

07-Nov-2018

LiveRamp Holdings, Inc. (RAMP)

Stephens Fall Investment Conference

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MANAGEMENT DISCUSSION SECTION

Brett Huff

Analyst, Stephens, Inc.

Good morning. Thanks for coming to the session on LiveRamp. My name is Brett Huff. I'm the Business Services Analyst here at Stephens. And for us, that means data as well as payments as well as fintech. Scott Howe, the CEO of LiveRamp, is here; and [ph] Andrew Connor (00:20) from IR is also here. Guys, we appreciate you coming. I know it's a long flight, so we appreciate the trip.

To the folks who are here as clients, thanks for coming to this conference. We hope you're getting a lot out of it. I have a list of questions that I can ask. I hope that if you have questions that you asked them, I think that's how you get the most value out of this. Thank you for coming to the Stephens Conference. If there's anything that you as investors need from us from Stephens, there's a number of us here in the room. Let us know how we can help.

And with that, again, thank you guys for coming. And we'll go ahead and dive into a couple of questions, and then, do some Q&A.

Scott E. Howe

President, Chief Executive Officer & Director, LiveRamp Holdings, Inc.

Sure.

Brett Huff

Analyst, Stephens, Inc.

Thank you.

QUESTION AND ANSWER SECTION

Brett Huff

Analyst, Stephens, Inc.

Q

First of all, congratulations on the transition. I know it's been a long process and I think a successful one. As we look back at two weeks, three weeks, really, since – or two weeks since the Analyst Day, how are we feeling post that and just give us sort of the state of the state on how things are going?

Scott E. Howe

President, Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah. I think we're feeling pretty good. I don't know about you, but I still find it a little bit weird to announce myself as the CEO of LiveRamp. You're probably feeling that the same way. So I've known – well, we've known Stephens for, gosh, 40 years, I mean, the entire lifetime of our predecessor company, Acxiom's history.

For those who don't know LiveRamp and who might be new to the story, let me give you like a one-minute overview. We are a new company that was formed out of our predecessor parent company called Acxiom. And pretty unique, we ended up selling the vast majority of Acxiom to Interpublic Group earlier this summer. The division that remains as a pure play SaaS company, we invented a category, it's essentially data connectivity. Think about the utility grid, the power grid, the phone grid, but for data. We make it very easy for companies to utilize their data, activate anywhere they want, collaborate with others on data. All of that is permission-enabled, a natural scale business, really has some important SaaS characteristics. And that business will do just under \$300 million of SaaS revenue this year. It's been growing at a 30%-plus compound annual growth rate over the last five years.

We believe that over the next five years, call it to our fiscal year end 2024, we have a path to grow that to \$1 billion in revenue. It is 80% subscription, has all the typical SaaS characteristics. The one thing that's probably little bit different is that if you look at where we're at relative to most SaaS IPOs, which is, I think, kind of where we'd consider ourselves, we have about the cleanest balance sheet that anyone's ever seen. We have no debt, a couple billion dollars in cash, although some of that's going to have to be paid to the IRS, and have announced plans to return \$1 billion of that to shareholders in the form of a \$500 million tender, and then, a \$500 million increase in our buyback authorization.

So I'll pause there because you probably have a lot of questions about what we do and competitors and TAM and all that kind of stuff.

Brett Huff

Analyst, Stephens, Inc.

Q

Thank you for that introduction. It's been fascinating to see how LiveRamp has come to be. And so we're excited about the story going forward. To make sure that folks are on the same page, because we find this stuff difficult to understand and we think about it a lot, can you give us just an example or two of the data exchange, the data matching activation that make it a little more concrete about what you do? So I think that helps maybe set the table for the conversation.

Scott E. Howe

President, Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Sure. A typical advertiser, a typical marketer choose anyone. Citigroup, they are probably interacting with their customers at 300 to 500 different touch points. Those could include the marketing channels they utilize to serve messages to those customers or prospects. Things like Facebook, Google Search, their e-mail provider, personalized content when someone visits their website, Comcast, DISH, any television, mobile networks, if you look at their media plan, there are hundreds of different places where they advertise.

