

Nielsen Holdings N.V.  
Form 10-Q  
October 23, 2013

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, 2013

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 N.V.

(Exact name of registrant as specified in its charter)

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The Netherlands (State or other jurisdiction of incorporation or organization)	98-0662038 (I.R.S. Employer Identification No.)
85 Broad Street New York, New York 10004 (646) 654-5000	Diemerhof 2 1112 XL Diemen The Netherlands +31(0) 20 398 87 77

(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, or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (do not check if a smaller reporting company) Smaller reporting company

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 377,684,041 shares of the registrant's Common Stock outstanding as of September 30, 2013.



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## PART I. FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

Nielsen Holdings N.V.

Condensed Consolidated Statements of Operations (Unaudited)

(IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Revenues	\$ 1,387	\$ 1,351	\$ 4,092	\$ 3,966
Cost of revenues, exclusive of depreciation and amortization shown separately below	573	550	1,732	1,649
Selling, general and administrative expenses, exclusive of depreciation and amortization shown separately below	434	429	1,310	1,295
Depreciation and amortization	117	124	364	367
Restructuring charges	20	4	63	57
Operating income	243	244	623	598
Interest income	1	1	2	3
Interest expense	(78)	(100)	(229)	(301)
Foreign currency exchange transaction (losses)/gains, net	(7)	1	(23)	(12)
Other income/(expense), net	12	(1)		3
Income from continuing operations before income taxes and equity in net (loss)/income of affiliates	171	145	373	291
Provision for income taxes	(40)	(58)	(104)	(93)
Equity in net (loss)/income of affiliates		(1)	3	1
Income from continuing operations	131	86	272	199
Income from discontinued operations, net of tax		20	319	37
Net income	131	106	591	236
Net (loss)/income attributable to noncontrolling interests	(3)	1	(4)	2
Net income attributable to Nielsen stockholders	\$ 134	\$ 105	\$ 595	\$ 234

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Net income per share of common stock, basic								
Income from continuing operations	\$	0.35	\$	0.23	\$	0.74	\$	0.55
Income from discontinued operations, net of tax	\$		\$	0.06	\$	0.85	\$	0.10
Net income attributable to Nielsen stockholders	\$	0.35	\$	0.29	\$	1.59	\$	0.65
Net income per share of common stock, diluted								
Income from continuing operations	\$	0.35	\$	0.23	\$	0.73	\$	0.54
Income from discontinued operations, net of tax	\$		\$	0.06	\$	0.84	\$	0.10
Net income attributable to Nielsen stockholders	\$	0.35	\$	0.29	\$	1.57	\$	0.64
Weighted-average shares of common stock outstanding, basic		377,590,584		362,016,373		374,943,623		361,477,554
Dilutive shares of common stock		4,711,433		4,205,147		4,858,966		4,511,519
Weighted-average shares of common stock outstanding, diluted		382,302,017		366,221,520		379,802,589		365,989,073
Dividends declared per common share	\$	0.20	\$		\$	0.52	\$	

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

Nielsen Holdings N.V.

## Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(IN MILLIONS)	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net income	\$ 131	\$ 106	\$ 591	\$ 236
Other comprehensive (loss)/income, net of tax				
Foreign currency translation adjustments <sup>(1)</sup>	51	64	(83)	65
Available for sale securities <sup>(2)</sup>	3	(1)	9	(5)
Changes in the fair value of cash flow hedges <sup>(3)</sup>	(2)		6	(1)
Defined benefit pension plan adjustments <sup>(4)</sup>	3	2	23	4
Total other comprehensive income/(loss)	55	65	(45)	63
Total comprehensive income	186	171	546	299
Less: comprehensive (loss)/income attributable to noncontrolling interests	(1)	1	(3)	2
Total comprehensive income attributable to Nielsen stockholders	\$ 187	\$ 170	\$ 549	\$ 297

(1) Net of tax of \$(2) million for the three months ended September 30, 2013 and 2012, respectively, and \$7 million and \$2 million for the nine months ended September 30, 2013 and 2012, respectively.

