock compensation plans were excluded from the calculation of diluted earnings per share for the three months ended March 31, 2018 and 2017, respectively, as such shares would have been anti-dilutive.

Accounts Receivable

During the three months ended March 31, 2018, Nielsen sold \$30 million of accounts receivable to a third party and recorded an immaterial loss on the sale to interest expense, net in the condensed consolidated statement of operations. As of March 31, 2018 and December 31, 2017, \$31 million and \$110 million, respectively, remained outstanding. The sale was accounted for as a true sale, without recourse. Nielsen maintains servicing responsibilities for the receivables, for which the related costs are not significant. The proceeds of \$30 million from the sale were reported as a component of the changes in trade receivables, net within operating activities in the condensed consolidated statement of cash flows.

2. Summary of Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the FASB issued an Accounting Standards Update (“ASU”), “Revenue from Contracts with Customers.” The new revenue recognition standard provides a five step analysis of transactions to determine when and how revenue is recognized. The new model requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption if using the modified retrospective transition method. In addition, the new standard requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted this ASU effective January 1, 2018 using the modified retrospective transition method. Except for the required financial statement disclosures included in Note 3 to the condensed consolidated financial statements, there was no impact to the Company’s condensed consolidated financial statements.

- 7 -

Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

In March 2017, the FASB issued an ASU, “Compensation — Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,” which will change the presentation of net periodic benefit cost related to employer sponsored defined benefit plans and other postretirement benefits. Service cost will be included within the same income statement line item as other compensation costs arising from services rendered during the period, while other components of net periodic benefit pension cost will be presented separately outside of operating income. Additionally, only service costs may be capitalized in assets. This ASU is required to be applied retrospectively. As a result of the adoption of this ASU, the Company reclassified \$2 million from selling, general and administrative expenses to other income, net in its condensed consolidated statement of operations for the three months ended March 31, 2017.

Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets

In February 2017, the FASB issued an ASU, “Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets,” which clarifies the scope and application of ASC 610-20 on the sale or transfer of nonfinancial assets and in substance nonfinancial assets to noncustomers, including partial sales. It requires the application of certain recognition and measurement principles in ASC 606 when derecognizing nonfinancial assets and in substance nonfinancial assets, and the counterparty is not a customer. The Company adopted this ASU in the first quarter of 2018 and it did not have a material impact on the Company’s condensed consolidated financial statements.

Compensation- Stock Compensation

In May 2017, the FASB issued an ASU, Compensation- Stock Compensation (Topic 718), “Scope of Modification Accounting,” which amends the scope of modification accounting for share-based payment arrangements. The standard provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The Company adopted this ASU in the first quarter of 2018 and it did not have a material impact on the Company’s condensed consolidated financial statements.

Leases

In February 2016, the FASB issued an ASU, “Leases.” The new standard amends the recognition of lease assets and lease liabilities by lessees for those leases currently classified as operating leases and amends disclosure requirements associated with leasing arrangements. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented.

In 2016, the Company established a cross-functional implementation team consisting of representatives from across all of its business segments. Management utilized a bottoms-up approach to analyze the impact of the standard on our leasing portfolio by reviewing the current accounting policies and practices to identify potential differences that would result from applying the requirements of the new standard. In addition, management identified, and is in the process of implementing appropriate changes to our business processes, systems and controls to support the recognition and disclosure under the new standard.

While Nielsen continues to assess the impact the adoption of this ASU will have on the Company’s condensed consolidated financial statements, Nielsen expects it will increase assets and liabilities on the condensed consolidated balance sheet.

Income taxes

In February 2018, the FASB issued an ASU, “Reclassification of Certain Tax Effects From Accumulated Comprehensive Income”. The new standard will give companies the option to reclassify stranded tax effects caused by the newly-enacted US Tax Cuts and Jobs Act (TCJA) from accumulated other comprehensive income (AOCI) to retained earnings. The new standard will take effect for all companies for the fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Nielsen is assessing the impact of the adoption of this ASU will have on the Company’s condensed consolidated financial statements.

3. Revenue Recognition

On January 1, 2018, the Company adopted Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers, using the modified retrospective method. The ASC has been applied to all contracts as of the date of adoption. There was no financial statement impact as a result of this adoption.

Revenue is measured based on the consideration specified in a contract with a customer. A significant portion of the Company’s revenue is generated from information (primarily retail measurement and consumer panel services) and measurement (primarily from television, radio, internet and mobile audiences) services. The Company recognizes revenue when it satisfies a

performance obligation by transferring control of a product or service to a customer, which generally occurs over time. Substantially all of the Company's customer contracts are non-cancelable and non-refundable.

The following is a description of principal activities, by reportable segment, from which the Company generates its revenues.

Revenue from the Buy segment consists primarily of retail measurement services, which provide market share, competitive sales volumes and insights into such activities as distribution, pricing, merchandising and promotion, and consumer panel services, which provide clients with insights into shopper behavior such as trial and repeat purchase for new products and likely substitutes as well as customer segmentation. Revenues for these services are recognized over the period during which the performance obligations are satisfied as the customer receives and consumes the benefits provided by the Company and control of the services are transferred to the customer.

The Company also provides consumer intelligence and analytical services that help clients make smarter business decisions throughout their product development and marketing cycles. The Company's performance under these arrangements do not create an asset with an alternative use to the company and generally include an enforceable right to payment for performance completed to date, as such, revenue for these services is typically recognized over time. Revenue for contracts that do not include an enforceable right to payment for performance completed to date is recognized at a point in time when the performance obligation is satisfied, generally upon delivery of the services, and when control of the service is transferred to the customer.

Revenue from our Watch segment is primarily generated from television, radio, digital and mobile measurement services which are used by the Company's clients to establish the value of airtime and more effectively schedule and promote their programming. As the customer simultaneously receives and consumes the benefits provided by the Company's performance, revenues for these services are recognized over the period during which the performance obligations are satisfied and control of the service are transferred to the customer.

The Company enters into cooperation arrangements primarily with its customers, under which the customer provides Nielsen with its data in exchange for Nielsen's services. Nielsen records these transactions at fair value, which is determined based on the fair value of goods or services received, if reasonably estimable. If not reasonably estimable, the Company considers the fair value of the goods or services surrendered.

Edgar Filing: Nielsen Holdings plc - Form 10-Q

The table below sets forth the Company's revenue disaggregated within each segment, including primary geographic markets for Buy and by major product offerings for Watch.

(IN MILLIONS) (UNAUDITED)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Buy Segment (primary geographical markets)		
Developed Markets	\$ 471	\$ 471
Emerging Markets	294	267
Core Buy	\$ 765	\$ 738
Corporate	\$ 11	\$ 19
Buy	\$ 776	\$ 757
Watch Segment (major product/service lines)		
Audience Measurement (Video and Text)	\$ 599	\$ 535
Audio	121	120
Marketing Effectiveness	81	65
Core Watch	\$ 801	\$ 720
Corporate/Other Watch	33	49
Watch	\$ 834	\$ 769
Total Core Buy and Watch	\$ 1,566	\$ 1,458
Total	\$ 1,610	\$ 1,526
Timing of revenue recognition		
Products transferred at a point in time	\$ 128	\$ 110
Products and services transferred over time	1,482	1,416
Total	\$ 1,610	\$ 1,526

Contract Assets and Liabilities

Contract assets represent the Company's rights to consideration in exchange for services transferred to a customer that have not been billed as of the reporting date. The Company's rights to consideration are generally unconditional at the time its performance obligations are satisfied, however, under certain circumstances the related billing occurs in arrears, generally within one month of the services being rendered.

At the inception of a contract, the Company expects the period between when it transfers its services to its customers and when the customer pays for the services will be one year or less. As such, the Company has elected to apply the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component.

The contract liabilities relate to the advance consideration received or the right to consideration that is unconditional from customers for which revenue is recognized when the performance obligation is satisfied and control transferred to the customer.

The table below sets forth the Company's contract assets and contract liabilities from contracts with customers.

	March 31,	December 31,
(IN MILLIONS)	2018	2017
Contract assets	\$ 329	\$ 259
Contract liabilities	\$ 389	\$ 361

The increase in the contract assets balance during the period was primarily due to \$240 million of revenue recognized that was not billed, in accordance with the terms of the contracts, as of March 31, 2018, offset by \$171 million of contract assets included in the December 31, 2017 balance that were invoiced to our clients and therefore transferred to trade receivables.

- 10 -

The increase in the contract liability balance during the period is primarily due to \$253 million of advance consideration received or the right to consideration that is unconditional from customers for which revenue was not recognized during the period, offset by \$229 million of revenue recognized that was included in the December 31, 2017 contract liability balance.

Transaction Price Allocated to the Remaining Performance Obligations

As of March 31, 2018, approximately \$8.1 billion of revenue is expected to be recognized from remaining performance obligations that are unsatisfied (or partially unsatisfied) for our services. This amount excludes variable consideration allocated to performance obligations related to sales and usage based royalties on licenses of intellectual property.

The Company expects to recognize revenue on approximately 70% of these remaining performance obligations through December 31, 2019, with the balance recognized thereafter.

Deferred Costs

Incremental direct costs incurred to build the infrastructure to service new contracts are capitalized as a contract cost. As of March 31, 2018 and December 31, 2017, the balances of such capitalized costs were \$35 million and \$37 million, respectively. These costs are typically amortized through cost of revenues over the original contract period beginning when the infrastructure to service new clients is ready for its intended use. The amortization of these costs for the three months ended March 31, 2018 was \$4 million. There was no impairment loss recorded in any of the periods presented.

4. Business Acquisitions

Gracenote

On February 1, 2017, Nielsen completed the acquisition of Gracenote Inc., Gracenote Canada, Inc., Gracenote Netherlands Holdings B.V., Tribune Digital Ventures, LLC, and Tribune International Holdco, LLC (each, a “Gracenote Company” and together “Gracenote”) through the purchase of 100% of Gracenote’s outstanding common stock for a total purchase price of \$585 million. Nielsen acquired the data and technology that underpins the programming guides and personnel user experience for major video, music, audio and sports content. This acquisition expands Nielsen’s footprint with major clients including Gracenote’s global content database which spans across platforms including multichannel video programing distributors (MVPD’s), smart television, streaming music services, connected devices, media players and in-car infotainment systems.

The Company incurred acquisition-related expenses of \$4 million for the three months ended March 31, 2017, which primarily consisted of transaction fees, legal, accounting and other professional services that are included in selling, general and administrative expense in the condensed consolidated statement of operations.

The following unaudited pro forma information presents the consolidated results of operations of the Company and Gracenote for the three months ended March 31, 2017, as if the acquisition had occurred on January 1, 2017, with pro forma adjustments to give effect to amortization of intangible assets, an increase in interest expense from acquisition financing, and certain other adjustments:

Revenues	\$ 1,544
Income from continuing operations	\$ 72

The unaudited pro forma results do not reflect any synergies and are not necessarily indicative of the results that the Company would have attained had the acquisition of Gracenote been completed as of the beginning of the reporting period.

Other Acquisitions

For the three months ended March 31, 2018, Nielsen paid cash consideration of \$2 million associated with both current period and previously executed acquisitions, net of cash acquired. Had these 2018 acquisitions occurred as of January 1, 2018, the impact on Nielsen's consolidated results of operations would not have been material.

For the three months ended March 31, 2017, excluding Gracenote, Nielsen paid cash consideration of \$8 million associated with both current period and previously executed acquisitions, net of cash acquired. Had these 2017 acquisitions occurred as of January 1, 2017, the impact on Nielsen's consolidated results of operations would not have been material.

5. Goodwill and Other Intangible Assets

Goodwill

The table below summarizes the changes in the carrying amount of goodwill by reportable segment for the three months ended March 31, 2018.

(IN MILLIONS)	Buy	Watch	Total
Balance, December 31, 2017	\$2,844	\$5,651	\$8,495
Acquisitions, divestitures and other adjustments	—	2	2
Effect of foreign currency translation	17	10	27
Balance, March 31, 2018	\$2,861	\$5,663	\$8,524

At March 31, 2018, \$58 million of the goodwill is expected to be deductible for income tax purposes.

