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LiveRamp Holdings, Inc. (RAMP)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

Andrew M. Borst

Vice President-Investor Relations, LiveRamp Holdings, Inc.

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

Lauren Russi Dillard

Executive Vice President & Chief Financial Officer, LiveRamp Holdings, Inc.

OTHER PARTICIPANTS

Shyam Patil

Analyst, Susquehanna Financial Group LLLP

Cal Bartyzal

Analyst, Craig-Hallum Capital Group LLC

Mark Zgutowicz

Analyst, The Benchmark Co. LLC

Clark Wright

Analyst, D. A. Davidson & Co.

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen, and welcome to LiveRamp's Fiscal 2026 First Quarter Earnings Call. Following our speakers' remarks, there will be a question-and-answer session. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to turn the call over to your host, Drew Borst, Vice President of Investor Relations.

Andrew M. Borst

Vice President-Investor Relations, LiveRamp Holdings, Inc.

Thank you, operator. Good afternoon, everyone, and thank you for joining our fiscal 2026 first quarter earnings call. With me today are Scott Howe, our CEO, and Lauren Dillard, our CFO.

Today's press release and this call may contain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially. For a detailed descriptions of these risks, please read the risk factors section of our public filings and the press release. A copy of our press release and financial schedules, including any reconciliations to non-GAAP financial measures, is available at investors.liveramp.com.

Also, during the call today, we'll be referring to the slide deck that is also available on our Investor Relations website.

With that, I'll turn the call over to Scott.

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

Thank you, Drew, and thank you to everyone joining us today. Q1 was a good way to start the year, balancing both strong performance and optimism for the future. We had a very strong start to fiscal 2026, with first quarter

results exceeding our expectations on both the top and bottom lines. We can also see opportunities to improve our performance that could impact the back-half of the year and the years to come.

Total revenue increased at a double-digit rate for the sixth consecutive quarter, with double-digit growth in both Subscription revenue as well as Marketplace & Other. Looking ahead, we have robust new business pipeline and good sales momentum across several solutions on which I will elaborate in a minute.

On the bottom line, non-GAAP operating income increased by 34% driven by 3 points of margin expansion to a record first quarter high of 18%. Our organization continues to become more and more efficient thanks to initiatives like our growing offshore presence in India and our forthcoming new pricing model. Q1 GAAP operating margin also reached a record high, expanding by 7 points, driven in part by lower stock-based compensation reflecting new grant policies to rationalize these costs and better align with performance.

Finally, we increased our FY 2026 guidance for revenue and free cash flow. There's a lot to like in Q1, and Lauren will provide additional details later in the call. My remarks today will cover three main topics.

First, an update on the products driving our current sales momentum, including Cross-Media Intelligence, Commerce Media Networks, and CTV. Second, insights into our new pricing model and its potential to accelerate growth. And third, our perspective on how AI will transform digital advertising and its implications for LiveRamp's long-term significance and prospects.

Let's start with the drivers behind sales momentum. Our data collaboration network is experiencing strong sales momentum, evidenced by an above-average conversion of pipeline into signings, a reduction in the average sales cycle length, and an increase in average deal size during the first quarter. This momentum is primarily driven by our Cross-Media Intelligence, Commerce Media Networks, and CTV solutions, which I will now discuss in detail.

Our new Cross-Media Intelligence solution is surpassing initial expectations. Marketers often contend with outdated measurement tools that provide an incomplete and distorted view of effectiveness within today's fragmented digital ecosystem, leading to suboptimal decisions.

Cross-Media Intelligence, powered by state-of-the-art clean room technology, addresses this by offering the most extensive collaboration network that seamlessly connects an array of ecosystem participants, from advertisers and publishers to Commerce Media Networks, data providers, and measurement partners, an identity foundation that enables privacy-preserving data connectivity across the network, governance tools to implement and enforce unique data-sharing policies between various collaborators, and finally, seamless interoperability across all major cloud environments.

Launched in the first quarter, Cross-Media Intelligence has already attracted several high-profile customers, including the largest social media platform, a leading CPG manufacturer, the largest consumer and enterprise software company, and a significant financial software provider. This strong start signals continued momentum in upcoming quarters.