In addition, there are other places where they interact with their customers, their customer call center, at point-of-sale. At all of those interaction points, a marketer has an opportunity to treat their customers or prospects completely unintelligently or give them a much better experience powered with data. By utilizing data, they might be able to give the customer or prospect a better offer in their marketing. They might be able to give them a better experience at point of interaction.

For instance, if I check into a hotel and I'm a loyalty member, I might get a room upgrade or discover that the next morning, my favorite newspaper has been delivered to my door. That is only possible through the application of data. But in reality, utilizing that data is incredibly hard because if you think about the typical customer, their data sits in silos all over the company. They want to enhance that with maybe additional information that sits outside of their company, and then, they need to figure out what all those disparate pieces of information mean, figure out what they want to do with it, and then, activate all those different touch points. Really hard, really fragmented, really difficult.

What we've done is built a grid that connects everything together, linked it to common identity, linked it to permissions, so that anybody wants to use data can plug into our grid, utilize our SaaS platform to utilize their data safely and securely.

Brett Huff

Analyst, Stephens, Inc.



That's great. So if I upload 1 million e-mails or mobile numbers and I'm looking to try and – to sell a new particular product, you go through a process that's called matching. Can you describe how that works? And then, can you also describe what I think of as the second step, which is distribution of that audience. How do you find people when they pop up wherever they might be, POS, browsing, et cetera? It's the magic of what you do but it's also a little bit – there are some pieces in there, I think, that are important to that matching network and then the distribution and maybe even the identity link.

Scott E. Howe

President, Chief Executive Officer & Director, LiveRamp Holdings, Inc.



Yeah. The utilization of data is a complicated thing because individual disparate pieces of data mean different things to different holders of the data. And so, Google might identify a piece of data as belonging to a Google user ID G567. A catalog marketer might know their customer as Brett Huff at physical address in Little Rock, Arkansas. And a digital music company might know you according to your e-mail address.

The first thing about making data usable is to have a taxonomy and identity, if you will, that allows all of the disparate pieces of data to be keyed to something that allows data to be commingleable, if you will. And that involves building an identity taxonomy that can take all these disparate pieces of data and bring them back to a single source of truth.

Once that's done, you look and you say, okay, given all the data that we have, what can we infer about this user and how do we want to treat them, and that's a decision that typically the marketer themselves are making. And that involves also looking at all the permissions attached to the data. Hugely important because any consumer

should have visibility into their data and have the ability to control it, opt out of it, change it, correct it. But likewise, businesses need to have permission.

So if Walmart wants to use their data with any one of their co-op merchant partners like P&G, for instance, they end to say, here's how we will trade data under what circumstances, what timeframes. And so, it gets to this network effect again. There's a network effect around how do you capture identity and determine what data is usable. There's a network effect around linking up all the touch points, all the uses of data and all the sources of data, and there's a network effect around permission management. And all of these things make scale really important. Scale begets more scale. And we've positioned ourselves, again, we invented the category, we believe we're the scale leader in a business where the industry is best served by a large agnostic neutral provider for anyone and everyone in the industry.

Brett Huff

Analyst, Stephens, Inc.

Q

That's helpful. I'm going to stop. I'm sure there's going to be questions from the audience about where we're going. I'm happy to keep going. Okay, I'll let everybody think about that a little bit. You talked about the SaaS nature of the business, now that you've got the LiveRamp asset. One of the unique things that we see is both high growth and a gross margin that's also very attractive now. And even the margin profile, as you get to EBIT that is attractive now, which is unique relative to the size of the SaaS business. What is it about what you're doing that maybe gives you margin as well as growth, which is kind of a unique place to be in, in the SaaS world?

Scott E. Howe

President, Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah. I mean, like any SaaS business, we tend to have a very high, fixed initial cost. But our marginal revenue is highly profitable. And again, think about this as a grid that connects all the sources of data to all the places where data can be utilized. That's true in marketing, but it's also true in any business. But our intent over time is to expand to adjacent sectors, anywhere where there's fragmented data and an ability to make better decisions and deliver better outcomes if that data can be harnessed effectively, as an industry where we believe our technology is appropriate.

