

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	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 <sup>(1)</sup>	66	(15 )	224	35
Changes in the fair value of cash flow hedges <sup>(2)</sup>	2	4	3	(6 )
Defined benefit pension plan adjustments <sup>(3)</sup>	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
<b>Operating Activities</b>		
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
<b>Investing Activities</b>		
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 )
<b>Financing Activities</b>		
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	72
Proceeds from employee stock purchase plan	5	—
Capital leases	(42 )	(26 )
Other financing activities	(13 )	(7 )
Net cash used in financing activities	(48 )	(90 )
Effect of exchange-rate changes on cash and cash equivalents	40	17
Net (decrease)/increase in cash and cash equivalents	(92 )	89
Cash and cash equivalents at beginning of period	754	357

Edgar Filing: Nielsen Holdings plc - Form 10-Q

Cash and cash equivalents at end of period	\$662	\$446
Supplemental Cash Flow Information		
Cash paid for income taxes	\$(175)	\$(107)
Cash paid for interest, net of amounts capitalized	\$(214)	\$(191)

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

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 performance management 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, 2016. 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 September 30, 2017 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 consist of employee stock options, restricted stock units and deferred stock units.

The effect of 4,141,427 and 472,433 shares of common stock equivalents under stock compensation plans were excluded from the calculation of diluted earnings per share for the three months ended September 30, 2017 and 2016, respectively, as such shares would have been anti-dilutive.

The effect of 4,349,803 and 1,176,950 shares of common stock equivalents under stock compensation plans were excluded from the calculation of diluted earnings per share for the nine months ended September 30, 2017 and 2016, respectively, as such shares would have been anti-dilutive.

### Accounts Receivable

During the nine months ended September 30, 2017, Nielsen sold \$67 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 September 30, 2017, \$56 million remained outstanding. The sale was accounted for as a true sale, without recourse. Nielsen maintains servicing responsibilities of the receivables, for which the related costs are not significant. The proceeds of \$67 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

### Intangibles- Goodwill and Other

In January 2017, the FASB issued an Accounting Standards Update (“ASU”), “Intangibles—Goodwill and Other” to simplify the subsequent measurement of goodwill. The update requires only a single-step quantitative test to identify and measure impairment based on the excess of a reporting unit's carrying amount over its fair value. A qualitative assessment may still be completed first for an entity to determine if a quantitative impairment test is necessary. The update is effective for fiscal year 2021 and is to be adopted on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Nielsen elected to early adopt this ASU effective January 1, 2017. There was no impact on the Company’s condensed consolidated financial statements.

### 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. This ASU is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2017. The Company is currently assessing the impact of the adoption of this ASU will have on the Company’s condensed consolidated financial statements.

### 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 effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2017. The Company is currently assessing the impact of the adoption of this ASU will have on the Company’s condensed consolidated financial statements.

### Compensation- Stock Compensation

In May 2017, the FASB issued an Accounting Standards Update (“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 new standard is effective for annual periods beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted. Nielsen does not expect the adoption of this ASU to have a material impact on the Company’s condensed consolidated financial statements.

### Derivatives and Hedging

In August 2017, the FASB issued Accounting Standards Update (“ASU”) “Derivatives and Hedging-Targeted Improvements to Accounting for Hedging Activities” (“ASU 2017-12”). The amendments expand an entity’s ability to apply hedge accounting for nonfinancial and financial risk components and allow for a simplified approach for fair value hedging of interest rate risk. ASU 2017-12 eliminates the need to separately measure and report hedge ineffectiveness and generally requires the entire change in fair value of a hedging instrument to be presented in the same income statement line as the hedged item. Additionally, the standard simplifies the hedge documentation and effectiveness assessment requirements under the previous guidance. The amendments of this ASU are effective for reporting periods beginning after December 15, 2018, with early adoption permitted. Nielsen elected to early adopt this ASU during the third quarter 2017. See footnote 8 “Fair Value Measurement”, for the additional disclosures related to this ASU. The adoption of this ASU did not have a material impact on the Company’s condensed consolidated financial statements.

- 8 -

---

## 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. In addition, the new standard requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This standard is effective for annual periods beginning after December 15, 2017.

In 2014, 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 contract portfolio by reviewing the current accounting policies and practices to identify potential differences that would result from applying the requirements of the new standard to our revenue contracts. In addition, management identified, and are in the process of implementing appropriate changes to our business processes, systems and controls to support the recognition and disclosure under the new standard. Based on management’s preliminary assessment, it believes the most significant impact the adoption of the new standard will have on its condensed consolidated financial statements are the required financial statement disclosures. The Company is continuing to assess the impact this ASU will have on recent acquisitions as well as which transition method it will use to adopt this ASU.

## 3. Business Acquisitions

### Gracenote

On February 1, 2017, Nielsen completed the acquisition of 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 acquisition of Gracenote was accounted for using the acquisition method of accounting which requires, among other things, the assets acquired and the liabilities assumed be recognized at their fair values as of the acquisition date. Effective February 1, 2017, the financial results of Gracenote were included within the Watch segment of Nielsen’s condensed consolidated financial statements. For the nine months ended September 30, 2017, the Company’s condensed consolidated statement of operations includes \$148 million of revenues related to the Gracenote acquisition.

