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NIQ Global Intelligence Plc (NIQ)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, and thank you for standing by. My name is Tiffany, and I will be your conference operator today. At this time, I would like to welcome everyone to the NIQ Second Quarter Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

I would now like to turn the call over to Will Lyons, Head of Investor Relation. Will, please go ahead.

Will Lyons
Senior Vice President & Head-Investor Relations, NIQ Global Intelligence Plc

Thank you. Good morning, everyone, and welcome to NIQ's second quarter 2025 earnings call. Joining me today are CEO, Jim Peck; COO, Tracey Massey; and CFO, Mike Burwell.

I would like to take this opportunity to remind you that our remarks today will include forward-looking statements. Actual results may differ materially from those contemplated by these forward-looking statements. Factors that could cause these results to differ materially are set forth in today's earnings press release. Any forward-looking statements that we make on this call are based on our assumptions today, and we undertake no obligation to update these statements as a result of new information or future events.

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During this call, we will present both GAAP and certain non-GAAP financial measures. A reconciliation of non-GAAP to GAAP measures is included in today's earnings press release. The earnings press release and an accompanying investor presentation are available on our website at investors.nielseniq.com.

A replay of this call will also be available on our Investor Relations website. Following management's prepared remarks, we will open the call for Q&A. Also, we intend to file our 10-Q later today after market close.

And with that, I'll now hand the call to Jim.

James M. Peck

Executive Chairman & Chief Executive Officer, NIQ Global Intelligence Plc

Thank you, Will, and welcome, everyone. We appreciate you joining us for our first call as a public company, following our July IPO. We're looking forward to a productive ongoing dialog with all of you. We had a great second quarter and first half of 2025, delivering another quarter of profitable growth and margin expansion. We continued to provide our data and insights to our clients around the globe, enabling them to compete and win.

Our 2Q results exceeded the top end of our July pre-announcement range shared in the IPO prospectus. We generated more than $1 billion in revenue, up 5.7% on an organic constant-currency basis. Revenue from our largest two segments, Americas and EMEA, grew 5.4% and 8.1%, respectively.

Within our solutions, our core intelligence revenue grew 7.5%. Intelligence Subscription revenue, our version of our ARR, grew 6.9%. We have been growing and increasing profitability. Our Q2 net loss was $14.1 million, while adjusted EBITDA grew 16% to $215 million or nearly a 21% margin, expanding nearly 2 percentage points year-over-year.

So, because this is our first earning call, I'll briefly outline our mission and strategy for creating a long-term shareholder value. NIQ powers next-gen global consumer intelligence covering $7.2 trillion in consumer spending across more than 90 countries. We ingest 3.5 trillion data records weekly, leveraging AI and human intelligence to deliver differentiated granular insights.

We also are the only provider that can combine consumer measurement and panel data for a holistic view of shopping behavior globally. Our AI tech-powered platform is growth enabler. It powers our data scale, breadth and depth, as well as our capital-efficient innovation, automated coding and at lower data costs. This has driven mid-single-digit growth, high incremental margins and increased client satisfaction. We believe, there's significant upside ahead, and we are positioned to capture a leading share of a $57 billion TAM with significant whitespace.

As I cover our Q2 highlights, I would like to reiterate our revenue growth algorithm, which has four components: Strong revenue retention; value-based pricing; cross-selling and upselling our new capabilities and solutions; and finally, penetrating fast-growing adjacent verticals and markets.

Starting with our strong revenue retention, including the 105% net dollar retention rate, which demonstrates our durable client partnerships, the mission criticality of our solutions and the value we create. Next is pricing, which was the biggest driver of Q2 growth. Tech upgrades and cost of living escalators are baked into subscription contracts. Like renewals, we earn these increases every year by being a great partner and innovating to serve our clients' needs.

The next component is upselling and cross-selling our innovative new capabilities and solutions. In Q2, we saw rapid adoption of our consumer panel product in Europe and Latin America. In US and Europe, client demand

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remains very strong for our eCommerce measurement products. In fact, we reached 50% eCommerce product upsell penetration across our 100 largest CPG clients.