While Cross-Media Intelligence is our newest solution, Commerce Media Networks remain a significant growth driver. This quarter, Walgreens leveraged our technology for their new clean room solution, enhancing ad personalization, scaling real-time audience insights, and increasing transparency and control for brand advertisers.

We also secured a multi-year, multi-million ACV upsell with a leading US department store. Our Commerce Media growth extends beyond retail, with airlines, casinos, automotive, and real estate brokers actively launching networks. We expanded our partnership with Western Union, connecting their media network audiences to those of others for enhanced on- and off-site advertising personalization.

A new case study, one of several client success stories we highlight in our earnings presentation, highlights our work with Lyft, connecting rider insights with advertiser first-party data. We anticipate continued growth in Commerce Media as we establish more partnerships in new industries, leveraging our work with food delivery companies for QSRs, payment clients for smaller merchants, and travel sector clients for broader partnerships.

CTV is another key driver of recent sales strength. After a year of integrating major CTV and streaming platforms into our network, we're seeing strong momentum with brands leveraging these growing ad destinations by connecting their first-party data to media exposures. For example, our Netflix integration has scaled to dozens of brands in just four months, offering the high-quality inventory every TV advertiser desires. This flywheel effect from adding large CTV nodes is expected to fuel continued growth.

To reinforce our product discussion, it's worth noting that two leading tech research firms, Forrester and IDC, recently published reports independently validating our data collaboration platform's effectiveness. Forrester's Total Economic Impact study, which we commissioned, found that a representative LiveRamp customer achieved a 313% ROI and approximately \$10 million in business benefits over three years, with a payback period under six months. Additionally, for the second consecutive year, IDC recognized LiveRamp as a leader in its market-scape vendor assessment for data clean room technology. More information on both reports is available at [LiveRamp.com](https://www.liveramp.com).

My second main topic is pricing. We're modernizing our pricing model to offer customers greater flexibility and align costs with usage. Last month, we launched a pilot program with up to 40 customers. In just the first few weeks, we find several new customers to the new pricing model, including the world's largest quick-serve restaurant. This six-month pilot will gather feedback before a broader rollout in FY 2027.

We have outgrown our existing pricing model, which has become overly complicated, both for customers and for us internally. The existing model also did not facilitate customer usage flexibility across our different capabilities. And certain customer types, namely media platforms and data providers, have been asking for a more flexible usage-based model.

The new model addresses these issues by standardizing pricing with fungible tokens across all products, enhancing upsell opportunities, offering lower upfront costs to attract small and mid-sized new customers, particularly media platforms and data providers. Scaling pricing directly with customer usage and variable costs, like cloud hosting. Reducing billing SKUs and metrics with automated reporting to improve operational efficiency and lower our own operating costs. We anticipate sharing more details as the pilot progresses and the full launch nears.

Finally, let me spend a few minutes on where we think advertising is headed with AI, because this is going to fundamentally change how businesses connect with customers. We are not just seeing another advertising platform shift. We have been through these before. Desktop to mobile, linear TV to streaming, print to digital. This is different.

AI agents will change how consumers discover products and make purchase decisions. Think about it this way. Instead of people browsing websites or searching across different platforms to find products, they're going to ask

an AI agent to find what they need. The agent does the research, makes the recommendation, and maybe even completes the purchase. This is a very different customer journey, and businesses will need to adapt.

First, brands must reach consumers with personalized messages across new destinations and new devices. New platforms are emerging, while existing platforms are evolving rapidly. Every major media company is embracing agents to enhance their consumer experiences and influence them across a growing array of devices, the myriad of screens we all use today, plus a future which may include watches, glasses, or voice assistants. Businesses need to influence consumers wherever they are spending time.

Second, there's a whole new set of tools emerging. An array of specialized agents, some for media optimization, others for measurement, marketing analytics, creative optimization, even personalized product recommendations. Businesses need tools that can integrate and help them leverage all these different agents.

Third, and this is where it gets truly interesting for LiveRamp and our clients, the future will be fueled by data. The companies that win are going to be the ones that can feed these AI systems the richest signals, not just public information, but rather their own proprietary customer data, as well as permission signals from across their partner ecosystem. Others see this also.

For example, Salesforce recently announced an \$8 billion acquisition of Informatica to bolster its data integration and management capabilities. And that's big, but I'm not sure there is a company that works across more fragmented, diverse, and valuable customer data than LiveRamp.

