Needham

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Entertainment, Cable & Media / Consumer

Nielsen Holdings N.V. (NLSN) – Buy

NLSN: Initiating Coverage with a BUY and $32 Target Price

Coverage Initiation

Market Data	
Price (02/09/11)	$25.58
12-Month Price Target	$32.00
52-Week range	$26.08-25.00
Shares Out. (MM)	283.0
Market cap (MM)	$7,239.1
Avg. daily volume (000)	6,773.7
Financial Data	
Total Debt/Cap.	
Price/LTM Rev.	1.4x
Tangible BVPS	
Net Cash Per Share	

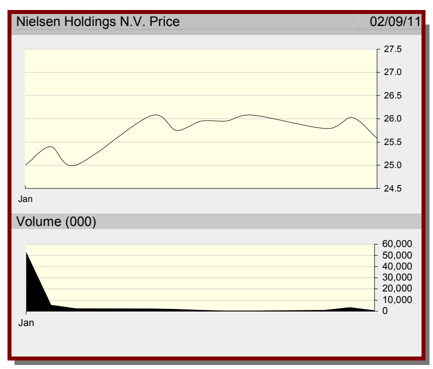
NLSN is a global information and measurement company with a presence in approximately 100 countries. For more than 50 years, Nielsen has been collecting and reporting on purchasing and media information.

We initiate coverage of Nielsen Holdings BV (NLSN) with a BUY rating and $32 Target Price based on the following analytical building blocks:

- NLSN has had relationships with its ten largest clients for an average of over 30 years.
- We believe that approximately 70% of NLSN's revenue is recurring revenue. Recurring revenue makes EPS more predictable and lowers risk to Wall Street estimates.
- Our growth estimates are that NLSN's revenue will rise 12%, EBITDA 17%, EBIT 28% and Operating Net Income 41% in 2011.
- Nielsen's ratings service (Watch segment) is the Gold Standard in television ratings in the US. Virtually every dollar spent on TV by advertisers in the US ($75 billion annually) is based on Nielsen ratings. NLSN essentially holds a monopoly position as there is no other widely-accepted ratings service for TV in the US today.
- NLSN has enormous barriers to entry including long-term contracts and staggered expiration dates.
- NLSN operates in 100 countries.

	FY 12/31/10 A	FY 12/31/11 E		FY	
		Old	New	Old	New
Rev. (MM)	$5,121.5		$5,753.5		
Growth	*6.5%*	*0.0%*	*12.3%*	*0.0%*	*0.0%*
Op. Mar.	*14.3%*		17.2%		
EPS: 1Q	0.17		0.04		
EPS: 2Q	0.27		0.17		
EPS: 3Q	0.08		0.19		
EPS: 4Q	0.09		0.26		
EPS: Year	0.61		0.68		
Growth	*138.6%*	*0.0%*	*11.5%*	*0.0%*	*0.0%*
P/E Ratio	0.0x	nm	37.9x	nm	0.0x

Note: Pro forma earnings estimates displayed above do not include one-time items or any stock compensation expenses.



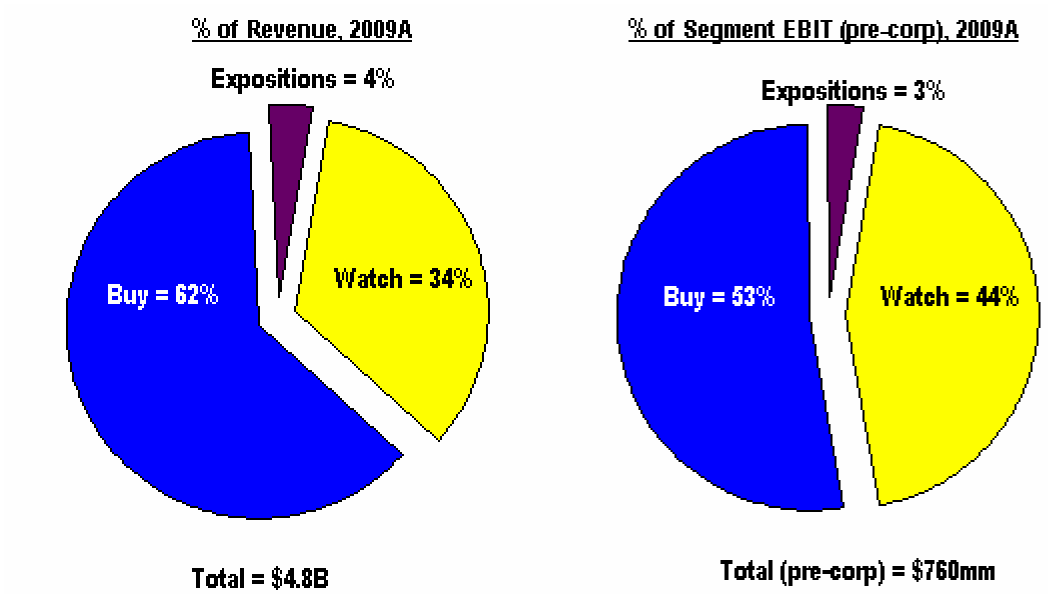
Disclosures applicable to this security: B.
Disclosure explanation on the inside back cover of this report.

Business Overview

Nielsen Holdings N.V. (NLSN) is the successor to the firm founded by Arthur C. Nielsen in 1923 and today operates in three business segments. The "What people buy" (Buy) segment represented about 62% of revenue and 53% of segment operating income in 2009. This business tracks billions of retail transactions every month in 100 countries. The "What people watch" (Watch) segment represented about 34% of revenue and 44% of segment operating income in 2009. This business is the TV ratings in the US (plus operates in 29 other countries) and has 5,000 clients globally, long-term contracts, and a 90% renewal rate. The Expositions segment (which produces about 40 trade-shows a year) is small at 4% of revenue and 3% of adjusted operating profit in 2009. Chart A includes an analysis of NLSN's revenue and operating income by segment.

Chart A

Revenue and Segment EBIT mix, 2009



Source: Nielsen S-1

Investment Positives

1. **Client Relationships.** All of NLSN's clients are enterprises. In total, NLSN has 20,000 clients. NLSN's top 5 Watch clients were 26% of segment revenue in 2009 and no one client was more than 5% of segment revenue. NLSN's top 5 Buy clients were 22% of segment revenue in 2009 and no one client was more than 10% of segment revenue. NLSN has had relationships with its ten largest clients for an average of over 30 years.