Other Intangible Assets

(IN MILLIONS)	Gross Amounts		Accumulated Amortization	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Indefinite-lived intangibles:				
Trade names and trademarks	\$ 1,921	\$ 1,921	\$—	\$ —
Amortized intangibles:				
Trade names and trademarks	139	139	(95)	(92)
Customer-related intangibles	3,178	3,174	(1,504)	(1,463)
Covenants-not-to-compete	39	39	(37)	(37)
Content databases	168	168	(15)	(12)
Computer software	2,800	2,681	(1,566)	(1,498)
Patents and other	171	171	(117)	(114)
Total	\$6,495	\$ 6,372	\$(3,334)	\$ (3,216)

Amortization expense associated with the above intangible assets was \$120 million and \$111 million for the three months ended March 31, 2018 and 2017, respectively. These amounts included amortization expense associated with computer software of \$68 million and \$62 million for the three months ended March 31, 2018 and 2017, respectively.

6. Changes in and Reclassification out of Accumulated Other Comprehensive Loss by Component

The table below summarizes the changes in accumulated other comprehensive loss, net of tax, by component for the three months ended March 31, 2018 and 2017.

Edgar Filing: Nielsen Holdings plc - Form 10-Q

	Currency Translation Adjustments	Cash Flow Hedges	Post-Employment Benefits	Total
(IN MILLIONS)				
Balance December 31, 2017	\$ (610)	\$ 10	\$ (340)	\$(940)
Other comprehensive income before				
reclassifications	41	11	1	53
Amounts reclassified from accumulated other				
comprehensive income	—	—	3	3
Net current period other comprehensive income	41	11	4	56
Net current period other comprehensive income				
attributable				
to noncontrolling interest	2	—	—	2
Net current period other comprehensive income				
attributable to Nielsen stockholders	39	11	4	54
Balance March 31, 2018	\$ (571)	\$ 21	\$ (336)	\$(886)

- 12 -

	Currency Translation Adjustments	Cash Flow Hedges	Post-Employment Benefits	Total
(IN MILLIONS)				
Balance December 31, 2016	\$ (856)	\$ (1)	\$ (354)	\$(1,211)
Other comprehensive income before				
reclassifications	75	1	—	76
Amounts reclassified from accumulated other				
comprehensive income	—	1	3	4
Net current period other comprehensive income	75	2	3	80
Net current period other comprehensive income				
attributable to noncontrolling interest	3	—	—	3
Net current period other comprehensive income				
attributable to Nielsen stockholders	72	2	3	77
Balance March 31, 2017	\$ (784)	\$ 1	\$ (351)	\$(1,134)

The table below summarizes the reclassification of accumulated other comprehensive loss by component for the three months ended March 31, 2018 and 2017, respectively.

(IN MILLIONS)	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in the
Details about Accumulated	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Condensed Consolidated Statement of Operations
Other Comprehensive			
Income components			
Cash flow hedges			
Interest rate contracts	\$ —	\$ 2	Interest expense
	—	1	Benefit for income taxes
	\$ —	\$ 1	Total, net of tax
Amortization of Post-Employment Benefits			
Actuarial loss	\$ 4	\$ 4	(a)
	1	1	Benefit for income taxes
	\$ 3	\$ 3	Total, net of tax
Total reclassification for the period	\$ 3	\$ 4	Net of tax

(a) This accumulated other comprehensive loss component is included in the computation of net periodic pension cost.

7. Restructuring Activities

A summary of the changes in the liabilities for restructuring activities is provided below:

(IN MILLIONS)	Total Initiatives
Balance at December 31, 2017	\$ 58
Charges	24
Payments	(24)
Balance at March 31, 2018	\$ 58

Nielsen recorded \$24 million in restructuring charges for the three months ended March 31, 2018, primarily relating to severance costs and contract termination costs. Nielsen recorded \$32 million in restructuring charges for the three months ended March 31, 2017, primarily relating to severance costs.

Of the \$58 million in remaining liabilities for restructuring actions at March 31, 2018, \$45 million is expected to be paid within one year and is classified as a current liability within the condensed consolidated balance sheet as of March 31, 2018.

8. Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Company considers the principal or most advantageous market in which the Company would transact, and also considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance.

There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs that are generally unobservable and may not be corroborated by market data.

Financial Assets and Liabilities Measured on a Recurring Basis

The Company's financial assets and liabilities are measured and recorded at fair value, except for equity method investments, cost method investments, and long-term debt. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Company's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The following table summarizes the valuation of the Company's material financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2018 and December 31, 2017:

(IN MILLIONS)	March 31,			
	2018	Level 1	Level 2	Level 3
Assets:				
Plan assets for deferred compensation ⁽¹⁾	30	30	—	—
Investment in mutual funds ⁽²⁾	2	2	—	—
Interest rate swap arrangements ⁽³⁾	32	—	32	—
Total	\$ 64	\$ 32	\$ 32	—
Liabilities:				
Interest rate swap arrangements ⁽³⁾	\$ —	—	\$ —	—
Deferred compensation liabilities ⁽⁴⁾	30	30	—	—
Total	\$ 30	\$ 30	\$ —	—

December 31,			
2017	Level 1	Level 2	Level 3

Edgar Filing: Nielsen Holdings plc - Form 10-Q

Assets:

Plan assets for deferred compensation ⁽¹⁾	33	33	—	—
Investment in mutual funds ⁽²⁾	2	2	—	—
Interest rate swap arrangements ⁽³⁾	17	—	17	—
Total	\$ 52	\$ 35	17	—

Liabilities:

Interest rate swap arrangements ⁽³⁾	\$ —	—	\$ —	—
Deferred compensation liabilities ⁽⁴⁾	33	33	—	—
Total	\$ 33	\$ 33	\$ —	—

(1) Plan assets are comprised of investments in mutual funds, which are intended to fund liabilities arising from deferred compensation plans. These investments are carried at fair value, which is based on quoted market prices at period end in active markets. These investments are classified as trading securities with any gains or losses resulting from changes in fair value recorded in other expense, net in the condensed consolidated statement of operations.

(2) Investments in mutual funds are money-market accounts held with the intention of funding certain specific retirement plans.

- 14 -

- (3) Derivative financial instruments include interest rate swap arrangements recorded at fair value based on externally-developed valuation models that use readily observable market parameters and the consideration of counterparty risk.
- (4) The Company offers certain employees the opportunity to participate in a deferred compensation plan. A participant's deferrals are invested in a variety of participant directed stock and bond mutual funds and are classified as trading securities. Changes in the fair value of these securities are measured using quoted prices in active markets based on the market price per unit multiplied by the number of units held exclusive of any transaction costs. A corresponding adjustment for changes in fair value of the trading securities is also reflected in the changes in fair value of the deferred compensation obligation.

Derivative Financial Instruments

Nielsen primarily uses interest rate swap derivative instruments to manage the risk that changes in interest rates will affect the cash flows of its underlying debt obligations.

To qualify for hedge accounting, the hedging relationship must meet several conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. Nielsen documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions as well as the hedge effectiveness assessment, both at the hedge inception and on an ongoing basis. Nielsen recognizes all derivatives at fair value either as assets or liabilities in the consolidated balance sheets and changes in the fair values of such instruments are recognized currently in earnings unless specific hedge accounting criteria are met. If specific cash flow hedge accounting criteria are met, Nielsen recognizes the changes in fair value of these instruments in accumulated other comprehensive income/(loss).

Nielsen manages exposure to possible defaults on derivative financial instruments by monitoring the concentration of risk that Nielsen has with any individual bank and through the use of minimum credit quality standards for all counterparties. Nielsen does not require collateral or other security in relation to derivative financial instruments. A derivative contract entered into between Nielsen or certain of its subsidiaries and a counterparty that was also a lender under Nielsen's senior secured credit facilities at the time the derivative contract was entered into is guaranteed under the senior secured credit facilities by Nielsen and certain of its subsidiaries (see Note 9 - Long-term Debt and Other Financing Arrangements for more information). Since it is Nielsen's policy to only enter into derivative contracts with banks of internationally acknowledged standing, Nielsen considers the counterparty risk to be remote.

It is Nielsen's policy to have an International Swaps and Derivatives Association ("ISDA") Master Agreement established with every bank with which it has entered into any derivative contract. Under each of these ISDA Master Agreements, Nielsen agrees to settle only the net amount of the combined market values of all derivative contracts outstanding with any one counterparty should that counterparty default. Certain of the ISDA Master Agreements contain cross-default provisions where if the Company either defaults in payment obligations under its credit facility or if such obligations are accelerated by the lenders, then the Company could also be declared in default on its derivative obligations. At March 31, 2018, Nielsen had no material exposure to potential economic losses due to counterparty credit default risk or cross-default risk on its derivative financial instruments.

Foreign Currency Exchange Risk

For each of the quarters ended March 31, 2018 and 2017, Nielsen recorded a net gain of \$1 million, associated with foreign currency derivative financial instruments within foreign currency exchange transactions losses, net in its condensed consolidated statements of operations. As of March 31, 2018 and December 31, 2017 the notional amount of the outstanding foreign currency derivative financial instruments were \$78 million and \$74 million, respectively.

Interest Rate Risk

Nielsen is exposed to cash flow interest rate risk on the floating-rate U.S. Dollar and Euro Term Loans, and uses floating-to-fixed interest rate swaps to hedge this exposure. For these derivatives, Nielsen reports the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income/(loss) and reclassifies it into earnings in the same period or periods in which the hedged transaction affects earnings, and within the same income statement line item as the impact of the hedged transaction.

- 15 -

Edgar Filing: Nielsen Holdings plc - Form 10-Q

As of March 31, 2018 the Company had the following outstanding interest rate swaps utilized in the management of its interest rate risk:

	Notional Amount	Maturity Date	Currency
Interest rate swaps designated as hedging instruments			
US Dollar term loan floating-to-fixed rate swaps	\$ 250,000,000	May 2018	US Dollar
US Dollar term loan floating-to-fixed rate swaps	\$ 150,000,000	April 2019	US Dollar
US Dollar term loan floating-to-fixed rate swaps	\$ 250,000,000	June 2019	US Dollar
US Dollar term loan floating-to-fixed rate swaps	\$ 150,000,000	July 2019	US Dollar
US Dollar term loan floating-to-fixed rate swaps	\$ 250,000,000	July 2020	US Dollar
US Dollar term loan floating-to-fixed rate swaps	\$ 250,000,000	July 2020	US Dollar
US Dollar term loan floating-to-fixed rate swaps	\$ 250,000,000	October 2020	US Dollar
US Dollar term loan floating-to-fixed rate swaps	\$ 250,000,000	October 2021	US Dollar
US Dollar term loan floating-to-fixed rate swaps	\$ 250,000,000	July 2022	US Dollar

The effect of cash flow hedge accounting on the condensed consolidated statement of operations for the three months ended March 31, 2018 and 2017 respectively:

(IN MILLIONS)	Interest Expense Three Months Ended March 31, 2018 2017	
Interest expense (Location in the consolidated statement of operations in which		
the effects of cash flow hedges are recorded)	\$ 96	\$ 90
Amount of loss reclassified from accumulated other comprehensive income into		
income, net of tax	\$ —	\$ 1
Amount of loss reclassified from accumulated other comprehensive income into		
income as a result that a forecasted transaction is no longer probable of		
occurring, net of tax	\$ —	\$ —

Nielsen expects to recognize approximately \$10 million of net pre-tax gains from accumulated other comprehensive loss to interest expense in the next 12 months associated with its interest-related derivative financial instruments.

Fair Values of Derivative Instruments in the Consolidated Balance Sheets

Edgar Filing: Nielsen Holdings plc - Form 10-Q

The fair values of the Company's derivative instruments as of March 31, 2018 and December 31, 2017 were as follows:

Derivatives Designated as Hedging Instruments (IN MILLIONS)	March 31, 2018			December 31, 2017			Accounts Payable		Other
	Other	Non-Current	Other Non-Current	Other	Non-Current	Other	Current	Non-Current	
	Assets	Liabilities		Assets	Liabilities			Liabilities	
Interest rate swaps	\$ 32	\$		\$ 17	\$				

Derivatives in Cash Flow Hedging Relationships

The pre-tax effect of derivative instruments in cash flow hedging relationships for the three months ended March 31, 2018 and 2017 was as follows:

Derivatives in Cash Flow Hedging Relationships (IN MILLIONS)	Amount of Gain Recognized in OCI (Effective Portion)		Location of Loss Reclassified from AOCI into Income (Effective Portion)	Amount of Loss Reclassified from AOCI into Income (Effective Portion)	
	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017		Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Interest rate swaps	\$ 15	\$ 2	Interest expense	\$ —	\$ 2

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Company is required, on a nonrecurring basis, to adjust the carrying value using fair value measurements or provide valuation allowances for certain assets using the more-likely-than-not criteria. The Company's equity method investments, cost

method investments, and non-financial assets, such as goodwill, intangible assets, and property, plant and equipment, are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment charge is recognized.