(2) Net of tax of \$(2) million and zero for the three months ended September 30, 2013 and 2012, respectively, and \$(6) million and zero for the nine months ended September 30, 2013 and 2012, respectively.

(3) Net of tax of \$1 million and zero for the three months ended September 30, 2013 and 2012, respectively and \$(4) million and \$1 million for the nine months ended September 30, 2013 and 2012, respectively.

(4) Net of tax of \$zero and \$(1) million for the three months ended September 30, 2013 and 2012, respectively, and \$(16) million and \$(2) million for the nine months ended September 30, 2013 and 2012, respectively.



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

Nielsen Holdings N.V.

## Condensed Consolidated Balance Sheets

(IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)	September 30, 2013  (Unaudited)	December 31, 2012
Assets:		
Current assets		
Cash and cash equivalents	\$ 737	\$ 288
Trade and other receivables, net of allowances for doubtful accounts and sales returns of \$45 and \$38 as of September 30, 2013 and December 31, 2012, respectively	1,138	1,110
Prepaid expenses and other current assets	336	278
Total current assets	2,211	1,676
Non-current assets		
Property, plant and equipment, net	555	560
Goodwill	7,686	7,352
Other intangible assets, net	4,855	4,555
Deferred tax assets	166	170
Other non-current assets	242	272
Total assets	\$ 15,715	\$ 14,585
Liabilities and equity:		
Current liabilities		
Accounts payable and other current liabilities	\$ 990	\$ 967
Deferred revenues	324	373
Income tax liabilities	99	56
Current portion of long-term debt, capital lease obligations and short-term borrowings	361	355
Total current liabilities	1,774	1,751
Non-current liabilities		
Long-term debt and capital lease obligations	6,521	6,229
Deferred tax liabilities	1,136	1,006
Other non-current liabilities	572	621
Total liabilities	10,003	9,607
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; 377,803,456 and 362,733,010 shares issued and 377,684,041 and 362,519,883 shares outstanding at September 30, 2013 and December 31, 2012, respectively	32	30
Additional paid-in capital	6,670	6,485

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Accumulated deficit	(657)	(1,252)
Accumulated other comprehensive loss, net of income taxes	(379)	(333)
Total Nielsen stockholders' equity	5,666	4,930
Noncontrolling interests	46	48
Total equity	5,712	4,978
Total liabilities and equity	\$ 15,715	\$ 14,585

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

Nielsen Holdings N.V.

## Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended	
(IN MILLIONS)	September 30, 2013	2012
Operating Activities		
Net income	\$ 591	\$ 236
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	32	24
Gain on sale of discontinued operations	(303)	
Currency exchange rate differences on financial transactions and other losses	29	7
Equity in net income of affiliates, net of dividends received	1	6
Depreciation and amortization	375	388
Changes in operating assets and liabilities, net of effect of businesses acquired and divested:		
Trade and other receivables, net	(23)	13
Prepaid expenses and other current assets	(37)	(30)
Accounts payable and other current liabilities and deferred revenues	(128)	(270)
Other non-current liabilities	(4)	(2)
Interest payable	36	46
Income taxes	12	26
Net cash provided by operating activities	581	444
Investing Activities		
Acquisition of subsidiaries and affiliates, net of cash acquired	(1,202)	(136)
Proceeds from sale of subsidiaries and affiliates, net	934	(1)
Additions to property, plant and equipment and other assets	(79)	(72)
Additions to intangible assets	(176)	(153)
Net cash used in investing activities	(523)	(362)
Financing Activities		
Net borrowings under revolving credit facility		65
Proceeds from issuances of debt, net of issuance costs	2,485	1,209
Repayment of debt	(1,933)	(1,381)
Increase in other short-term borrowings	12	10
Dividends paid	(189)	
Activity under stock plans	59	28
Other financing activities	(24)	(11)
Net cash provided by/(used in) financing activities	410	(80)
Effect of exchange-rate changes on cash and cash equivalents	(19)	4
Net increase in cash and cash equivalents	449	6
Cash and cash equivalents at beginning of period	288	319
Cash and cash equivalents at end of period	\$ 737	\$ 325
Supplemental Cash Flow Information		