In Q2, we also launched and expanded our innovation-focused activation product, BASES AI Screener. Live now in 10 countries and 89 categories, it cross-sold its solution to several large intelligence clients. We acquired and integrated Gastrograph AI, a leading sensory insights platform that provides food and beverage manufacturers with predictive analytical capabilities related to ingredients. This acquisition further strengthens our BASES AI Screener product roadmap.

The last component is penetrating adjacent verticals and high-growth markets. Adjacent verticals include financial services, government and media. Last week, we also announced our entrance into the supply chain vertical by acquiring M-Trix, a leading Brazil-based SaaS company with a network of more than 2,000 manufacturers, wholesalers and distributors covering consumer transactions across approximately 1.2 million points of sale throughout Brazil. M-Trix is primed for growth. Already active in more than 25 markets, bolting M-Trix into the NIQ platform can drive deeper penetration into LATAM, APAC and EMEA.

In summary, client demand remains strong despite ongoing uncertainty amidst global trade policy. We believe this demonstrates a key point. NIQ solutions are mission-critical in all economic environments. This is reflected in the financial guidance we're issuing today.

And just a few comments before I pass to Tracey to cover our client-first approach and revenue growth strategy. It was a great Q2, and we believe, we are only just starting to reap the benefits of our transformation. We'll continue to press our competitive advantages: Powering innovation, serving clients, penetrating our TAM; and delivering on our promises, driving towards consistent revenue growth, margin expansion and free cash flow generation. I want to thank our NIQ associates worldwide for their commitment. And I also want to thank our investors for their partnership along this exciting journey.

Tracey?

Tracey Massey

Chief Operating Officer, NIQ Global Intelligence Plc

Thanks, Jim; and thank you to everyone for joining us on today's call. Our growth strategy is rooted in our innovative culture that is accountable, committed to integrity and driven to win. We put clients at the heart of everything we do, and our business model aligns our success with their success. NIQ data, software and expertise are deeply embedded within our clients' enterprises from the C-suite, to sales and marketing, to R&D and supply chain management. We drive mission-critical strategic and operating decisions for billion-dollar budgets, including pricing strategies, trade spend, advertising, innovation, supply chain and M&A.

We win due to several factors. We're the only global source of truth and the only one that marries what consumers bought with why they bought it. We have unmatched data scale, insights and capabilities. We're embedded within client operations and we're mission-critical to their daily decision-making. We're trusted by the world's top consumer brands, many over decades. And our AI-powered tech stack enables rapid innovation and upsell.

A few highlights on our Q2 success aligned to the growth algorithm that Jim outlined. First, on renewals, we continued to have strong renewals with our clients. One of these was securing a multiyear, eight-figure renewal with one of our largest CPG clients. And I'll note that this client opted against running an open RFP process based

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on our strong relationship and differentiated value. And across all regions, we renewed and grew with existing retailers and added new retailers to our ecosystem.

Second, we continue to upsell and cross-sell new capabilities and solutions. Our tech transformation is enabling us to rapidly innovate and grow share of wallet. 90% of our largest clients have adopted at least one of our new capabilities. For example, our Digital Shelf eCommerce product enables clients to quickly understand pricing effectiveness, respond to competitive promotion, track category share and monitor online search share, among many other benefits. Digital Shelf is now available in 70 markets globally.

We're also seeing rapid US market adoption of our all-in-one 4G measurement products. These products bring together all of NIQ's data assets in one single platform, including online and offline point-of-sale data, sales and shared data from different retailers and our Omnishopper consumer panel data.

Full View has unleashed new product capabilities that drive differentiated insights for our clients, such as one of our top CPG clients, who uses Full View measurement to track and optimize their in-store and digital commerce performance. This solution was fully launched in the US last year, and we will continue to innovate. For example, we're in the early days of bringing Full View measurement products to European markets.

Our innovative approach to consumer panel is also driving strong adoption, upsell and cross-sell. In Q2, we expanded our US Omnishopper panel, now the largest of its kind in the US, at 250,000 households. More broadly, our consumer panel product is driving ample takeaways across Western Europe, North America and Latin America. And panel revenue is growing by double digits.

Another Q2 innovation was the launch of our new omni-channel measurement [indiscernible] (00:11:10) of a leading US club retailer. It's resonating, and we're driving upsell with clients of all types from brands, to retailers, to financial services professionals like those on this call. Borne out of a North American sales and product collaboration, this showcases how we create new value from our rich granular data.