The Company did not measure any material non-financial assets or liabilities at fair value during the three months ended March 31, 2018.

9. Long-term Debt and Other Financing Arrangements

Unless otherwise stated, interest rates are as of March 31, 2018.

Annual maturities of Nielsen's long-term debt are as follows:

(IN MILLIONS)	March 31, 2018			December 31, 2017		
	Interest Rate	Carrying Amount	Fair Value	Interest Rate	Carrying Amount	Fair Value
\$2,080 million Senior secured term loan (LIBOR based variable rate of						
3.72%) due 2019		1,393	1,398		1,392	1,397
\$2,250 million Senior secured term loan (LIBOR based variable rate of						
3.72%) due 2023		2,226	2,239		2,232	2,247
€380 million Senior secured term loan (Euro LIBOR based variable rate						
of 2.09%) due 2021		462	464		450	452
\$575 million senior secured revolving credit facility (Euro LIBOR or						
LIBOR based variable rate) due 2019		195	195		—	—
Total senior secured credit facilities (with weighted-average interest						
rate)	3.64 %	4,276	4,296	3.39 %	4,074	4,096
\$800 million 4.50% senior debenture loan due 2020		796	806		795	809
\$625 million 5.50% senior debenture loan due 2021		620	633		620	643
\$2,300 million 5.00% senior debenture loan due 2022		2,289	2,300		2,288	2,362
\$500 million 5.00% senior debenture loan due 2025		496	493		496	518
Total debenture loans (with weighted-average interest rate)	5.22 %	4,201	4,232	5.22 %	4,199	4,332
Other loans		1	1		1	1
Total long-term debt	4.43 %	8,478	8,529	4.32 %	8,274	8,429
Capital lease and other financing obligations		168			167	

Edgar Filing: Nielsen Holdings plc - Form 10-Q

Total debt and other financing arrangements	8,646	8,441
Less: Current portion of long-term debt, capital lease and other financing obligations and other short-term borrowings	360	84
Non-current portion of long-term debt and capital lease and other financing obligations	\$ 8,286	\$ 8,357

The fair value of the Company's long-term debt instruments was based on the yield on public debt where available or current borrowing rates available for financings with similar terms and maturities and such fair value measurements are considered Level 1 or Level 2 in nature, respectively.

Annual maturities of Nielsen's long-term debt are as follows:

(IN MILLIONS)	
For April 1, 2018 to December 31, 2018	\$ 219
2019	1,401
2020	818
2021	1,090
2022	2,325
2023	2,126
Thereafter	499
	\$8,478

The Company's senior secured term loan A (the "Term Loan A") and its senior secured revolving credit facility (the "Revolver") mature in April 2019 and, as of March 31, 2018, there was approximately \$1,397 million and \$195 million, respectively, of

outstanding principal and interest payable thereunder. While the Company does not currently have the liquid funds necessary to repay the Term Loan A and the Revolver at maturity, it believes that it is probable that it will be able to refinance this debt prior to maturity.

10. Stockholders' Equity

Common stock activity is as follows:

	Three Months Ended March 31, 2018
Actual number of shares of common stock outstanding	
Beginning of period	355,944,976
Shares of common stock issued through compensation plans	881,018
Employee benefit trust activity	10,804
Repurchases of common stock	(611,372)
End of period	356,225,426

On January 31, 2013, the Company's Board of Directors (the "Board") adopted a cash dividend policy to pay quarterly cash dividends on its outstanding common stock. The following table represents the cash dividends declared by the Board and paid for the years ended December 31, 2017 and the three months ended March 31, 2018, respectively.

Declaration Date	Record Date	Payment Date	Dividend Per Share
February 16, 2017	March 2, 2017	March 16, 2017	\$ 0.31
April 24, 2017	June 2, 2017	June 16, 2017	\$ 0.34
July 20, 2017	August 24, 2017	September 7, 2017	\$ 0.34
October 19, 2017	November 21, 2017	December 5, 2017	\$ 0.34
February 18, 2018	March 21, 2018	March 7, 2018	\$ 0.34

On April 19, 2018, the Board declared a cash dividend of \$0.35 per share on our common stock. The dividend is payable on June 20, 2018 to stockholders of record at the close of business on June 6, 2018.

The dividend policy and the payment of future cash dividends are subject to the discretion of the Board.

Nielsen's Board approved a share repurchase program, as included in the below table, for up to \$2 billion in the aggregate of our outstanding common stock. The primary purpose of the program is to return value to shareholders and to mitigate dilution associated with our equity compensation plans.

Share

Repurchase

Authorization

	(\$ in
Board Approval	millions)
July 25, 2013	\$ 500
October 23, 2014	\$ 1,000
December 11, 2015	\$ 500
Total Share Repurchase Authorization	\$ 2,000

Repurchases under these plans will be made in accordance with applicable securities laws from time to time in the open market or otherwise depending on our evaluation of market conditions and other factors. This program has been executed within the limitations of the authority granted by Nielsen's shareholders.

As of March 31, 2018, there were 37,817,737 shares of our common stock purchased at an average price of \$45.54 per share (total consideration of approximately \$1,722 million) under this program.

- 18 -

Edgar Filing: Nielsen Holdings plc - Form 10-Q

The activity for the three months ended March 31, 2018 consisted of open market share repurchases and is summarized in the following table:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that may yet be Purchased under the Publicly Announced Plans or Programs
As of December 31, 2017	37,206,365	\$ 45.74	37,206,365	\$298,118,746
2018 Activity				
January 1- 31	—	—	—	\$298,118,746
February 1- 28	187,048	\$ 33.31	187,048	\$291,887,826
March 1- 31	424,324	\$ 33.04	424,324	\$277,868,369
Total	37,817,737	\$ 45.54	37,817,737	

11. Income Taxes

The effective tax rates for the three months ended March 31, 2018 and 2017 were 34% and 37%, respectively. The tax rate for the three months ended March 31, 2018 was higher than the statutory rate as a result of the impact of tax rate differences in other jurisdictions where the Company files tax returns, and the effect of global licensing activities and foreign distributions, offset by the favorable impact of certain financing activities. The tax rate for the three months ended March 31, 2017 was higher than the statutory rate as a result of the impact of tax rate differences in other jurisdictions where the Company files tax returns, and the effect of global licensing activities and foreign distributions, offset by the favorable impact of certain financing activities, the impact of share-based compensation excess tax benefit, and the release of certain tax contingencies. The principal reason for the decrease in the first quarter effective tax rate in 2018 when compared to 2017 was tax reform enacted within the United States.

The Tax Cuts and Jobs Act (the “TCJA”) was enacted in December 2017. The TCJA reduces the U.S. federal corporate income tax rate from 35 percent to 21 percent, effective as of January 1, 2018, and creates a territorial-style taxing system. The TCJA also requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously deferred and also creates new taxes on certain types of foreign earnings. Nielsen is subject to the provisions of the Financial Accounting Standards Board (“FASB”) ASC 740-10, Income Taxes, which requires that the effect on deferred tax assets and liabilities of a change in tax rates be recognized in the period the tax rate change was enacted. In December 2017, the SEC staff issued SAB 118 which provides that companies that have not completed their accounting for the effects of the TCJA can determine a reasonable estimate of those effects and should include a provisional amount based on their reasonable estimate in their financial statements. The guidance in SAB 118 also allows companies to adjust the provisional amounts during a one year measurement period which is similar to the measurement period used when accounting for business combinations.

As of March 31, 2018, Nielsen has not completed its accounting for all of the tax effects associated with the enactment of the TCJA. However, Nielsen has made a reasonable estimate of the (a) effects on our existing deferred tax balances, (b) the one-time transition tax, (c) Base Erosion Tax and Profit Shifting (BEPS), (d) Global Intangible Low-Taxed Income (GILTI) and (e) Foreign Derived Intangible Income (FDII). Although Nielsen has estimated the current tax impact of GILTI as a component of its annual effective tax rate, given the complexity of the GILTI provisions, Nielsen is still evaluating its accounting policy in respect of recognizing associated deferred taxes.

Nielsen continues to gather additional information related to the transition tax estimates and deferred tax estimates to more precisely compute the transition tax and re-measurement of deferred taxes. Nielsen anticipates that additional IRS guidance relative to the impacts of the TCJA will be forthcoming throughout 2018.

The estimated liability for unrecognized tax benefits as of December 31, 2018 is \$455 million and was \$452 million as of December 31, 2017. If the Company's tax positions are favorably sustained by the taxing authorities, the reversal of the underlying liabilities would reduce the Company's effective tax rate in future periods.

The Company files numerous consolidated and separate income tax returns in the U.S. and in many state and foreign jurisdictions. With few exceptions the Company is no longer subject to U.S. Federal income tax examination for 2006 and prior periods. In addition, the Company has subsidiaries in various states, provinces and countries that are currently under audit for years ranging from 2003 through 2016.

To date, the Company is not aware of any material adjustments not already accrued related to any of the current Federal, state or foreign audits under examination.

12. Commitments and Contingencies

Legal Proceedings and Contingencies

Nielsen is subject to litigation and other claims in the ordinary course of business, some of which include claims for substantial sums. Accruals have been recorded when the outcome is probable and can be reasonably estimated. While the ultimate results of claims and litigation cannot be determined, the Company does expect that the ultimate disposition of these matters will not have a material adverse effect on its operations or financial condition. However, depending on the amount and the timing, an unfavorable resolution of some or all of these matters could materially affect the Company's future results of operations or cash flows in a particular period.

13. Segments

The Company aligns its operating segments in order to conform to management's internal reporting structure, which is reflective of service offerings by industry. Management aggregates such operating segments into two reporting segments: what consumers buy ("Buy"), consisting principally of market research information and analytical services; and what consumers watch and listen to, ("Watch"), consisting principally of television, radio, online and mobile audience and advertising measurement and corresponding analytics.

Corporate consists principally of unallocated items such as certain facilities and infrastructure costs as well as intersegment eliminations. Certain corporate costs, other than those described above, including those related to selling, finance, legal, human resources, and information technology systems, are considered operating costs and are allocated to the Company's segments based on either the actual amount of costs incurred or on a basis consistent with the operations of the underlying segment. Information with respect to the operations of each of Nielsen's business segments is set forth below based on the nature of the services offered and geographic areas of operations.

Business Segment Information

(IN MILLIONS)	Buy	Watch	Corporate	Total
Three Months Ended March 31, 2018				
Revenues	\$776	\$834	—	\$1,610
Depreciation and amortization	\$54	\$112	\$ 1	\$167
Restructuring charges	\$15	\$9	\$ —	\$24
Stock-based compensation expense	\$4	\$3	\$ 6	\$13
Other items ⁽¹⁾	\$—	\$—	\$ 12	\$12
Operating income/(loss)	\$11	\$226	\$ (30)	\$207
Business segment income/(loss) ⁽²⁾	\$84	\$350	\$ (11)	\$423
Total assets as of March 31, 2018	\$6,959	\$9,944	\$ 20	\$16,923

(IN MILLIONS)	Buy	Watch	Corporate	Total
Three Months Ended March 31, 2017				
Revenues	\$757	\$769	—	\$1,526
Depreciation and amortization	\$50	\$104	\$1	\$155
Restructuring charges	\$20	\$7	\$5	\$32

Edgar Filing: Nielsen Holdings plc - Form 10-Q

Stock-based compensation expense	\$4	\$4	\$7	\$15
Other items ⁽¹⁾	\$—	\$—	\$13	\$13
Operating income/(loss)	\$34	\$208	\$(37)	) \$205
Business segment income/(loss) ⁽²⁾	\$108	\$323	\$(11)	) \$420
Total assets as of December 31, 2017	\$6,862	\$9,911	\$93	\$16,866

(1) Other items primarily consist of transaction related costs and business optimization costs for the three months ended March 31, 2018 and 2017.

(2) The Company's chief operating decision maker uses business segment income/(loss) to measure performance from period to period both at the consolidated level as well as within its operating segments.

14. Guarantor Financial Information

The following supplemental financial information is being provided for purposes of compliance with reporting covenants contained in certain debt obligations of Nielsen and its subsidiaries. The financial information sets forth for Nielsen, its subsidiaries

- 20 -

that have issued certain debt securities (the “Issuers”) and its guarantor and non-guarantor subsidiaries, the consolidating balance sheet as of March 31, 2018 and December 31, 2017 and consolidating statements of operations and cash flows for the periods ended March 31, 2018 and 2017. During the three months ended March 31, 2018, the Company re-designated certain subsidiaries between guarantor and non-guarantor. As a result, the Company adjusted the prior period condensed consolidated statement of comprehensive income to reflect the current year structure.