2. **Business Model**. Approximately 90% of NLSN's Watch segment's revenue for the upcoming year is under contract. Approximately 60% of the Buy segment's revenue for the upcoming year is under contract. We believe that approximately 70% of NLSN's revenue is recurring revenue. Recurring revenue makes EPS more predictable and lowers risk to Wall Street estimates.

3. **Guidance.** NLSN said during its roadshow that it hopes to grow revenue in the mid-teens, adjusted EIBTDA at 1-2x revenue and adjusted net income at 2-3x EBITDA. Our growth estimates are that NLSN's revenue will rise 12%, EBITDA 17%, EBIT 28% and Operating Net Income 41% in 2011. About 17% of revenue in 2009 came from developing markets. Growth in the BRIC (Brazil, Russia, India and China) countries is especially robust and NLSN believes it can grow revenue at double-digit rates in the BRIC countries.

4. **Currency.** Nielsen's ratings service (Watch segment) is the Gold Standard in television ratings in the US. Virtually every dollar spent on TV by advertisers in the US ($75 billion annually) is based on Nielsen ratings. NLSN essentially holds a monopoly position as there is no other widely-accepted ratings service for TV in the US today. Its unique market position gives NLSN insights and value-added analytics (based on its proprietary data) that is difficult to replicate by competitors.

5. **Barriers to Entry.** NLSN has staggered contracts with its largest clients. That is, their client contracts are not co-terminus. This is a powerful barrier to entry. For example, if CBS wanted to end it's association with Nielsen to use another ratings service, CBS would be on a different measurement system than NBC, Food Channel, etc and therefore not comparable.

6. **Long Term Contracts.** NLSN typically signs long-term contracts with its clients, typically longer than 5 years. The average renewal rates are 90% for Watch and 60% for Buy clients. The length of these contracts represents a meaningful entry barrier for new competitors. The average relationship length of NLSN's top ten clients is >30 years.

7. **Scale and Scope**. NLSN operates in 100 countries. Nielsen is the monopoly scale competitor in the $75 billion market that makes up TV media planning, buying and validation in the US. The TV environment is becoming more complex as it fragments into four platforms (TV, PC, Mobile, iPad). Nielsen is the best positioned to garner additional revenue from the incumbent TV content creators as they move their content to new platforms.

8. **Buy Product Penetration.** NLSN's "Buy" product is in over 100 countries and measures billions of point-of-sale transactions every month. In total, BUY has 250,000 household panelists in 25 countries (hard to replicate).

9. **Unique Insights.** NLSN's Buy product gives its clients insights about demand, product innovation, pricing & promotion metrics, and comparative marketing ROIs. Also, NLSN's Buy product has the most social media analytics, according to the S-1.

10. **Deleveraging Strategy.** NLSN had debt/EBITDA of nearly 10x in 2006, when the company was LBOed. We estimate that leverage is under 6x debt/EBITDA after the deal. Management has stated that their goal is to deliver by 0.5x each year until they attain an investment grade rating. We believe that this implies a

debt/EBITDA multiple of under 3.5x. One of the most effective ways to grow equity value is to delever.

11. **Client Quality.** NLSN clients include the highest-quality companies in the world such as Coca-Cola (N/R), NBC (N/R), Nestle (N/R), NewsCorp, P&G (N/R), Unilever (N/R), etc.

12. **Leading Strategic Positions.** NLSN has market leading positions in viewing measurement (TV, Internet, mobile), retail measurement and analytical services.

13. **Ownership Structure.** NLSN has some of the smartest private-equity investors as equity holders- Blackstone (N/R), KKR (N/R), Carlisle Group, Hellman & Freedman and Thomas H. Lee. After the offering and the exercise of the Green Shoe, these 5 VCs now own about 70% of the equity of NLSN, according to the S-1.We believe that, given NLSN's IPO valuation, they generated a 25% annual return since their LBO of Nielsen in 2006. If past is prologue, these owners can be depended on to maximize shareholder value going forward.

Risks to our Target Price

1. **Rising Competition in NLSN's "Watch" Segment.**
    - In its "Watch" product, Nielsen ratings are based on a representative sample which is used to project viewing across the entire US. We believe that NLSN uses "PeopleMeters" and diaries to record television viewership in about 25,000 US households (approximately 5,000 for national programming plus about 20,000 for local stations, by our estimates) across the 220 markets in the US. NLSN uses diary-only (where people write down what they think they watched) ratings in about 150 out of 220 total US markets. This representative sample is extrapolated to represent TV viewing behavior for 110 million US households and about $75 billion of TV advertising spending is based on these ratings each year.
    - The huge size of the TV markets globally coupled with technological innovation have attracted new competitors into NLSN's Watch segment (the TV measurement space). Rentrak is using set-top data to provide minute-by-minute granular local TV ratings. Simulmedia is using set-top box data for audience promotion. TRA is trying to match set-top box data with consumer-purchasing data in the same market. TiVo's measurement division sells clients detailed information about viewing behavior over their DVRs in order to provide data to clients about time-shifting-audience behavior.
    - In our view, the most threatening replacement for NLSN's Watch segment (ie, diary-based and PeopleMeter-based TV measurement systems) is from set-top-box (STB) data from digital cable boxes in millions of US homes. Therefore, we spoke with several NLSN clients about the pros and cons of set-top box measurement systems compared to NLSN's. Our summary of the NLSN's client's concerns that we spoke to included: 1) 11% of US homes have no cable, satellite or telco service; 2) An

additional 19% have analog basic cable service only, with no set top box in their home. Therefore about 30% of homes would not be in the sample at all. Additionally, there are also problems in the homes that do have set-top boxes because they view TV differently than homes without set top boxes. For example, we learned that:

a. STB homes have more TV sets – 2.8 sets per HH vs. 2.4 for the average US home.
b. STB homes watch more TV – approximately nine hours a day vs. eight-and-a-half hours for the average home vs six hours for broadcast-only homes.
c. STB homes are larger households and typically make more money.
d. STB homes do more time-shifting of their viewing and fast forward through more commercials.

