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FQ3 2026 Earnings Call Transcripts

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S&P Global Market Intelligence Estimates

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Call Participants

EXECUTIVES

James Michael Peck
CEO & Chairman

Michael J. Burwell
Chief Financial Officer

Troy Treangen
Chief Product Officer

William Lyons
Senior VP & Head of Investor Relations

ANALYSTS

Andrew Owen Nicholas
William Blair & Company L.L.C., Research Division

Ashish Sabadra
RBC Capital Markets, Research Division

Curtis Smyser Nagle
BofA Securities, Research Division

Kevin Damien McVeigh
UBS Investment Bank, Research Division

Manav Shiv Patnaik
Barclays Bank PLC, Research Division

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Presentation

Operator

Good morning, and welcome to NIQ's Third Quarter 2026 Earnings Conference Call. This call is scheduled to last approximately 1 hour. [Operator Instructions]

With that, I'd like to turn the call over to Will Lyons, Head of Investor Relations. Please go ahead.

William Lyons
Senior VP & Head of Investor Relations

Thank you. Hello, everyone, and welcome to NIQ's Third Quarter 2026 Earnings Call. Joining me today are our CEO, Jim Peck; and CFO, Mike Burwell. Following Jim's and Mike's prepared remarks, we'll open the line for Q&A with Jim, Mike and our Chief AI and Product Officer, Troy Treangen.

As a reminder, today's remarks will include forward-looking statements regarding our expectations and outlook. Actual results may differ materially from those expressed or implied in these statements. For information about factors that could cause actual results to differ materially, please refer to today's earnings press release and our SEC filings. We undertake no obligation to update any forward-looking statements made on this call, except as required by law.

During this call, we will also discuss both GAAP and non-GAAP financial measures. Reconciliations of non-GAAP measures to the most directly comparable GAAP measures are included in our earnings press release, which is available on our Investor Relations website. A replay of this call will also be available there. And finally, unless otherwise noted, revenue growth rates mentioned on this call are in organic constant currency and are compared with the prior year period.

And with that, I'll turn the call over to Jim.

James Michael Peck
CEO & Chairman

Thank you, Will. Good morning, everyone. Q3 was a milestone quarter for NIQ. There were several key takeaways: ongoing demand for our solutions, our resilient business and relentless execution in a dynamic operating environment, and our strengthening financial profile. We also announced a new agentic commerce partnership with Google, which I'll cover in detail shortly.

Some financial highlights. It was our sixth consecutive quarter exceeding the top end of our guidance across all key metrics. We grew organic constant currency revenue growth by 5.8%, our 11th straight quarter of mid-single-digit growth. Adjusted EBITDA grew 17.8%, and we expanded adjusted EBITDA margin by 230 basis points year-over-year to 23.6%. We delivered positive GAAP earnings per share for the first time since our IPO. We generated levered free cash flow of $181 million and adjusted earnings per share of $0.30, both considerably above expectations. We achieved 2.9x leverage, reaching our sub-3 tier times milestone a quarter ahead of schedule. And our recently announced $150 million share repurchase authorization adds return of capital to a disciplined capital allocation framework.

So we continue to deliver from the top line to the bottom line and strengthen our balance sheet. We're raising full year 2026 guidance to reflect year-to-date outperformance. And with a strong core, real AI momentum and our new partnership with Google putting NIQ Data at the center of agentic commerce, we believe 2027 begins a new phase of durable, profitable growth.

Looking at the quarter from a segment perspective. Americas grew 11.5% with broad strength across intelligence and activation. In North America, we had several key wins with key retailers. We won our first ever convenience retail collaboration with Maverik, displacing the incumbent across more than 830 stores in 20 states. We established a full store data partnership with a leading department store and off-price retailer, representing roughly $15 billion in retail sales. We also expanded our bev alc retail collaboration with a global mass merchandise retailer. In Latin America, we won competitive business from a global CPG leader across 5 markets, renewed and expanded a global spirits maker in Mexico, and we scaled a clothing partnership nearly eightfold from a single brand pilot into a multi-brand program.

EMEA grew 2.9%, and we continue to work closely with clients impacted by the ongoing conflict in that region. Despite the challenge, EMEA delivered some of our strongest wins of the quarter. In Western Europe, a global home furnishings retailer signed a landmark 8-figure 3-year activation renewal of its global program, expanding across more than 60 markets, our largest deal of the quarter. This relationship spans nearly 25 years and has always run on annual renewals. This was the first ever multiyear commitment

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made even as they were under real budget pressure and reviewing their all-around spend. We also won a European frozen food maker from the incumbent in a high 7-figure multiyear deal. And in the Middle East, despite the volatile landscape, we renewed a global telecom operator's customer experience program, extending a 15-year partnership.

APAC grew 0.2% as a tough year-over-year growth comparison masked the progress we continue to make in that region. A global social commerce platform went live with us across 6 markets after a year-long build. We also opened up a new vertical, adding our first agricultural sector client in Vietnam. Our go-forward APAC strategy remains intact: develop retailer relationships and win collaborations, improve coverage and improve data quality. We made progress this year and believe we're on the right path to make APAC a more consistent growth contributor.