The issued debt securities are jointly and severally guaranteed on a full and unconditional basis by Nielsen and subject to certain exceptions, each of the direct and indirect 100% owned subsidiaries of Nielsen, in each case to the extent that such entities provide a guarantee under the senior secured credit facilities. The issuers are also 100% owned indirect subsidiaries of Nielsen: Nielsen Finance LLC and Nielsen Finance Co. for certain series of debt obligations, and The Nielsen Company (Luxembourg) S.ar.l., for the other series of debt obligations. Each issuer is a guarantor of the debt obligations not issued by it.

Nielsen is a holding company and does not have any material assets or operations other than ownership of the capital stock of its direct and indirect subsidiaries. All of Nielsen’s operations are conducted through its subsidiaries, and, therefore, Nielsen is expected to continue to be dependent upon the cash flows of its subsidiaries to meet its obligations. The senior secured credit facilities contain certain limitations on the ability of Nielsen to receive the cash flows of its subsidiaries.

While all subsidiary guarantees of the issued debt securities are full and unconditional, these guarantees contain customary release provisions including when (i) the subsidiary is sold or sells all of its assets, (ii) the subsidiary is declared “unrestricted” for covenant purposes, (iii) the subsidiary’s guarantee under the senior secured credit facilities is released and (iv) the requirements for discharge of the indenture have been satisfied.

Nielsen Holdings plc

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the three months ended March 31, 2018

	Non					
(IN MILLIONS)	Parent	Issuers	Guarantor	Guarantor	Elimination	Consolidated
Revenues	—	—	\$ 870	\$ 740	\$ —	\$ 1,610
Cost of revenues, exclusive of depreciation and						
amortization shown separately below	—	—	375	344	—	719
Selling, general and administrative expenses, exclusive						
of depreciation and amortization shown separately						
below	1	—	234	258	—	493
Depreciation and amortization	—	—	132	35	—	167
Restructuring charges	—	—	11	13	—	24
Operating (loss)/income	(1)	—	118	90	—	207
Interest income	—	151	10	1	(160)	2
Interest expense	—	(91)	(154)	(11)	160	(96)
Foreign currency exchange transaction losses, net	—	—	—	—	—	—
Other (expense)/income, net	—	(1)	—	2	—	1
(Loss)/income from continuing operations before						
income taxes and equity in net income of subsidiaries	(1)	59	(26)	82	—	114
(Provision)/benefit for income taxes	—	(12)	2	(29)	—	(39)
Equity in net income of subsidiaries	73	58	97	—	(228)	—
Net income	72	105	73	53	(228)	75
Less net income attributable to noncontrolling interest	—	—	—	3	-	3
Net income attributable to controlling interest	72	105	73	50	(228)	72
Total other comprehensive income	54	2	54	59	(113)	56
Total other comprehensive income attributable to						
noncontrolling interests	—	—	—	2	—	2
Total other comprehensive income attributable to						
controlling interests	54	2	54	57	(113)	54
Total comprehensive income	126	107	127	112	(341)	131
Comprehensive income attributable to						
noncontrolling						
interests	—	—	—	5	—	5

Total comprehensive income attributable to

controlling interest	\$ 126	\$ 107	\$ 127	\$ 107	\$ (341	) \$ 126
----------------------	--------	--------	--------	--------	---------	----------

- 22 -

Nielsen Holdings plc

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the three months ended March 31, 2017

	Non					
(IN MILLIONS)	Parent	Issuers	Guarantor	Guarantor	Elimination	Consolidated
Revenues	\$ —	\$ —	\$ 856	\$ 670	\$ —	\$ 1,526
Cost of revenues, exclusive of depreciation and						
amortization shown separately below	—	—	338	323	—	661
Selling, general and administrative expenses,						
exclusive of depreciation and amortization						
shown						
separately below	1	—	255	217	—	473
Depreciation and amortization	—	—	126	29	—	155
Restructuring charges	—	—	15	17	—	32
Operating (loss)/income	(1)	—	122	84	—	205
Interest income	—	217	9	1	(226)	1
Interest expense	—	(85)	(222)	(9)	226	(90)
Foreign currency exchange transaction losses, net	—	—	(1)	(1)	—	(2)
Other (expense)/income, net	—	—	(14)	16	—	2
(Loss)/income from continuing operations before						
income taxes and equity in net income of						
subsidiaries	(1)	132	(106)	91	—	116
(Provision)/benefit for income taxes	—	(46)	44	(41)	—	(43)
Equity in net income of subsidiaries	72	52	134	—	(258)	—
Net income	71	138	72	50	(258)	73
Less net income attributable to noncontrolling						
interest	—	—	—	2	—	2
Net income attributable to controlling interest	71	138	72	48	(258)	71
Total other comprehensive income	77	1	77	78	(153)	80
Total other comprehensive income attributable to						
noncontrolling interests	—	—	—	3	—	3
Total other comprehensive income attributable to						
controlling interests	77	1	77	75	(153)	77
Total comprehensive income	148	139	149	128	(411)	153
Comprehensive income attributable to						
noncontrolling interests	—	—	—	5	—	5

Total comprehensive income attributable to

controlling interest	\$ 148	\$ 139	\$ 149	\$ 123	\$ (411	) \$ 148
----------------------	--------	--------	--------	--------	---------	----------

- 23 -

Nielsen Holdings plc

Condensed Consolidated Balance Sheet (Unaudited)

March 31, 2018

(IN MILLIONS)	Parent	Issuers	Guarantor	Non-Guarantor	Elimination	Consolidated
Assets:						
Current assets						
Cash and cash equivalents	\$ 1	\$ 1	\$ 16	\$ 444	\$ —	\$ 462
Trade and other receivables, net	—	—	548	826	—	1,374
Prepaid expenses and other current assets	1	—	278	149	—	428
Intercompany receivables	2	1,294	248	88	(1,632)	—
Total current assets	4	1,295	1,090	1,507	(1,632)	2,264
Non-current assets						
Property, plant and equipment, net	—	—	304	164	—	468
Goodwill	—	—	6,101	2,423	—	8,524
Other intangible assets, net	—	—	4,556	526	—	5,082
Deferred tax assets	1	—	5	165	—	171
Other non-current assets	—	31	300	83	—	414
Equity investment in subsidiaries	4,228	1,226	4,705	—	(10,159)	—
Intercompany loans	25	8,608	360	142	(9,135)	—
Total assets	\$4,258	\$11,160	\$17,421	\$5,010	\$ (20,926)	\$16,923
Liabilities and equity:						
Current liabilities						
Accounts payable and other current liabilities	\$—	\$102	\$407	\$460	\$—	\$969
Deferred revenues	—	—	248	141	—	389
Income tax liabilities	—	—	58	63	—	121
Current portion of long-term debt, capital lease obligations and short-term borrowings	—	116	238	6	—	360
Intercompany payables	—	—	1,385	247	(1,632)	—
Total current liabilities	—	218	2,336	917	(1,632)	1,839
Non-current liabilities						-
Long-term debt and capital lease obligations	—	8,166	104	16	—	8,286
Deferred tax liabilities	—	71	1,316	36	—	1,423
Intercompany loans	—	—	8,776	359	(9,135)	—
Other non-current liabilities	—	—	661	256	—	917
Total liabilities	—	8,455	13,193	1,584	(10,767)	12,465
Total stockholders' equity	4,258	2,705	4,228	3,226	(10,159)	4,258
Noncontrolling interests	—	—	—	200	—	200
Total equity	4,258	2,705	4,228	3,426	(10,159)	4,458
Total liabilities and equity	\$4,258	\$11,160	\$17,421	\$5,010	\$ (20,926)	\$16,923

Nielsen Holdings plc

Condensed Consolidated Balance Sheet

December 31, 2017

(IN MILLIONS)	Parent	Issuers	Guarantor	Non-Guarantor	Elimination	Consolidated
Assets:						
Current assets						
Cash and cash equivalents	\$2	\$1	\$ 69	\$ 584	\$ —	\$ 656
Trade and other receivables, net	—	—	464	816	—	1,280
Prepaid expenses and other current assets	—	—	211	135	—	346
Intercompany receivables	4	1,187	325	155	(1,671)	—
Total current assets	6	1,188	1,069	1,690	(1,671)	2,282
Non-current assets						-
Property, plant and equipment, net	—	—	309	173	—	482
Goodwill	—	—	6,100	2,395	—	8,495
Other intangible assets, net	—	—	4,545	532	—	5,077
Deferred tax assets	1	—	—	169	—	170
Other non-current assets	—	17	263	80	—	360
Equity investment in subsidiaries	4,213	1,210	4,583	—	(10,006)	—
Intercompany loans	25	8,608	424	140	(9,197)	—
Total assets	\$4,245	\$11,023	\$ 17,293	\$ 5,179	\$ (20,874)	\$ 16,866
Liabilities and equity:						
Current liabilities						
Accounts payable and other current liabilities	\$—	\$61	\$ 560	\$ 520	\$ —	\$ 1,141
Deferred revenues	—	—	231	130	—	361
Income tax liabilities	—	—	62	49	—	111
Current portion of long-term debt, capital lease	—	35	44	5	—	84
obligations and short-term borrowings						
Intercompany payables	—	2	1,345	324	(1,671)	—
Total current liabilities	—	98	2,242	1,028	(1,671)	1,697
Non-current liabilities						—
Long-term debt and capital lease obligations	—	8,237	101	19	—	8,357
Deferred tax liabilities	—	71	1,296	68	—	1,435
Intercompany loans	—	62	8,774	361	(9,197)	—
Other non-current liabilities	—	—	667	267	—	934
Total liabilities	—	8,468	13,080	1,743	(10,868)	12,423
Total stockholders' equity	4,245	2,555	4,213	3,238	(10,006)	4,245
Noncontrolling interests	—	—	—	198	—	198
Total equity	4,245	2,555	4,213	3,436	(10,006)	4,443
Total liabilities and equity	\$4,245	\$11,023	\$ 17,293	\$ 5,179	\$ (20,874)	\$ 16,866

Nielsen Holdings plc

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the three months ended March 31, 2018

(IN MILLIONS)	Parent	Issuers	Guarantor	Non-Guarantor	Consolidated
Net cash (used in)/provided by operating activities	\$(2)	\$ (20)	\$ (113)	\$ 18	\$ (117)
Investing activities:					
Acquisition of subsidiaries and affiliates, net of cash acquired	—	—	(1)	(1)	(2)
Additions to property, plant and equipment and other assets	—	—	(20)	(6)	(26)
Additions to intangible assets	—	—	(86)	(16)	(102)
Other investing activities	—	—	1	(3)	(2)
Net cash used in investing activities	—	—	(106)	(26)	(132)
Financing activities:					
Net borrowings under revolving credit facility	—	—	195	—	195
Repayments of debt	—	(7)	—	(1)	(8)
Proceeds from the issuance of debt, net of issuance costs	—	(1)	—	1	—
Cash dividends paid to stockholders	(121)	—	—	—	(121)
Repurchase of common stock	(20)	—	—	—	(20)
Activity under stock plans	18	—	(4)	—	14
Proceeds from employee stock purchase plan	1	—	—	—	1
Capital leases	—	—	(17)	(2)	(19)
Settlement of intercompany and other financing activities	123	28	(8)	(145)	(2)
Net cash provided by/(used in) financing activities	1	20	166	(147)	40
Effect of exchange-rate changes on cash and cash equivalents	—	—	—	15	15
Net decrease in cash and cash equivalents	(1)	—	(53)	(140)	(194)
Cash and cash equivalents at beginning of period	2	1	69	584	656
Cash and cash equivalents at end of period	\$ 1	\$ 1	\$ 16	\$ 444	\$ 462

Nielsen Holdings plc

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the three months ended March 31, 2017