The purchase price was preliminarily allocated based upon the fair value of the assets acquired and liabilities assumed at the date of acquisition using available information and certain assumptions management believed reasonable. The following table summarizes the preliminary purchase price allocation:



Edgar Filing: Nielsen Holdings plc - Form 10-Q

(IN MILLIONS)

Identifiable assets acquired and liabilities assumed:

Cash	\$11
Other current assets	56
Property and equipment	12
Goodwill	314
Amortizable intangible assets	341
Other long-term assets	11
Deferred revenue	(22 )
Other current liabilities	(21 )
Deferred tax liabilities	(110)
Other long-term liabilities	(7 )
Total	\$585

As of the acquisition date, the fair value of accounts receivable approximated historical cost. The gross contractual receivable was \$37 million, of which \$1 million was deemed uncollectible. The estimated fair values assigned to amortizable intangible assets, goodwill and uncertain tax positions are provisional and subject to adjustment primarily based upon additional information the Company is in process of obtaining.

- 9 -

---

The provisional allocation of the purchase price to goodwill and identified intangible assets was \$314 million and \$341 million, respectively. All of the Gracenote related goodwill and intangible assets are attributable to Nielsen's Watch segment. As of September 30, 2017, \$23 million of goodwill is expected to be deductible for income tax purposes.

Intangible assets and their estimated useful lives consist of the following:

(IN MILLIONS)		
Description	Amount	Useful Life
Customer-related intangibles	\$ 109	10 - 15 years
Content database	168	12 - 16 years
Trade names and trademarks	7	5 years
Computer software	57	7-8 years
Total	\$ 341	

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents expected synergies and the going concern nature of Gracenote.

The Company incurred acquisition-related expenses of \$6 million for the nine months ended September 30, 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 and nine months ended September 30, 2017, as if the acquisition had occurred on January 1, 2016, with pro forma adjustments to give effect to amortization of intangible assets, an increase in interest expense from acquisition financing, and certain other adjustments:

(IN MILLIONS)	Three Months		Nine months	
	Ended	Ended	Ended	Ended
	September 30,	September 30,	September 30,	September 30,
	2017	2016	2017	2016
Revenues	\$1,641	\$1,618	\$ 4,829	\$4,799
Income from continuing operations	\$150	\$124	\$ 356	\$327

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 nine months ended September 30, 2017, excluding Gracenote, Nielsen paid cash consideration of \$28 million associated with both current period and previously executed acquisitions, net of cash acquired. Had these current period acquisitions occurred as of January 1, 2017, the impact on Nielsen's consolidated results of operations would

not have been material.

For the nine months ended September 30, 2016, Nielsen paid cash consideration of \$263 million associated with both current period and previously executed acquisitions, net of cash acquired. Had these current period acquisitions occurred as of January 1, 2016, the impact on Nielsen's consolidated results of operations would not have been material.

#### 4. Goodwill and Other Intangible Assets

##### Goodwill

The table below summarizes the changes in the carrying amount of goodwill by reportable segment for the nine months ended September 30, 2017.

(IN MILLIONS)	Buy	Watch	Total
Balance, December 31, 2016	\$2,696	\$5,149	\$7,845
Acquisitions, divestitures and other adjustments	2	326	328
Effect of foreign currency translation	154	25	179
Balance, September 30, 2017	\$2,852	\$5,500	\$8,352

At September 30, 2017, \$64 million of the goodwill is expected to be deductible for income tax purposes.

Other Intangible Assets

(IN MILLIONS)	Gross Amounts		Accumulated Amortization	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Indefinite-lived intangibles:				
Trade names and trademarks	\$ 1,921	\$ 1,921	\$—	\$ —
Amortized intangibles:				
Trade names and trademarks	147	140	(98 )	(88 )
Customer-related intangibles	3,161	3,035	(1,427)	(1,312 )
Covenants-not-to-compete	39	39	(37 )	(36 )
Content databases <sup>(1)</sup>	168	—	(9 )	—
Computer software	2,564	2,223	(1,448)	(1,258 )
Patents and other	172	173	(111 )	(101 )
Total	\$6,251	\$ 5,610	\$(3,130)	\$( 2,795 )

(1)The content databases were acquired as part of the Gracenote acquisition on February 1, 2017. These databases represent metadata used in Gracenote’s Video, Music/Auto and Sports product offerings that is not easily replicated due to its quantity and the relationships needed to acquire the data. The estimated remaining useful life of these content databases is 12 to 16 years.

Amortization expense associated with the above intangible assets was \$114 million and \$107 million for the three months ended September 30, 2017 and 2016, respectively. These amounts included amortization expense associated with computer software of \$64 million and \$59 million for the three months ended September 30, 2017 and 2016, respectively.

Amortization expense associated with the above intangible assets was \$341 million and \$317 million for the nine months ended September 30, 2017 and 2016, respectively. These amounts included amortization expense associated with computer software of \$190 million and \$172 million for the nine months ended September 30, 2017 and 2016, respectively.

5. 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 nine months ended September 30, 2017 and 2016.