So the SaaS margins are very typical of a SaaS business, but the growth rate is phenomenal, because we're surfing a pretty large secular trend. There's not a business in the planet that can't make better decisions around their customers if they utilize data intelligently and ethically, and we're the catalyst for making that happen.

Q

[indiscernible] (00:13:23-00:13:44)...

A

Yeah.

Q

... [indiscernible] (00:13:44)?

Scott E. Howe

President, Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah. It's more an interesting spot in as much as sometimes, the companies that might be perceived to be our competitors are actually our biggest clients. So we private-label our capabilities for most of the major marketing cloud. So we work with Salesforce, Adobe, Oracle, Neustar and many others. So if they're doing a marketing cloud installation and they need to use their DMP and they want to push out data or ingest more data, they will use our rails, our wiring and plumbing so to speak, to do that. So in fact, Oracle and Salesforce have been two of the largest sources of client referral for us over the last three to five years. So very much complementary. We also have a sizable direct business.

You can see this – we passed out this handout, and I probably should have started and talked about this a little bit, but the second slide, the scale leader slide, really talks about who our customers are. It's everyone who needs to utilize data. And the way I talked about this at our Analyst Day is, imagine hosting the world's largest dinner party in the marketing world and it's just a giant table. And on the other end of the table are all of the marketers on the planet. And we work with, you can see here, 17 of the top 25 advertisers. Because we work with big advertisers, it's natural that agencies want to work with us as well because they are also working with those advertisers. And if they use that advertiser data more effectively, they'll deliver better campaigns, they'll produce better creative messaging. So we work with, of the top six largest holding companies, all six of them.

Because all the demand sources work with us, it's natural that the destinations or the suppliers also want to work with us. So you can see here on the digital publisher side, 18 of the 20 largest publishers, Google, Facebook, OAuth, others, all work with us. And because we have both the demand and the supply, it's natural that the folks who sit in between the enterprise software platforms also want to work with us. And because we have the grid that connects all the sources of data, all the uses of data, new data manufacturers, people who have data, want to plug in if they want to commercialize that data. So not only we're working with first party data companies, but companies like IRI or D&B or Epsilon or Merkle will potentially put their data into our network and utilize it to push it out to sources.

And then finally, consumers would be the last, but perhaps, most important group invited to the party because over time, my expectation is, given regulatory trends, that we're all, as consumers, going to have increased choice and voice about how our data is utilized.

Brett Huff

Analyst, Stephens, Inc.

Q

Any questions? Can you talk about gross sustainability? You talked about being kind of there at the beginning of this creation of the market, which was called onboarding at first, and now, it's much bigger. You have a number of products beyond onboarding, matching, et cetera, the audience distribution, the identity link and you have Smart Reach and there's a number of things. Can you just run us through some of the maybe products that have been layered on top of the core business that we should started out with, it seemed to me, that really extend the franchise and frankly give you a little bit of a moat around that franchise from a competitiveness point of view.

Scott E. Howe

President, Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah. And maybe, again, I'll refer to a slide here. This top slide, the data and identity foundation slide, really illustrates where we sit in the industry. So, we are essentially a middleware SaaS subscription that fits between all the world's data sources and all the places you can utilize data. We're not a data broker. We sold that business

with Acxiom. We are pipes and wiring. We are enterprise software. And for your enterprise software subscription, you essentially get a whole lot of functionality wrapped up in your monthly subscription fee.

So by virtue of plugging into the grid, you get access to all the data sources, you get access to all the data destinations, and it's as easy as picking up a phone and calling someone on your phone. Using data now becomes that easy. You manage your data through a series of slider switches on your UI, on the user interface. With that also comes permission management and an identity graph that helps you make sense of what data belongs to which person and allows you to segment and mine the data effectively.

For us, the expansion really comes in several waves. So, we call it three horizons. The first horizon is we just want to get better at doing what we've done already, kind of land and expand. We work with many of the largest advertisers on the planet. However, there are tens of thousands of smaller advertisers that we don't yet work with. And although I talked earlier about with the large marketer, they might have 300 to 500 different use cases or destinations they could light up with their data. On average, our clients are doing about 12 or 13. So, they are just starting to utilize their data intelligently.