Zooming out, while our segment growth rates differ today, we believe growth rates can converge over time. Americas growth reflects strong upsell of Full View and cross-sell traction for our activation offerings as well as initial demand for our AI-native solutions. As the EMEA conflict abates and our APAC strategy takes hold, we believe growth can broaden over time.

Turning to growth by product. We saw strength across intelligence and Activation. Intelligence grew 5.5% on new wins and strong upsell motion. Client demand for NIQ's Full View drove 20% plus growth in e-commerce and consumer panel. Measurement wins stood out. We anchored the largest retail census undertaken in South Africa and Nigeria, each covering roughly 180,000 outlets, and displaced the incumbent at a global sparkling wine leader expanding it from 12 to 23 markets in a high 7-figure deal.

Activation growth accelerated for the third straight quarter, up 7%. Analytics is a prime space for agentic tools when coupled with NIQ's decision-grade data. Marquee wins in the quarter included a competitive takeaway in Japan and a region-wide creator effectiveness study for a major technology platform. Growth remains resilient, thanks to our global reach and diverse offerings. Clients need NIQ in every environment, and that need increases in an AI world. Clients are accessing AI-powered NIQ intelligence several new ways through NIQ applications, through our new solutions that embed NIQ intelligence directly into their AI platforms and the LLM tools they already use. And with ConnectAI, some of our largest and most sophisticated AI builder customers are embedding NIQ intelligence deep inside their own AI applications and workflows.

Over the past year, we've shown how NIQ's AI value builds for clients in stages from usage to adoption to deep integration and now to incremental revenue. Here's where each stands. Data usage comes first. It's the leading indicator we began sharing late last year. Client use of NIQ data is growing roughly 20% a year, and clients are engaging with our new AI features. Some recent proof points include, more than half of our Discovery users engaged with AI features in Q3, double what we saw in Q2. Since August, we added global measurement and U.S. panel data sets to U.S. retail measurement, increasing the number of data sets available to Optiq users by 13-fold.

We also beta-launched MCP connections across 4 major LLMs, Claude, ChatGPT, Gemini and Copilot. Users can now access automated insights and AI-powered reports, and we have more enhancements planned over the coming quarters.

Next, the data usage is turning into AI product adoption. Nearly 60% of our top 100 clients now buy at least one of our AI-powered applications. BASES AI and Retail Analytics, our first wave of AI-native innovation over the past year plus. Revenue from these products is up 28% year-to-date and roughly 74% of AI-native revenue comes from clients who bought our solutions in 2025, a sign these solutions are driving cross-sell. And we're gaining traction with our new AI-native solutions launched this year. In less than 6 months, we have reached 10 charter commitments with AI Builder, including Mars Snacking and Purina. We're earning revenue from these initial projects and as we progress and deliver value, stand to turn these into even bigger commitments over time. And we have a global pipeline of 79 qualified proof of concepts behind them, spanning categories like food, beverage, personal care, pet care and beauty across every region in which we operate.

Now let me describe how we're going about deep integration. Clients choose NIQ because while AI models are abundant, AI that drives value can't be bought as software. It has to be built from the inside and with granular trusted data and lots of it. With Optiq Bridge and ConnectAI now launched, our forward deployed engineers are working side-by-side with our clients, and in some cases, their integration partners to build and enable AI products that plug directly into their enterprise workflows. In One Charter program engagement, we match clients' product records to NIQ data covering 96% of their category's retail sales, the foundation that lets their systems and the market speak one language. We're now embedding NIQ's harmonization and innovation frameworks directly into the client's own agents and workflows, powering their AI-driven innovation decisions.

With a global beverage leader, we're building an innovative system that matches their product data to NIQ's measurement to guide post-launch decisions. In partnership with OpenAI DeployCo, we're building an AI agent to automate commerce intelligence workflows for manufacturers, starting with U.S. Beauty and planning to expand into additional categories in 2027. And every deployment creates a path to additional data consumption and product subscriptions after go-live.

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As NIQ intelligence flows into clients' AI tools, copilots and LLMs, NIQ moves from mission-critical input to critical business infrastructure. And that value is already starting to show up in our results. Just months after launch, we're beginning to monetize. We expect about 1/10 of a point of growth from these AI solutions in 2026, which remains a foundation-building year. We're gaining adoption, building pipeline, expanding partnerships and validating our monetization models. That momentum builds into 2027. We're not setting formal 2027 guidance today, but we believe our new AI-native product suite can contribute about 0.25 to 0.5 point of growth.

Our new AI products are putting us at the table with clients CIOs and CTOs as they build their own AI tools as a trusted partner and thought leader on how to maximize AI value. Because Optiq Bridge and ConnectAI connect NIQ's data directly into their AI environments, we're opening technology budget pools we haven't historically accessed. A leading global consulting firm sized the prize. It estimates technology budgets at the top 100 global manufacturers will grow from roughly $60 billion in 2024 to approximately $90 billion in 2030.

Capturing even a small share of the incremental spend positions us for $500 million to $1 billion of potential growth as we unlock new revenue streams from consumption-based revenue to data licensing to implementation fees to agentic service fees, and that's before widening the aperture to our 23,000-plus clients. So we think our progress is showing that AI tools are only as good as the data that powers them, and we believe no one has granular consumer intelligence like NIQ.