(IN MILLIONS)	Foreign Currency Translation Adjustments	Cash Flow Hedges	Post Employment Benefits	Total

Edgar Filing: Nielsen Holdings plc - Form 10-Q

Balance December 31, 2016	\$	(856)	\$	(1)	)	\$	(354)	)	\$ (1,211)
Other comprehensive income before reclassifications		224		1			—		225
Amounts reclassified from accumulated other comprehensive loss		—		2			10		12
Net current period other comprehensive income		224		3			10		237
Net current period other comprehensive income attributable to noncontrolling interest		5		—			—		5
Net current period other comprehensive income attributable to Nielsen stockholders		219		3			10		232
Balance September 30, 2017	\$	(637)	\$	2		\$	(344)	)	\$ (979)

- 11 -

(IN MILLIONS)	Foreign Currency Translation Adjustments	Cash Flow Hedges	Post Employment Benefits	Total
Balance December 31, 2015	\$ (767 )	\$ (3 )	\$ (289 )	\$ (1,059 )
Other comprehensive income/(loss) before reclassifications	35	(9 )	1	27
Amounts reclassified from accumulated other comprehensive loss	—	3	6	9
Net current period other comprehensive income/(loss)	35	(6 )	7	36
Net current period other comprehensive loss attributable to noncontrolling interest	(2 )	—	—	(2 )
Net current period other comprehensive income/(loss) attributable to Nielsen stockholders	37	(6 )	7	38
Balance September 30, 2016	\$ (730 )	\$ (9 )	\$ (282 )	\$ (1,021 )

The table below summarizes the reclassification of accumulated other comprehensive loss by component for the three months ended September 30, 2017 and 2016, respectively.

(IN MILLIONS)	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in the
Details about Accumulated	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Condensed Consolidated Statement of Operations
Other Comprehensive			
Income components			
Cash flow hedges			
Interest rate contracts	\$ 2	\$ 2	Interest expense
	1	1	Benefit for income taxes
	\$ 1	\$ 1	Total, net of tax
Amortization of Post-Employment Benefits			
Actuarial loss	\$ 4	\$ —	(a)
	1	—	Benefit for income taxes
	\$ 3	\$ —	Total, net of tax
Total reclassification for the period	\$ 4	\$ 1	Net of tax

(a) This accumulated other comprehensive loss component is included in the computation of net periodic pension cost. The table below summarizes the reclassification of accumulated other comprehensive loss by component for the nine months ended September 30, 2017 and 2016, respectively.

Edgar Filing: Nielsen Holdings plc - Form 10-Q

(IN MILLIONS) Details about Accumulated	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in the Condensed Consolidated Statement of Operations
	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	
Other Comprehensive Income components			
Cash flow hedges			
Interest rate contracts	\$ 4	\$ 5	Interest expense
	2	2	Benefit for income taxes
	\$ 2	\$ 3	Total, net of tax
Amortization of Post-Employment Benefits			
Actuarial loss	\$ 13	\$ 9	(a)
	3	3	Benefit for income taxes
	\$ 10	\$ 6	Total, net of tax
Total reclassification for the period	\$ 12	\$ 9	Net of tax

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

- 12 -

---

## 6. Restructuring Activities

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

(IN MILLIONS)	Total Initiatives
Balance at December 31, 2016	\$ 73
Charges	48
Payments	(72 )
Effect of foreign currency translation and reclassification adjustments	3
Balance at September 30, 2017	\$ 52

Nielsen recorded \$7 million and \$48 million in restructuring charges for the three and nine months ended September 30, 2017, respectively, primarily relating to severance costs.

Nielsen recorded \$29 million and \$73 million in restructuring charges for the three and nine months ended September 30, 2016, respectively, primarily relating to severance and contract termination costs.

Of the \$52 million in remaining liabilities for restructuring actions, \$42 million is expected to be paid within one year and is classified as a current liability within the condensed consolidated balance sheet as of September 30, 2017.

## 7. 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.

- 13 -

---

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 September 30, 2017 and December 31, 2016:

(IN MILLIONS)	September 30,			
	2017	Level 1	Level 2	Level 3
Assets:				
Plan assets for deferred compensation <sup>(1)</sup>	\$ 32	32	—	—
Investment in mutual funds <sup>(2)</sup>	2	2	—	—
Interest rate swap arrangements <sup>(3)</sup>	7	—	7	—
Total	\$ 41	\$ 34	\$ 7	—
Liabilities:				
Interest rate swap arrangements <sup>(3)</sup>	\$ 3	—	\$ 3	—
Deferred compensation liabilities <sup>(4)</sup>	32	32	—	—
Total	\$ 35	\$ 32	\$ 3	—

  

	December 31,			
	2016	Level 1	Level 2	Level 3
Assets:				
Plan assets for deferred compensation <sup>(1)</sup>	\$ 32	32	—	—
Investment in mutual funds <sup>(2)</sup>	2	2	—	—
Interest rate swap arrangements <sup>(3)</sup>	3	—	3	—
Total	\$ 37	\$ 34	3	—
Liabilities:				
Interest rate swap arrangements <sup>(3)</sup>	\$ 5	—	\$ 5	—
Deferred compensation liabilities <sup>(4)</sup>	32	32	—	—
Total	\$ 37	\$ 32	\$ 5	—

(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.

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

(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 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).

- 14 -

---

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 8 - 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 September 30, 2017, 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

During the nine months ended September 30, 2017 and 2016, Nielsen recorded a net loss of zero and \$3 million, respectively, associated with foreign currency derivative financial instruments within foreign currency exchange transactions gains/(losses), net in our condensed consolidated statements of operations. As of September 30, 2017 and December 31, 2016 the notional amount of the outstanding foreign currency derivative financial instruments were \$79 million and \$77 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 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.

In February 2017, the Company entered into \$250 million in aggregate notional amount of a three-year forward interest rate swap agreement with a starting date of July 10, 2017. This agreement fixes the LIBOR-related portion of interest rates of a corresponding amount of the Company's variable-rate debt at an average rate of 1.73%. This derivative has been designated as an interest rate cash flow hedge.