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Cash paid for income taxes	\$ (101)	\$ (88)
Cash paid for interest, net of amounts capitalized	\$ (201)	\$ (273)

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

Nielsen Holdings N.V.

Notes to Condensed Consolidated Financial Statements

## 1. Background and Basis of Presentation

### Background

Nielsen Holdings N.V. (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 (Watch). In June 2013, Nielsen completed the sale of its Expositions operating segment (see Note 4, Discontinued Operations, for more information). The Company's condensed consolidated statements of operations reflect the Expositions operating segment as a discontinued operation. Nielsen has a presence in more than 100 countries, with its headquarters located in Diemen, the Netherlands and New York, USA.

The Company was formed by several private equity groups through Valcon Acquisition Holding (Luxembourg) S.à r.l. (Luxco). As of December 31, 2012, Luxco owned 236,266,399 shares (or approximately 65%) of the Company's common stock. In February and May 2013, Luxco and certain Nielsen employees completed public offerings of 40,814,884 and 40,250,000 shares, respectively, of the Company's common stock at a price of \$32.55 and \$35.01 per share, respectively. Subsequent to these offerings and as of September 30, 2013, Luxco owned 155,224,724 shares (or approximately 41%) of the Company's common stock.

### 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 Current Report on Form 8-K filed with the Securities and Exchange Commission on August 12, 2013. 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, 2013 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 or loss 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 and restricted stock.

The effect of 2,502,717 and 8,815,982 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, 2013 and 2012,

respectively, as such shares would have been anti-dilutive.

The effect of 2,427,945 and 6,960,905 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, 2013 and 2012, respectively, as such shares would have been anti-dilutive.

#### Devaluation of Venezuelan Currency

Nielsen has operations in both the Buy and Watch segments in Venezuela and the functional currency for these operations was the Venezuelan Bolivares Fuertes. Venezuela's currency was considered hyperinflationary as of January 1, 2010 and further, in January 2010, Venezuela's currency was devalued and a new currency exchange rate system was announced. In 2010, Nielsen evaluated the new exchange rate system and concluded that the local currency transactions will be denominated in U.S. dollars effective as of January 1, 2010 and until Venezuela's currency is deemed to be non-hyperinflationary.

In February 2013, the Venezuelan government devalued its currency by 32%. The official exchange rate moved from 4.30 to 6.30 and the regulated System of Transactions with Securities in Foreign Currency market was suspended. As a result of this change

Nielsen recorded a charge of \$12 million during the first quarter of 2013 in foreign currency exchange transaction (losses)/gains, net line in the condensed consolidated statement of operations primarily reflecting the write-down of monetary assets and liabilities.

## 2. Summary of Recent Accounting Pronouncements

### Reclassification from accumulated other comprehensive income

In February 2013, the FASB issued an accounting update *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, to improve the transparency of reporting reclassifications out of accumulated other comprehensive income. The Company has presented the significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification in Note 6 to these condensed consolidated financial statements. This amended guidance does not have any other impact on the Company's condensed consolidated financial statements.

### Foreign Currency Matters

In March 2013, the FASB issued an accounting update, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*, to resolve the diversity in practice regarding the release into net income of the cumulative translation adjustment upon derecognition of a subsidiary or group of assets within a foreign entity. The amendment requires an entity that ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. This guidance is effective for Nielsen interim and annual reporting periods in 2014. The adoption of this update is not expected to have a significant impact on the Company's condensed consolidated financial statements.