(IN MILLIONS)	Parent	Issuers	Guarantor	Non-Guarantor	Consolidated
Net cash (used in)/provided by operating activities	\$ (46)	\$ 39	\$ 52	\$ (5)	\$ 40
Investing activities:					
Acquisition of subsidiaries and affiliates, net of cash acquired	—	—	(559)	(13)	(572)
Additions to property, plant and equipment and other assets	—	—	(13)	(4)	(17)
Additions to intangible assets	—	—	(83)	(14)	(97)
Net cash used in investing activities	—	—	(655)	(31)	(686)
Financing activities:					
Repayments of debt	—	(6)	—	—	(6)
Proceeds from the issuance of debt, net of issuance costs	—	495	—	—	495
Decrease in other short-term borrowings	—	—	—	(5)	(5)
Cash dividends paid to stockholders	(111)	—	—	—	(111)
Repurchase of common stock	(42)	—	—	—	(42)
Activity under stock plans	15	—	(4)	—	11
Proceeds from employee stock purchase plan	2	—	—	—	2
Capital leases	—	—	(12)	—	(12)
Settlement of intercompany and other financing activities	186	(511)	357	(35)	(3)
Net cash provided by/(used in) financing activities	50	(22)	341	(40)	329
Effect of exchange-rate changes on cash and cash equivalents	—	—	—	14	14
Net increase/(decrease) in cash and cash equivalents	4	17	(262)	(62)	(303)
Cash and cash equivalents at beginning of period	5	1	219	529	754
Cash and cash equivalents at end of period	\$ 9	\$ 18	\$ (43)	\$ 467	\$ 451

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Introduction

The following discussion and analysis supplements management's discussion and analysis of Nielsen Holdings plc ("the Company" or "Nielsen") for the year ended December 31, 2017 as contained in the Annual Report on Form 10-K filed by the Company with the Securities and Exchange Commission ("SEC") on February 8, 2018, and presumes that readers have read or have access to such discussion and analysis. The following discussion and analysis should also be read together with the accompanying Condensed Consolidated Financial Statements and related notes thereto. Further, this report may contain material that includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect, when made, Nielsen's current views with respect to current events and financial performance. Statements, other than those based on historical facts, which address activities, events or developments that we expect or anticipate may occur in the future are forward-looking statements. Such forward-looking statements are subject to many risks, uncertainties and factors relating to Nielsen's operations and business environment that may cause actual results to be materially different from any future results, express or implied, by such forward-looking statements, including but not limited to, those set forth in this Item 2 and Part II, Item 1A, if any, and those noted in our 2017 Annual Report on Form 10-K under "Risk Factors." Forward-looking statements speak only as of the date of this report or as of the date they were made. We disclaim any intention to update the current expectations or forward-looking statements contained in this report. Unless required by context, references to "we," "us," and "our" refer to Nielsen Holdings plc and each of its consolidated subsidiaries unless otherwise stated or indicated by context.

From time to time, Nielsen may use its website and social media outlets as channels of distribution of material company information. Financial and other material information regarding the company is routinely posted and accessible on our website at <http://www.nielsen.com/investors> and our Twitter account at <http://twitter.com/nielsen>.

Background and Executive Summary

We are a leading global performance management company that provides clients with a comprehensive understanding of consumers and consumer behavior. We deliver critical media and marketing information, analytics and industry expertise about what consumers buy (referred to herein as "Buy") and what consumers read, watch and listen to (consumer interaction across the television, radio, digital and mobile viewing and listening platforms referred to herein as "Watch") on a global and local basis. Our measurement and analytical services help our clients maintain and strengthen their market positions and identify opportunities for profitable growth. We have a presence in more than 100 countries, including many emerging markets, and hold leading market positions in many of our services and geographies.

We believe that important measures of our results of operations include revenue, operating income and Adjusted EBITDA (defined below). Our long-term financial objectives include consistent revenue growth and expanding operating margins. Accordingly, we are focused on geographic market and service offering expansion to drive revenue growth and improve operating efficiencies, including effective resource utilization, information technology leverage and overhead cost management.

Our business strategy is built upon a model that has traditionally yielded consistent revenue performance. Typically, before the start of each year, more than 70% of our annual revenue has been committed under contracts in our combined Buy and Watch segments, which provides us with a high degree of stability for our revenue and allows us to effectively manage our profitability and cash flows. We continue to look for growth opportunities through global expansion, specifically within emerging markets, as well as through the cross-platform expansion of our analytical services and measurement services.

Our restructuring and other productivity initiatives have been focused on a combination of improving operating leverage through targeted cost-reduction programs, business process improvements and portfolio restructuring actions,

while at the same time investing in key programs to enhance future growth opportunities.

Achieving our business objectives requires us to manage a number of key risk areas. Our growth objective of geographic market and service expansion requires us to maintain the consistency and integrity of our information and underlying processes on a global scale, and to invest effectively our capital in technology and infrastructure to keep pace with our clients' demands and our competitors. Core to managing these key risk areas is our commitment to data privacy and security as it drives our ability to deliver quality insights for our clients in line with evolving regulatory requirements and governing standards across all the geographies and industries in which we operate. Our operating footprint across more than 100 countries requires disciplined global and local resource management of internal and third party providers to ensure success. In addition, our high level of indebtedness requires active management of our debt profile, with a focus on underlying maturities, interest rate risk, liquidity and operating cash flows.

- 28 -

Business Segment Overview

We align our business into two reporting segments: what consumers buy (consumer purchasing measurement and analytics), and what consumers watch and listen to (media audience measurement and analytics). Our Buy and Watch segments are built on a foundation of proprietary data assets that are designed to yield essential insights for our clients to successfully measure, analyze and grow their businesses.

Our Buy segment provides measurement services, which include our core tracking and scan data (primarily transactional measurement data and consumer behavior information), and analytical services to businesses in the consumer packaged goods industry. Our services also enable our clients to better manage their brands, uncover new sources of demand, launch and grow new products, analyze their sales, improve their marketing mix and establish more effective consumer relationships. Our data is used by our clients to measure their market share, tracking billions of sales transactions per month in retail outlets around the world. Our extensive database of retail and consumer information, combined with our advanced analytical capabilities, helps generate strategic insights that influence our clients' key business decisions. Within our Buy segment, we have two primary geographic groups, developed and emerging markets. Developed markets primarily include the United States, Canada, Western Europe, Japan, Australia and South Korea while emerging markets primarily include Africa, Latin America, Eastern Europe, Russia, China, India and Southeast Asia.

Our Watch segment provides viewership and listening data and analytics primarily to the media and advertising industries for television, radio, digital and mobile viewing and listening platforms. Our Watch data is used by our media clients to understand their audiences, establish the value of their advertising inventory and maximize the value of their content, and by our advertising clients to plan and optimize their spending.

Certain corporate costs, other than those described above, including those related to selling, finance, legal, human resources, and information technology systems, are considered operating costs and are allocated to our segments based on either the actual amount of costs incurred or on a basis consistent with the operations of the underlying segment.

Critical Accounting Policies

Revenue Recognition

On January 1, 2018, we adopted Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers, using the modified retrospective method. The ASC has been applied to all contracts as of the date of adoption. There was no financial statement impact as a result of this adoption.

Revenue is measured based on the consideration specified in a contract with a customer. A significant portion of our revenue is generated from information (primarily retail measurement and consumer panel services) and measurement (primarily from television, radio, internet and mobile audiences) services. We recognize revenue when a performance obligation is satisfied by transferring control of a product or service to a customer, which generally occurs over time. Substantially all of our customer contracts are non-cancelable and non-refundable.

The following is a description of principal activities, by reportable segment, from which we generate our revenues.

Revenues from the Buy segment consist primarily of retail measurement services, which provide market share, competitive sales volumes and insights into such activities as distribution, pricing, merchandising and promotion, and consumer panel services, which provide clients with insights into shopper behavior such as trial and repeat purchase for new products and likely substitutes as well as customer segmentation. As the customer simultaneously receives and consumes the benefits provided by our performance, revenues for these services are recognized over the period during which the performance obligations are satisfied and control of the service is transferred to the customer.

We also provide consumer intelligence and analytical services that help clients make smarter business decisions throughout their product development and marketing cycles. Our performance under these arrangements does create an asset with an alternative use to the company and generally includes an enforceable right to payment for performance completed to date, as such, revenue for these services is typically recognized over time. Revenue for contracts that do not include an enforceable right to payment for performance completed to date is recognized at a point in time when the performance obligation is satisfied, generally upon delivery of the service, and control of the service is transferred to the customer

Revenue from our Watch segment is primarily generated from television, radio, digital and mobile measurement services which are used by our clients to establish the value of airtime and more effectively schedule and promote their programming. As the customer simultaneously receives and consumes the benefits provided by our performance, revenues for these services are recognized over the period during which the performance obligations are satisfied and control of the services are transferred to the customer.

- 29 -

Edgar Filing: Nielsen Holdings plc - Form 10-Q

We enter into cooperation arrangements primarily with its customers, under which a customer provides Nielsen with its data in exchange for Nielsen's services. Nielsen records these transactions at fair value, which is determined based on the fair value of goods or services received, if reasonably estimable. If not reasonably estimable the Company considers the fair value of the goods or services surrendered.

Factors Affecting Our Financial Results

Acquisitions and Investments in Affiliates

Gracenote

On February 1, 2017, we completed the acquisition of Gracenote, through the purchase of 100% of Gracenote's outstanding common stock for a total purchase price of \$585 million. We acquired the data and technology that underpins the programming guides and personnel user experience for major video, music, audio and sports content. This acquisition expands our footprint with major clients including Gracenote's global content database which spans across platforms including multichannel video programing distributors (MVPD's), smart television, streaming music services, connected devices, media players and in-car infotainment systems.

We incurred acquisition-related expenses of \$4 million for the three months ended March 31, 2017, which primarily consisted of transaction fees, legal, accounting and other professional services that are included in selling, general and administrative expense in the condensed consolidated statement of operations.

The following unaudited pro forma information presents the consolidated results of operations of us and Gracenote for the three months ended March 31, 2017, as if the acquisition had occurred on January 1, 2017, with pro forma adjustments to give effect to amortization of intangible assets, an increase in interest expense from acquisition financing, and certain other adjustments:

Revenues	\$ 1,544
Income from continuing operations	\$ 72

The unaudited pro forma results do not reflect any synergies and are not necessarily indicative of the results that we would have attained had the acquisition of Gracenote been completed as of the beginning of the reporting period.

Other Acquisitions

For the three months ended March 31, 2018, we paid cash consideration of \$2 million associated with both current period and previously executed acquisitions, net of cash acquired. Had these 2018 acquisitions occurred as of January 1, 2018, the impact on our consolidated results of operations would not have been material.

For the three months ended March 31, 2017, excluding Gracenote, we paid cash consideration of \$8 million associated with both current period and previously executed acquisitions, net of cash acquired. Had these 2017 acquisitions occurred as of January 1, 2017, the impact on our consolidated results of operations would not have been material.

Foreign Currency

Our financial results are reported in U.S. dollars and are therefore subject to the impact of movements in exchange rates on the translation of the financial information of individual businesses whose functional currencies are other than U.S. dollars. Our principal foreign exchange revenue exposure is spread across several currencies, primarily the Euro.

The table below sets forth the profile of our revenue by principal currency.

	Three Months Ended			
	March 31, 2018		2017	
U.S. Dollar	57	%	60	%
Euro	11	%	10	%
Other Currencies	32	%	30	%
Total	100	%	100	%

- 30 -

Fluctuations in the value of foreign currencies relative to the U.S. dollar impact our operating results. Impacts associated with fluctuations in foreign currency are discussed in more detail under “Item 3.—Quantitative and Qualitative Disclosures about Market Risk.” In countries with currencies other than the U.S. dollar, assets and liabilities are translated into U.S. dollars using end-of-period exchange rates; revenues, expenses and cash flows are translated using average rates of exchange. The average U.S. dollar to Euro exchange rate was \$1.23 to €1.00 and \$1.07 to €1.00 for the three months ended March 31, 2018 and 2017, respectively. Constant currency growth rates used in the following discussion of results of operations eliminate the impact of year-over-year foreign currency fluctuations.

We evaluate our results of operations on both an as reported and a constant currency basis. The constant currency presentation is a non-GAAP financial measure, which excludes the impact of period-over-period fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our results of operations, thereby facilitating period-to-period comparisons of our business performance and is consistent with how management evaluates our performance. We calculate constant currency percentages by converting our prior-period local currency financial results using the current period foreign currency exchange rates and comparing these adjusted amounts to our current period reported results. This calculation may differ from similarly-titled measures used by others. In addition, the constant currency presentation is not meant to be a substitution for recorded amounts presented in conformity with GAAP nor should such amounts be considered in isolation.

Accounts Receivable

During the three months ended March 31, 2018, we sold \$30 million of accounts receivable to a third party and recorded an immaterial loss on the sale to interest expense, net in the condensed consolidated statement of operations. As of March 31, 2018 and December 31, 2017, \$31 million and \$110 million, respectively, remained outstanding. The sale was accounted for as a true sale, without recourse. We maintain servicing responsibilities of the receivables, for which the related costs are not significant. The proceeds of \$30 million from the sale were reported as a component of the changes in trade receivables, net within operating activities in the condensed consolidated statement of cash flows.