- The NLSN clients we spoke to underscored that the quality of sample is as important as the quantity of datapoints. Although they understand the logic of wanting more datapoints, the quality (ie, data is a good representation of the larger viewership) and fairness of the data are more important to them. NLSN has grappled with and solved these issues over the past 50 years.
- Finally, we note that NLSN"s largest Watch clients are companies that own both broadcasters and cable networks. Manish Bhatia, former head of NLSN's digital initiatives including its STB group, was quoted in August of 2009 as saying that if STB data were used as the measure of audience size, that cable networks would garner an extra $3.1 billion a year in advertising revenues while broadcast networks would lose $1.1 billion. NLSN"s largest Watch clients have little incentive to help new STB entrants shift billions of ad dollars so dramatically.

2. **Potential Revenue Pressures**: We estimate that each of the largest content companies in our coverage spend between $50 and $100mm per year with Nielsen across all their TV networks (broadcast + cable). The cost of new competitors in this space is about ¼ that amount. Competitors may not unseat Nielsen owing to the weaknesses sited above, but they may represent negotiating leverage that puts Nielsen's services under downward pricing pressure.

3. **Brand Risk:** In November of 2010, Nielson lost its Media Ratings Council (MRC) accreditation in its diary-only ratings markets in the US, about 150 out of 220 markets (DMAs). Either MRC matters and Nielson should fix this, or MRC doesn't matter and investors have extra risk because there is no independent accreditation service of measurement systems so investors must keep a closer eye on market demand to determine which measurement companies are being adopted in local markets.

4. **Netherlands Domiciled.** NLSN is domiciled in the Netherlands. NLSN says its domicile choice is owing to tax and governance reasons. There are stricter restrictions on hostile take-overs in the Netherlands, which is not necessarily a good thing for investors.

5. **Financial Leverage.** Although declining, the financial leverage at NLSN remains high, well above the 3-4x debt/EBITDA ratio required for an investment grade rating, which is management's ultimate goal.

NLSN: Becoming a Public Company

NLSN priced its initial public offering of 71. 4mm shares of its common stock at $23.00 per share and began trading on January 26, 2011 on the New York Stock Exchange under the ticker symbol "NLSN." The underwriters subsequently exercised their 30-day overallotment option to purchase 10.7mm additional shares. Therefore, the NLSN IPO's total gross proceeds were $1.89 billion, making it the largest IPO in US history.

On January 26, NLSN also priced $250 million in aggregate principal amount of mandatory convertible subordinated bonds (bonds), which are mandatorily convertible into NLSN shares on February 1, 2013. They have a 6.25% interest rate and a conversion rate per $50.00 principal amount of bonds into between 1.812 to 2.174 common shares, depending on the market value of NLSN at that time.

NLSN Management Overview:

We note that no shares were sold by management in the IPO, which we view as a positive.

David L. Calhoun, Chief Executive Officer, was appointed as CEO in August of 2006. Prior to joining NLSN, he was Vice Chairman of The General Electric Company (GE) and President and Chief Executive Officer of GE Infrastructure, the largest of six GE business units. During his 26 year career with General Electric, Calhoun also served as President and Chief Executive Officer of multiple business units, including GE Lighting, GE Employers Reinsurance Company, GE Aircraft Engines, and GE Transportation (Aircraft and Rail). He is the co-author of a book called *How Companies Win.*

Brian J. West, Chief Financial Officer, was appointed as CFO in February of 2007. West spent 16 years at GE, where he held a number of finance roles including CFO of NBC's TV Stations Division, CFO of GE Engine Services, and CFO of GE Aviation, a $12 billion global business. He is a graduate of Siena College and holds a MBA from Columbia University.

Susan D. Whiting, Vice Chair and Chief Diversity Officer was appointed Vice Chair in November 2008 and Chief Diversity Officer in October 2010. She shares the Office of CEO with David Calhoun, although she focuses on client relations and NLSN's diversity initiatives. Whiting joined Nielsen Media Research in 1978 as part of the company's management training program. She became president and chief operating officer in 2001, and in 2002 assumed the roles of CEO and President. In 2007, Whiting was appointed Chairman of Nielsen Media Research and Executive Vice President of The Nielsen Company, with marketing and product leadership responsibilities for all Nielsen business units.

Itzhak Fisher, Executive Vice President, Global Business Development, was appointed in January 2010. Fisher has responsibility for strategic business development initiatives and mergers and acquisitions. Previously, Fisher had responsibility for the development and delivery of all Nielsen product solutions globally. Before that, he was Executive Chairman of Nielsen's Online division, which included Nielsen//NetRatings and Nielsen BuzzMetrics solutions. Fisher holds a Bachelor of Science degree in computer science from the New York Institute of Technology.

FINANCIAL OUTLOOK & EARNINGS ESTIMATES

Table 1 introduces our quarterly estimates for FY10 and FY11. .

Table 1- Quarterly Estimates

FYE Dec. 31:	4Q10E	2010E	1Q11E	2Q11E	3Q11E	4Q11E	2011E
Rev Current ($mm)	**$1,366**	**$5,121**	**$1,343**	**$1,426**	**$1,448**	**$1,535**	**$5,753**
Previous ($mm)	-	-	-	-	-	-	-
Consensus ($mm)	-	-					
Operating EPS	**$0.09**	**$0.61**	**$0.04**	**$0.17**	**$0.19**	**$0.26**	**$0.68**
Previous			-	-	-	-	-
Consensus							
P/E		42.3					37.9

Sources: Needham & Company estimates, Yahoo Finance

INTRODUCING OUR 12-MONTH TARGET PRICE OF $32

Our target price of $32 is based on a DCF valuation. We use a WACC of 9% for NLSN and a long-term nominal GDP growth rate of 2%. The standard DCF is widely used on Wall Street because it is a rigorous bottom-up valuation of the enterprise based on discounting its long-term cash flows and removing the impact of non-cash accounting conventions. Positives and negatives of this valuation methodology are highlighted beside the calculation in Table 5.

Our $32 target price embeds a 10-year EBITDA growth rate of only 6.25% annually beginning in 2011 and represents an 11.5x multiple of forward year (2012E) EBITDA.