### Income Taxes

In July 2013, the FASB issued an accounting update, *Income Taxes: Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. The update provides guidance on the financial statement presentation of an unrecognized tax benefit, as either a reduction of a deferred tax asset or as a liability, when a net operating loss carryforward, similar tax loss, or a tax credit carryforward exists. The update will be effective for interim and annual periods beginning after December 15, 2013 and may be applied on a retrospective basis. Early adoption is permitted. The Company does not expect the adoption of this update to have a significant impact on the Company's condensed consolidated financial statements.

## 3. Business Acquisitions

### Arbitron Inc.

On September 30, 2013 (the *Acquisition Date*), Nielsen completed the acquisition of Arbitron Inc., an international media and marketing research firm ( *Arbitron* ), through the purchase of 100% of Arbitron's outstanding common stock for a total cash purchase price of \$1.3 billion (the *Acquisition* ). Arbitron is expected to help Nielsen better address



client needs in unmeasured areas of media consumption, including streaming audio and out-of-home and Nielsen's global distribution footprint can help expand Arbitron's capabilities outside of the U.S. With Arbitron's assets, Nielsen intends to further expand its Watch segment's audience measurement across screens and forms of listening. Arbitron has been rebranded Nielsen Audio.

As a part of the Acquisition, Nielsen acquired the remaining 49.5% interest in Scarborough Research, a joint venture between Nielsen and Arbitron ( Scarborough ) that Nielsen historically accounted for under the equity method of accounting. Nielsen accounted for this transaction as a step-acquisition and calculated the fair value of its investment immediately before the acquisition to be \$75 million. As a result, during the third quarter of 2013, Nielsen recorded a \$24 million gain on its investment in Scarborough to other income/(expense), net in the condensed consolidated statement of operations. Effective October 1, 2013, the financial results of Scarborough will be included within the consolidated financial statements of Nielsen.

The Acquisition 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. Since the date of the acquisition occurred on the last day of the quarter, the results of Arbitron will be included within Company's consolidated financial statements commencing October 1, 2013.

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:

(IN MILLIONS)

Fair value of business combination:	
Cash paid for Arbitron common stock	\$ 1,296
Accrued payment for directors and employees equity awards pertaining to pre-merger service	42
Accrued dividend payment on Arbitron common stock	3
Fair value of previously held equity interest in Scarborough	75
Total	\$ 1,416

Identifiable assets acquired and liabilities assumed:	
Cash	\$ 136
Other current assets	115
Property and equipment	32
Goodwill	931
Amortizable intangible assets	517
Other long term assets	3
Deferred revenue	(47)
Other current liabilities	(53)
Deferred tax liabilities	(200)
Other long term liabilities	(18)
Total	\$ 1,416

As of the Acquisition Date, the expected fair value of accounts receivable approximated historical cost. The gross contractual receivable was \$64 million, of which \$4 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.

The provisional allocation of the purchase price to goodwill and identified intangible assets was \$931 million and \$517 million, respectively. All of the Arbitron related goodwill and intangible assets are attributable to the Nielsen s Watch segment.

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

(IN MILLIONS)

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Description	Amount	Useful Life
Customer related intangibles	\$ 323	10 - 20 years
Computer software	150	5 - 10 years
Trade names and trademarks	33	5 years
Covenants-not-to-compete	11	1-2 years
Total	\$ 517	

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 Arbitron.

The Company incurred acquisition related expenses of \$4 million and \$18 million for the three and nine months ended September 30, 2013, respectively, 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 Arbitron for the three and nine months ended September 30, 2013 and 2012, as if the acquisition had occurred on January 1, 2012, with pro forma

adjustments to give effect to amortization of intangible assets, an increase in interest expense from acquisition financing, and certain other adjustments:

	Three Months Ended	Nine Months Ended
	September 30,	September 30,
(IN MILLIONS)	2013	