In March 2017, the Company entered into \$250 million in aggregate notional amount of a five-year forward interest rate swap agreement with a starting date of July 10, 2017. This agreement fixes the LIBOR-related portion of interest rates of a corresponding amount of the Company's variable-rate debt at an average rate of 2.00%. This derivative has been designated as an interest rate cash flow hedge.

In April 2017, the Company entered into \$250 million in aggregate notional amount of a three-year forward interest rate swap agreement with a starting date of July 10, 2017. This agreement fixes the LIBOR-related portion of interest rates of a corresponding amount of the Company's variable-rate debt at an average rate of 1.63%. This derivative has been designated as an interest rate cash flow hedge.

Edgar Filing: Nielsen Holdings plc - Form 10-Q

In July 2017, the Company entered into \$250 million in aggregate notional amount of a three-year forward interest rate swap agreement with a starting date of October 10, 2017. This agreement fixes the LIBOR-related portion of interest rates of a corresponding amount of the Company's variable-rate debt at an average rate of 1.66%. This derivative has been designated as an interest rate cash flow hedge.

In August 2017, the Company entered into \$250 million in aggregate notional amount of a four-year forward interest rate swap agreement with a starting date of October 10, 2017. This agreement fixes the LIBOR-related portion of interest rates of a corresponding amount of the Company's variable-rate debt at an average rate of 1.60%. This derivative has been designated as an interest rate cash flow hedge.

- 15 -

---

Edgar Filing: Nielsen Holdings plc - Form 10-Q

As of September 30, 2017, 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 and nine months ended September 30, 2017 and 2016:

(IN MILLIONS)	Interest Expense			
	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Interest expense- (Location in the condensed consolidated statement of operations in which the effects of cash flow hedges are recorded)	\$ 95	\$ 85	\$ 277	\$ 247
Amount of loss reclassified from accumulated other comprehensive income into income, net of tax	\$ 1	\$ 1	\$ 2	\$ 3
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 \$3 million of net pre-tax losses 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

The fair values of the Company's derivative instruments as of September 30, 2017 and December 31, 2016 were as follows:

September 30, 2017

December 31, 2016

Edgar Filing: Nielsen Holdings plc - Form 10-Q

Derivatives Designated as Hedging  
Instruments

	Accounts Payable				Accounts Payable	
	Other		Other		Other	
(IN MILLIONS)	Current	Non-Current	Current	Non-Current	Current	Non-Current
Interest rate swaps	Assets	Liabilities	Assets	Liabilities	Liabilities	Liabilities
	\$7	\$ 1	\$ 2	\$3	\$ 1	\$ 4

- 16 -

---

## Derivatives in Cash Flow Hedging Relationships

The pre-tax effect of derivative instruments in cash flow hedging relationships for the three months ended September 30, 2017 and 2016 was as follows:

Derivatives in Cash Flow Hedging Relationships (IN MILLIONS)	Amount of Gain Recognized in OCI (Effective Portion) Three Months Ended September 30,		Location of Loss Reclassified from AOCI (Effective Portion) into Income	Amount of Loss Reclassified from AOCI into Income (Effective Portion) Three Months Ended September 30,	
	2017	2016		2017	2016
Interest rate swaps	\$ 3	\$ 4	Interest expense	\$ 2	\$ 2

The pre-tax effect of derivative instruments in cash flow hedging relationships for the nine months ended September 30, 2017 and 2016 was as follows:

Derivatives in Cash Flow Hedging Relationships (IN MILLIONS)	Amount of (Gain)/Loss Recognized in OCI (Effective Portion) Nine months Ended September 30,		Location of Loss Reclassified from AOCI (Effective Portion) into Income	Amount of Loss Reclassified from AOCI into Income (Effective Portion) Nine months Ended September 30,	
	2017	2016		2017	2016
Interest rate swaps	\$ (2 )	\$ 11	Interest expense	\$ 4	\$ 5

## Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Company is required, on a nonrecurring basis, to adjust the carrying value or provide valuation allowances for certain assets using fair value measurements. 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 nine months ended September 30, 2017.



## 8. Long-term Debt and Other Financing Arrangements

Unless otherwise stated, interest rates are as of September 30, 2017.

(IN MILLIONS)	September 30, 2017			December 31, 2016		
	Weighted Interest Rate	Carrying Amount	Fair Value	Weighted Interest Rate	Carrying Amount	Fair Value
\$2,080 million Senior secured term loan (LIBOR based variable rate of 3.24%) due 2019		\$ 1,391	1,398		\$ 1,768	1,785
\$1,900 million Senior secured term loan (LIBOR based variable rate of 3.15%) due 2023		—	—		1,892	1,922
\$2,250 million Senior secured term loan (LIBOR based variable rate of 3.24%) due 2023		2,237	2,247		—	—
€380 million Senior secured term loan (Euro LIBOR based variable rate of 2.10%) due 2021		445	449		399	402
Total senior secured credit facilities (with weighted-average interest rate)	3.21 %	4,073	4,094	2.95 %	4,059	4,109
\$800 million 4.50% senior debenture loan due 2020		795	809		794	813
\$625 million 5.50% senior debenture loan due 2021		619	643		618	649
\$2,300 million 5.00% senior debenture loan due 2022		2,288	2,382		2,285	2,340
\$500 million 5.00% senior debenture loan due 2025		495	520		—	—
Total debenture loans (with weighted-average interest rate)	5.22 %	4,197	4,354	5.22 %	3,697	3,802
Other loans		1	1		7	7
Total long-term debt	4.24 %	8,271	8,449	4.04 %	7,763	7,918
Capital lease and other financing obligations		173			158	
Bank overdrafts		—			5	
Total debt and other financing arrangements		8,444			7,926	
Less: Current portion of long-term debt, capital lease and other financing obligations and other short-term borrowings		67			188	
Non-current portion of long-term debt and capital lease and other financing obligations		\$ 8,377			\$ 7,738	