VALUATION

Our BUY rating is based on several forms of valuation, summarized in Table 2:

Table 2: NLSN: Valuation Summary & Conclusions

2011E Valuation Multiples			Embedded Expectations Metrics	
1	EV/Sales	3.2	7 **Breakeven DCF** (Calculated as the 10-Yr EBITDA CAGR required to justify current share price)	2.4%
2	EV/EBITDA	11.6		
3	P/E	37.9		
4	FCF/Share	$1.63		
5	EV/FCF	31.7		
6	FCF Yield	6%		

Source: Needham & Company estimates.

1. The **"Breakeven DCF"** valuation methodology uses the current share price to calculate the market's growth expectations for the enterprise, including capital efficiency trends. This valuation methodology concludes that NLSN must achieve a 10-year EBITDA compound annual growth rate of approximately 2.4% to justify its current share price. (Please see Table 6.)

2. In Table 7, we summarize several **valuation multiples** for Sales, EBITDA and P/E. NLSN's EV/EBITDA trading multiple is approximately 11.6 x 2011E.
3. In Table 8, we present **Free Cash Flow** valuation metrics. Our Free Cash Flow analysis shows that NLSN is currently valued at about 31.7x 2011E Free Cash flow and has a 6% free cash flow yield, making it one of the least expensive companies we cover.
4. In Table 9, we present our Comparative Industry valuation metrics which shows that NLSN is one of the least expensive content companies we cover on several metrics.

Table 3A

Nielsen Holdings BV: Quarterly Income Statement Projections, 2010E

$ and shares in thousands, except per share data

	3/31/10	6/30/10A	9/30/10A	12/31/10E	2010E		Year/Year Change Q1	Q2	Q3	Q4	2010E
Revenue											
Watch	$405	$432	$418	$435	$1,690		3%	7%	1%	2%	3%
Buy	$742	$800	$808	$910	$3,260		13%	9%	7%	7%	9%
Exposition	$49	$38	$63	$22	$172		-9%	-19%	9%	7%	-4%
Corporate	$0	$0	$0	$0	$0		NA	NA	NA	NA	NA
Total Revenue	**$1,196**	**$1,270**	**$1,289**	**$1,366**	**$5,121**		9%	7%	5%	5%	7%
EBITDA											
Watch	$143	$166	$163	$171	$643		7%	5%	3%	3%	4%
Buy	$123	$177	$167	$212	$679		19%	12%	4%	2%	8%
Exposition	$27	$13	$36	$14	$90		13%	117%	3%	-787%	42%
Corporate	($12)	($15)	($8)	($18)	($53)		20%	15%	167%	-18%	10%
Total EBITDA	**$281**	**$341**	**$358**	**$379**	**$1,359**		12%	10%	2%	8%	8%
Restructuring Charge/SBC	($8)	($23)	($15)	$0	($46)						-92%
Total EBITDA after Charge	**$273**	**$318**	**$343**	**$379**	**$1,313**		13%	3%	-287%	24%	95%
Operating Income											
Watch	$71	$92	$83	$91	$337		6%	2%	-7%	-1%	0%
Buy	$66	$125	$114	$159	$464		29%	20%	16%	8%	16%
Exposition	$19	$7	$29	$7	$62		27%	-275%	16%	152%	168%
Corporate	($16)	($19)	($10)	($20)	($65)		33%	12%	150%	-13%	16%
Op Inc (bef charges)	**$140**	**$205**	**$216**	**$237**	**$798**		16%	18%	4%	17%	13%
Restruturing Charge/SBC	($8)	($23)	($15)	($20)	($66)						
Op Inc (after charges)	$132	$182	$201	$217	$732		18%	6%	-162%	37%	531%
Net Interest Expense	($161)	($159)	($168)	($160)	($648)		1%	7%	1%	-2%	1%
Other Income (Expenses)	$9	$0	$0	$0	$9		NMF	NMF	NMF	NMF	NMF
Loss on Derivatives/FOREX	$68	$65	($10)	($30)	$93		24%	-214%	-76%	67%	-250%
Income Before Tax	$48	$88	$23	$27	$186		NMF	NMF	NMF	NMF	NMF
Provision for Taxes	$1	($13)	($2)	($5)	($19)		NMF	NMF	NMF	NMF	NMF
Equity in Affiliates	($2)	$2	$1	$3	$4		-167%	-60%	-103%	0%	-118%
Net Income-Operating	**$47**	**$77**	**$22**	**$25**	**$171**		NMF	NMF	NMF	NMF	NMF
Disc. Ops, Net of Tax	($5)	($3)	($11)	($5)	($24)		NMF	NMF	NMF	NMF	NMF
Net Income-Reported	**$42**	**$74**	**$11**	**$20**	**$147**		NMF	NMF	NMF	NMF	NMF
EPS Operating	**$0.17**	**$0.27**	**$0.08**	**$0.09**	**$0.61**		NMF	NMF	NMF	NMF	NMF
EPS-Reported	**$0.15**	**$0.26**	**$0.04**	**$0.07**	**$0.52**		714%	-897%	-102%	-57%	-129%
Avg. Diluted Shares Out.	283	283	283	283	283		3%	3%	3%	3%	3%

Sources: Company Reports, Needham & Company estimates.