In addition to upselling our new capabilities, we also see significant cross-selling with existing intelligence clients with complementary activation solutions. These already have strong attachment rates, with approximately 76% of activation revenue coming from existing intelligence clients during the quarter. However, only 40% of existing intelligence clients are currently buying activation, giving us strong cross-selling potential ahead.

Turning to adjacent and high-growth markets. In addition to entering supply chain through M-Trix, we leveraged Agentic AI across our rich data assets to enter the packaging vertical; another example of how we combine our data to create our own growth opportunities.

Yet, another example of this is our approach to penetrating SMB. Our data enables us to identify the category upstart. And our tailored solutions, specialized sales force and customer success teams help SMB clients turn into category leaders. We've been growing SMB revenue at double-digit rates this year. And we believe, we're well-positioned to capture extensive growth whitespace ahead.

Our core algorithm underpins our expectation for mid-single-digit revenue growth. We also have multiple additional growth levers, including: Launch new client wins, including client win-backs; organic growth investments to penetrate new opportunities; and strategic bolt-on M&A, such as our Gastrograph and M-Trix acquisitions, which we normalize our organic revenue growth, but are sources of profitable growth moving forward.

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We are pleased with strong demand and increased client satisfaction, including an NPS score that reached 45 in Q2; up 7 points versus December 2024 and more than triple, 2019. We are focused on serving our clients and in turn driving this metric higher. In summary, we're executing well and believe we have all the ingredients to lead, win and grow for the long term.

I'll now pass to Mike to cover our Q2 financials and outlook.

Michael J. Burwell

Chief Financial Officer, NIQ Global Intelligence Plc

Thanks, Tracey; and good morning, everyone. It's great to engage with our investors and our analysts for the first time as a public company. And I'm looking forward to working with all of you as we scale the company and build shareholder value. Our strong revenue visibility and ongoing cost discipline position us for ongoing profitable growth and strong cash flow.

Key highlights of our financial profile. Our revenue is approximately 80% recurring, with multiyear subscription-based contracts and built-in price escalators. This gives us great top line visibility. On the cost side, roughly 80% of our costs are fixed and ratable throughout a given year. Fixed costs include most of our data acquisition costs, which provide the jumping off point for our global, AI-powered data intelligence engine. Our fixed cost base enables high revenue flow through to EBITDA, as you'll see in our Q2 results and outlook; all of this driving significant free cash flow inflection, as we deliver profitable growth against lower onetime costs, CapEx and interest expense.

Turning to our Q2 results. Q2 organic constant currency revenue grew 5.7% to $1.04 billion above the top end of our July pre-announcement range. We saw particular strength across the Americas and EMEA and intelligence driven by strong renewals, value-based pricing, cross-sell and upsell and growth in new verticals. All of this contributed to Americas growth of 5.4% and EMEA growth of 8.1%.

From a product perspective, total intelligence and annualized intelligence subscription revenue showed notable strength, growing 7.5% and 6.9%, respectively. Activation decreased slightly in Q2, as clients worked through project timing considerations. Of note, that we've seen solid project demand in recent months.

On expenses, total operating expenses were $1 billion. We reduced expenses by $12 million or 1.2% by driving operating efficiencies from our NIQ transformation, as well as GfK synergies as we wind down one-time integration expenses. And our net loss was $14.1 million, while adjusted EBITDA grew 16% and margins have expanded 180 basis points to 20.6%. We have a proven integration playbook to increase shareholder value. We ramped up adjusted EBITDA margins from 13% in 2020 to 18.5% in 2024. And we expect the results of the GfK integration will be a key driver of margin expansion this year and next.

Turning to free cash flow. We expect 2025 to be a significant positive inflection year, particularly in the second half, given our post-IPO capital structure. It's important to focus on free cash flow over the second half of the year, given the change in our capital structure and our debt paydown. We expect to significantly grow free cash flow in the second half as we grow revenue, expand adjusted EBITDA margins and drive capital efficiency.

Also, our July IPO has helped us significantly de-lever the balance sheet. And we are targeting a 3.5 times net leverage ratio by the end of 2025 and below 3 times by the end of fiscal year 2026. Through our IPO and our two successful debt refinancing, we have reduced interest expense by over $100 million per year, significantly lowering our overall cost of capital.