The future will be modeled from a mixture of first-party CRM data, transaction data from retail partners, behavioral signals from media platforms, contextual signals like prompts and environmental data, a myriad of second- and third-party data. It's fragmented, complex, and somewhat overwhelming for many companies.

Compounding the challenge. The most valuable signals won't be freely shared between competitors. Brands need trusted infrastructure that gives data owners control over how their proprietary information gets used and also facilitates turnkey scalability for all the various AI use cases each of our clients' desires to utilize. As we've modernized LiveRamp's data collaboration platform, we've designed it for an AI future with the requisite capabilities and network to help marketers easily and effectively navigate this period of change.

Data is fuel for AI models, agents, and recommendations. And our data collaboration platform connects fragmented data across partners, creating a network effect where data scale compounds AI intelligence.

Our platform also provides the governance and standardization necessary for the complex agentic era, offering shared identity frameworks, clean room interoperability, and trusted measurement for secure and compliant connections. We will continue to enhance our network to be more programmable and real-time, supporting the secure flow of data that powers AI advertising. This represents a significant long-term growth opportunity for LiveRamp, and clients view us as a critical partner for their AI ambitions.

In closing, let me reiterate my key points. First, we delivered strong financial results in Q1, beating on the top and bottom line, delivering double-digit revenue growth for the sixth consecutive quarter, and even more robust 34% operating income growth. We also increased our revenue and free cash flow outlook for the year.

Second, we're advancing key growth initiatives. We're seeing strong sales momentum across our collaboration network, driven by Cross-Media Intelligence, Commerce Media, and CTV. We also launched a pilot program for

our new pricing model, which we believe will attract new clients and boost efficiency, with benefits expected in the latter half of the fiscal year and beyond.

Third, LiveRamp is well-positioned for the AI-driven future of advertising. In this new AI era, we believe data connectivity, interoperability, and strong partner networks will differentiate winners. We are well-equipped to capitalize on this disruption, and we'll continue investing in our platform to be more programmable in real time, supporting a secure connection of data that will fuel AI advertising agents.

Thank you, again, for joining us today. I also want to thank our exceptional, exceptional customers, partners, and all LiveRampers for their ongoing hard work and support. We look forward to updating you on our continued progress in the coming quarters. And with that, I'll turn the call over to Lauren.

Lauren Russi Dillard

Executive Vice President & Chief Financial Officer, LiveRamp Holdings, Inc.

Thanks, Scott, and thank you all for joining us. Today I'll review our Q1 financial results and then discuss our updated outlook for FY 2026 and Q2. Unless otherwise indicated, my remarks pertain to non-GAAP results and growth as relative to the year-ago period. I will be referring to the earnings slide deck that is available on our IR website.

Starting with Q1, in summary, we delivered solid results, exceeding our expectations due to strong execution amidst a more favorable macro and selling environment. Revenue increased by 11% and was \$4 million above our guide. Non-GAAP operating income increased by 34% and was \$3 million above our guide. Operating margin on both a GAAP and non-GAAP basis were record first quarter highs, expanding by 3 points and 7 points respectively. And finally, our free cash flow outlook for the year is materially better, driven by the recent tax legislation.

Let me provide some additional details. Please turn to slide 5. Total revenue was \$195 million, up 11%, exceeding our expectation and consensus. Subscription revenue was \$148 million, up 10%. Fixed Subscription revenue was up 6%, in line with our expectation. Subscription Usage revenue was up approximately 40%, mostly driven by an easy year-ago comp and a couple of one-time positive items that benefited the quarter.

ARR was up 5% year-on-year. This was in line with our first-half expectations due to the softer selling environment in the first half of last year and some unusual but known churn events, such as Oracle exiting their ad tech business. We expect net new ARR to pick back up starting in Q2.

Subscription net retention was 104%, stable with the prior quarter and in line with our 100% to 105% near-term expectation. Total RPO, or contracted backlog, was up 29% to \$690 million, and current RPO was up 14% to \$451 million. RPO and CRPO declined sequentially, consistent with the historical pattern driven by seasonality in our contract renewals, which skew to our fiscal second half.

Turning to the selling environment, I'd characterize the quarters generally positive. We had a good quarter with a new logo and upsell signings, although, as I mentioned earlier, our dollar churn was higher than we liked due to some unique customer events and not related to anything in the broader economy. Our average deal cycle ticked back down to nine months.

