

## comScore, Inc.

SCOR: NasdaqGS

**Analyst:** Mark Papuzza

**Sector:** Services

**BUY**

Price Target: \$56.50

### Key Statistics as of 3/10/15

Market Price:	\$49.36
Industry:	Business Services
Market Cap:	\$1.66 B
52-Week Range:	\$27.41-55.40
Beta:	1.51

### Thesis Points:

- Alliance with WPP's Kantar Group
- New Products – Video Metrix Multi-Platform, comScore industry trust
- Competitive Advantage
- Financials – Increasing revenue growth, increasing EBITDA margins, increasing free cash flow, no net debt

### Company Description:

comScore, Inc. provides digital media analytics products and services for content publishers, advertisers, advertising agencies, and network operators primarily in the United States, Canada, Europe, Latin America, and Asia. Its products and services offer its customers an insight into consumer behavior, including objective, detailed information about consumer usage of digital content, and advertising coupled with information on consumer demographic characteristics, attitudes, lifestyles, and offline behavior. The company's digital media measurement and analytics platforms include proprietary databases, software, and a computational infrastructure that measures, analyzes, and reports on digital activity. The company was founded in 1999 and is headquartered in Reston, Virginia.



## Thesis

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comScore, Inc. is a global leader in measuring the digital world as a result of their number of users, top-notch technology, and product development. With their recent partnership with WPP's Kantar Group, comScore will continue to grow revenue and EBITDA margins, and create more value for the company. In turn, the company will continue to generate value and increase the price of their stock.

## Alliance with WPP's Kantar Group

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comScore, Inc. scored big with their recent strategic global alliance with WPP's Kantar group, which was announced February 12, 2015. Kantar is WPP's wholly-owned data investment management arm. It is one of the world's largest information consulting groups. Kantar services over half of the Fortune Top 500 companies. It brings in annual revenues of approximately \$4 billion, and employs 30,000 people in 100 countries around the world.

One key reason comScore sought to team up with Kantar is because of the recent growing shift in the video and television audience. With the technology available today, consumers are viewing videos and television from many different devices, and have the ability to watch whenever and wherever they please. In order to adapt to this complex trend, comScore needs assistance in further advancing their technology, with measurement expertise, and knowledge of many countries out of North America; this is where Kantar comes in. Kantar has exceptional global experience in television and video media. Kantar delivers its digital audience measurement services to 44 countries, making it the world leader in television measurement outside of America. Alongside comScore's world-class technology, the two will bring services to markets that do not have it today, and could not have it without the partnership. Devices such as smartphones, tablets, desktops, and of course, televisions, will be able to have their individual performances measured which will provide extremely valuable information to marketers.

Kantar's set of assets are complimentary to the set of assets built at comScore, and so the two are a great team together. This alliance is set to deliver premier cross-

media audience and campaign measurement capabilities by combining products, technology, data assets, research panels and relationships from both of the companies. This is the just the beginning of global expansion for comScore, which will play a key role in the growth of the company.

## New Products – Video Metrix Multi-Platform, comScore Industry Trust

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The release of comScore's product Video Metrix Multi-Platform this year has already garnered great interest in the industry. This product serves as a single, unduplicated measure of digital video consumption across a number of different device screens. This product allows premium video content and advertising to be planned, bought and sold across platforms using metrics that measure audience engagement. Its appeal lies in making content and advertising toward the audience more valuable, by analyzing content through demographics to recognize differences by device. 79 video publishers in America have already reached out for the product, 90% of which are major broadcast and cable networks. The unique data it provides allows these major networks to examine where their audience engages with their content most, thus allowing them to cater to their consumers. The majority of comScore's revenue comes from subscriptions with their consumers, and this product is subscription based as well. The contract renewal rate with their consumers is above 90%, and this product will most likely fall into that range. Customers clearly feel satisfied with the products they pay for, and with the company improving these products each year and releasing new ones, they will continue to renew their contracts.

The recent launch of the product comScore Industry Trust will be completely rolled out over the year. The product is designed to enable trusted programmatic transactions of quality advertising between buyers and sellers, attacking one of the major problems in the field right now. There has become a decrease in trust between ad buyers and sellers due to hackers and non-human fraud that takes place online. This product is creating a trusted marketplace that will lead to a strengthening of digital advertising, thus increasing the value of the company.

## Competitive Advantage

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comScore has only one main competitor, Nielsen NetRatings, and they have separated themselves prominently from them. comScore has a panel size of approximately 2,000,000 users, compared to Nielsen NetRatings panel size of approximately 500,000 users. comScore has furthered the gap between themselves and competition through their global reporting capability, ability to measure online and offline buying activity, innovative new measurement services, and ability to provide the media planning metrics that marketers and advertising agencies desire.

As a result of being the first in the field to innovate many essential measurements, comScore has a two year lead over the competition in terms of historical data, product development and relevancy of service offerings. comScore has also managed to put together a client list of almost all industry leaders. This list include five of the top six cable companies, five of the top six consumer banks, seven of the top ten cable companies, and seven of the top ten pharmaceutical companies. Some of the well-known big name clients include AOL, Yahoo!, ESPN, Fox Sports, Verizon, and more. comScore mainly provides subscription-based products, and as previously mentioned their subscription renewal rate is above 90%. This provides strong evidence that they will be keeping these industry leaders as clients.

## Financials – Revenue growth, increasing EBITDA margins, increasing free cash Flow, no net debt

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comScore has a very attractive balance sheet, especially when viewing their revenue growth, EBITDA growth, and net debt. In years prior, EBITDA margins have been close to revenue growth numbers, but have not yet surpassed it. In the upcoming two years, however, the EBITDA margins are expected to increase greatly and outgrow revenue. The 2015 estimated revenue growth is 14%, while the 2015 estimated EBITDA margin growth is 23.6%. The 2016 estimated revenue growth is 15.9%, while the 2016 estimated EBITDA margin growth is 24.6%. This shows that comScore is becoming an even

more profitable company, as they are finding ways to eliminate operating expenses that are eating into their bottom line. The increased growth in the EBITDA margins will generate value for shareholders. comScore has also posted growing free cash flow every year. With this increase in cash in the company, they are able to invest in improving their existing products, as well as invest in new products in order to adapt to trends in the market. In pursuing new investments, comScore will be able to work toward increasing the value of their shares. Also noteworthy is the company's net debt. comScore possesses more cash than debt. The fact that they have enough liquidity to cover their liabilities should be very encouraging to investors. comScore will begin to invest more, especially with their global expansion taking place, but plan to continue possessing more cash and assets than debt.

## Conclusion

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I am recommending a buy on comScore, Inc. because their consistent financial growth should continue as a result of their new alliance with the Kantar group, their new products of Video Metrix and comScore Industry Trust, and their clear advantage over the competition in the industry. comScore is an industry leader in an important market, and continues to innovate and improve to both keep their big name clients and bring in more. They have established a solid track record of profitability, and combined with these thesis points, especially with the global expansion that will take place from teaming up with Kantar, comScore will continue to increase the value of both their company and their share price.

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