Table 3B

Nielsen Holdings BV: Quarterly Income Statement Projections, 2011E

$ and shares in thousands, except per share data

	3/31/11E	6/30/11E	9/30/11E	12/31/11E	2011E	Year/Year Change Q1	Q2	Q3	Q4	2011E
Revenue										
Watch	$450	$480	$464	$482	$1,875	11%	11%	11%	11%	11%
Buy	$838	$904	$913	$1,028	$3,683	13%	13%	13%	13%	13%
Exposition	$55	$43	$71	$25	$195	13%	13%	13%	13%	13%
Corporate	$0	$0	$0	$0	$0	NA	NA	NA	NA	NA
Total Revenue	**$1,343**	**$1,426**	**$1,448**	**$1,535**	**$5,753**	12%	12%	12%	12%	12%
EBITDA										
Watch	$170	$195	$184	$196	$745	19%	18%	13%	14%	16%
Buy	$133	$198	$190	$243	$763	8%	12%	14%	15%	12%
Exposition	$31	$18	$43	$17	$108	13%	36%	18%	25%	20%
Corporate	($8)	($8)	($6)	($8)	-$30	-33%	-47%	-25%	-56%	-43%
Total EBITDA	**$325**	**$402**	**$411**	**$448**	**$1,587**	16%	18%	15%	18%	17%
Restructuring Charge/SBC	($8)	($8)	($8)	($8)	($32)					-30%
Total EBITDA after Charge	**$317**	**$394**	**$403**	**$440**	**$1,555**	16%	24%	17%	16%	18%
D & A										
Watch	$80	$80	$80	$80	$320	11%	8%	0%	0%	5%
Buy	$53	$53	$53	$53	$212	-7%	2%	0%	0%	-1%
Exposition	$7	$7	$7	$7	$28	-13%	17%	0%	0%	0%
Corporate	$2	$2	$2	$2	$8	-50%	-50%	0%	0%	-33%
Total D & A	**$142**	**$142**	**$142**	**$142**	**$568**	1%	4%	0%	0%	1%
Operating Income										
Watch	$90	$115	$104	$116	$425	27%	25%	26%	27%	26%
Buy	$80	$145	$137	$190	$551	21%	16%	20%	19%	19%
Exposition	$24	$11	$36	$10	$80	24%	53%	23%	51%	30%
Corporate	($10)	($10)	($8)	($10)	($38)	-38%	-47%	-20%	-50%	-42%
Op Inc (bef charges)	**$183**	**$260**	**$269**	**$306**	**$1,019**	31%	27%	25%	29%	28%
Restruturing Charge/SBC	($5)	($10)	($8)	($8)	($31)					
Op Inc (after charges)	$178	$250	$261	$298	$988	35%	38%	30%	37%	35%
Net Interest Expense	($150)	($150)	($150)	($150)	($600)	-7%	-6%	-11%	-6%	-7%
Other Income (Expenses)	$0	$0	$0	$0	$0	NMF	NMF	NMF	NMF	NMF
Loss on Derivatives/FOREX	($10)	($10)	($10)	($10)	($40)	115%	115%	0%	67%	-143%
Income Before Tax	$18	$90	$101	$138	$348	-62%	3%	339%	408%	87%
Provision for Taxes	($6)	($30)	($33)	($46)	($115)	-697%	130%	1566%	811%	504%
Equity in Affiliates	$3	$2	$2	$2	$9	-250%	0%	100%	-33%	125%
Net Income-Operating	**$15**	**$63**	**$70**	**$94**	**$242**	-68%	-19%	217%	276%	41%
Disc. Ops, Net of Tax	($5)	($5)	($5)	($5)	($20)	NMF	NMF	NMF	NMF	NMF
Net Income-Reported	**$10**	**$58**	**$65**	**$89**	**$222**	-76%	-22%	488%	344%	51%
EPS Operating	**$0.04**	**$0.17**	**$0.19**	**$0.26**	**$0.68**	-75%	-36%	150%	196%	11%
EPS-Reported	**$0.03**	**$0.16**	**$0.18**	**$0.25**	**$0.62**	NMF	-39%	364%	250%	19%
Avg. Diluted Shares Out.	358	358	358	358	358					

Sources: Company Reports, Needham & Company estimates.

Table 4

Nielsen Holdings BV: Annual Income Statement Data, 2008A-2011E

$ and shares in thousands, except per share data

FYE 9/31:	2008A	2009A	2010A	2011E	'08-'11 CAGR
Revenue					
Watch	$1,480	$1,635	$1,690	$1,875	8.2%
Buy	$3,084	$2,993	$3,260	$3,683	6.1%
Exposition	$240	$180	$172	$195	-6.7%
Corporate	$2	$0	$0	$0	-100.0%
Total Revenue	**$4,806**	**$4,808**	**$5,121**	**$5,753**	**6.2%**
EBITDA					
Watch	$526	$617	$643	$745	12.3%
Buy	$595	$630	$679	$763	8.7%
Exposition	$91	$63	$90	$108	5.9%
Corporate	($79)	($48)	($53)	($30)	-27.6%
Total EBITDA	**$1,133**	**$1,262**	**$1,359**	**$1,587**	**11.9%**
Restructuring Charge/SBC	($214)	($589)	($46)	($32)	
Total EBITDA after Charge	**$919**	**$673**	**$1,313**	**$1,555**	19.2%
Operating Income					
Watch	$281	$338	$337	$425	14.8%
Buy	$389	$400	$464	$551	12.3%
Exposition	$51	$23	$62	$80	16.2%
Corporate	($87)	($56)	($65)	($38)	-24.1%
Op Inc (bef charges)	$634	$705	$798	$1,019	17.1%
Restruturing Charge/SBC	($214)	($589)	($66)	($31)	
Op Inc (after charges)	**$420**	**$116**	**$732**	**$988**	33.0%
Net Interest Expense	($684)	($640)	($648)	($600)	-4.3%
Other Income (Expenses)	($12)	($17)	$9	$0	-100.0%
Loss on Derivatives/FOREX	$5	($62)	$93	($40)	NM
Income Before Tax	($271)	($603)	$186	$348	NM
Provision for Taxes	($36)	$197	($19)	($115)	47.1%
Equity in Affiliates	($7)	($22)	$4	$9	NM
Net Income-Operating	($314)	($428)	$171	$242	NM
Disc. Ops, Net of Tax	($275)	**($63)**	**($24)**	**($20)**	-58.3%
Net Income-Reported	($589)	**($491)**	**$147**	**$222**	NM
EPS Operating	($1.39)	($1.57)	$0.61	$0.68	NM
EPS-Reported	($2.61)	($1.79)	$0.52	$0.62	NM
Avg. Diluted Shares Out.	227	274	283	358	16.5%

Sources: Company Reports, Needham & Company estimates.