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 October 1, 2017 to December 31, 2017	\$3
2018	28
2019	1,401
2020	818

Edgar Filing: Nielsen Holdings plc - Form 10-Q

2021	1,071
2022	2,325
Thereafter	2,625
	\$8,271

In January 2017, Nielsen issued \$500 million aggregate principal amount of 5.00% Senior Notes due 2025 at par, with cash proceeds of approximately \$495 million, net of fees and expenses.

In April 2017, Nielsen entered into a third amendment to Nielsen's Fourth Amended and Restated Credit Agreement (as amended prior to April 2017, the "Existing Credit Agreement," and as amended in April 2017 by the third amendment, the "Amended Credit Agreement"), providing for a new class of Class B-4 Term Loans in an aggregate principal amount of \$2,250,000,000, the proceeds of which were used to replace or refinance the entire outstanding principal of existing Class B-3 Term Loans and a portion of existing Class A Term Loans.

- 18 -

---

The Class B-4 Term Loans will mature in full on October 4, 2023, and are required to be repaid in equal quarterly installments in an aggregate annual amount equal to 1.00% of the original principal amount of the Class B-4 Term Loans, with the balance payable on October 4, 2023. The Class B-4 Term Loans bear interest equal to, at the election of Nielsen (i) a base rate or LIBOR rate, plus (ii) an applicable margin, which is equal to 2.00% (in the case of LIBOR loans) or 1.00% (in the case of base rate loans).

The Amended Credit Agreement contains the same affirmative and negative covenants as those of the Existing Credit Agreement.

## 9. Stockholders' Equity

Common stock activity is as follows:

	Nine months Ended September 30, 2017
Actual number of shares of common stock outstanding	
Beginning of period	357,465,614
Shares of common stock issued through compensation plans	1,222,481
Employee benefit trust activity	230,491
Repurchases of common stock	(2,750,586 )
End of period	356,168,000

On January 31, 2013, the Company's Board of Directors adopted a cash dividend policy to pay quarterly cash dividends on its outstanding common stock. The below table summarizes the dividends declared on Nielsen's common stock during 2016 and the nine months ended September 30, 2017.

Declaration Date	Record Date	Payment Date	Dividend Per Share
February 18, 2016	March 3, 2016	March 17, 2016	\$ 0.28
April 19, 2016	June 2, 2016	June 16, 2016	\$ 0.31
July 21, 2016	August 25, 2016	September 8, 2016	\$ 0.31
October 20, 2016	November 22, 2016	December 6, 2016	\$ 0.31
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

On October 19, 2017, the Company's Board of Directors declared a cash dividend of \$0.34 per share on our common stock. The dividend is payable on December 5, 2017 to stockholders of record at the close of business on November

21, 2017.

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

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 purposes of the program are to return value to shareholders and to mitigate dilution associated with our equity compensation plans.

	Share Repurchase Authorization
	(\$ in millions)
Board Approval	
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 September 30, 2017, there have been 36,588,112 shares of our common stock purchased at an average price of \$45.88 per share (total consideration of approximately \$1,679 million) under this program.

- 19 -

---

The activity for the nine months ended September 30, 2017 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 Plans or Programs
As of December 31, 2016	33,837,526	\$ 46.16	33,837,526	\$437,970,016
2017 Activity				
January 1- 31	—	\$ —	—	\$437,970,016
February 1- 28	564,623	\$ 45.30	564,623	\$412,392,848
March 1- 31	365,228	\$ 45.15	365,228	\$395,903,537
April 1-30	—	\$ —	—	\$395,903,537
May 1-31	1,020,212	\$ 40.65	1,020,212	\$354,426,944
June 1-30	—	\$ —	—	\$354,426,944
July 1-31	—	\$ —	—	\$354,426,944
August 1-31	698,062	\$ 41.77	698,062	\$325,268,111
September 1-30	102,461	\$ 39.25	102,461	\$321,246,116
Total	36,588,112	\$ 45.88	36,588,112	

## 10. Income Taxes

The effective tax rate for each of the three months ended September 30, 2017 and 2016 was 38%, respectively. The tax rate for the three months ended September 30, 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 tax rate for the three months ended September 30, 2016 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 effective tax rates for the nine months ended September 30, 2017 and 2016 were 39% and 37%, respectively. The tax rate for the nine months ended September 30, 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 and the impact of share-based compensation excess tax benefit. The tax rate for the nine months ended September 30, 2016 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 release of certain tax contingencies.

The estimated liability for unrecognized income tax benefits as of December 31, 2017 is \$436 million and was \$432 million as of December 31, 2016. 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 1998 through 2015.

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.