Results of Operations – Three Months Ended March 31, 2018 Compared to the Three Months Ended March 31, 2017

The following table sets forth, for the periods indicated, the amounts included in our Condensed Consolidated Statements of Operations:

(IN MILLIONS)	Three Months Ended March 31,	
	2018	2017
Revenues	\$ 1,610	\$ 1,526
Cost of revenues, exclusive of depreciation and amortization shown separately below	719	661
Selling, general and administrative expenses, exclusive of depreciation and amortization		
shown separately below	493	473
Depreciation and amortization	167	155
Restructuring charges	24	32
Operating income	207	205
Interest income	2	1
Interest expense	(96)	(90)
Foreign currency exchange transaction losses, net	—	(2)
Other income	1	2
Income from continuing operations before income taxes	114	116

Edgar Filing: Nielsen Holdings plc - Form 10-Q

Provision for income taxes	(39	)	(43	)
Net income	75		73	
Net income attributable to noncontrolling interests	3		2	
Net income attributable to Nielsen stockholders	\$ 72		\$ 71	
Net Income to Adjusted EBITDA Reconciliation				

We define Adjusted EBITDA as net income or loss from our consolidated statements of operations before interest income and expense, income taxes, depreciation and amortization, restructuring charges, stock-based compensation expense and other non-operating items from our consolidated statements of operations as well as certain other items considered outside the normal course of our operations specifically described below.

Restructuring charges: We exclude restructuring expenses, which primarily include employee severance, office consolidation and contract termination charges, from our Adjusted EBITDA to allow more accurate comparisons of the financial results to

- 31 -

historical operations and forward-looking guidance. By excluding these expenses from our non-GAAP measures, we are better able to evaluate our ability to utilize our existing assets and estimate the long-term value these assets will generate for us. Furthermore, we believe that the adjustments of these items more closely correlate with the sustainability of our operating performance.

Stock-based compensation expense: We exclude the impact of costs relating to stock-based compensation. Due to the subjective assumptions and a variety of award types, we believe that the exclusion of stock-based compensation expense, which is typically non-cash, allows for more meaningful comparisons of our operating results to peer companies. Stock-based compensation expense can vary significantly based on the timing, size and nature of awards granted.

Other non-operating income, net: We exclude foreign currency exchange transaction gains and losses primarily related to intercompany financing arrangements as well as other non-operating income and expense items, such as gains and losses recorded on business combinations or dispositions, sales of investments, net income attributable to noncontrolling interests and early redemption payments made in connection with debt refinancing. We believe that the adjustments of these items more closely correlate with the sustainability of our operating performance.

Other items: To measure operating performance, we exclude certain expenses and gains that arise outside the ordinary course of our operations. Such costs primarily include legal settlements, acquisition related expenses, business optimization costs and other transactional costs. We believe the exclusion of such amounts allows management and the users of the financial statements to better understand our financial results.

Adjusted EBITDA is not a presentation made in accordance with GAAP, and our use of the term Adjusted EBITDA may vary from the use of similarly-titled measures by others in our industry due to the potential inconsistencies in the method of calculation and differences due to items subject to interpretation.

We use Adjusted EBITDA to measure our performance from period to period both at the consolidated level as well as within our operating segments, to evaluate and fund incentive compensation programs and to compare our results to those of our competitors. In addition to Adjusted EBITDA being a significant measure of performance for management purposes, we also believe that this presentation provides useful information to investors regarding financial and business trends related to our results of operations and that when non-GAAP financial information is viewed with GAAP financial information, investors are provided with a more meaningful understanding of our ongoing operating performance.

Adjusted EBITDA should not be considered as an alternative to net income or loss, operating income, cash flows from operating activities or any other performance measures derived in accordance with GAAP as measures of operating performance or cash flows as measures of liquidity. Adjusted EBITDA has important limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. In addition, our definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies and may, therefore, have limitations as a comparative analytical tool.

The below table presents a reconciliation from net income to Adjusted EBITDA for the three months ended March 31, 2018 and 2017:

(IN MILLIONS)	Three Months Ended March 31,	
	2018	2017
Net income attributable to Nielsen stockholders	\$ 72	\$ 71
Interest expense, net	94	89

Edgar Filing: Nielsen Holdings plc - Form 10-Q

Provision for income taxes	39	43
Depreciation and amortization	167	155
EBITDA	372	358
Other non-operating expense, net	2	2
Restructuring charges	24	32
Stock-based compensation expense	13	15
Other items ^(a)	12	13
Adjusted EBITDA	\$ 423	\$ 420

(a) For the three months ended March 31, 2018 and 2017, other items primarily consist of transaction related costs and business optimization costs.

- 32 -

Edgar Filing: Nielsen Holdings plc - Form 10-Q

Consolidated Results for the Three Months Ended March 31, 2018 Compared to the Three Months Ended March 31, 2017

Revenues

Revenues increased 5.5% to \$1,610 million for the three months ended March 31, 2018 from \$1,526 million for the three months ended March 31, 2017, or 2.4% on a constant currency basis. Revenues within our Buy segment increased 2.5%, a decrease of 2.1% on a constant currency basis. Revenues within our Watch segment increased 8.5%, or 7.1% on a constant currency basis. Refer to the “Business Segment Results for the Three Months Ended March 31, 2018 Compared to the Three Months Ended March 31, 2017” section for further discussion of our revenue performance.

Cost of Revenues, Exclusive of Depreciation and Amortization

Cost of revenues increased 8.8% to \$719 million for the three months ended March 31, 2018 from \$661 million for the three months ended March 31, 2017, or an increase of 5.1% on a constant currency basis.

Costs within our Buy segment increased 7.9%, or 2.9% on a constant currency basis. The increase in cost of revenues for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017 was primarily due to global investments in our services, including retailer investments.

Costs within our Watch segment increased 9.8%, or 7.9% on a constant currency basis. Cost of revenues increased primarily due to the impact of our investments and higher spending on product portfolio management initiatives, including our digital and Marketing Effectiveness product offerings.

Selling, General and Administrative Expenses, Exclusive of Depreciation and Amortization

Selling, general and administrative expenses increased 4.2% to \$493 million for the three months ended March 31, 2018 from \$473 million for the three months ended March 31, 2017, or an increase of 0.6% on a constant currency basis.

Costs within our Buy segment increased 5.2% and were flat on a constant currency basis.

Costs within our Watch segment increased 5.5%, or 3.6% on a constant currency basis. Selling, general and administrative expenses increased primarily due to the impact of our investments.

Depreciation and Amortization

Depreciation and amortization expense was \$167 million for the three months ended March 31, 2018 as compared to \$155 million for the three months ended March 31, 2017. This increase was primarily due to higher depreciation and amortization expense associated with tangible and intangible assets acquired through business combinations and higher capital expenditures.

Depreciation and amortization expense associated with tangible and intangible assets acquired in business combinations increased to \$56 million for the three months ended March 31, 2018 from \$54 million for the three months ended March 31, 2017.

Restructuring Charges

We recorded \$24 million in restructuring charges primarily relating to employee severance costs associated with productivity initiatives and contract termination costs for the three months ended March 31, 2018.

We recorded \$32 million in restructuring charges primarily relating to employee severance costs associated with productivity initiatives for the three months ended March 31, 2017.

Operating Income

Operating income for the three months ended March 31, 2018 was \$207 million as compared to \$205 million for the three months ended March 31, 2017. Operating income within our Buy segment was \$11 million for the three months ended March 31, 2018 as compared to \$34 million for the three months ended March 31, 2017. Operating income within our Watch segment was \$226 million for the three months ended March 31, 2018 as compared to \$208 million for the three months ended March 31, 2017. Corporate operating expenses were \$30 million for the three months ended March 31, 2018 as compared to \$37 million for the three months ended March 31, 2017. Refer to the “Business Segment Results for the Three Months Ended March 31, 2018 Compared to the Three Months Ended March 31, 2017” section for further discussion of our operating income.

- 33 -

Interest Expense

Interest expense was \$96 million for the three months ended March 31, 2018 as compared to \$90 million for the three months ended March 31, 2017. This increase is primarily due to higher USD LIBOR senior secured term loan interest rates.

Foreign Currency Exchange Transaction Losses, Net

Foreign currency exchange transaction losses, net, primarily represent the net loss on revaluation of intercompany loans and other receivables and payables denominated in currencies other than the respective entity's functional currency. Fluctuations in the value of foreign currencies relative to the U.S. Dollar, primarily the Euro, have a significant effect on our operating results. The average U.S. Dollar to Euro exchange rate was \$1.23 to €1.00 for the three months ended March 31, 2018 as compared to \$1.07 to €1.00 for the three months ended March 31, 2017.

We realized net losses of \$2 million for the three months ended March 31, 2017, resulting primarily from fluctuations in certain foreign currencies associated with intercompany transactions.

Other Income, Net

Other income net, of \$1 million and \$2 million for the three months ended March 31, 2018 and 2017, respectively, is primarily related to certain pension costs reclassified from operating expense as a result of our adoption of ASU "Compensation — Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." See "Summary of Recent Accounting Pronouncements" below for more information.

Income Taxes

The effective tax rates for the three months ended March 31, 2018 and 2017 were 34% and 37%, respectively. The tax rate for the three months ended March 31, 2018 was higher than the statutory rate as a result of the impact of tax rate differences in other jurisdictions where the Company files tax returns, and the effect of global licensing activities and foreign distributions, offset by the favorable impact of certain financing activities. The tax rate for the three months ended March 31, 2017 was higher than the statutory rate as a result of the impact of tax rate differences in other jurisdictions where the Company files tax returns, and the effect of global licensing activities and foreign distributions, offset by the favorable impact of certain financing activities, the impact of share-based compensation excess tax benefit, and the release of certain tax contingencies. The principal reason for the decrease in the first quarter effective tax rate in 2018 when compared to 2017 was due to tax reform enacted within the United States.

The Tax Cuts and Jobs Act (the "TCJA") was enacted in December of 2017. The TCJA reduces the U.S. federal corporate income tax rate from 35 percent to 21 percent, effective as of January 1, 2018, and creates a territorial-style taxing system. The TCJA also requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously deferred and also creates new taxes on certain types of foreign earnings. We are subject to the provisions of the Financial Accounting Standards Board ("FASB") ASC 740-10, Income Taxes, which requires that the effect on deferred tax assets and liabilities of a change in tax rates be recognized in the period the tax rate change was enacted. In December of 2017, the SEC staff issued SAB 118 which provides that companies that have not completed their accounting for the effects of the TCJA can determine a reasonable estimate of those effects and should include a provisional amount based on their reasonable estimate in their financial statements. The guidance in SAB 118 also allows companies to adjust the provisional amounts during a one year measurement period which is similar to the measurement period used when accounting for business combinations.

As of March 31, 2018, we have not completed our accounting for all of the tax effects associated with the enactment of the TCJA. However, we have, in certain cases made a reasonable estimate of the (a) effects on our existing deferred tax balances, (b) the one-time transition tax, (c) Base Erosion Tax and Profit Shifting (BEPS), (d) Global

Intangible Low-Taxed Income (GILTI) and (e) Foreign Derived Intangible Income (FDII). Although we have estimated the current tax impact of GILTI as a component of our annual effective tax rate, given the complexity of the GILTI provisions, we are still evaluating our accounting policy in respect of recognizing associated deferred taxes.

We continue to gather additional information related to the transition tax estimates and deferred tax estimates to more precisely compute the transition tax and re-measurement of deferred taxes. We anticipate that additional IRS guidance relative to the impacts of the TCJA will be forthcoming throughout 2018.

The estimated liability for unrecognized tax benefits as of December 31, 2018 is \$455 million and was \$452 million as of December 31, 2017. If our tax positions are favorably sustained by the taxing authorities, the reversal of the underlying liabilities would reduce our effective tax rate in future periods.

- 34 -

Adjusted EBITDA

Adjusted EBITDA increased 0.7% to \$423 million for the three months ended March 31, 2018 from \$420 million for the three months ended March 31, 2017, or a decrease of 0.7% on a constant currency basis. See “Results of Operations – Three Months Ended March 31, 2018 Compared to the Three Months Ended March 31, 2017” for the reconciliation of net income to Adjusted EBITDA.

Business Segment Results for the Three Months Ended March 31, 2018 Compared to the Three Months Ended March 31, 2017

Revenues

The table below sets forth our segment revenue performance data for the three months ended March 31, 2018 compared to the three months ended March 31, 2017, both on an as-reported and constant currency basis.