Our conversion rate of pipeline into bookings was several points above the recent trend. And finally, our average deal size was also above trend. Looking ahead, quarter-to-date sales activity has been strong, including several million-dollar-plus deals.

As Scott shared, our Cross-Media Intelligence solution got off to a strong start, and our clean room strategy is clearly resonating with customers, which gives us increased confidence in improving growth as we progress through this year.

Marketplace & Other revenue increased 13% to \$46 million. Data Marketplace, which accounted for 76% of Marketplace & Other revenue, grew by [ph] 9% (00:20:26). Data Marketplace growth was a few points below our expectation as we worked through an isolated issue with a new integration feature. This issue has been resolved, and as a result, Data Marketplace growth has rebounded strongly quarter-to-date in Q2.

Moving beyond revenue, gross margin was 72%, in line with our guide and down 1 point year-on-year due to temporarily higher cloud-hosting expenses related to our platform modernization. Operating expenses were \$105 million, up 2% year-on-year, and in line with our expectations. Operating income was \$36 million, up from \$27 million a year ago, and our operating margin expanded by 3 points to 18%.

GAAP operating income was \$7 million, up from a loss of \$5 million a year ago. Our GAAP operating margin expanded by 7 points year-on-year, driven in part by our more disciplined approach to stock-based compensation. Free cash flow was negative \$16 million, reflecting typical seasonality and changes in working capital. We repurchased \$30 million in stock in the first quarter and have \$226 million remaining under the current authorization that expires at the end of calendar 2026.

Our balance sheet remains very strong, with approximately \$370 million in cash and short-term investments and zero debt. In summary, Q1 was a strong start to the year, marked by double-digit revenue growth, record first-quarter margins, and continued discipline in both execution and capital allocation.

Now, let me turn to our financial outlook for FY 2026 and Q2. Please turn to slide 12. Please keep in mind our non-GAAP guidance excludes intangible amortization, stock-comp, and restructuring and related charges.

Starting with the full year, we are increasing our FY 2026 revenue guidance by \$6 million at the midpoint, by increasing the low end of the range. This increase reflects the \$4 million beat in Q1, plus a \$2 million increase over the remaining three quarters in Subscription Usage. Even with this increase, the guide continues to capture some conservatism in our variable revenue in the fiscal second half to account for the possibility of slower US macro growth. We now expect FY 2026 revenue to be between \$798 million and \$818 million, which is growth of 7% to 10%.

Let me now provide some color on the revenue components, focusing on the midpoint of our guidance range. Subscription revenue is still expected to be up mid-to-high single digits. Fixed Subscription is still expected to be up mid-to-high single digits, with improving growth in the second half. Subscription Usage growth is now expected to be up mid-to-high single digits in light of the strong Q1. We assume usage growth is flat year-on-year over the remaining three quarters.

Marketplace & Other revenue is expected to grow in the low-to-mid teens, outpacing digital ad market growth and benefiting from new marketplace integrations. We expect gross margin to be roughly consistent with FY 2025. We continue to expect first-half gross margins to be in the low 70s and in the second-half normalized to the mid-70s as we finish migrating customers to our new back-end.

We reiterate our guidance for non-GAAP operating income to be between \$178 million and \$182 million. Our operating income guide is unchanged despite an increase in revenue, reflecting slightly higher costs to support

the back-end migration, as well as some incremental investments in our services function to support higher demand for our Cross-Media Intelligence solution.

At the midpoint of the guide, operating income is growing 33% and margin is expanding 4 points to 22%. The combination of offshoring and general cost discipline, including leveraging the acquired Habu expense base, is affording us the ability to invest in key growth areas while at the same time driving significant margin expansion.

Stock-comp is expected to decline 21% year-on-year to \$85 million, again reflecting a more disciplined approach to share-based compensation over the last couple of years. We expect GAAP operating income to be between \$81 million and \$85 million, equating to a margin of 10% to 11%, a significant increase over the roughly break-even results of the last couple of years.

Lastly, we now expect free cash flow to increase this year. As you may recall, we had very strong free cash flow in FY 2025, up over 50% driven in part by favorable working capital movements in Q4. We expect working capital to normalize this year, but the benefits from the new tax legislation should more than offset that normalization, resulting in an EBITDA conversion rate well above our 75% target and driving cash flow higher year-on-year.