Table 5

Nielsen Holdings BV: Target Price Calculation, 2012E-2021E

$ and shares in millions, except per share data

Valuation Conclusions		% of Total
Sum of PV of Free Cash Flow [1]	$9,473	43%
PV of Terminal Value Discounted at WACC [1]	$11,965	54%
Value of Operations (WACC Method)	**$21,438**	**97%**
Plus: Excess Cash at 12/31/11E	$700	
Plus: Non-Consolidated Assets (From PMV)	$0	
Less: Minority Interest	($15)	
Enterprise Value	**$22,123**	**100%**
Less: Debt at 12/31/11E	($8,700)	
Less: Lease Obligations	($1,300)	
Less: Preferred Stock Outstanding	$0	
Less: Value of Options & Restricted Sk, After-tax	($650)	
Common Equity Value	**$11,473**	**52%**
Fully Diluted Shares Out, 2011E	358	
DCF Value/Share	**$32.02**	
Current Share Price @ 2/9/11	$25.58	
Upside Potential (DCF-Current Price/Current Price)	**25%**	

Standard Discounted Cash Flow (DCF) Valuation

Why We Calculate: DCF is a rigorous bottoms-up valuation of the enterprise focusing on cash flows (not accounting)

Strengths

1 Focuses on operations. Removes financing
2 Focuses on FCF. Removes non-cash accounting
3 Explicitly forecasts capital needs (WC & CapX)
3 Uses a levered beta (widely available)
4 Ent value focus captures entire business model

Weaknesses

1 Many assumptions. Valuation can be manipulated
2 Terminal value big & based on low visiblity projections
3 Model assumes constant debt/equity ratio
4 Complex to calculate
5 Calculates the enterprise value first, then equity value

[1] **Calculation of the Value of Operations (WACC Method)**

FYE 9/30:	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	CAGR '12-21E
EBITDA (after sk comp exp & corp):	**$1,587**	**$1,686**	**$1,791**	**$1,903**	**$2,022**	**$2,148**	**$2,283**	**$2,425**	**$2,577**	**$2,738**	**$2,909**	**6.3%**
- Depreciation	($568)	($573)	($609)	($598)	($602)	($584)	($582)	($577)	($569)	($559)	($544)	
+ Option Exercise Proceec	$25	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	
+ Int & Inv Income only	$10	$10	$10	$10	$10	$10	$10	$10	$10	$10	$10	
EBIT	$1,054	$1,198	$1,267	$1,390	$1,505	$1,649	$1,786	$1,933	$2,092	$2,264	$2,450	
Cash Taxes (at 37%)	($400)	($299)	($317)	($347)	($376)	($412)	($446)	($483)	($523)	($566)	($613)	
Plus: Depreciation	$568	$573	$609	$598	$602	$584	$582	$577	$569	$559	$544	
Plus: Sk Based Comp Exp	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	
Working Capital Change	($175)	($260)	($270)	($270)	($270)	($270)	($270)	($270)	($270)	($270)	($270)	
Less: Capital Spending	($125)	($143)	($152)	($162)	($172)	($183)	($194)	($206)	($219)	($233)	($247)	
FCF from Operations	**$1,021**	**$1,168**	**$1,237**	**$1,309**	**$1,389**	**$1,468**	**$1,557**	**$1,651**	**$1,750**	**$1,854**	**$1,964**	**5.9%**
PV Discounted at WACC [2]		$1,072	$1,042	$1,012	$985	$956	$931	$905	$881	$856	$833	
Sum of PV of Free Cash Flow											$9,473	
Terminal Value of 2020E FCF [3]											$28,222	
PV of Terminal Value at WACC [2]											$11,965	
Discount Period		1	2	3	4	5	6	7	8	9	10	

[2] **Calculation of WACC:**

10-Year Risk Free Rate ("RFR")	2.0%
Equity Risk Premium (Ibbotson-Arithmetic)	6.5%
Levered Beta (Bloomberg)	1.20
Target Equity/(Debt + Equity)	85%
Debt Rating	B+
Debt Spread	5.0%
Marginal Tax Rate ("T")	40.0%
WACC	**9.0%**

(RFR+(Equity Risk Premium x Beta)) x Equity/Total Capital + ((RFR + Debt Spread) x (1-T) x Debt/Total Capital).

[3] **Calculation of Terminal Multiple (WACC Method)**

WACC	9.0%
Long-term Nominal GDP Growth	2.0%
WACC-GDP Growth	7.0%
FCF Terminal Multiple [1/(WACC-Growth Rate)]	**14.4**
EBITDA Terminal Mutiple	**9.7**

Sources: Company Reports, Needham & Company estimates.

Table 6

Nielsen Holdings BV: Breakeven Discounted Cash Flow Valuation Calculation, 2012E - 2021E

$ and shares in millions, except per share data

Valuation Conclusions		**2011E**
Sum of PV of Free Cash Flow [1]		$9,302
PV of Terminal Value Discounted at WACC [1]		$9,836
Value of Operations (WACC Method)		**$19,138**
Plus: Excess Cash at 12/31/11E		$700
Plus: Non-Consolidated Assets (From PMV)		$0
Less: Minority Interest		($15)
Enterprise Value		**$19,823**
Less: Debt at 12/31/11E		($8,700)
Less: Lease Obligations		($1,300)
Less: Preferred Stock Outstanding		$0
Less: Value of Options & Restricted Sk, After-tax		($650)
Common Equity Value		**$9,173**
Fully Diluted Shares Out, 2011E		358
Breakeven DCF Value/Share		**$25.60**
Current Share Price @	2/9/11	$25.58
Discount to DCF Value (DCF-Current Price/DCF)		0%

Breakeven Discounted Cash Flow Valuation

Why We Calculate: BE DCF uses the current share price to calculate the market's growth expectations for the enterprise.

Strengths

1 Makes no assumption about growth for first 10 years
2 Prevents over-optimism by working backwards
3 Data widely available and model well understood
4 Explicitly forecasts capital needs (WC & CapX)
5 Uses a levered beta (widely available)

Weaknesses

1 Terminal value big & based on low visiblity projections
2 Model assumes constant debt/equity ratio
3 Complex to calculate
4 Calculates the enterprise value first, then equity value