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I'll also note we have built an automatic interest spread step-downs in our credit agreements that can deliver another $10 million of annual interest savings as our leverage ratio decreases. Taking all of this into account, we expect to generate $245 million to $275 million of leveraged free cash flow in the second half of 2025, which is up approximately $230 million versus the same period in 2024. This is an exciting first step of free cash flow inflection in the coming years.

Turning to our balance sheet. I'll outline our post-IPO and debt repayment view and cash position. Following our IPO and subsequent debt paydown, as well as our recent debt refinancing, we have more than $250 million of cash on the balance sheet; and total available liquidity of more than $1 billion, including our upsized $750 million revolving credit facility.

As mentioned earlier, this week, we closed an amend and extend transaction of our USD and euro-denominated Term Loan Bs, lowering our cost of debt and extending our maturities by 2.5 years through October 2030. So, I'm pleased to see our strengthened credit profile recognized by the agencies, with rating upgrades from both Moody's to B1, and Fitch to BB- and a positive outlook from S&P.

On capital allocation. As free cash flow ramps, repaying debt is our top priority. Also, as you have seen from our Gastrograph and M-Trix announcements, we will continue to pursue strategic tuck-ins that are accretive and complement our growth strategy. Our post-capitalization liquidity position gives us the flexibility, while also achieving our net leverage goal.

To conclude, I'll provide our thoughts on the 2025 financial outlook. I'll note that based on our strong Q2 performance and the favorable business dynamics, we're setting guidance ahead of our estimates we shared with the research analysts leading up to the IPO. For the third quarter of 2025, we expect revenue growth, as reported, of approximately 4.2% to 4.4%. Organic constant currency revenue growth were approximately 5% to 5.2%; and adjusted EBITDA growth of approximately 13% to 14% or nearly 20% margin, which implies around 165 basis points of expansion on a year-over-year basis.

For the full year of 2025, we expect revenue growth, as reported, of approximately 4.1% to 4.3%; organic constant currency revenue growth of approximately 5.2% to 5.4%; adjusted EBITDA growth of approximately 18% to 19%, or approximately 21% margin, which implies approximately 270 basis points of year-over-year margin expansion. It was a great quarter, and we're excited for what's ahead.

So, operator, we're ready to open up the call for Q&A.

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QUESTION AND ANSWER SECTION

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

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Thank you. Good morning. I was just wondering if the momentum that you talked about and why you raised the second half of the guide, how that reconciles with some of the noise we're seeing in the market, the uncertainty, the new round of tariffs and news, I guess, that you had called out had impacted some of your business in the first half? Just I was hoping how you factor that in?

James M. Peck
Executive Chairman & Chief Executive Officer, NIQ Global Intelligence Plc

A

Yeah. Sure, Manav. Hi. Good to talk to you again. Yeah, I think, as we've talked about before, the information and the analytics that we provide to our clients impacts so many parts of their business that whether there's a recession or not a recession, or whether there's tariffs, which are kind of a new thing – and I think, we've seen that our businesses performed through that – they need our insights in literally every kind of environment. So, we're not experiencing any of that kind of choppiness. And we're just seeing a good, steady performance that you'd expect from us.

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Got it. Okay. And then, just to follow up, the second half guide, can you just help us, in terms of the activation and intelligence, what that should look like? Like, is there any tough comps or [ph] projects-based (00:22:25) revenues to consider?

Michael J. Burwell
Chief Financial Officer, NIQ Global Intelligence Plc

A

Yeah. Manav, it's Mike. When you look at those second half comps, you know that we have lower comps. We had tougher comps in the first half and lower comps in the second half, so you're going to see improvement in activation. That's included and reflected in those numbers over the second half. So, again overall, we took those comps up, as you see, and reflected in those numbers versus what we had previously established as guidance. And that includes both the intelligence and activation businesses.

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Yeah. Thank you very much.

Michael J. Burwell
Chief Financial Officer, NIQ Global Intelligence Plc

A

Thanks for the question.

Operator: Your next question comes from the line of Jeff Silber with BMO Capital Markets. Please go ahead.