Our proprietary permission harmonized data is the critical ground truth, and we think our advantage compounds as client adoption grows. We're pleased with our early progress this year, and we look forward to scaling with clients in 2027. And nothing illustrates that better than our new partnership with Google and one of the most important developments of the quarter. It extends everything I just described, taking NIQ intelligence beyond our clients' own AI tools and into the consumer-facing AI experiences where shopping decisions are increasingly made.

This partnership will integrate NIQ's granular proprietary semantic data spanning more than 265 million products in 90 countries into their shopping graph. The first order objective is to strengthen product discovery and local availability. When a consumer asks an LLM for something like the best fragrance-free sunscreen for sensitive skin nearby, our shared goal is to drive more sales for retailers and brands at a stronger ROI than other channels.

Stepping back a bit, AI is changing how consumers shop and what it takes for our brand and retailer clients to compete and win. AI assistants increasingly help consumers discover, compare and decide what to buy. Agentic commerce goes further, acting on the shopper's behalf, and the channel is growing fast. NIQ and World Data Lab report that nearly 3/4 of shoppers use AI for product discovery. McKinsey estimates that AI agents could mediate $3 trillion to $5 trillion in global consumer goods commerce by 2030, including up to $1 trillion in the U.S. An opportunity in agentic is the same as has been in other new channels. lead the change, help brands and retailers understand the shift, act on it and measure the results.

We're advancing that work in 3 areas. First is measurement, helping manufacturer and retailer clients see where AI is in changing demand and choice. We're building products to help clients understand their presence in AI shopping journeys, competitive performance and the connection to purchase behavior. We entered a data partnership in the U.S. in Q3, and we plan to expand in other markets in 2027.

Next is agentic commerce readiness, helping products get discovered and accurately recommended. We're building capabilities to assess how brands appear in AI shopping experiences, identify gaps in product content and distribution and prioritize fixes. Our product intelligence suite helps connect verified product facts to the needs shoppers express in natural language. Measuring the outcomes will help establish whether those improvements translate into stronger visibility and incremental sales.

Third is store intelligence, where we connect shopper intent on agentic channels to where products can be bought. By connecting to AI platform commerce feeds such as Google Merchant Center, our store intelligence links agent recommendations to retail locations and local offers. It helps AI shopping experience answer a practical question.

Where can I buy this sunscreen nearby? We're already working with clients. We're designing an initial pilot with a global consumer health leader to benchmark its brand's agentic commerce readiness, identify what influences AI recommendations, prioritize improvements and test their sales impact. There are more than a couple of dozen brand and retailer customers in the pipeline. So with Google as a marquee validation of our data, we're building great momentum in our 3-pillar AI growth strategy and positioning the business ahead of significant potential growth.

Lastly, AI is working on the cost side, too. This quarter, we substantially completed the actions under our 2026 restructuring program. Heading into 2027, we're actively identifying additional AI-driven operational efficiencies across our data operations, engineering, commercial and support functions. Our approach remains disciplined, identify and harvest efficiency, reinvest a portion in long-

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term growth initiatives such as building our AI capabilities and expand profitability. Any measures we choose to take will come with compelling payback of less than 1 year.

In closing, we're aiming to finish strong in 2026 and are entering 2027 with exciting opportunities ahead, including our new partnership with Google, which positions NIQ data at the heart of how consumers will discover and buy products in an AI world.

With that, I'll hand it to Mike.

Michael J. Burwell
Chief Financial Officer

Thanks, Jim, and good morning, everyone. I'll take you behind the numbers Jim covered, growth and margin drivers, our ongoing free cash flow inflection and our balance sheet now strong enough to support capital returns.

Starting with revenue. Q3 reported revenue grew 6.3% or 5.8% in organic constant currency. This quarter's growth is again powered by our revenue algorithm, retention, pricing and cross-sell and upsell, contributing across both intelligence and activation. In a more volatile macro environment, the recurring subscription-weighted nature of our revenue base continues to provide stability and visibility. On the bottom line, positive GAAP net income of $36 million or $0.12 per share was a result of higher operating income, lower interest expense and lower stock compensation versus an IPO charge-heavy Q3 2025 and net gains from M&A and deconsolidation activities.

Adjusted earnings per share of $0.30 was again above the top end of our guidance range. Even without these onetime items, GAAP earnings would have been positive for the quarter. Adjusted EBITDA of $264 million was driven by our increased operating leverage, AI-enabled automation benefits and execution of our 2026 productivity program, which continues to improve the efficiency of our largely fixed cost base. That profitability is now converting to cash. Leverage free cash flow was $181 million in Q3. This brings our year-to-date leverage free cash flow to $132 million, $187 million improvement over the same period last year.

As expected, Q3 itself was modestly below the prior year quarter, which had benefited from the timing of vendor payments. I'll come back to that. The year-to-date improvement is the clear inflection driven by higher EBITDA flow-through, improved working capital from client prepayments and stronger collections and lower interest expense as we deleverage.