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	% Variance 2018 vs. 2017 Reported		Three Months Ended March 31, 2017 Constant Currency	% Variance 2018vs. 2017 Constant Currency	
(IN MILLIONS)							
Emerging Markets	\$ 294	267	10.1	%	277	6.1	%
Developed Markets	471	471	0.0	%	497	(5.2)	)%
Core Buy	765	738	3.7	%	774	(1.2)	)%
Corporate	11	19	(42.1)	)%	19	(42.1)	)%
Buy Segment	\$ 776	\$ 757	2.5	%	\$ 793	(2.1)	)%
Marketing Effectiveness	\$ 81	65	24.6	%	66	22.7	%
Audio	121	120	0.8	%	120	0.8	%
Audience Measurement (Video and Text)	599	\$ 535	12.0	%	\$ 542	10.5	%
Core Watch	801	720	11.3	%	728	10.0	%
Corporate/Other Watch	33	49	(32.7)	)%	51	(35.3)	)%
Watch Segment	834	769	8.5	%	779	7.1	%
Total Core (Buy/Watch)	1,566	1,458	7.4	%	1,502	4.3	%
Total	\$ 1,610	\$ 1,526	5.5	%	\$ 1,572	2.4	%

Buy Segment Revenues

Revenues increased 2.5% to \$776 million for the three months ended March 31, 2018 from \$757 million for the three months ended March 31, 2017, or a decrease of 2.1% on a constant currency basis.

Revenues from emerging markets increased 10.1% to \$294 million, or 6.1% on a constant currency basis. Revenue growth was driven by our global footprint, coverage expansion and broad product offerings which continue to position us well with both local and multinational clients. As we anticipated, for the three months ended March 31, 2018, growth was broad-based across markets in Latin America, Eastern Europe and China.

Revenues from developed markets were flat for the quarter, or a decrease of 5.2% on a constant currency basis. Revenues decreased as a result of softness in our U.S. market.

Revenues from Corporate Buy decreased 42.1% to \$11 million on a reported and constant currency basis. Corporate includes slow growth and non-core services that are part of portfolio pruning initiatives.

Watch Segment Revenues

Revenues increased 8.5% to \$834 million for the three months ended March 31, 2018 from \$769 million for the three months ended March 31, 2017 or an increase of 7.1% on a constant currency basis. Revenue growth was primarily driven by growth in Audience Measurement of Video and Text, which increased 12.0%, or 10.5% on a constant currency basis, primarily due to our ongoing investments and continued client adoption of our Total Audience Measurement system. Audio revenues increased 0.8% on a reported and constant currency basis. Our Marketing Effectiveness revenue grew 24.6% (22.7% on a constant currency basis), driven by consistent investment in our product portfolio and continued strength in our product initiatives. Corporate/Other Watch revenues decreased by 32.7% (35.3% on a constant currency basis) due to our continued exit of non-core media analytics products. Our Core Watch revenue grew 11.3%, or 10.0% on a constant currency basis.

- 35 -

Business Segment Profitability

We do not allocate items below operating income/(loss) to our business segments and therefore the tables below set forth a reconciliation of operating income/(loss) at the business segment level for the three months ended March 31, 2018 and 2017, adjusting for certain items affecting operating income/(loss), such as restructuring charges, depreciation and amortization, stock-based compensation expense and certain other items described below resulting in a presentation of our non-GAAP business segment profitability. Non-GAAP business segment profitability provides useful supplemental information to management and investors regarding financial and business trends related to our results of operations. When this non-GAAP financial information is viewed with our GAAP financial information, investors are provided with a meaningful understanding of our ongoing operating performance. It is important to note that the non-GAAP business segment profitability corresponds in total to our consolidated Adjusted EBITDA described within our consolidated results of operations above, which our chief operating decision maker and other members of management use to measure our performance from period to period both at the consolidated level as well as within our operating segments, to evaluate and fund incentive compensation programs and to compare our results to those of our competitors. These non-GAAP measures should not be considered as an alternative to net income/(loss), operating income/(loss), cash flows from operating activities or any other performance measures derived in accordance with GAAP as measures of operating performance or cash flows as measures of liquidity. These non-GAAP measures may differ from similarly titled measures used by others and have important limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

THREE MONTHS ENDED MARCH 31, 2018 (IN MILLIONS)	Operating Income/(Loss)	Stock-Based Compensation				Non-GAAP Business Segment Income/(Loss)
		Restructuring Charges	Depreciation and Amortization	Expense	Other Items	
Buy	\$ 11	\$ 15	\$ 54	\$ 4	\$ —	\$ 84
Watch	226	9	112	3	—	350
Corporate and Eliminations	(30)	—	1	6	12	(11)
Total Nielsen	\$ 207	\$ 24	\$ 167	\$ 13	\$ 12	\$ 423

THREE MONTHS ENDED MARCH 31, 2017 (IN MILLIONS)	Operating Income/(Loss)	Stock-Based Compensation				Non-GAAP Business Segment Income/(Loss)
		Restructuring Charges	Depreciation and Amortization	Expense	Other Items	
Buy	\$ 34	\$ 20	\$ 50	\$ 4	\$ —	\$ 108
Watch	208	7	104	4	—	323
Corporate and Eliminations	(37)	5	1	7	13	(11)
Total Nielsen	\$ 205	\$ 32	\$ 155	\$ 15	\$ 13	\$ 420

(1) For the three months ended March 31, 2018 and 2017, other items primarily consist of transaction related costs and business optimization costs.

(IN MILLIONS)

Edgar Filing: Nielsen Holdings plc - Form 10-Q

	Three Months Ended March 31, 2018 Reported	Three Months Ended March 31, 2017 Reported	% Variance 2018 vs. 2017 Reported		Three Months Ended March 31, 2017 Constant Currency	% Variance 2018 vs. 2017 Constant Currency	
Non-GAAP Business Segment Income/(Loss)							
Buy	\$ 84	\$ 108	(22.2)%	\$	111	(24.3)%	
Watch	350	323	8.4 %		326	7.4 %	
Corporate and Eliminations	(11)	(11)	NM		(11)	NM	
Total Nielsen	\$ 423	\$ 420	0.7 %	\$	426	(0.7)%	
Buy Segment Profitability							

Operating income was \$11 million for the three months ended March 31, 2018 as compared to \$34 million for the three months ended March 31, 2017. The decrease was primarily due to the revenue performance discussed above which was more than offset by our investments in our services, including our retailer investments, for the three months ended March 31, 2018. Non-GAAP business segment income decreased 24.3% on a constant currency basis.

Watch Segment Profitability

Operating income was \$226 million for the three months ended March 31, 2018 as compared to \$208 million for the three months ended March 31, 2017. The increase was driven primarily by the revenue performance discussed above which was partially offset by an increase in depreciation and amortization expense for the three months ended March 31, 2018. Non-GAAP business segment income increased 7.4% on a constant currency basis.

Corporate Expenses and Eliminations

Operating expenses were \$30 million for the three months ended March 31, 2018 as compared to \$35 million for the three months ended March 31, 2017 due primarily to lower restructuring charges for the three months ended March 31, 2018.

Liquidity and Capital Resources

Overview

Cash flows from operations was \$(117) million for the three months ended March 31, 2018, as compared to \$40 million for the three months ended March 31, 2017, a decrease of \$157 million primarily due to retailer investments and other growth initiatives, timing of vendor and client payments and higher interest payments, partially offset by lower tax payments. We provide for additional liquidity through several sources including maintaining an adequate cash balance, access to global funding sources and a committed revolving credit facility. The following table provides a summary of the major sources of liquidity as of and for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
(IN MILLIONS)		
Net cash from operating activities	\$ (117)	\$ 40
Cash and cash equivalents	\$ 462	\$ 451
Availability under Revolving credit facility	\$ 366	\$ 569

Of the \$462 million in cash and cash equivalents, approximately \$404 million was held in jurisdictions outside the U.S. and as a result, there may be tax consequences if such amounts were moved out of these jurisdictions or repatriated to the U.S. We regularly review the amount of cash and cash equivalents held outside of the U.S. to determine the amounts necessary to fund the current operations of our foreign operations and their growth initiatives and amounts needed to service our U.S. indebtedness and related obligations.

The below table illustrates our weighted average interest rate and cash paid for interest over the three months ended March 31, 2018 and 2017.

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Weighted average interest rate	4.43 %	4.20 %
Cash paid for interest, net of amounts capitalized (in millions)	\$ 51	\$ 34

Our contractual obligations, commitments and debt service requirements over the next several years are significant. We believe we will have available resources to meet both our short-term and long-term liquidity requirements, including our senior secured debt service. We expect the cash flow from our operations, combined with existing cash and amounts available under the revolving credit facility, will provide sufficient liquidity to fund our current obligations, projected working capital requirements, restructuring obligations, dividend payments and capital spending over the next year. In addition, we may, from time to time, purchase, repay, redeem or retire any of our outstanding

debt securities (including any publicly issued debt securities) in privately negotiated or open market transactions, by tender offer or otherwise.

Financial Debt Covenants Attributable to The Nielsen Company B.V.

The Amended Credit Agreement contains a financial covenant consisting of a maximum leverage ratio applicable to our indirect wholly-owned subsidiary, Nielsen Holding and Finance B.V. and its restricted subsidiaries. The leverage ratio requires that we not permit the ratio of total net debt (as defined in the Amended Credit Agreement) at the end of any calendar quarter to Consolidated EBITDA (as defined in the Amended Credit Agreement) for the four quarters then ended to exceed a specified threshold. The maximum permitted ratio is 5.50 to 1.00.

Failure to comply with this financial covenant would result in an event of default under our Amended Credit Agreement unless waived by our senior credit lenders. An event of default under our Amended Credit Agreement can result in the acceleration of our indebtedness under the facilities, which in turn would result in an event of default and possible acceleration of indebtedness under the agreements governing our debt securities as well. As our failure to comply with the financial covenant described above can cause us to go into default under the agreements governing our indebtedness, management believes that our Amended Credit Agreement and this covenant are material to us. As of March 31, 2018, we were in full compliance with the financial covenant described above.

Revolving Credit Facility

The Amended Credit Agreement contains a senior secured revolving credit facility with aggregate revolving credit commitments of \$575 million and a final maturity of April 2019 under which Nielsen Finance LLC, TNC (US) Holdings, Inc., and Nielsen Holding and Finance B.V. can borrow revolving loans. The revolving credit facility can also be used for letters of credit, guarantees and swingline loans.

The senior secured revolving credit facility is provided under the Amended Credit Agreement and so contains covenants and restrictions as noted above with respect to the Amended Credit Agreement. Obligations under the revolving credit facility are guaranteed by the same entities that guarantee obligations under the Amended Credit Agreement.

As of March 31, 2018 and 2017, we had \$195 million and zero borrowings outstanding and had outstanding letters of credit of \$14 million and \$6 million, respectively. As of March 31, 2018, we had \$366 million available for borrowing under the revolving credit facility.

Our senior secured term loan A (the "Term Loan A") and our senior secured revolving credit facility (the "Revolver") matures in April 2019 and, as of March 31, 2018, there was approximately \$1,397 million and \$195 million, respectively, of outstanding principal and interest payable thereunder. While we do not currently have the liquid funds necessary to repay the Term Loan A and the Revolver at maturity, we believe that it is probable that we will be able to refinance the debt prior to maturity.

Dividends and Share Repurchase Program

We remain committed to driving shareholder value as evidenced in 2013 with the adoption of a quarterly cash dividends policy by our Board of Directors, under which we have paid \$121 million and \$111 million in cash dividends during the three months ended March 31, 2018 and 2017, respectively. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will be subject to the Board's continuing determination that the dividend policy and the declaration of dividends thereunder are in the best interests of our shareholders, and are in compliance with all laws and agreements to which we are subject. The below table summarizes the dividends declared on our common stock during 2017 and the three months ended March 31, 2018.

Declaration Date	Record Date	Payment Date	Dividend Per Share
February 16, 2017	March 2, 2017	March 16, 2017	\$ 0.31
April 24, 2017	June 2, 2017	June 16, 2017	\$ 0.34
July 20, 2017	August 24, 2017	September 7, 2017	\$ 0.34
October 19, 2017	November 21, 2017	December 5, 2017	\$ 0.34
February 18, 2018	March 21, 2018	March 7, 2018	\$ 0.34

On April 19, 2018, our Board of Directors declared a cash dividend of \$0.35 per share on our common stock. The dividend is payable on June 20, 2018 to stockholders of record at the close of business on June 6, 2018.