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Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.
Q

Thanks so much. Wanted to first focus on activations. If I remember correctly, you had talked earlier about some of the softness around the tariffs. And I know you kind of answered that question. But do you think you're out of the woods yet? Do you really think that we've kind of gone through that and folks are kind of back to sort of normalized buying?

James M. Peck
Executive Chairman & Chief Executive Officer, NIQ Global Intelligence Plc
A

Sure. Sure, Jeff. Great to hear from you. So, Tracey, that's a great question for you to answer.

Tracey Massey
Chief Operating Officer, NIQ Global Intelligence Plc
A

Yeah, sure. Hi, Jeff. We really didn't see an adverse impact of tariffs. If anything, we saw additional demand for pricing studies, in particular, and consumer sentiment work. So, as Jim said at the start, we really are mission-critical to our clients and relevant of what's going on in the market, whether that be the economic climate, market growth of different categories, changing consumer sentiments. We don't see softness in end market impacts. We sometimes see some temporary slowdown, some internal issues at our clients, like reorganization or leadership changes, but we're really not seeing any impact.

In Q2, last year, we had very strong activation business, and as Mike said, so we had a very high comp as we face Q2 this year. The second half of this year has lower comps. And I'll also note that we have underlying – very, very strong underlying demand for activation business. It remains very robust. We have seen a strong increase across our order book in recent months because clients need NIQ to help them innovate, compete and win.

Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.
Q

Yeah, that's really helpful. And then, just looking at the quarter, I know, you haven't provided any specific color by segment, but I think, the EMEA revenue, especially that accelerating growth, was a bit better than most people had thought. Can we talk a little bit about that? You alluded to a little bit in your comment, but if we can get a little bit more color, that would be great.

Tracey Massey
Chief Operating Officer, NIQ Global Intelligence Plc
A

Yeah, sure. The EMEA business is highly levered towards the tech and durables business. So, the old GfK business that we bought, that is very big in that region, and we saw strong rebound for that business in particular. And we also saw very strong growth on consumer panel. So, we're very excited by our EMEA performance in Q2.

It reflects our underlying growth algorithm. So, across all parts of the algorithm, they did well. But in particular, I would point to the consumer panel innovation. And like I said, GfK – the old GfK rebound, we don't report on that; it's very integrated, but a strong rebound in the tech and durables business.

Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.
Q

Okay. Really helpful. Thanks so much.

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Operator: Your next question comes from the line of Jason Haas with Wells Fargo. Please go ahead.

Jun-Yi Xie
Analyst, Wells Fargo Securities LLC

Q

Good morning. This is Jun-Yi on for Jason Haas. Can you elaborate on the client project timing dynamics? What caused that, and whether this softness is expected to persist into 3Q? Thank you.

James M. Peck
Executive Chairman & Chief Executive Officer, NIQ Global Intelligence Plc

A

Yeah. Could you repeat that question? It broke up just a little bit.

Jun-Yi Xie
Analyst, Wells Fargo Securities LLC

Q

Yeah, sorry. Can you elaborate on the client project timing dynamics, and if that was caused by macro uncertainty or other factors; and whether the softness is expected to persist into 3Q?

James M. Peck
Executive Chairman & Chief Executive Officer, NIQ Global Intelligence Plc

A

Okay. You said, client projects, is that right? Yeah. So, Tracey, you alluded to that just a minute ago. Why don't you kind of just dive into that a little bit more?

Tracey Massey
Chief Operating Officer, NIQ Global Intelligence Plc

A

Yeah. So, I'm assuming you're meaning activations. So, the softness we saw versus last year – so, not softness, but a lower growth rate than we would expect the full year to be was because last year's Q2 was a very strong comp. We had very, very strong activation business last year. This year's business is strong; just wasn't quite as strong. As we head into Q3 and Q4, we had much lower comps. So, we're very, very confident of that business. The order book is very, very strong. We've seen a strong increase, so we don't expect softness in that area.

Jun-Yi Xie
Analyst, Wells Fargo Securities LLC

Q

Can you hear me better now? Sorry.

James M. Peck
Executive Chairman & Chief Executive Officer, NIQ Global Intelligence Plc

A

Yes.

Tracey Massey
Chief Operating Officer, NIQ Global Intelligence Plc

A

Yes.