Digging deeper into Q3 results from a segment perspective, Americas grew 13.8% on a reported basis or 11.5% organic constant currency to $463 million. Our growth algorithm is working, client retention, pricing, upselling motion with consumer panel and e-commerce and higher activation cross-sell. In North America, we believe we're gaining share on 2 fronts: a largest share of our clients' wallets and competitive share through takeaways like Maverik. Americas adjusted EBITDA grew 16.3% to $145.4 million, with margin expanding 70 basis points to 31.4%.

EMEA revenue increased 1.4% reported or 2.9% organic constant currency to $491.2 million. This reflects the combination of pricing and upselling our Full View offerings more than offsetting softer ad hoc project demand amidst the ongoing Middle East conflict. EMEA adjusted EBITDA increased 5.5% to $165.3 million, with margin expanding 140 basis points to 33.7%.

APAC revenue grew 2.4% to $164.9 million reported, while growth was basically flat in organic constant currency against a difficult year-over-year comparison. We saw ongoing demand for Full View as well as our analytics and innovation solutions. New economy wins stood out, a social commerce platform scaling across 6 markets and an inventory optimization upsell with a leading Indonesian convenience retailer. APAC adjusted EBITDA rose 13.7% to $34 million, with margin up 200 basis points to 20.6%, the largest margin expansion of our 3 regions this quarter.

Looking at growth by product, Intelligence grew 5.5%, delivering 5% plus growth for the 11th quarter in a row. Annualized Intelligence subscription revenue growth also grew 5.5% to $3.1 billion with solid revenue retention at 105% NDR and a 99% GDR. These results signal durable, sticky demand for our measurement-based solutions, and we keep layering new subscription growth onto that base. For example, this quarter, a leading European frozen food maker consolidated all of its retail measurement data onto NIQ, winning back 3 markets from the incumbent.

Within Activation, Jim mentioned continued demand for our analytics and innovation offerings across all regions. Q3 growth was led by Americas. Our year-to-date performance and pipeline reflects overall industry trends. Specifically, increased demand for AI-led analytics more than offsetting soft demand for legacy survey-based consumer insight projects. Also, our new retailer collaborations, such as Maverik in the U.S. this quarter, and Unlimitail global media last quarter added a layer of growth that we expect to build through 2027 as we lap our big retailer collaboration win from Q4 last year.

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Moving down the P&L. Q3 operating expenses declined 6.9%, driven by lower SG&A expenses as we continue to realize benefits from our legacy transformation programs, along with lower stock-based compensation expense versus the prior year period, which included IPO-related charges. We continue to find additional savings opportunities across SG&A. AI-led productivity gains now span data operations, engineering, commercial and G&A support functions. We're doing more with less.

For example, corporate costs not allocated to our segments declined 7.7% this quarter to $81.1 million, reflecting this continued cost discipline. Onetime and restructuring costs totaled approximately $9 million in the quarter, including $6 million from the 2026 program. This program as well as our legacy NIQ and GfK transformation programs are now complete. We've accrued approximately $77 million in cost to achieve. From a cash standpoint, we incurred $35 million cash outlay for this program year-to-date and expect the balance to be paid out in the fourth quarter of 2026 and the first half of 2027. These programs delivered roughly half of year-over-year margin expansion in Q3.

As we move into 2027, we're likely to pursue additional investments that carry a less than 1-year payback supporting increased structural efficiency moving forward. Across other line items. Depreciation and amortization was $141.5 million for the quarter or 13% of revenue, in line with prior quarters. GAAP interest expense was $54 million, $24 million lower than the prior year, reflecting lower debt balances and our transformed post-IPO capital structure. Changes in foreign currency resulted in a loss of approximately $7 million compared to a $19 million loss in Q3 2025. The lower loss reflects favorable foreign currency movements, particularly between the U.S. dollar and the euro, which resulted in lower remeasurement losses in the current period. Income tax expense was approximately $30 million, modestly below prior quarters, reflecting a more favorable jurisdictional earnings mix.

Turning to liquidity and free cash flow. As of September 30, 2026, we had total available liquidity of approximately $1.3 billion, including $573 million in cash and cash equivalents and $748 million on our undrawn revolver. Cash flow from operating activity was $254 million. CapEx was $73 million or 6.5% of revenue, reflecting continued investment in our growth priorities, AI capabilities, our technology platform and proprietary data assets like our omnichannel consumer panels. Leverage free cash flow was $181 million in Q3 and $132 million year-to-date. The modest year-over-year decline in Q3 reflects the timing of vendor payments benefiting Q3 2025 and higher cash paid for capital expenditures to support growth investments.

I'll note that while we raised our full year cash flow guidance implies Q4 will step down versus Q3 due to the timing of tax obligations, CapEx and certain vendor payments, the midpoint implies roughly $303 million of leverage free cash flow in the second half, up $3 million versus our prior guidance. This is the cash flow inflection we've been building toward. After years of transformation investment, this business is now meaningfully more cash generative. The cash brought net debt to $3 billion and net leverage to 2.9x, a quarter ahead of plan. It also now enables us to fund a measured return of capital through our new $150 million repurchase authorization.

To be clear, reaching 2.9x is a positive milestone, but is not an end goal. We don't have a specific new net leverage target to share with you today. I'll tell you that deleveraging remains a top priority. We'll continue to balance that along with disciplined organic growth investments, strategic M&A and opportunistic share repurchases.