## 11. 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.

### Subsequent Event

#### Outsourced Services Agreements

In October 2017, Nielsen amended and restated in its entirety, its Amended and Restated Master Services Agreement, dated as of October 1, 2007 with Tata America International Corporation and Tata Consultancy Services Limited (jointly, "TCS") (as amended prior to the Second Amendment and Restatement, the "Prior Agreement") by entering into a Second Amended and Restated Master Services Agreement (the "Agreement"), dated as of October 1, 2017 and effective as of January 1, 2017 (the "Effective Date"), with TCS. The term of the Agreement has been extended for an additional five years, so as to expire on December 31, 2025, with three one-year renewal options granted to Nielsen. Nielsen has committed to purchase services from TCS from the Effective Date through the remaining term of the Agreement (the "Minimum Commitment") in the amount of \$2.25 billion, including a commitment to purchase at least \$320 million in services per year from 2017 through 2020, \$186 million in services per year from 2021 through 2024, and \$139.5 million in services in 2025 (in each of the foregoing cases, the "Annual Commitment"). In connection with the entry into the Agreement, the parties have agreed to terminate the separate Global Infrastructure Services Agreement between them as of the Effective Date and include the services provided thereunder in one or more Statements of Work ("SOWs") arising under the Agreement. TCS's charges under such SOWs will continue to be credited against the Minimum Commitment and the Annual Commitment. TCS will globally provide Nielsen with professional services relating to information technology (including application development and maintenance), business process outsourcing, client service knowledge process outsourcing, management sciences, analytics, and financial planning. As Nielsen orders specific services under the Agreement, the parties will execute SOWs describing the specific scope of the services to be performed by TCS. The amount of the Minimum Commitment and the Annual Commitment may be reduced on the occurrence of certain events, some of which also provide Nielsen with the right to terminate the Agreement or SOWs, as applicable.

## 12. 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 ("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.

- 21 -

---



## Business Segment Information

(IN MILLIONS)	Buy	Watch	Corporate	Total
Three Months Ended September 30, 2017				
Revenues	\$803	\$838	\$ —	\$1,641
Depreciation and amortization	\$53	\$106	\$ 1	\$160
Restructuring charges	\$4	\$2	\$ 1	\$7
Stock-based compensation expense	\$3	\$2	\$ 3	\$8
Other items <sup>(1)</sup>	\$—	\$—	\$ 10	\$10
Operating income/(loss)	\$85	\$280	\$ (28)	\$337
Business segment income/(loss) <sup>(2)</sup>	\$145	\$390	\$ (13)	\$522
Total assets as of September 30, 2017	\$6,925	\$9,706	\$ (46)	\$16,585

(IN MILLIONS)				
Three Months Ended September 30, 2016				
Revenues	\$809	\$761	\$—	\$1,570
Depreciation and amortization	\$53	\$97	\$1	\$151
Restructuring charges	\$15	\$2	\$12	\$29
Stock-based compensation expense	\$3	\$2	\$6	\$11
Other items <sup>(1)</sup>	\$—	\$—	\$11	\$11
Operating income/(loss)	\$79	\$259	\$ (42)	\$296
Business segment income/(loss) <sup>(2)</sup>	\$150	\$360	\$ (12)	\$498
Total assets as of December 31, 2016	\$6,697	\$8,905	\$128	\$15,730

(IN MILLIONS)	Buy	Watch	Corporate	Total
Nine months Ended September 30, 2017				
Revenues	\$2,383	\$2,428	\$ —	\$4,811
Depreciation and amortization	\$156	\$318	\$ 3	\$477
Restructuring charges	\$31	\$9	\$ 8	\$48
Stock-based compensation expense	\$10	\$9	\$ 16	\$35
Other items <sup>(1)</sup>	\$—	\$—	\$ 28	\$28
Operating income/(loss)	\$219	\$734	\$ (85)	\$868
Business segment income/(loss) <sup>(2)</sup>	\$416	\$1,070	\$ (30)	\$1,456

(IN MILLIONS)				
Nine months Ended September 30, 2016				
Revenues	\$2,454	\$2,199	\$—	\$4,653
Depreciation and amortization	\$158	\$289	\$3	\$450
Restructuring charges	\$42	\$7	\$24	\$73
Stock-based compensation expense	\$12	\$7	\$18	\$37
Other items <sup>(1)</sup>	\$2	\$2	\$24	\$28
Operating income/(loss)	\$216	\$684	\$ (98)	\$802

Edgar Filing: Nielsen Holdings plc - Form 10-Q

Business segment income/(loss) <sup>(2)</sup>	\$430	\$989	\$(29)	\$1,390
---	-------	-------	--------	---------

- (1) Other items primarily consist of transaction related costs and business optimization costs for the three and nine months ended September 30, 2017. Other items primarily consist of business optimization costs for the three and nine months ended September 30, 2016.
- (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.

### 13. 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 that have issued certain debt securities (the “Issuers”) and its guarantor and non-guarantor subsidiaries, the consolidating balance sheet as of September 30, 2017 and December 31, 2016 and consolidating statements of operations and cash flows for the periods ended September 30, 2017 and 2016. During the three months ended September 30, 2017, the Company restructured certain legal entities and therefore the Company adjusted prior periods 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 September 30, 2017