We expect to deploy a substantial amount of this higher free cash flow towards share repurchases consistent with our recent policy. As always, we will be opportunistic depending on market conditions. Given the decline in stock-based comp combined with our repurchase activity, like last year, we're expecting to more than offset dilution.

Now moving on to Q2. We expect total revenue of \$197 million, non-GAAP operating income of approximately \$39 million, and an operating margin of approximately 20%. A few other call-outs for Q2. We expect Subscription revenue to be up mid-single digits. Marketplace & Other revenue is expected to be up low to mid-teens. And finally, we expect gross margin to be similar to Q1 as we work through the final phases of our back-end upgrade and migration effort.

Before opening the call to questions, I'll conclude with a few final thoughts. First, we delivered a strong start to the year, exceeding our expectations on both the top and bottom line with double-digit revenue growth and record Q1 operating margins. Recent sales activity has been encouraging, and we expect growth to accelerate beyond Q2.

This momentum, particularly in Cross-Media Intelligence, is a strong validation of our clean room strategy and the value we're delivering to customers. Our teams are focused, our sales execution is sharp, and our ambition is clear to deliver progressively stronger performance as the year unfolds.

And finally, we also expect another strong year of cash flow, driven by over 30% growth in operating income and benefits from the recently enacted tax legislation. We plan to deploy a substantial portion of this higher cash flow toward opportunistic share repurchases, reflecting both our confidence in the business and our commitment to driving long-term shareholder value.

Thanks, again, for joining us. We're excited for what's ahead and grateful to the customers and teammates who make it possible. Operator, we will now open the call to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Shyam Patil with Susquehanna. Please go ahead.

Shyam Patil

Analyst, Susquehanna Financial Group LLLP

Q

Hey, guys. Congrats on the strong first quarter and increase to the full-year guide. I've got a quick question. Just when you look at the second quarter, can you elaborate on the assumptions behind the revenue growth? Thank you.

Lauren Russi Dillard

Executive Vice President & Chief Financial Officer, LiveRamp Holdings, Inc.

A

Sure. Hi, Shyam. Lauren here. I'm happy to take that. As you may remember, we always expected growth in the first half of this fiscal year to be lighter than the second half. And as it turns out, we outperformed considerably in Q1 on Subscription Usage. It was up 40% year-on-year in the quarter. And, again, some of this was simply timing related.

We're not forecasting the same level of performance for usage in Q2. In fact, we're conservatively guiding it flat year-on-year, and this is really the delta or bridge or kind of key assumption you're probably looking for. All that said, we're happy to be able to raise our outlook for the full year, and given our recent sales momentum, we have even more confidence sitting here today than we did in May in our back-half and in our ability to drive higher revenue growth as we move beyond the second quarter.

Shyam Patil

Analyst, Susquehanna Financial Group LLLP

Q

Great. Thank you, Lauren. Thank you, guys.

Operator: Your next question comes from the line of Jason Kreyer with Craig-Hallum. Please go ahead.

Cal Bartyzal

Analyst, Craig-Hallum Capital Group LLC

Q

Great. Thank you. This is Cal on for Jason. So, maybe first, great to hear about the ongoing momentum in Commerce Media Networks. Just wondering if you can expand on the outlook and what gives you confidence that this trend can continue?

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah, Cal, thanks for the question. This is Scott. I hope everyone on the call has a chance to visit our website because on it you'll find a bunch of press releases, I referenced some of them today, and case studies on Commerce Media. I think we're really seen as the leader in this space, and that started with kind of classic retail. This quarter, that continues. This quarter we talked about WAG, Walgreens Advertising Group.

WAG has 101 million loyalty members, and that generates literally billions of useful signals, all of which can fuel partner efforts. And it's not just retail, and I think this is the big aha. What started in retail is really spreading to commerce. So many of our companies, so many prospects have incredible audiences, customer interactions, and even captive screen time.

And so this quarter I talked about REMAX, for instance. They have nearly 8 million users per month going to the website. And so you can just imagine the melange of other activities. Someone looking to buy a home might also pursue. But then there's just so much more.

