

Nielsen Holdings plc
Form 10-Q
October 25, 2017

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 September 30, 2017

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	A C Nielsen House
New York, New York 10004	London Road

Edgar Filing: Nielsen Holdings plc - Form 10-Q

(646) 654-5000

Oxford

Oxfordshire, OX3 9RX

United Kingdom

+1 (646) 654-5000

(Address of principal executive offices) (Zip Code)

(Registrant's telephone numbers including area code)

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 356,168,000 shares of the registrant's Common Stock outstanding as of September 30, 2017.

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>	- 32 -
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	- 51 -
Item 4. <u>Controls and Procedures</u>	- 52 -
PART II. <u>OTHER INFORMATION</u>	- 53 -
Item 1. <u>Legal Proceedings</u>	- 53 -
Item 1A. <u>Risk Factors</u>	- 53 -
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	- 53 -
Item 3. <u>Defaults Upon Senior Securities</u>	- 53 -
Item 4. <u>Mine Safety Disclosures</u>	- 53 -
Item 5. <u>Other Information</u>	- 53 -
Item 6. <u>Exhibits</u>	- 54 -
<u>Signatures</u>	- 55 -

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues	\$1,641	\$1,570	\$4,811	\$4,653
Cost of revenues, exclusive of depreciation and amortization shown separately below	692	642	2,031	1,937
Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below	445	452	1,387	1,391
Depreciation and amortization	160	151	477	450
Restructuring charges	7	29	48	73
Operating income	337	296	868	802
Interest income	1	1	3	3
Interest expense	(95)	(85)	(277)	(247)
Foreign currency exchange transaction gains/(losses), net	—	2	(9)	(3)
Other expense, net	(1)	—	(3)	—
Income from continuing operations before income taxes	242	214	582	555
Provision for income taxes	(92)	(82)	(226)	(208)
Net income	150	132	356	347
Net income attributable to noncontrolling interests	4	2	8	4
Net income attributable to Nielsen stockholders	\$146	\$130	\$348	\$343
Net income per share of common stock, basic				
Net income attributable to Nielsen stockholders	\$0.41	\$0.36	\$0.98	\$0.95
Net income per share of common stock, diluted				
Net income attributable to Nielsen stockholders	\$0.41	\$0.36	\$0.97	\$0.94
Weighted-average shares of common stock outstanding, basic	356,426,891	357,088,498	356,881,905	359,303,099
Dilutive shares of common stock	1,265,224	3,486,309	1,391,915	3,686,397
Weighted-average shares of common stock outstanding, diluted	357,692,115	360,574,807	358,273,820	362,989,496
Dividends declared per common share	\$0.34	\$0.31	\$0.99	\$0.90

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

Nielsen Holdings plc

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(IN MILLIONS)	Three Months		Nine Months	
	Ended		Ended	
	September 30,	September 30,	September 30,	September 30,
	2017	2016	2017	2016
Net income	\$ 150	\$ 132	\$ 356	\$ 347
Other comprehensive income/(loss), net of tax				
Foreign currency translation adjustments ⁽¹⁾	66	(15)	224	35
Changes in the fair value of cash flow hedges ⁽²⁾	2	4	3	(6)
Defined benefit pension plan adjustments ⁽³⁾	4	—	10	7
Total other comprehensive income/(loss)	72	(11)	237	36
Total comprehensive income	222	121	593	383
Less: comprehensive income attributable to noncontrolling interests	4	1	13	2
Total comprehensive income attributable to Nielsen stockholders	\$ 218	\$ 120	\$ 580	\$ 381

(1) Net of tax of \$6 million and \$1 million for the three months ended September 30, 2017 and 2016, respectively, and \$20 million and \$4 million for the nine months ended September 30, 2017 and 2016, respectively

(2) Net of tax of \$(2) million for each of the three months ended September 30, 2017 and 2016, respectively, and \$(2) million and zero for the nine months ended September 30, 2017 and 2016, respectively

(3) Net of tax of \$(1) million for each of the three months ended September 30, 2017 and 2016, respectively, and \$(3) million and \$1 million for the nine months ended September 30, 2017 and 2016, respectively

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)	September 30, 2017 (Unaudited)	December 31, 2016
Assets:		
Current assets		
Cash and cash equivalents	\$ 662	\$ 754
Trade and other receivables, net of allowances for doubtful accounts and sales returns of \$24 and \$25 as of September 30, 2017 and December 31, 2016, respectively	1,282	1,171
Prepaid expenses and other current assets	328	297
Total current assets	2,272	2,222
Non-current assets		
Property, plant and equipment, net	458	471
Goodwill	8,352	7,845
Other intangible assets, net	5,042	4,736
Deferred tax assets	131	127
Other non-current assets	330	329
Total assets	\$ 16,585	\$ 15,730
Liabilities and equity:		
Current liabilities		
Accounts payable and other current liabilities	\$ 1,015	\$ 1,012
Deferred revenues	328	297
Income tax liabilities	198	97
Current portion of long-term debt, capital lease obligations and short-term borrowings	67	188
Total current liabilities	1,608	1,594
Non-current liabilities		
Long-term debt and capital lease obligations	8,377	7,738
Deferred tax liabilities	1,219	1,175
Other non-current liabilities	921	930
Total liabilities	12,125	11,437
Commitments and contingencies (Note 11)		
Equity:		
Nielsen stockholders' equity		
Common stock, €0.07 par value, 1,185,800,000 and 1,185,800,000 shares authorized; 356,217,848 and 357,745,953 shares issued and 356,168,000 and 357,465,614 shares outstanding at September 30, 2017 and December 31, 2016, respectively	32	32
Additional paid-in capital	4,755	4,825
Retained earnings	451	456
Accumulated other comprehensive loss, net of income taxes	(979)	(1,211)
Total Nielsen stockholders' equity	4,259	4,102
Noncontrolling interests	201	191

Edgar Filing: Nielsen Holdings plc - Form 10-Q

Total equity	4,460	4,293
Total liabilities and equity	\$ 16,585	\$ 15,730

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

Nielsen Holdings plc

Condensed Consolidated Statements of Cash Flows (Unaudited)

(IN MILLIONS)	Nine Months Ended September 30, 2017	2016
Operating Activities		
Net income	\$ 356	\$ 347
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	35	37
Currency exchange rate differences on financial transactions and other (gains)/losses	(17)	4
Equity in net income of affiliates, net of dividends received	2	2
Depreciation and amortization	477	450
Changes in operating assets and liabilities, net of effect of businesses acquired		
and divested:		
Trade and other receivables, net	(15)	8
Prepaid expenses and other assets	(8)	(22)
Accounts payable and other current liabilities and deferred revenues	(131)	(219)
Other non-current liabilities	(9)	(11)
Interest payable	63	56
Income taxes	51	101
Net cash provided by operating activities	804	753
Investing Activities		

Edgar Filing: Nielsen Holdings plc - Form 10-Q

Acquisition of subsidiaries and affiliates, net of cash acquired	(595)		(263)
Additions to property, plant and equipment and other assets	(55)		(83)
Additions to intangible assets	(264)		(241)
Proceeds from the sale of property, plant and equipment and other assets	28	—	
Other investing activities	(2)		(4)
Net cash used in investing activities	(888)		(591)
Financing Activities			
Net borrowings under revolving credit facility	—		193
Proceeds from issuances of debt, net of issuance costs	2,745		496
Repayment of debt	(2,289)		(101)
Decrease in other short-term borrowings	(5)	—	
Cash dividends paid to stockholders	(353)		(323)
Repurchase of common stock	(117)		(394)
Proceeds from exercise of stock options	21		