Our Board of Directors approved a share repurchase program, as included in the below table, for up to \$2 billion of our outstanding common stock. The primary purpose of the program is to return value to shareholders and to mitigate dilution associated with our equity compensation plans.

Share

Repurchase

Authorization

	(\$ in
Board Approval	millions)
July 25, 2013	\$ 500
October 23, 2014	\$ 1,000
December 11, 2015	\$ 500
Total Share Repurchase Authorization	\$ 2,000

Repurchases under these plans will be made in accordance with applicable securities laws from time to time in the open market or otherwise depending on our evaluation of market conditions and other factors. This program has been executed within the limitations of the authority granted by our shareholders.

As of March 31, 2018, there were 37,817,737 shares of our common stock purchased at an average price of \$45.54 per share (total consideration of approximately \$1,722 million) under this program.

- 38 -

Edgar Filing: Nielsen Holdings plc - Form 10-Q

The activity for the three months ended March 31, 2018 consisted of open market share repurchases and is summarized in the following table:

Period	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that may yet be Purchased under the Publicly Announced Plans or Programs
As of December 31, 2017	37,206,365	\$ 45.74	37,206,365	\$298,118,746
2018 Activity				
January 1- 31	—	—	—	\$298,118,746
February 1- 28	187,048	\$ 33.31	187,048	\$291,887,826
March 1- 31	424,324	\$ 33.04	424,324	\$277,868,369
Total	37,817,737	\$ 45.54	37,817,737	

Cash Flows

Operating activities. Net cash used in operating activities was \$117 million for the three months ended March 31, 2018, as compared to \$40 million provided by operating activities for the three months ended March 31, 2017. This decrease was primarily due to retailer investments and other growth initiatives, timing of vendor and client payments and higher interest payments, partially offset by lower tax payments. Our key collections performance measure, days billing outstanding (DBO), remained flat as compared to the same period last year.

Investing activities. Net cash used in investing activities was \$132 million for the three months ended March 31, 2018, as compared to \$686 million for the three months ended March 31, 2017. The primary driver for the decrease was lower acquisition payments during the three months ended March 31, 2018 as compared to the same period for 2017.

Financing activities. Net cash provided by financing activities was \$40 million for the three months ended March 31, 2018 as compared to \$329 million for the three months ended March 31, 2017. The decrease in net cash provided by financing activities was primarily due to the decrease in net proceeds from debt issuances and repayments partially offset by higher net borrowings of the revolving credit facility.

Capital Expenditures

Investments in property, plant, equipment, software and other assets totaled \$128 million for the three months ended March 31, 2018 as compared to \$114 million for the three months ended March 31, 2017.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that currently have or are reasonably likely to have a material effect on our consolidated financial condition, changes in financial condition, results of operations, liquidity, capital expenditures or capital resources.

Summary of Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the FASB issued an Accounting Standards Update (“ASU”), “Revenue from Contracts with Customers.” The new revenue recognition standard provides a five step analysis of transactions to determine when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption if using the modified retrospective transition method. In addition, the new standard requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. We adopted this ASU effective January 1, 2018 using the modified retrospective transition method. Except for the required financial statement disclosures, included in footnote 3 to the condensed consolidated financial statements, there was no impact to our condensed consolidated financial statements.

- 39 -

Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

In March 2017, the FASB issued an ASU, “Compensation — Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,” which will change the presentation of net periodic benefit cost related to employer sponsored defined benefit plans and other postretirement benefits. Service cost will be included within the same income statement line item as other compensation costs arising from services rendered during the period, while other components of net periodic benefit pension cost will be presented separately outside of operating income. Additionally, only service costs may be capitalized in assets. This ASU is required to be applied retrospectively. As a result of the adoption of this ASU, we reclassified \$2 million from selling, general and administrative expenses to other income, net in our condensed consolidated statement of operations for the three months ended March 31, 2017.

Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets

In February 2017, the FASB issued an ASU, “Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets,” which clarifies the scope and application of ASC 610-20 on the sale or transfer of nonfinancial assets and in substance nonfinancial assets to noncustomers, including partial sales. It requires the application of certain recognition and measurement principles in ASC 606 when derecognizing nonfinancial assets and in substance nonfinancial assets, and the counterparty is not a customer. We adopted this ASU in the first quarter of 2018 and it did not have a material impact on our condensed consolidated financial statements.

Compensation- Stock Compensation

In May 2017, the FASB issued an ASU, Compensation- Stock Compensation (Topic 718), “Scope of Modification Accounting,” which amends the scope of modification accounting for share-based payment arrangements. The standard provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. We adopted this ASU in the first quarter of 2018 and it did not have a material impact on our condensed consolidated financial statements.

Leases

In February 2016, the FASB issued an ASU, “Leases.” The new standard amends the recognition of lease assets and lease liabilities by lessees for those leases currently classified as operating leases and amends disclosure requirements associated with leasing arrangements. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented.

We established a cross-functional implementation team consisting of representatives from across all of our business segments. Management utilized a bottoms-up approach to analyze the impact of the standard on our leasing portfolio by reviewing the current accounting policies and practices to identify potential differences that would result from applying the requirements of the new standard. In addition, management identified, and is in the process of implementing appropriate changes to our business processes, systems and controls to support the recognition and disclosure under the new standard.

While Nielsen continues to assess the impact the adoption of this ASU will have on the Company’s condensed consolidated financial statements, Nielsen expects it will increase assets and liabilities on the condensed consolidated balance sheet.

Income taxes

In February 2018, the FASB issued an ASU, “Reclassification of Certain Tax Effects From Accumulated Comprehensive Income”. The new standard will give companies the option to reclassify stranded tax effects caused by the newly-enacted US Tax Cuts and Jobs Act (TCJA) from accumulated other comprehensive income (AOCI) to retained earnings. The new standard will take effect for all companies for the fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. We are assessing the impact of the adoption of this ASU will have on our condensed consolidated financial statements.

Commitments and Contingencies

Legal Proceedings and Contingencies

We are subject to litigation and other claims in the ordinary course of business, some of which include claims for substantial sums. Accruals have been recorded when the outcome is probable and can be reasonably estimated. While the ultimate results of claims and litigation cannot be determined, we expect that the ultimate disposition of these matters will not have a material adverse effect on our operations or financial condition. However, depending on the amount and the timing, an unfavorable resolution of some or all of these matters could materially affect our future results of operations or cash flows in a particular period.

- 40 -

Other Contractual Obligations

Our other contractual obligations include capital lease obligations (including interest portion), facility leases, leases of certain computer and other equipment, agreements to purchase data and telecommunication services and the payment of principal and interest on debt and pension fund obligations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and market prices such as interest rates, foreign currency exchange rates, and changes in the market value of equity instruments. We are exposed to market risk, primarily related to foreign exchange and interest rates. We actively monitor these exposures. Historically, in order to manage the volatility relating to these exposures, we entered into a variety of derivative financial instruments, mainly interest rate swaps, cross-currency swaps and forward rate agreements. Currently we only employ basic contracts, that is, without options, embedded or otherwise. Our objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings, cash flows and the value of our net investments in subsidiaries resulting from changes in interest rates and foreign currency rates. It is our policy not to trade in financial instruments for speculative purposes.

Foreign Currency Exchange Risk

We operate globally and predominantly generate revenues and expenses in local currencies. Approximately 43% of our revenues and operating costs were generated in currencies other than the U.S. Dollar for the three months ended March 31, 2018. Because of fluctuations (including possible devaluations) in currency exchange rates or the imposition of limitations on conversion of foreign currencies into our reporting currency, we are subject to currency translation exposure on the profits of our operations, in addition to transaction exposure. Typically, a one cent change in the U.S. Dollar/Euro exchange rate, holding all other currencies constant, will impact revenues by approximately \$6 million annually, with an immaterial impact on our profitability.

For each of the quarters ended March 31, 2018 and 2017, we recorded a net gain of \$1 million, associated with foreign currency derivative financial instruments within foreign currency exchange transactions losses, net in our condensed consolidated statements of operations. As of March 31, 2018 and December 31, 2017, the notional amounts of outstanding foreign currency derivative financial instruments were \$78 million and \$74 million, respectively.

The table below details the percentage of revenues and expenses by currency for the three months ended March 31, 2018:

	U.S. Dollar		Euro		Other Currencies	
Revenues	57	%	11	%	32	%
Operating costs	56	%	11	%	33	%

Interest Rate Risk

We continually review our fixed and variable rate debt along with related hedging opportunities in order to ensure our portfolio is appropriately balanced as part of our overall interest rate risk management strategy. At March 31, 2018, we had \$4,276 million in carrying value of floating-rate debt under our senior secured credit facilities of which \$2,050 million was subject to effective floating-fixed interest rate swaps. A one percent increase in interest rates applied to our floating rate indebtedness would therefore increase annual interest expense by approximately \$22 million (\$43

million without giving effect to any of our interest rate swaps).

Derivative instruments involve, to varying degrees, elements of non-performance, or credit risk. We do not believe that we currently face a significant risk of loss in the event of non-performance by the counterparties associated with these instruments, as these transactions were executed with a diversified group of major financial institutions with a minimum investment-grade or better credit rating. Our credit risk exposure is managed through the continuous monitoring of our exposures to such counterparties.

Equity Price Risk

We are not exposed to material equity price risk.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in the reports that the Company files or submits to the SEC under the Exchange Act, is recorded, processed, summarized and

reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2018 (the "Evaluation Date"). Based on such evaluation and subject to the foregoing, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective at the reasonable assurance level.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal
Proceedings

We are subject to litigation and other claims in the ordinary course of business, some of which include claims for substantial sums. Accruals have been recorded when the outcome is probable and can be reasonably estimated. While the ultimate results of claims and litigation cannot be determined, we do expect that the ultimate disposition of these matters will not have a material adverse effect on our operations or financial condition. However, depending on the amount and the timing, an unfavorable resolution of some or all of these matters could materially affect our future results of operations or cash flows in a particular period.

Item 1A. Risk Factors

There have been no material changes to our Risk Factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Unregistered Sales of Equity Securities

There were no unregistered sales of our common stock for the three months ended March 31, 2018.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Dollar Value of Shares that may yet be Purchased under the Publicly Announced Plans or Programs
January 1-31	—	\$ —	—	\$298,118,746
February 1-28	187,048	\$ 33.31	187,048	\$291,887,826
March 1-31	424,324	\$ 33.04	424,324	\$277,868,369
Total	611,372	\$ 33.12	611,372	

(1) Our Board approved a share repurchase program for up to \$2 billion of our outstanding common stock on the dates indicated under Part 1- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations- Liquidity and Capital Resources- Dividends and Share Repurchase Program.

Item 3. Defaults Upon Senior Securities
Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibit index attached hereto is incorporated herein by reference.

- 43 -

EXHIBIT INDEX

The agreements and other documents filed as exhibits to this quarterly report on Form 10-Q are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by the registrant in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit

Number Description of Exhibits

- 4.2(a)* Twenty-second Supplemental Indenture, dated as of February 7, 2018, between Visual IQ, Inc., and Delaware Trust Company, as trustee
- 4.2(b)* Eighteenth Supplemental Indenture, dated as of February 7, 2018, between Visual IQ, Inc., and Delaware Trust Company, as trustee
- 4.2(c)* Sixth Supplemental Indenture, dated as of February 7, 2018, between Visual IQ, Inc., and Deutsche Bank Trust Company Americas, as trustee
- 4.2(d)* Twentieth Supplemental Indenture, dated as of February 7, 2018, between Visual IQ, Inc., and Deutsche Bank Trust Company Americas, as trustee
- 31.1* CEO 302 Certification Pursuant to Rule 13a-15(e)/15d-15(e)
- 31.2* CFO 302 Certification Pursuant to Rule 13a-15(e)/15d-15(e)
- 32.1* Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)
- 101* The following financial information from Nielsen Holdings plc's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, formatted in XBRL includes: (i) Condensed Consolidated Statements of Operations (Unaudited) for the three months ended March 31, 2018 and 2017, (ii) Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the three months ended March 31, 2018 and 2017, (iii) Condensed Consolidated Balance Sheets at March 31, 2018 (Unaudited) and December 31, 2017, (iv) Condensed Consolidated Statements of Cash Flows (Unaudited) for the three months ended March 31, 2018 and 2017, and (v) the Notes to Condensed Consolidated Financial Statements.

*Filed or furnished herewith

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Nielsen Holdings plc

(Registrant)

Date: April 26, 2018

/s/ Jeffrey R. Charlton

Jeffrey R. Charlton

Senior Vice President and Corporate Controller

(Duly Authorized Officer and Principal Accounting Officer)