So like we work with the major food delivery companies, and that should give us access to partner networks of all the local restaurants. We're working with the major payments platforms, and that's going to give us access to SMBs and QSRs and other merchant partners that we haven't historically had relationships with. We're starting to work with the connected car companies, which gives us access to the regional and local dealers and all of their partners. And we're working with a variety of the big travel companies, including some of the biggest airlines in the world, and they all have just enormous partner networks.

And so this network flywheel is just getting started, and this gives me confidence, along with the other thing I talked about, the new pricing model, that we can really accelerate our business flywheel. And as we do, we help all of the participants in the network make their signals easily and securely available, but with the appropriate security and controls. And that's the fuel, if you will, that will power all of the most useful AI models that are going to be developed. So, it gives me confidence for the near term, back-half of the year, but also far beyond it.

And so I'll leave everyone with one last call, which is check out our website on the case studies, but while you're there, also take a look at the other study I referenced, the Forrester Economic Impact study. I really like what they did. We commissioned it, but they went and talked objectively to a handful of our clients to arrive at their findings, and those included a bunch of the Commerce Media Networks. Clients use us because, above all, we deliver great ROI, and that is the takeaway from that report.

And in an uncertain environment, and we're still in it, I mean like this summer, every day when I read the newspapers, there are more tariffs, less tariffs, no one knows what's going on. And our clients see that, and the one thing that they can depend on is if it works, keep doing it. And so our ability to go in with a nice ROI story really matters to our clients and prospects right now.

Cal Bartyzal

Analyst, Craig-Hallum Capital Group LLC

Q

Great. Appreciate that. And then maybe secondly, you touched on this a little bit earlier, but particularly now that upfronts have largely ramped up, just curious if there's any perspective on how more budgets moving into CTV and programmatic execution may be resulting in things like deeper integration, publishers, or more advertiser adoption of clean rooms?

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah, sure. And going to the guidance, I mean, I think where you really can start to see it will be the back-half of the year. We've had a lot of success doing the CTV integrations, but this is the slow quarter for television spending overall.

That said, what we're going to continue to see is a lot of what we have seen, which is a flow from linear into accountable television, the kind that you get through CTV. And that also plays to our clean room capabilities in as

much as you can combine audiences and develop new segments in concert an advertiser and their publisher partner.

A major CTV provider has rich viewing information, all of it permissioned and authenticated. And then when that can be combined with the rich CRM files of some of our clients, really interesting things could happen. And on the flip side, it's not just the segment, the precision targeting, but it's actually the measurement capabilities. And so the ability to actually understand who actually saw [indiscernible] (00:36:00), what did they do, maybe even link that to downstream activities that occurred at the advertiser's own dealership or cash register, that becomes fascinating.

And so, again, it all plays to what our advertisers are looking for right now in a period of economic uncertainty. They want greater targeting, they want to reach their consumers wherever they are, and they want to know what they're doing actually works. And so CTV relative to linear delivers against all those things.

Cal Bartyzal

Analyst, Craig-Hallum Capital Group LLC

Q

Great. Appreciate all the comments.

Operator: [Operator Instructions] Thank you. The next question comes from the line of Mark Zgutowicz with Benchmark. Please go ahead.

Mark Zgutowicz

Analyst, The Benchmark Co. LLC

Q

Thank you. Hi, Scott, Lauren. Just a qualification I was hoping for in terms of relative momentum that you're seeing across clean room, CMI, and Commerce Media. It sounds like you're adding some nice scaled customers, however, also so that you had a slight sequential downtick on \$1-million-plus revenue customers in the quarter. So perhaps you can provide a little balance on those dynamics. Thanks.

Lauren Russi Dillard

Executive Vice President & Chief Financial Officer, LiveRamp Holdings, Inc.

A

Yeah. I'm happy to address the \$1-million-plus customer question, and then maybe Scott can kind of tackle the relative contribution from the different initiatives he spoke about in his prepared remarks. With respect to \$1-million-plus customers, I called out in my prepared remarks a couple of large known churn events with what we would characterize as atypical circumstances that impacted the quarter.

For example, one of the churn events was Oracle, as a result of them exiting their ad tech business. We knew this was coming. It hit in Q1. It impacted our \$1-million-plus metric in the quarter. That said, I also spoke about our sales momentum quarter-to-date and the success we've had signing large multi-year deals so far, multi-year, multi-million dollar deals so far in Q2, which should benefit our \$1-million-plus customer count in Q2 and beyond.