Typically, they start by utilizing their data to do personalized campaigns in Facebook or Google. Then they might dip their toe into television. They might be thinking about programmatic. They might use it to light up their e-mail. They might use it to power better personalization, better offers, better customer experiences on their website. They might use it to power their call center scripts or they might use it for point-of-sale when you check into a hotel or you walk through the turnstile at Disney World.

All of those things represent more uses of data. And as our clients start to expand their data utilization, our subscription again works exactly like a mobile phone. If they go – we have tiered subscriptions, so people start to utilize more data beyond their subscription allowance. There's an overage charge. And then, we'll call them and say, hey, would you like to trade up to the next subscription tier? So, we think that there's a lot of room for just organic growth within what we're doing today.

The second thing is about extending our capabilities, and that really involves activating completely new use cases. As an example, television has been bought in a broadcast media fashion for 40 years. Increasingly, you're hearing a lot of buzz about television being bought with data. There are different forms that that could take. It could be OTT like a Hulu. It could be addressable television, i.e. Brett and I watching the same program on digital cable get a different 30-second ad insertion because of our preferences, or it could be just data-driven linear. So buying an audience on traditional broadcast television with more granularity, more prediction, power around what audience you're getting because rather than just age and age and gender. We're lighting up. We work with across all of those channels, all of the television partners. And so as data is increasingly purchased with television, we'll be the beneficiary of that.

Likewise, we've started a business whereby which data providers on the bottom can sell their data directly to customers through what we call the Data Store. Makes sense if marketers or advertisers are going to utilize their data to inform better experiences with customers at all these different touch points. Oftentimes, they'll want to enhance their own data with additional purchase data. That, for us, is a \$20 million business but growing much faster than our core.

International expansion, many of our existing clients are saying, hey, we want to do this in Europe, we want to do this in China, we want to do this in Australia. And so international, for us, is north of a \$20 million business, again, growing much faster than our overall growth rate. So a lot of new growth levers for us to pull over time.

And then, finally, there's this third horizon of growth, which is around expanding to adjacent sectors. We are – our legacy is in marketing. However, any industry where data is collected in fragmented silos and there's an opportunity to join that data together with the appropriate permissions on behalf of a customer to deliver a better outcome, we'll do that.

As an example, I talked earlier about marketing, our average major advertiser has 300 to 500 different places they can utilize data. Well, in healthcare, the average consumer has well north of 50 different destinations where they can utilize data or where data resides. So any of us probably has our childhood immunization record that we've long ago lost, we visit a dermatologist, a general practitioner, my wife sees a gynecologist. I go to the gym, I step on a scale and track my weight occasionally. Well, all of those records, if I link them together and join them, with the right permissions in place, could generate a better health outcome for me.

The system we built, the technology we built is as applicable in healthcare as it is in credit card fraud, as it is for government, as it is for education. We feel like we're an interesting business, not just because of the growth that we have in our market and the potential we have in our market, but also what we can do beyond that. We feel like it's 1998 and we're Amazon and we've built a technology for selling media and books. But all of a sudden, we realize it could be much bigger than media and books because we can sell sporting goods and cosmetics and jewelry and cars and anything else under the sun. We've built a technology that's first use is in marketing but it can be extended throughout the enterprise, and over the next 10 years, that's what we intend to do.

So that's why, and this is long-winded, but I think this is an important distinction about us. We feel really good about kind of a 10-year path for us to grow. We have fairly clear line of sight into the next couple of years because our revenue is recurring. We know that we have a sizable TAM and a lot of levers to pull for the next five years and we see a path to \$1 billion in revenue. And beyond that – for the decade beyond that, we see even more levers to pull in terms of adjacent sectors to expand into.

Brett Huff

Analyst, Stephens, Inc.

Q

That's helpful. Thank you. We have time for about – yeah, go ahead.

Q

Congratulations on the Acxiom sale.

Scott E. Howe

President, Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Thank you.