[1] **Calculation of the Value of Operations (WACC Method)**

FYE 9/30:	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	**Required LT Growth Rate**
EBITDA (after sk comp exp & corp):	**$1,587**	**$1,624**	**$1,662**	**$1,701**	**$1,741**	**$1,782**	**$1,824**	**$1,867**	**$1,911**	**$1,955**	**$2,001**	**2.4%**
- Depreciation	($568)	($520)	($532)	($544)	($557)	($570)	($584)	($597)	($611)	($626)	($640)	
+ Option Exercise Proceec	$25	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	
+ Int & Inv Income only	$10	$10	$10	$10	$10	$10	$10	$10	$10	$10	$10	
EBIT	$1,054	$1,189	$1,215	$1,242	$1,269	$1,297	$1,325	$1,354	$1,384	$1,415	$1,446	
Cash Taxes (at 37%)	($390)	($297)	($304)	($310)	($317)	($324)	($331)	($339)	($346)	($354)	($361)	
Plus: Depreciation	$568	$520	$532	$544	$557	$570	$584	$597	$611	$626	$640	
Plus: Sk Based Comp Exp	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	
Working Capital Change	($175)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	($50)	
Less: Capital Spending	($125)	($130)	($133)	($136)	($139)	($143)	($146)	($149)	($153)	($156)	($160)	
FCF from Operations	**$1,032**	**$1,332**	**$1,360**	**$1,390**	**$1,420**	**$1,450**	**$1,482**	**$1,514**	**$1,547**	**$1,580**	**$1,615**	
PV Discounted at WACC [2]		$1,222	$1,146	$1,074	$1,007	$944	$885	$830	$778	$730	$685	
Sum of PV of Free Cash Flow											$9,302	
Terminal Value of 2021E FCF [3]											$23,201	
PV of Terminal Value at WACC [2]											$9,836	
Discount Period		1	2	3	4	5	6	7	8	9	10	

[2] **Calculation of WACC:**

10-Year Risk Free Rate ("RFR")	2.0%
Equity Risk Premium (Ibbotson-Arithmetic)	6.5%
Levered Beta (Bloomberg)	1.20
Target Equity/(Debt + Equity)	85%
Debt Rating	B+
Debt Spread	5.0%
Marginal Tax Rate ("T")	40.0%
WACC	**9.0%**

(RFR+(Equity Risk Premium x Beta)) x Equity/Total Capital + ((RFR + Debt Spread) x (1-T) x Debt/Total Capital).

[3] **Calculation of Terminal Multiple (WACC Method)**

WACC	9.0%
Long-term Nominal GDP Growth	2.0%
WACC-GDP Growth	7.0%
FCF Terminal Multiple [1/(WACC-Growth Rate)]	**14.4**
EBITDA Terminal Mutiple	**11.6**

Sources: Company Reports, Needham & Company estimates.

Table 7

Nielsen: Valuation Multiples (Sales, OIBDA, P/E)

$ and shares in millions, except per share data

Valuation Conclusions		2011E
Market-Based Enterprise Value [1]		$18,465
2011E Sales (From Annual Projections)		$5,753
EV/Sales		**3.2**
Market-Based Enterprise Value [1]		$18,465
2011E EBITDA (From Annual Projections)		$1,587
EV/EBITDA		**11.6**
Target Price		$32.00
Target Price EV/2012 EBITDA		**11.5**
Current Price	2/9/11	$25.58
2011E EPS (From Annual Projections)		$0.68
P/E Ratio		**37.9**

[1] Calculation of Market-Based Enterprise Value		
Year End 12/31:		2011E
Current Share Price	02/09/11	$25.58
Fully Diluted Shares Out		358
Market Capitalization		**$9,165**
Less: Excess Cash		($700)
Less: Non-Consolidated Assets		$0
Plus: Unfunded Retirement Liabilities		$0
Plus: Debt at 12/31/11		$8,700
Plus: Lease Obligations		$1,300
Plus: Preferred Stock Outstanding		$0
Plus: Value of Options & Restricted Sk		$650
Market-Based Enterprise Value		**$18,465**

Sources: Company Reports, Needham & Company estimates.

Table 8

Nielsen: Free Cash Flow Valuation Metrics

$ and shares in millions, except per share data

Valuation Conclusions		2011E
FCF/Share [2]		$1.63
Current Price	2/9/11	$25.58
FCF Yield		**6%**
FCF [2]		$583
2011E EBITDA (From Annual Projections)		$1,587
FCF Conversion Rate (FCF/EBITDA)		**37%**
Market-Based Enterprise Value [1]		$18,465
FCF [2]		$583
EV/FCF		**31.7**
Net Debt/EBITDA		5.0
Net Debt		$8,000
Net Debt/Market Cap		**87.3%**

[2] Calculation of Free Cash Flow	
Year End 12/31:	2011E
EBITDA	$1,587
Plus: Option Exercise Proceeds	$75
Less: Cash Interest Expense	($600)
Minority Interest	$0
Less: Preferred Dividends	$0
Less: Operating Cash Taxes	($304)
Less: Change in Working Capital	($50)
Less: Capital Spending	($125)
Free Cash Flow	**$583**
Less: Dividends	$0
Free Cash Flow After Dividends	$583
Shares Outstanding	358
FCF/Share	**$1.63**
FCF/Share After Dividends	$1.63

Sources: Company Reports, Needham & Company estimates.

Table 9

Summary Comparative Financial & Valuation Information

$ and shares in millions, except per share data

Laura Martin's Coverage Sorted by Industry	Ticker	Market Cap ($B)	Rating	EV/ EBITDA	P/E	EV/ FCF	FCF Yield	Break-even DCF	Target Price	Current Price	Target/ Current	Conflicts Disclosure
					2011E Multiples					2/9/11		
Content Companies												
1 AOL, Inc.	AOL	$2	BUY	3.5	14.8	4.9	15.7%	-22.0%	$35.00	$20.60	70%	B
2 CBS	CBS	$15	BUY	8.9	15.7	15.2	10.2%	1.3%	$23.00	$21.54	7%	B
3 Discovery Communications	DISCA	$18	HOLD	11.1	20.4	19.6	5.7%	2.2%	NA	$42.88		B, G
4 Disney	DIS	$83	HOLD	8.5	16.9	26.1	4.3%	4.8%	NA	$43.36		B
5 NewsCorp	NWS	$48	BUY	8.4	16.2	19.6	5.6%	1.9%	$20.00	$18.32	9%	B, G
6 Nielsen Company BV	**NLSN**	**$9**	**BUY**	**11.6**	**37.9**	**31.7**	**6.4%**	**2.4%**	**$32.00**	**$25.58**	**25%**	
7 Time Warner Inc	TWX	$41	HOLD	8.1	13.4	21.6	6.3%	1.6%	NA	$36.93		B
8 Viacom	VIAB	$26	BUY	8.4	13.5	18.2	6.9%	1.7%	$43.00	$45.00	-4%	B
9 Warner Music	WMG	$0.8	BUY	7.4	(5.4)	16.9	16.6%	-6.8%	$8.50	$5.54	53%	B
Industry Total/Average		$242		8.4	15.9	19.3	8.6%	-1.4%	NA	$28.86	NA	
Cable Companies												
10 Mediacom	MCCC	$0.6	HOLD	7.6	NMF	NMF	NMF	0.7%	NA	$8.83		B, G
11 Time Warner Cable	TWC	$24	BUY	6.2	15.6	17.8	10.3%	1.6%	$80.00	$69.50	15%	B
Industry Total/Average		$25		6.9	15.6	17.8	10.3%	1.1%	$80.00	$39.17	15.1%	
Total/Average from Above		**$267**		**7.7**	**15.8**	**18.6**	**9.5%**	**-0.2%**			**NM**	