So in terms of the quarter, I wouldn't read too much into it. We feel confident that this metric will rebound next quarter and throughout the remaining quarters of this year.

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

And then, Mark, in terms of your other question around relative size or contribution to growth of Cross-Media, CTV, and Commerce Media we don't break it out that way because it's all just subscription growth largely for us. But what I really liked about the quarter is when I look ahead, all of these things are still in the early stages.

So the Cross-Media Insights Initiative is one that we just launched this past quarter, and it's off to a strong start. And so I'm hopeful that the case studies that emerge from that start to go viral because I think virtually all of our current customers should be availing themselves of Cross-Media Insights. And I think it could be a really good way to attract new prospects as the year progresses because it just makes everything accountable.

On the Commerce Media front, the way I view that is we're planning the tentpoles, the major nodes, and then you've got to fill in the density around it and you get a flywheel effect going. And so the wins that we talked about even this quarter or more broadly what I was sharing just a second ago with Cal, those are flywheels that over the back-half of this year and in the coming years could really take off for us. And so even CTV the flip is happening as linear increasingly flows to CTV.

But you look at a company like Netflix. They are an amazing partner. I mean, I can't say enough good things about Netflix. And we worked really closely with them as we've scaled, as we've stood things up over the last quarter. We've got dozens of clients live, but I would imagine a year from now that number should look more like hundreds because if you're doing any television advertising, a really good place to start is Netflix. And so I think there's a really nice opportunity there as well.

Mark Zgutowicz

Analyst, The Benchmark Co. LLC

Q

Thank you. That's helpful. So I have a question just around where we're at with offshoring, the initiatives there, and perhaps even automation leverage? Perhaps, Lauren, you might share sort of the leverage that we've seen there the last 12 months and what you maybe expect this fiscal year? And also if you're ready to start qualifying sort of the pricing incrementality that you expect later this year if there's a plan to provide more tangibles on that? Thanks.

Lauren Russi Dillard

Executive Vice President & Chief Financial Officer, LiveRamp Holdings, Inc.

A

Yeah, happy to. And with respect to offshoring and automation, our offshoring initiative continues to just go really well for us, Mark. And while it's hard to perfectly measure, we believe the combination of offshoring plus just general smart cost management, in part driven by automation, is driving low double-digit millions of cost savings for us this year. This is really what's giving us the ability to decrease OpEx slightly year-on-year, drive 4 points of margin expansion, while at the same time continuing to invest in the areas that we believe will support our future growth.

And then with respect to pricing, first, we haven't included any upside to our revenue guidance this year associated with our new pricing model. As Scott mentioned, we're in the very early stages of our pilot, but the reaction from both sellers and customers has been very positive. In fact, it was a key selling point for the couple of customer wins Scott discussed in his prepared remarks.

As we move through the pilot and round out this year, we expect to have more specifics to share. But at a very high level, we believe this model will unlock meaningful benefits for both our customers as well as for us internally. And just a few highlights I'd call out.

With respect to our land and expand motion, this model should benefit deal velocity. It has a lower cost of entry and, if customers so choose, a more flexible usage-based option. We believe it will also help our expand motion, because the new model has usage tokens that can be seamlessly and fungibly used across the entirety of our platform and for different use cases. And then finally, and we've talked about this before, it should unlock some internal efficiencies as well, as it will enable us to streamline our deal desk and billing processes.

So to summarize, the pricing initiative is off to a great start and expect to share more specifics as we move through the year.

Mark Zgutowicz

Analyst, The Benchmark Co. LLC

Q

Super helpful. Thank you, both.

Operator: Your next question comes from the line of Clark Wright at D.A. Davidson. Please go ahead.

Clark Wright

Analyst, D. A. Davidson & Co.

Q

Hi. Thanks for the question. Sticking to the pricing changes, I would love to understand how conversations around the actual price and all changes are impacting new deals or potentially reducing friction in the new business process? Then I'll have a follow-up.

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah, Mark (sic) [Clark] (00:44:28). I would tell you it's viewed as very favorable. Most SaaS companies have a usage-based, entry-level product where clients can try and then you can scale together. We've been slow to offer that. This is a game changer for us.