(IN MILLIONS)	Parent	Issuers	Guarantor	Non-Guarantor	Elimination	Consolidated
Revenues	\$ —	\$ —	\$ 899	\$ 742	\$ —	\$ 1,641
Cost of revenues, exclusive of depreciation and amortization shown separately below	—	—	356	336	—	692
Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below	1	—	197	247	—	445
Depreciation and amortization	—	—	126	34	—	160
Restructuring charges	—	—	3	4	—	7
Operating (loss)/income	(1 )	—	217	121	—	337
Interest income	—	238	10	—	(247 )	1
Interest expense	—	(90 )	(241 )	(11 )	247	(95 )
Other income/(expense), net	—	—	90	(91 )	—	(1 )
(Loss)/income from continuing operations before income taxes and equity in net income of subsidiaries	(1 )	148	76	19	—	242
Provision for income taxes	—	(52 )	(37 )	(3 )	—	(92 )
Equity in net income of subsidiaries	147	61	108	—	(316 )	—
Net income	146	157	147	16	(316 )	150
Less net income attributable to noncontrolling interests	—	—	—	4	—	4
Net income attributable to controlling interest	146	157	147	12	(316 )	146
Total other comprehensive income/(loss)	72	(6 )	72	69	(135 )	72
Total comprehensive income	218	151	219	85	(451 )	222
Comprehensive income attributable to noncontrolling interests	—	—	—	4	—	4
Total comprehensive income attributable to controlling interest	\$ 218	\$ 151	\$ 219	\$ 81	\$ (451 )	\$ 218

- 24 -

Nielsen Holdings plc

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the three months ended September 30, 2016

(IN MILLIONS)	Parent	Issuers	Guarantor	Non-Guarantor	Elimination	Consolidated
Revenues	\$ —	\$ —	\$ 884	\$ 686	\$ —	\$ 1,570
Cost of revenues, exclusive of depreciation and amortization shown separately below	—	—	322	320	—	642
Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below	1	—	228	223	—	452
Depreciation and amortization	—	—	123	28	—	151
Restructuring charges	—	—	22	7	—	29
Operating (loss)/income	(1 )	—	189	108	—	296
Interest income	—	221	10	2	(232 )	1
Interest expense	(1 )	(79 )	(227 )	(10 )	232	(85 )
Foreign currency exchange transaction gains, net	—	—	—	2	—	2
Other income/(expense), net	—	—	73	(73 )	—	—
(Loss)/income from continuing operations before income taxes and equity in net income of subsidiaries	(2 )	142	45	29	—	214
Provision for income taxes	—	(50 )	(19 )	(13 )	—	(82 )
Equity in net income of subsidiaries	132	68	106	—	(306 )	—
Net income	130	160	132	16	(306 )	132
Less net income attributable to noncontrolling interests	—	—	—	2	—	2
Net income attributable to controlling interest	130	160	132	14	(306 )	130
Total other comprehensive (loss)/income	(10 )	2	(10 )	(6 )	13	(11 )
Total other comprehensive loss attributable to noncontrolling interests	—	—	—	(1 )	—	(1 )
Total other comprehensive (loss)/income attributable to controlling interests	(10 )	2	(10 )	(5 )	13	(10 )
Total comprehensive income	120	162	122	10	(293 )	121
Comprehensive income attributable to noncontrolling interests	—	—	—	1	—	1
Total comprehensive income attributable to controlling interest	\$ 120	\$ 162	\$ 122	\$ 9	\$ (293 )	\$ 120

Nielsen Holdings plc

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the nine months ended September 30, 2017

(IN MILLIONS)	Parent	Issuers	Guarantor	Non-Guarantor	Elimination	Consolidated
Revenues	\$ —	\$ —	\$ 2,658	\$ 2,153	\$ —	\$ 4,811
Cost of revenues, exclusive of depreciation and amortization shown separately below	—	—	1,052	979	—	2,031
Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below	3	—	686	698	—	1,387
Depreciation and amortization	—	—	384	93	—	477
Restructuring charges	—	—	21	27	—	48
Operating (loss)/income	(3 )	—	515	356	—	868
Interest income	1	682	27	3	(710 )	3
Interest expense	—	(263 )	(694 )	(30 )	710	(277 )
Foreign currency exchange transaction losses, net	—	—	(3 )	(6 )	—	(9 )
Other (expense)/income, net	—	(2 )	68	(69 )	—	(3 )
(Loss)/income from continuing operations before income taxes and equity in net income/(loss) of subsidiaries and affiliates	(2 )	417	(87 )	254	—	582
(Provision)/benefit for income taxes	—	(146 )	20	(100 )	—	(226 )
Equity in net income of subsidiaries	350	149	418	—	(917 )	—
Equity in net (loss)/income of affiliates	—	—	(1 )	1	—	—
Net income	348	420	350	155	(917 )	356
Less net income attributable to noncontrolling interests	—	—	—	8	—	8
Net income attributable to controlling interest	348	420	350	147	(917 )	348
Total other comprehensive income/(loss)	232	(24 )	232	245	(448 )	237
Total other comprehensive income attributable to noncontrolling interests	—	—	—	5	—	5
Total other comprehensive income/(loss) attributable to controlling interests	232	(24 )	232	240	(448 )	232
Total comprehensive income	580	396	582	400	(1,365 )	593
Comprehensive income attributable to noncontrolling interests	—	—	—	13	—	13
Total comprehensive income attributable to controlling interest	\$ 580	\$ 396	\$ 582	\$ 387	\$ (1,365 )	\$ 580

Nielsen Holdings plc

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the nine months ended September 30, 2016