Q

It's a huge valuation. With the run rate of Acxiom EBITDA [indiscernible] (27:45) last 12 months or the spending period, it includes what?

Scott E. Howe

President, Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

That's like [ph] \$250 million (00:27:50).

Q

[ph] \$250 million (00:27:51). So what did Interpublic want with Acxiom and what does that say about the – does it say anything about the valuation of LiveRamp going forward?

Scott E. Howe

President, Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Well, I mean, I don't want to talk for Michael Roth or Philippe over at IPG, but I believe that the valuation – the purchase price they paid for Acxiom is reflective of kind of this secular trend of data, the growth of data and the importance of data. That's true in LiveRamp's business. It's also true in IPG's business. And so, they bought a portfolio of blue chip clients and some capabilities that they can cross-sell to all their agency clients and vice versa. And I think they've already seen some success. For instance, last month, IPG announced the Amex win, new client win for them. And they highlighted the fact that the Acxiom – the new Acxiom assets really helped get that across the line because American Express was a long-time Acxiom client.

So, I think that speaks to the importance of IPG. I will tell you, though, that from a LiveRamp perspective, it's very important that our SaaS business, which sat underneath AMS and continues to sit underneath Acxiom Marketing Services, it'll be perceived as neutral and agnostic. And so, LiveRamp, historically, has served Acxiom's competitors. We work with Epsilon, we work with Merkle, we work with Experian, and they increasingly were asking the question of hey, are you really neutral, agnostic and unbiased, or by virtue of my contract going up all the time, am I giving you cash flow that you're going to use to invest in the other side of your business and compete against me? Well, they don't have to worry about that anymore because that other side of the business is now owned by Interpublic Group and we truly are agnostic, independent and we can work with anyone.

One of the things I talked about when the deal closed October 1, it was Adweek, and the deal closed on Monday morning. And about an hour after, I was on stage at Adweek. And as I went out, I ran into just a whole bunch of people that I knew. And sitting next to me on stage was the President of Epsilon's Marketing Services or Data Business. She'd been a competitor of mine for the last seven years. And all of a sudden, all that I saw when I looked at her was one of my biggest customers. And within five minutes of walking off stage, we were having a conversation around how could we grow this relationship, now that LiveRamp is no longer attached to Acxiom and we truly are agnostic and neutral, how can we do more interesting things together. And over the last month, I've had dozens of those kinds of conversations. So, it's encouraging.

Brett Huff

Analyst, Stephens, Inc.

Q

Anyone [ph] who'll ask more or last (00:31:26) question? I'll ask one final thing, and that is one of the things that is a stat that I think is really amazing and helps me kind of fit LiveRamp in the broader scheme is the size of your identity graph. Can you tell us kind of where you sit tonight? That always kind of comes home for me. And so, I want to leave the audience with that thought in their head.

Scott E. Howe

President, Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah. I will start with a stat that we shared at Analyst Day, and make sure I'm right on this, is that Google does about 1.5 trillion searches a year. We process 4.5 trillion – is it trillion?

A

Yeah.

Scott E. Howe

President, Chief Executive Officer & Director, LiveRamp Holdings, Inc.

Yeah, customer records a month. And everything we do is fueled by data. And the more data that you have flowing through your pipes, the better you are at everything you do because so much of our technology is algorithmically driven. So, scale and data breadth really matter a lot. We are the scale leader.

Sometimes, people talk about, well, is it true that Facebook could disintermediate you. Facebook has a powerful social identity graph. Google has an identity graph. AT&T, now Xander, they have an identity graph. But each of them only see a small fraction of what's out there. The social graph is not the same thing as the telephone graph, which is not the same as a digital graph or a name and physical address. All of those things need to come sit together for each one of those companies to make optimal use of what they have. The world is best served by having a company that's neutral, help all the constituents share their data under the right conditions, and that's what we do.

Brett Huff

Analyst, Stephens, Inc.

That was it.

Scott E. Howe

President, Chief Executive Officer & Director, LiveRamp Holdings, Inc.

Thank you, Brett.

Brett Huff

Analyst, Stephens, Inc.

Thanks so much for coming. Appreciate it. Thank you all for being here.

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