Now turning to guidance. Our raised outlook is rooted in our year-to-date overperformance, supported by core strength and disciplined execution. As a reminder, our guidance philosophy is to endeavor to provide ranges that we believe we can achieve. For Q4, we expect reported revenue growth of 5.2% to 5.5%. OCC revenue growth of 5.4% to 5.7%, consistent with our full year range. Two things to keep in mind. In Q4, we lap a big retailer collaboration win from last year, and Q4 typically carries a higher mix of ad hoc activation work, which is harder to forecast than our majority recurring subscription base. Adjusted EBITDA margin of 26.3% to 26.7%, reflecting our typical Q4 revenue and cost seasonality as well as continued operating leverage. Adjusted earnings per basic and diluted share of $0.43 to $0.47.

For the full year 2026, we now expect reported revenue growth of 7.5% to 7.7%, OCC revenue growth of 5.5% to 5.7%, adjusted EBITDA growth of 16% to 17%, driving margins of 23.6% to 23.8%, adjusted earnings per basic and diluted share of $1.16 to $1.20, a roughly 8% increase at the midpoint. Leverage free cash flow of $249 million to $257 million, up roughly $3 million at the midpoint. And to update some of the full year 2026 modeling assumptions, we expect D&A of $600 million to $605 million, GAAP interest expense of approximately $210 million to $215 million, income tax expense of $155 million to $160 million or roughly 15% of EBITDA, share count of approximately 300 million and CapEx at 6.5% to 7% of revenue.

And although we're not providing a full year 2027 outlook today, I'll provide some early views to help you think about your models. Overall, we expect our financial profile to strengthen further in 2027. This includes durable mid-single-digit growth with potential AI upside, steady margin expansion driven by operating leverage post major transformation over the past few years, increased free cash flow and better conversion and a balanced approach to deleveraging and capital allocation.

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We foresee OCC growth building through the year due to several potential factors. These include new wins scaling, APAC improvements taking hold and increasing contribution from our AI-native offerings. As Jim mentioned, we believe these offerings can contribute 0.25 to 0.5 point of growth next year. Of course, the mix by region and product may shift quarter-to-quarter since about 1/3 of our business is ad hoc and the global backdrop remains dynamic. We expect typical quarterly seasonality on cash flow, including a seasonal cash low point in Q1 as a result of our typical front half weighted tech and IT expenses and back half weighted revenue contribution.

Further to cash flow, while we expect to be a user of cash in Q1, we expect a significant year-over-year improvement in that period as part of our overall growth for the year. This view is inclusive of any incremental AI-led productivity measures we may take, and we continue to prioritize onetime investments that carry 1-year payback.

In closing, Q3 showed our business resilience and increasing AI progress. We delivered durable growth, margin expansion, cash flow and a balance sheet now strong enough to support broader capital allocation. We're focused on closing out a strong 2026 and believe we are well positioned for 2027.
With that, operator, let's open the call to Q&A.

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Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Manav Patnaik with Barclays.

Manav Shiv Patnaik
Barclays Bank PLC, Research Division

Jim, I just wanted to zoom into the 0.25 to 0.5 point of growth that you said comes from the, I guess, your AI solutions. Just to clarify, like these are brand-new AI-native solutions? Or are these AI enhancements to your existing solutions? And is it cannibalizing some of your other smaller solutions as well, i.e., is this a net incremental growth rate you're giving us?

James Michael Peck
CEO & Chairman

Yes. So I think you're referring to when we said we're not guiding, but I said what it could be next year. No. So what -- it is a combination of all those things. So we're -- I think just to step back, Manav, to our strategy. So the Full View remains, right? Our need and our clients' need for us to still capture all the consumer spending that is happening that is relevant in the world because that is what really is fueling AI. And I know that's a cliche, but it is, in fact, the truth of what's really happening. And so we're staying very focused on that.

And then what's happening with our clients. Now, yes, we're using and integrating AI into our products like Discover through Optiq. We're creating ways for them to tap in a very efficient way into our information into their world through things like AI Builder. And then what's probably most exciting for me anyway is we're also beginning to become their forward deployed engineering group, let's call it, that's helping them understand how they can organize their own information in concert with ours.

And the vignettes I'll give you there are -- I was at C360 earlier this year. That's our big user conference. And we had been preparing up to that point by hiring the right people, by putting the right infrastructure in place to help our clients in the implementation of their AI. So hiring someone who understands how to manage and lead forward-deployed engineers in the way that we need them, putting infrastructure in place. While I was there in the hallways, in the main speaker auditoriums, I was stopped so many times by clients to say, we need your help because we really can't do this on our own. And we realized that you guys know how we think about our data. And so since then, we've announced and talked about these 10 proof of concepts.

Those are real dollars. Those are real let's call them, forward deployed engineering engagements where we -- our data is being used in new ways. There are new budget pools. Those are not cannibalizing other sales that we do. And since we've spoken or since we talked about the script of this call, we said we had 79 new opportunities. That number is up to 100. So these are very real. They're very practical and they're right in our wheelhouse. So I'm really excited about the fact that we're tapping into these new budgets, and this is not cannibalizing the other things that we do.