(IN MILLIONS)	Parent	Issuer	Guarantor	Non-Guarantor	Elimination	Consolidated
Revenues	\$ —	\$ —	\$ 2,668	\$ 1,985	\$ —	\$ 4,653
Cost of revenues, exclusive of depreciation and amortization shown separately below	—	—	985	952	—	1,937
Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below	3	—	735	653	—	1,391
Depreciation and amortization	—	—	364	86	—	450
Restructuring charges	—	—	40	33	—	73
Operating (loss)/income	(3 )	—	544	261	—	802
Interest income	—	653	29	4	(683 )	3
Interest expense	(3 )	(230)	(668 )	(29 )	683	(247 )
Foreign currency exchange transaction losses, net	—	—	(1 )	(2 )	—	(3 )
Other (expense)/income, net	—	(1 )	95	(94 )	—	—
(Loss)/income from continuing operations before income taxes and equity in net income/(loss) of subsidiaries and affiliates	(6 )	422	(1 )	140	—	555
(Provision)/benefit for income taxes	—	(148)	7	(67 )	—	(208 )
Equity in net income of subsidiaries	349	150	344	—	(843 )	—
Equity in net (loss)/income of affiliates	—	—	(1 )	1	—	—
Net income	343	424	349	74	(843 )	347
Less net income attributable to noncontrolling interests	—	—	—	4	—	4
Net income attributable to controlling interest	343	424	349	70	(843 )	343
Total other comprehensive income/(loss)	38	(12 )	38	37	(65 )	36
Total other comprehensive loss attributable to noncontrolling interests	—	—	—	(2 )	—	(2 )
Total other comprehensive income/(loss) attributable to controlling interests	38	(12 )	38	39	(65 )	38
Total comprehensive income	381	412	387	111	(908 )	383
Comprehensive income attributable to noncontrolling interests	—	—	—	2	—	2
Total comprehensive income attributable to controlling interests	\$ 381	\$ 412	\$ 387	\$ 109	\$ (908 )	\$ 381

Nielsen Holdings plc

Condensed Consolidated Balance Sheet (Unaudited)

September 30, 2017

(IN MILLIONS)	Parent	Issuers	Guarantor	Non-Guarantor	Elimination	Consolidated
<b>Assets:</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 1	\$ 19	\$ 73	\$ 569	\$ —	\$ 662
Trade and other receivables, net	1	—	516	765	\$ —	1,282
Prepaid expenses and other current assets	—	—	193	135	\$ —	328
Intercompany receivables	2	1,146	322	123	(1,593 )	—
<b>Total current assets</b>	<b>4</b>	<b>1,165</b>	<b>1,104</b>	<b>1,592</b>	<b>(1,593 )</b>	<b>2,272</b>
<b>Non-current assets</b>						
Property, plant and equipment, net	—	—	296	162	—	458
Goodwill	—	—	6,022	2,330	—	8,352
Other intangible assets, net	—	—	4,513	529	—	5,042
Deferred tax assets	2	20	—	109	—	131
Other non-current assets	—	7	241	82	—	330
Equity investment in subsidiaries	4,230	1,222	4,190	—	(9,642 )	—
Intercompany loans	25	8,608	1,829	140	(10,602 )	—
<b>Total assets</b>	<b>\$ 4,261</b>	<b>\$ 11,022</b>	<b>\$ 18,195</b>	<b>\$ 4,944</b>	<b>\$ (21,837 )</b>	<b>\$ 16,585</b>
<b>Liabilities and equity:</b>						
<b>Current liabilities</b>						
Accounts payable and other current liabilities	\$ —	\$ 101	\$ 422	\$ 492	\$ —	\$ 1,015
Deferred revenues	—	—	204	124	\$ —	328
Income tax liabilities	—	2	47	149	\$ —	198
Current portion of long-term debt, capital lease obligations and short-term borrowings	—	22	40	5	\$ —	67
Intercompany payables	—	—	1,300	293	(1,593 )	—
<b>Total current liabilities</b>	<b>—</b>	<b>125</b>	<b>2,013</b>	<b>1,063</b>	<b>(1,593 )</b>	<b>1,608</b>
<b>Non-current liabilities</b>						
Long-term debt and capital lease obligations	—	8,247	113	17	—	8,377
Deferred tax liabilities	—	71	1,063	85	—	1,219
Intercompany loans	—	62	10,173	367	(10,602 )	—
Other non-current liabilities	2	2	603	314	—	921
<b>Total liabilities</b>	<b>2</b>	<b>8,507</b>	<b>13,965</b>	<b>1,846</b>	<b>(12,195 )</b>	<b>12,125</b>
<b>Total stockholders' equity</b>	<b>4,259</b>	<b>2,515</b>	<b>4,230</b>	<b>2,897</b>	<b>(9,642 )</b>	<b>4,259</b>
Noncontrolling interests	—	—	—	201	—	201
<b>Total equity</b>	<b>4,259</b>	<b>2,515</b>	<b>4,230</b>	<b>3,098</b>	<b>(9,642 )</b>	<b>4,460</b>
<b>Total liabilities and equity</b>	<b>\$ 4,261</b>	<b>\$ 11,022</b>	<b>\$ 18,195</b>	<b>\$ 4,944</b>	<b>\$ (21,837 )</b>	<b>\$ 16,585</b>



Nielsen Holdings plc

Condensed Consolidated Balance Sheet

December 31, 2016

(IN MILLIONS)	Parent	Issuers	Guarantor	Non-Guarantor	Elimination	Consolidated
Assets:						
Current assets						
Cash and cash equivalents	\$ 5	\$ 1	\$ 219	\$ 529	\$ —	\$ 754
Trade and other receivables, net	2	—	478	691	—	1,171
Prepaid expenses and other current assets	—	—	185	112	—	297
Intercompany receivables	—	862	312	167	(1,341 )	—
Total current assets	7	863	1,194	1,499	(1,341 )	2,222
Non-current assets						
Property, plant and equipment, net	—	—	307	164	—	471
Goodwill						