



Nielsen Massive Put Buys as Business Viability in Question

Ticker/Price: NLSN (\$15)

Analysis:

Nielsen (NLSN) with buyers active today for more than 23,000 August \$14 puts up to \$2.00 and follows accumulation recently of 12,000 May \$14 puts. Shares hit all-time lows in March and one of the weaker bounces over the last two weeks unable to reclaim the 38.6% Fibonacci of the drop. While shares may have further room up to the declining 50-day around \$17, NLSN is showing relative weakness today when highly-shortened, oversold names are outperforming. The \$5.37B company trades 8.3X earning and 0.8X sales with a 1.6% yield but highly debt-laden with a Debt/Equity of 3.8X and Current Ratio under 1. NLSN faces a number of headwinds including growing competition and a potential slowdown in advertising budgets across broadcast, print, and online sales which will weigh on their Advertising Expenditure product. NLSN is working towards a spin-off of their Global Connect business after a review in November but costs for the separation coming in higher than forecast and with so much outstanding near-term debt, the recent pullback likely severely limits their flexibility to invest in other areas. Analysts have an average target for shares of \$22.50. Arete moving to Sell today with a \$5.50 PT while Baird downgrading in February citing headwinds from deceleration in Audience Measurement, minimal growth overall, flat to down margins, and weak FCF conversion. They also think the outsized financial leverage, structural end-market challenges, management changes and operational risks pose significant threats. Short interest is 7.2% and rising over the last two weeks despite the substantial move lower in the equity. Hedge fund ownership rose 8.5% in Q4. Elliott Management with a buy of 2.3M shares. Nomura also with an interesting buy of 4.9M shares, the largest of the quarter, and stands out as the bank has been linked to a number of activists in other names. Insiders active in March with the CEO buying \$1M in stock at \$18 and a director buying \$4M in stock at \$16.33.

Hawk Vision:



Hawk's Perspective: NLSN has long been a weak business and one of many names that is a likely short into this rebound in junk names.

Confidence Ranking: \$\$