And I know that was a little bit of a long-winded answer, Manav, but it's really important. And I'd like to bring Troy Treangen, our Chief Product Officer, who also leads all our AI efforts kind of architect behind it to give his view in an answer to your question. And he may take us a little further down the road and then we'll let you follow up.

Troy Treangen
Chief Product Officer

All right. Hello, everybody. So 2 things to piggyback on what Jim said is the capabilities that we're building are across the 3 segments that we talked about in the last couple of calls, right? We have our beginners, we have our buyers and we have our builders. And we are building capability across all 3 of them. When Mike and Jim were talking about that number for next year, it includes those features and functions and applications in those 3 respective areas.

Just another anecdote, since we've launched the broader program of deployed engineers and going into this new space over the last couple of quarters, we are talking to new folks at clients. I happen to be sitting here in New Jersey today, and we're meeting -- I'm meeting with the Chief AI Officer and some of those teams, which historically has not been where we've had conversations. I was an account lead many, many years ago for some of our larger accounts, and we didn't have those conversations. So they are unlocking new budgets. We are building new capabilities within our world, but also helping our clients within their worlds. And I think the pipeline is building extremely well, and I'm excited about what's going to happen here in 2027.

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Manav Shiv Patnaik
Barclays Bank PLC, Research Division

Got it. Super helpful. Maybe just to close the loop, Mike, from your perspective, I think you tried to quantify it, but maybe I missed it, but just the AI benefit on the margin front, how should we think of that in terms of what's in the margin performance today and kind of that guidance you've given for the longer term?

Michael J. Burwell
Chief Financial Officer

Yes, Manav. So when we have given guidance that in the midterm, we would get to the mid-20s in terms of margins, and then we see a path to moving ourselves to 30% margins, although we haven't defined a time frame to it, we will endeavor to do that as we ultimately provide future guidance. But that's -- this is going to be a key ingredient to it. It's -- what we're seeing is continue to see that revenue happen and AI is from a cost standpoint is continue to drive almost half of our benefits overall.

So we're continuing to drive it on the top line, as Jim and Troy talked about, but we're also delivering it on the bottom line in terms of what we're doing internally, whether it be coding or looking at our back-office activities, we're continuing to drive cost improvements, as I said in the opening, that have definitely paybacks less than 1 year.

Operator

Your next question comes from the line of Kevin McVeigh with UBS.

Kevin Damien McVeigh
UBS Investment Bank, Research Division

Congratulations on the results and really great execution. I want to follow up on that because I think it's really, really important. Jim, I think if I heard you right, you talked about an incremental $500 million to $1 billion of revenue from an AI perspective. And any sense of how that starts to scale? I mean, obviously, some starting to come in '27. But is that all North American and appreciating the fact that geographically, clients trigger different base and evolution of consumption. But just any sense of how that comes in geographically? And is there incremental upside to that as you start to see just more innovative consumption patterns and maybe some of the more emerging market areas, if we could start there?

James Michael Peck
CEO & Chairman

Yes. So as kind of a foundation for that -- to answer that question, our customers really are local and country-specific and each country operates a little bit differently. It's not even by region, right? And so we're very much organized to face off with them locally by country and then also where they're global or where they have global needs globally. And we just recently did a, let's call it, an AI boot camp where we're teaching our sellers how to approach customers in each of the dimensions we talked about with AI. So AI that's right built into our Discover product, AI capabilities or, let's say, integration capabilities that allow them to use these tools on our data in a controlled way and then the actual POCs that we're doing.

And this wasn't just done in the U.S., it was done around the world. And so while the demand comes largely from the U.S. and Western Europe, where these are the headquarters of the biggest and most well-funded manufacturers and retailers in the world, that's the early demand. It's also showing up across all the regions and all the countries. And if anything, we're having to prioritize which ones we want to make sure we do first because as we do each of these POCs, we are learning ourselves. And we're able to reuse both the learning and the actual, let's call it, code or the actual capabilities to repeat each of those POCs.

And I'll make another point. The POC is a onetime engagement that as we have success in which we are, those turn into long-term new revenue subscription-based products or, let's say, capabilities that our clients are taking in that are in addition to our, let's call it, our traditional capabilities.

Kevin Damien McVeigh
UBS Investment Bank, Research Division

It's super helpful. And then just one quick follow-up. Mike, great to see the buyback. Any sense of -- is that opportunistic? Or just any thoughts as to deployment around that?

Michael J. Burwell
Chief Financial Officer

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Yes, Kevin. So when we looked at it and said now that we've reached the target that we had put in place a quarter early in terms of our leverage below 3x at 2.9, we view that as another tool in our toolkit to it. So look, our -- as I said, our main focus is continuing to delever and continue to pay down debt. But it just gives us another, as I say, tool in the toolkit. So nothing that's going to happen here immediately. But nonetheless, we're going to continue to be opportunistic in terms of thinking about it. And we think it is the right point in terms of looking at our financials and the strength of our financials to put that tool in the toolkit. So that was the thinking behind it, Kevin.

Operator

Your next question comes from the line of Curtis Nagle with Bank of America.