And a couple clients, the new logos that we won, and arguably the world's biggest QSR, we were doing a little bit of work with them, but this is a much bigger opportunity for us. I mean, they specifically called it out as one of the reasons they chose us, because they didn't have to make that big upfront commitment. There was a way to grow into it together.

And so that coupled with the opportunity that we see in terms of getting some of these network flywheels up and started, it solves the problem for us. There's kind of three things going on. One is the network flywheel. Two is the platform modernization that should make our products simpler and more accessible to anyone, lowering our cost to serve. And then three is the new pricing model.

And so, although it's early, we're pretty optimistic about this. That said, and I think this is an important thing, we are going to be very methodical about how we roll this out to our existing clients. And so we know when our renewals are scheduled, we'll start those conversations well in advance, and we're not going to do anything that impacts our financials or hurts our clients. So we're going to be really smart and very methodical, step-by-step about this with existing clients and very opportunistic with new prospects.

Clark Wright

Analyst, D. A. Davidson & Co.

Q

Got it. Appreciate that clarity. And then, Scott, maybe another one for you here. You've talked about the fact several technology providers are competing for a share of brand's AI budget to solve for data-driven marketing and advertising use cases. What do you think LiveRamp's right to win is in this rapidly changing environment?

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

I love this question because it allows me to say something definitively to the market and to all of our folks internally as well. We are not an AI company. All right? We're just not. We are utilizing AI in a lot of the things that we do and building in to make our products better.

And so, for example, at RampUp this year, we had a demo of something that will go live next quarter. I'm really excited about it. Instead of creating segments using Boolean logic and SQL queries, you literally use AI. And we're going to be the only company in the world that can allow a client to combine first-party, second-party, and third-party data to make really amazing AI segments.

That's an example of how we use AI to improve our current products. And we'll do that in our queries. We'll do that in our reporting. We'll do that in our QA. We'll do that to enable our engineers to code faster. A whole host of things.

But in terms of how we interact with all of the AI companies that are out there doing amazing things, we're an enabler. We're not an AI company. We're an AI enabler. Because the big challenge that all of our clients have is that they're looking at all the things they can do. And the common denominator is if you build AI using the world's public information, you hit an asymptote. The models aren't good enough.

If you start to fuel it with your own proprietary information, then you can unlock significantly better performance, greater personalization. Everything just performs better. But the threat there is the complexity of wiring your data to all those different touch points and also the security.

Well, enter us. Because our clean rooms can be configured to go right into AI. And so we can configure – I have a vision of, like, if someone's doing something interesting in AI that matters to our clients, we're going to have an integration partnership with them with the right controls in place such that our clients can very easily activate their data into those models.

Now, I have a view that there won't be a single company that wins on all these models. And we already see that, that it's hyperfragmentation. A couple companies might buy all the companies that build these models over time, over the next 10 years to 20 years. But there's hyperfragmentation. And so that really plays to our advantage. That complexity is exactly the problem that we've always solved with data activation. And now we're just extending data activation to AI activation.

So I think it's a really interesting opportunity for us. You can see that we already announced, like, our partnership with Perplexity. We announced with Chalice. And I think you'll see a host of other partnerships because literally it's a big priority for our business development team.

Clark Wright

Analyst, D. A. Davidson & Co.

Q

Appreciate that clarity. Thank you.

Operator: And it seems that we have no further questions. I would now like to turn the conference back over to Lauren Dillard for closing remarks.

Lauren Russi Dillard

Executive Vice President & Chief Financial Officer, LiveRamp Holdings, Inc.

Great. Well, thank you. First, to close, Q1 was a strong start to the year, marked by double-digit revenue growth, first-quarter – record first-quarter margins, and continued discipline in both execution and capital allocation.

Second, real – recent sales momentum has been strong, and our clean room strategy is landing. And we're on track to deliver progressively stronger top-line performance as the year unfolds. And finally, we expect another year of strong cash flow and plan to deploy a substantial portion of this higher cash flow toward opportunistic share repurchases, reflecting both our confidence in the business and our continued commitment to driving long-term shareholder value.

With that, thanks again for joining us today. We look forward to speaking with many of you in the days and weeks ahead.

Operator: This concludes the conference call. You may now disconnect your lines. Have a pleasant day, everyone.

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