Jun-Yi Xie
Analyst, Wells Fargo Securities LLC

Q

Okay. And then, for my follow-up question, so it looks like you have an easier comp in 3Q, but your guidance implies a deceleration in the organic growth. So can you walk me through the moving pieces there?

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Tracey Massey
Chief Operating Officer, NIQ Global Intelligence Plc

A

Well, I would say, we have a portfolio of solutions across both activation and intelligence. Our growth guidance reflects this, as well as our confidence of all of the underlying elements of our growth algorithm. And so, while our activation order book is robust, there's more confidence in Q3 and Q4 guidance, and it's a mixture of both. We don't give specific guidance, splitting the two up. I would just specifically answer your question about activation. We feel very, very good about the order book. But overall, our guidance is, as we showed during Q3 and Q4.

Michael J. Burwell
Chief Financial Officer, NIQ Global Intelligence Plc

A

And maybe I would add one other comment to what Tracey stated. When you look at our Q3 guidance from what we had, had previously. We have taken it up from 4.7% to 5.2% overall. And look, we're highly confident in our ability to deliver, and that's why we increased those rates and in terms of what our overall guidance will be. And so, I guess, I just want to make sure to emphasize that in addition to Tracey's comments.

Operator: Your next question comes from the line of Andrew Nicholas with William Blair. Please go ahead.

Andrew Nicholas
Analyst, William Blair & Co. LLC

Q

Hi. Good morning. Thanks for taking my questions. I wanted to double back to Tracey's response on the EMEA strength. Sounds like that's a really big driver, specifically from the rebound in GfK. How much is that a function of maybe the market environment or protecting durables' strength versus execution of the NIQ transformation playbook?

James M. Peck
Executive Chairman & Chief Executive Officer, NIQ Global Intelligence Plc

A

Sure. I'm going to say, the answer's both. But I think, again, I'll turn it over to Tracey to give more color, as she kind of started the answer and let her that take your question, Andrew.

Tracey Massey
Chief Operating Officer, NIQ Global Intelligence Plc

A

Yeah. It's both. So, if you remember from the roadshow, the Tech and Durables business was a bit of a drag on our business last year, which was the first full year of integrating that business. And we were very confident that we would turn that around, given the fact that we're using the same playbook as we did for the NIQ transformation. That's been very successful in the first half of this year.

And we have gone from a slight decline last year to low-digit growth. And we expect it to get even stronger in the second half of the year. So, just very confident on that turnaround of that Tech and Durables business. It isn't market-related. It's our performance and how we're running that business. Now, we've integrated it in. And like I said, we're executing the same playbook.

From the other side, it's panels. Again, we talked about that. If you remember, we had to divest our panels business that we got when we acquired GfK. And therefore, last year, we weren't able to compete against the people we divested it to until Q4. So, we really only started to see the benefit of the good consumer panel investments we've made, last year Q4 and the first half of this year.

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And that's particularly strong in Western Europe as our innovation to combine consumer panel with RMS data on one system is really resonating with our clients. And we're seeing significant win backs in that area. It's a very, very strong innovation, and it's resonating really well. So, we remain confident of that. So, I would say two things, the turnaround of Tech and Durables and the upsell/cross-sell of our solutions.

Andrew Nicholas
Analyst, William Blair & Co. LLC

Q

That's super helpful. Thank you. And then, maybe for my follow up, just if you could talk a little bit more on pricing as a contributor in the quarter, and maybe a reminder on how that is incorporating within your [indiscernible] (00:31:10) contract structures as it sits today? Thanks, again.

Tracey Massey
Chief Operating Officer, NIQ Global Intelligence Plc

A

Yeah. So, if you think about our growth algorithm, Q2, our growth algorithm, we drove 2.5% from pricing, 1.5% from upsell and cross-sell of our innovative new solutions and 1.7% from our new markets. That's the algorithm we showed you when we did the roadshow and that's how it played out in Q2. So, strong growth in pricing. I think, our guidance was always 2.5% to 3% and we hit the 2.5%.

Operator: Your next question comes from the line of Andy Grobler with BNP. Please go ahead.

Andy Grobler
Analyst, BNP Paribas SA (London Branch)

Q

Hi. Good morning. Thank you for taking my questions. Just firstly, on the margin expansion, you talked a little around the benefits from GfK synergies and the NIQ transformation. Can you just split out kind of the component parts of that, plus anything you got from just operational leverage? Thank you.