Curtis Smyser Nagle
BofA Securities, Research Division

Great. I'll start with a model question and then move to one on AI. So I guess just for the 4Q or guide growth, I think you noted there's some sensitivity on just, I suppose, the unpredictability of activation. Could you just maybe, I guess, give some of the puts and takes there? And then just, I guess, the degree of sensitivity embedded within the guidance? And then I'll have a follow-up.

James Michael Peck
CEO & Chairman

Yes. I think Mike will take this, but I'll just start like I always do when we talk about guidance. As you know, I am probably a relatively conservative guider. And so we always want to make sure that we guide to something we have very, very, very clear line of sight to achieving, always knowing there's probably a little upside there. So with that as context, Mike, do you want to go ahead and jump in?

Michael J. Burwell
Chief Financial Officer

Sure, Jim. Curt, so as you rightly pointed out, when you look at our activation growth, we see a large portion of that happens in the fourth quarter. That's due to seasonality. We have many of our clients that's what their buying patterns are, and that's what happens in the fourth quarter. We also -- we had a large activation project that we're lapsing in the fourth quarter overall.

So look, we raised slightly for the full year versus where our previous guidance was, as Jim said. So when you bring that all together, you come away and say, look, we set guidance up that we're going to -- we know we have line of sight to, to deliver. We knew we do have more activation -- in Q4, there is seasonally strong in terms of what happens in the fourth quarter, and we are lapsing an activation project that was there that we had in the fourth quarter last year. So that's how we think about it.

Curtis Smyser Nagle
BofA Securities, Research Division

Okay. Fair enough. And then yes, I guess, agentic, obviously, a huge topic. So as agents like Muse become more prevalent. I guess at this point, are you beginning to see any changes in terms of how consumers discover products? How are NIQ clients thinking different about engaging them? And then I guess, just for you in terms of sort of the biggest monetization opportunities on top of that.

James Michael Peck
CEO & Chairman

So Troy, do you want to jump in and take this one?

Troy Treangen
Chief Product Officer

Yes. So agentic commerce, as you know, is a growing channel. I think we've had studies that have came out recently, and I think it was even mentioned in the prebuilt part of the comments before that majority of people in the U.S. and many markets around the world are already using agents or LLMs to actually discover products. The opportunity for us in this space is all around content management. And that's where these partnerships come in place and are important.

So for example, if you go out and go search for a high-protein snack that got a clean label, that needs a definition and understanding which products actually meet that expectation is where we come into play. And so agentic will continue to adjust, right? Right now, it's primarily on Discovery and then people are actually buying the products themselves. Over time, likely the things that Muse that

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you referenced, there are more agents actually doing that. But regardless of those 2 scenarios, you got to understand which products actually meet the criteria of the question, which is not always on a package, and that's where we come into play for the first part.

The second part is in the agentic space, like it is another channel that we need to measure. And so our core part of our business and our Full View is all trying to figure out where does volume go. So if it's coming from a brick-and-mortar store and now switching to online and now switching to agents within an online space, like that's our job to measure. And that's the other part of monetization that we're going after. And Jim mentioned that earlier with our partnerships in the U.S., but then also we'll have more outside the U.S. and then we're also building capabilities ourselves to go after that part of it as well.

Operator

Your next question comes from the line of Ashish Sabadra with RBC Capital Markets.

Ashish Sabadra
RBC Capital Markets, Research Division

I wanted to drill down further on the EMEA geography. You mentioned some of the challenges there. I was just wondering how are the conversations with clients progressing now in the fourth quarter? And how do you think about the visibility for growth in EMEA, particularly as we get into 2027?

James Michael Peck
CEO & Chairman

Yes. I want to make sure I -- the first part of that question broke up just a little bit. Are you asking how we're thinking about growth in EMEA? Okay. Yes. So we -- if you take out kind of the ad hoc world there, which was fairly significantly impacted by the war because it's creating kind of uncertainty with the consumer and uncertainty in what they're doing. And so our clients are saying, I'd rather not spend my money right now trying to understand things when I believe they're going to change. And so that hasn't caused them to stop using information, of course, and our intelligence business continues and subscription business continues to operate really well there or to perform really well there.

They are saying, let's wait a little bit for us to get in the market doing some of our analytics and doing some of our surveys. I think over time, that as things normalize, that will come back and we will normalize our growth in EMEA. And so -- and by the way, EMEA includes Western Europe as well, and we're seeing really good growth in our -- let's say, our Full View with our panels and e-com and also equally good demand, let's call it, for our AI-based solutions.

Ashish Sabadra
RBC Capital Markets, Research Division

That's very helpful color. And then I wanted to focus on the ConnectAI, really good traction there with 10 new clients and 79 in the pipeline. As you mentioned, there is some initial project revenue, but can you help us understand the incremental opportunity there as the clients adopt the GenAI solutions?

James Michael Peck
CEO & Chairman

Sure. Troy, do you want to jump in?

Troy Treangen
Chief Product Officer

Yes. So like we mentioned, like the 10 charters that are kicking off now, they're set up in a couple of different ways. One, there's initial setup and development revenue and expense, I guess, to the client. That is what Jim was referring to earlier. But what happens post that is there's ongoing 1 of 3 things, if not all of them. One is about data expansion. So many of these charters are uncovering that more data is needed to solve that internal workflow that the client is working to implement. So there's an incremental data licensing that comes along with them.