Sorted by Industry	WACC	Revenue 2011E	OIBDA 2011E	EPS 2011E	EV	Net Debt	Debt/ OIBDA	Debt Rating	FCF	FCF/ Share	Dividend/ Share	Div. Yield
$ in millions, except per share data												
Content Companies												
1 AOL, Inc.	10.5%	$2,093	$497	$1.39	$1,729	($1,000)	(2.0)	BBB	$356	$3.23	$0.00	NA
2 CBS	9.1%	$14,332	$2,555	$1.37	$22,650	$7,150	2.8	BBB-	$1,495	$2.20	$0.20	0.9%
3 Discovery Communications	9.1%	$4,085	$1,807	$2.10	$20,056	$2,550	1.4	BBB+	$1,022	$2.45	$0.00	NA
4 Disney	8.7%	$40,796	$10,940	$2.57	$92,914	$10,250	0.9	A	$3,561	$1.87	$0.40	0.9%
5 NewsCorp	8.8%	$33,019	$6,200	$1.13	$52,107	$3,300	0.5	BBB+	$2,663	$1.02	$0.15	0.8%
6 Nielsen Company BV	**9.0%**	**$5,753**	**$1,587**	**$0.68**	**$18,465**	**$8,000**	**5.0**	**B+**	**$583**	**$1.63**	**$0.00**	**NA**
7 Time Warner Inc	9.1%	$28,462	$6,824	$2.75	$55,323	$12,100	1.8	BBB	$2,560	$2.33	$0.85	2.3%
8 Viacom	9.0%	$14,176	$3,935	$3.34	$32,938	$5,400	1.4	BBB	$1,813	$3.09	$0.60	1.3%
9 Warner Music	9.1%	$2,672	$318	($1.02)	$2,355	$1,420	4.5	BB-	$139	$0.92	$0.00	NA
Cable Companies												
10 Mediacom	9.2%	$1,515	$570	$0.63	$4,332	$3,680	6.5	B+	$124	$1.75	$0.00	NA
11 Time Warner Cable	9.1%	$19,502	$7,124	$4.45	$43,913	$20,500	2.9	BBB	$2,464	$7.14	$1.92	2.8%

Sources: Needham & Co, LLC estimates, Company documents, FirstCall, Yahoo Finance.

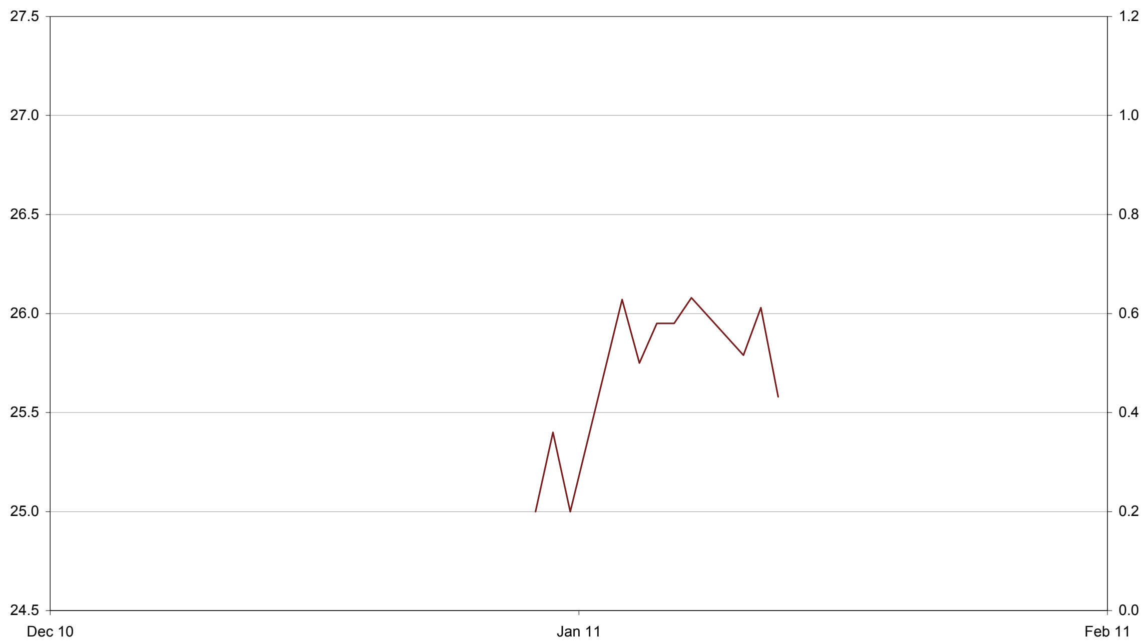
Analyst: Laura Martin, CFA. (917) 373-3066. LMartin@Needhamco.com

ANALYST CERTIFICATION

I, Laura Martin, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company (ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

I, Dan Medina, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company (ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Price, Rating, and Price Target History: Nielsen Holdings N.V. (NLSN/NASDAQ) as of 2-9-11



Source: Factset (Prices) / Needham (ratings)

Disclosures applicable to this security: B.

	% of companies under coverage with this rating	% for which investment banking services have been provided for in the past 12 months
Strong Buy	8	17
Buy	62	15
Hold	28	5
Under Perform	<1	0
Rating Suspended	2	0
Restricted	0	0
Under Review	0	0

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