Michael J. Burwell
Chief Financial Officer, NIQ Global Intelligence Plc

A

Sure. Thank you for the question. When you look at it, roughly 60% of that was driven by our GfK integration, 30% of it has come from our continued drive of our mid-single-digit revenue growth and 80% fixed cost base. And again, roughly around 10% is being driven through the continued flow through of our NIQ transformation. And it continues to flow through our business overall. So, really those are the main components.

Andy Grobler
Analyst, BNP Paribas SA (London Branch)

Q

Okay. Thank you. And then, just one follow-up, if I may, just on the guidance and FX, because it was a tailwind in Q2. The guidance for the full year looks to be about 20 basis points, while Q3 and for the full-year [audio gap] (00:33:08) (00:33:08) ongoing US dollar weakness. Why isn't the tailwinds from currency bigger than that?

Michael J. Burwell
Chief Financial Officer, NIQ Global Intelligence Plc

A

Yeah. Currency, when you look at the first quarter, back, FX was a headwind. When you look at Q2, it was a tailwind. And when we look at it year-to-date, it was a headwind. Now, if you dissect that a bit more, our Americas business has been more of a headwind, particularly, as it relates to our consistent headwind associated with our peso and Canadian dollar, where our business for EMEA has been more of a tailwind in terms of thinking about it.

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So, look, we used Q2 spot rates to forecast our guidance. And so, we really didn't see a bigger tailwind through the rest of the year. And so, that's why we really kept it flat, in terms of thinking about it. So, we're thinking we get back to really more like consistent constant currency rates, and so, that's what we've used in our guidance overall.

Andy Grobler
Analyst, BNP Paribas SA (London Branch)

Q

And just on that, the Q2 spot rates was that period end or average during the period?

Michael J. Burwell
Chief Financial Officer, NIQ Global Intelligence Plc

A

We did the average, yes.

Andy Grobler
Analyst, BNP Paribas SA (London Branch)

Q

Okay. Thanks very much.

Michael J. Burwell
Chief Financial Officer, NIQ Global Intelligence Plc

A

No problem.

Operator: Your next question comes from the line of Jeff Meuler with Baird. Please go ahead.

Jeffrey P. Meuler
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah. Thank you. On the consumer panel investment and growth, could you just go into detail on how your consumer panels are differentiated on a standalone basis; and then, talk through the incremental value and integrated with the core sales measurement data? And then, on the market opportunity, is there much of a whitespace opportunity, or is it more about competitive takeaways?

Tracey Massey
Chief Operating Officer, NIQ Global Intelligence Plc

A

Yeah. Hi. This is Tracey again. In terms of consumer panels, so I would say, we just launched, in the US, this quarter, the largest household panel in the country; so, 250,000 households that's just launched. So, expect a strong performance from that going forward. In Europe, we increased our panel sizes in all of the countries. And I would say, that's one of the things that's helping us.

But the biggest thing that's helping us is the ability to put consumer panel alongside RMS on one system. What happens when you're a manufacturer client or you're a marketer is, often, the two – the pieces of information, so the RMS and the consumer panel are slightly different because of where they come from. They have to spend a lot of time reconciling that, and it's quite a lot of work and it's quite difficult.

By having two in one system, we do that for them. So, they don't have all of that extra work. The answers are much quicker. They can get to decisions much quicker, so it's significantly beneficial, and that is where we are seeing the growth. Our clients are seeing the integration which nobody else can do, because everybody else has panel or RMS and not able to put the two together. That's the really big differentiator that's causing our wins.

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Jeffrey P. Meuler
Analyst, Robert W. Baird & Co., Inc.

Q

Got it. And then, for BASES AI, how does the pricing compare to the heritage solution, which is, I think, more services-intensive; or is there a margin opportunity, if you can talk through that?

Tracey Massey
Chief Operating Officer, NIQ Global Intelligence Plc

A

We don't give guidance about the pricing across our different solutions. Mike, I don't know if you want to comment, but we don't give that sort of breakdown.

Michael J. Burwell
Chief Financial Officer, NIQ Global Intelligence Plc

A

Yeah. Look, I think, you're asking us about the AI-based product.