The second is ongoing token or transaction fees to keep that capability up and running because some of that development is calling our back-end services to actually make a call. So that's the second. And then the third, which is actually probably the one I'm most excited about right now, which is as we're getting in and actually uncovering some of these use cases, more and more use cases within that initial engagement are popping up. So then it's about broader expansion. And that's where we continue to grow to the client. We said over 80, which Jim said is also going to 100 in the last couple of days. We don't expect that to slow down.

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We're seeing that all around the world as well. It's in the U.S. It's in Western Europe, of course, but we're seeing it in all markets, some level of engagement to actually integrate and do these types of services within our ConnectAI portfolio, but then also our 4-point engineer engagements. So that's kind of how that's playing out. I think Mike referenced the numbers a little bit in '27 and that what we're shooting for and expecting. But there's -- the momentum has been fantastic, and I couldn't be more excited about it.

Operator

Your next question comes from the line of Andrew Nicholas with William Blair.

Andrew Owen Nicholas
William Blair & Company L.L.C., Research Division

I wanted to ask on annualized subscription growth. It moderated a bit this quarter despite what's been really stable retention and strong panel and e-commerce growth. So just curious what else kind of underlying that moderation is going on? And what would drive subscription growth higher in 2027 specifically?

Michael J. Burwell
Chief Financial Officer

Yes. So Andrew, Go ahead, Jim. Sorry. Go ahead.

James Michael Peck
CEO & Chairman

No, no, no, go ahead, Mike. You go ahead. Go ahead.

Michael J. Burwell
Chief Financial Officer

Yes. So when I look at that, it's over $3 billion in terms of subscription revenue growth. It's at that 5.5% when you look at it on an annualized basis. And as you rightly pointed out, 105% NDR and 99% GDR, I mean we feel very, very sticky. But I'd go back to what Jim and Troy have said, as we continue to move in the AI space and our forward deployed engineers are working to -- in those different buying groups, we're working with them. But also part of that then becomes more subscription, more revenue, more data and our Full View data is being provided or signed up for that's going to continue to drive that subscription revenue going forward.

So I feel good about where we are and that growth rate at that 5.5%, in that 5.5% to 6% range, but the opportunity going forward is just going to continue to see that overall. So that's what I think will continue to drive that as we look in '27 and beyond.

Andrew Owen Nicholas
William Blair & Company L.L.C., Research Division

Appreciate that. And then maybe just a question to help me better understand for my follow-up. On the Google partnership, how does that kind of get monetized? Is that a route to getting more data to inform your products? Or is there actual kind of consumption-based dynamics tied to that relationship? Obviously, something that sounds like you're pretty excited about coming out of the quarter.

James Michael Peck
CEO & Chairman

Yes. Yes. So there -- I'm going to let -- again, let Troy jump in, but there are a lot of, let's say, multiple dimensions of how we would monetize that. One is Google simply has recognized the value of our information in the way they're operating their business, so they're taking in our information. In addition to that, they're realizing that our information will help them in their agentic commerce journey using it to kind of inform consumers what -- let's say, what is in the product or what's hot and also where they can actually buy it.

And then we should just be measuring that channel, right, which is not just Google, but the whole agentic channel. And so it really covers a very broad dimension. The relationship is big for us, and I think meaningful for them as well, even as big as they are. So that's why we're really excited about it.

Troy, do you -- Troy, again, has been very engaged in this along with many of us. What is your view?

Troy Treangen
Chief Product Officer

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Yes. So there's 3 ways that, that partnership is important and monetizes with us. Number one, like Jim said, they do license more data assets from us that are part of their Google Shopping and their agentic broader frameworks. So that's one, which goes to the points Jim just said. The second is we're working on many additional product opportunities, which together, which will unlock some things that we'll announce in 2027. And then third, what it does is it is an input, right? So as we're -- as Jim was talking about, like we need to measure the channels, like we need to measure how many sales are done through Gemini versus ChatGPT versus whatever else source on the major LLMs, but also within the LLMs or the chat environments of retailers specifically.

So that's part of data in that we will then use those assets to create products and sell to manufacturers and other retailers, et cetera. So all 3 of them are engagements. I think over time, the individual products and things will tweak because it's early on. agentic Commerce is still relatively new, but progress is there. And again, you'll see more announcements from us in the coming months, I'm sure, within this framework.

Operator

We have reached the end of the Q&A session. I will now turn the call back to CEO, Jim Peck, for closing remarks.

James Michael Peck
CEO & Chairman

Yes. Just to reiterate that we're feeling really good about our business. I think I've used the word execution machine before, and that continues to be part of who we are and who I am. And I really feel good about the position we put ourselves in to continue with our Full View strategy and which will always be fundamental to what we're providing to our clients and to the world in conjunction with how we're leveraging AI both externally, which we've talked a lot about, but also internally to drive good top line growth and continued top line growth and also to continue to expand margins. So I feel like we're in a really good spot, and you'll hear more from us going forward. And thank you all for the great questions, and we'll see you next time.

Operator
This concludes today's call. Thank you for attending. You may now disconnect.

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