Jeffrey P. Meuler
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah.

Michael J. Burwell
Chief Financial Officer, NIQ Global Intelligence Plc

A

Of course, yeah. So, we're able to think about that. We're going to increase the number of transactions with that particular product because we can cycle through, using AI, feedback to our clients very quickly, and they love that. And we give them the feedback in the same format they would expect from the more intense study.

But ultimately, when they're making these very big decisions about innovation and new products, which is what BASES is all about, they still ultimately want that very deep-dive into kind of the emotional reaction and other reactions clients have to the name of their product; in some cases, the taste of the product. And that has a lot more science in it than just say AI.

So, what we're seeing is they're – I guess, I won't give you the name of any particular client, but they got on the edge of their chairs when they saw they could experiment and pay us appropriately upfront with a bunch of iterations. And then, ultimately, when they boil it down to a few, then, we can go and apply our more, let's call it, scientific approach that dives deeper into consumer reaction in order to make them feel more confident in the big investments they're going to make.

Jeffrey P. Meuler
Analyst, Robert W. Baird & Co., Inc.

Q

Got it. Thank you.

Operator: Your final question comes from the line of Wahid Amin with Bank of America. Please go ahead.

Wahid Amin
Analyst, BofA Securities, Inc.

Q

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Hey. Good morning. Could you expand on the growth in new verticals? What are you seeing across the buckets of government, financial services or media? Anything in particular you're seeing clients gravitate more towards, whether that be a certain product, or whether that be across intelligence or activation?

Tracey Massey
Chief Operating Officer, NIQ Global Intelligence Plc

A

The biggest, biggest vertical, the biggest growth is SMB, so small and medium businesses. We saw that grow 22% in the quarter. It's a very big growth vector for us, working on those smaller clients. Like we said in the talking points, we're able to identify who they are because we've got all the data of everybody who sells everything to a consumer, so we can identify those clients. If they don't buy data from us, we're able to go to them with insights, and then, pick up that business. So, that's probably the biggest growth vertical.

But we see strong growth across all the verticals, whether it be financial. Packaging was a new one that we've just got into. So, new verticals, overall, with 14%, that would be financial services, packaging, those sorts of areas. But across the board, we see strong double-digit growth in all of those areas and expect that to continue.

Wahid Amin
Analyst, BofA Securities, Inc.

Q

Okay. And for my follow-up, just the two recent M&As that you've done in the past few months, can you walk us through the philosophy, why those assets, and specifically, why now?

James M. Peck
Executive Chairman & Chief Executive Officer, NIQ Global Intelligence Plc

A

Yeah. Sure. So we have built an engine both in terms of our systems, with our Discover product and the underlying kind of data architecture and with our sales engine that we can easily absorb new capabilities into our world, let's call it, that we know our clients like, and then, easily upsell and cross-sell them without creating some kind of significant cost of action.

And so, I think, you're going to see us continue to look for bolt-on acquisitions like this that are really immediately accretive, that essentially our clients bring to us, as we're out in the market. And they're using these same services, and saying, boy, this would really be good if it was integrated with Discover and with NIQ. And indeed, in this particular case, both of these acquisitions hit a real meaningful spot for our clients. And so, they're really instantly accretive and very low risk.

Michael J. Burwell
Chief Financial Officer, NIQ Global Intelligence Plc

A

And Wahid, I would just add. So, let's state that we are continue to focus on our debt paydown, right. So, these acquisitions fall within a small size – a reasonable size, in our mind, that make sure that we can still be focused on making sure we're generating debt paydown and making sure we're increasing our cash flow as we're at that inflection point in the business. So, just to add to Jim's comments.

Wahid Amin
Analyst, BofA Securities, Inc.

Q

Thank you.

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Operator: That concludes our question-and-answer session. I will now turn the call back over to James Peck for closing remarks.

James M. Peck

Executive Chairman & Chief Executive Officer, NIQ Global Intelligence Plc

Yeah. So, just very briefly. I'm super excited about this management team and all the people at NIQ, who have the capability there, uniquely primed to put us in a position to serve our clients. And we remain very confident and super excited about our strategy and our plans going forward. And we look forward to our next update.

Operator: Ladies and gentlemen, this concludes today's call. We thank you, all, for joining. You may now disconnect.

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