05-Aug-2019

LiveRamp Holdings, Inc. (RAMP)

Q1 2020 Earnings Call

CORPORATE PARTICIPANTS

Lauren Dillard
Head-Communications & Investor Relations, LiveRamp Holdings, Inc.

Scott E. Howe
Chief Executive Officer & Director, LiveRamp Holdings, Inc.

Anneka Gupta
President & Head-Products & Platforms, LiveRamp Holdings, Inc.

Warren C. Jenson
President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.

OTHER PARTICIPANTS

Daniel Salmon
Analyst, BMO Capital Markets (United States)

Kirk Materne
Analyst, Evercore Group LLC

Shyam Patil
Analyst, Susquehanna Financial Group LLLP

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Vasily Karasyov
Analyst, Cannonball Research LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen, and welcome to LiveRamp's Fiscal 2020 First Quarter Earnings 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] Thank you. As a reminder, this conference call is being recorded.

And I would now like to turn the call over to your host, Lauren Dillard, Head of Investor Relations.

Lauren Dillard

Head-Communications & Investor Relations, LiveRamp Holdings, Inc.

Thank you, operator. Good afternoon, and welcome. Thank you for joining us to discuss our fiscal 2020 first quarter results. With me today are Scott Howe, our CEO; Warren Jenson, President and CFO; and Anneka Gupta, President and Head of Products.

Today's press release in 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 description of these risks, please read the Risk Factors section of our public filings and the press release. LiveRamp undertakes no obligation to release publicly any revisions to any of our forward-looking statements. A copy of our press release and financial schedules, including any reconciliation to non-GAAP financial measures, is available at liveramp.com. Also during the call today, we'll be referring to the slide deck posted on our website.

At this time, I'll turn the call over to Scott.

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

Thank you, Lauren. Good afternoon, and thanks for joining us today. We delivered another solid growth quarter in Q1, building out last year's strong momentum. For the quarter, revenue was up 32% and excluding the lost revenue from Facebook, up 39%. Our subscription business grew 33%, driven by our enterprise and agency channel. And marketplace and other was up over 70%, due to the continued strength of our data marketplace. Beneath the top line, we made continued investments to drive operational excellence and innovation, fuel durable growth and further solidify our competitive position.

We launched Authenticated Traffic Solution, or ATS, the power of safe and transparent way to connect advertisers with publishers and closed our acquisition of Data Plus Math to provide a TV ecosystem with a more effective way to buy, sell and measure data-driven television. And finally, we doubled down on our commitment to you, our shareholders, buying back nearly $70 million of stock as part of our ongoing share buyback program since March 31.

During the course of our prepared remarks in today's call, you will hear the following four themes. Number one, our business is strong and the macro trends continue to move in our direction. Number two, our platform is highly defensible and our competitive notes are widening. Number three, our strategic initiatives remain on track and we have a lot of conviction in our path to $1 billion. Number four, while we are pleased with our progress, we see a lot of areas in which we can do even better and are plotting the course to do just that.

The market trends propelling our business remained strong. Data is the key to great customer experiences and our platform plays a critical role in helping customers break down data silos and navigate the growing ecosystem complexity. The use of people-based data creates greater accountability, drives higher ROI and powers more meaningful experiences for consumers. These capabilities should be available for the good of all rather than reserved for a few digital giants. We are central to ensuring an open and level playing field for all participants. Finally, at the same time as data protection and consumer data privacy reach its tipping point, we are quickly emerging as the open and safe choice, the safe haven that enables our customers to transform data into value, while honoring the privacy and preferences of the consumer.

On our last call, I shared our three strategic imperatives for FY 2020, and I'd like to provide a brief update on each. The first key focus area for us this year involves delighting and growing our customer base, which points directly to the land and expand component of our model. We made good progress on new logo acquisition in Q1, adding over 25 net new direct customers across our different customer verticals. We ended the quarter with over 690 direct subscription customers, up from 585 a year ago. And we are proud to now serve more than 20% of the Fortune 500.

Our enterprise and agency channel, again, was strong with several larger-than-average ACV deals getting signed in the quarter. For example, we signed a new deal with a large travel and tourism company to help enable more effective online targeting and measurement. This company has historically been a big direct mailer and was interested in leveraging its customer and prospect data to inform more personalized digital advertising. Since the vast majority of their bookings occur offline, they also wanted to better understand how their online spend drives offline conversions. We are distributing their data to several media platforms for targeting, site personalization and closed loop measurement.

Another new win this quarter was with a leading fashion brand. This large multinational retailer selected LiveRamp to help better leverage its purchase data to deliver hyper-targeted digital experiences to its customer segments. We were originally introduced to this brand through a reseller. And as their data strategy became more sophisticated, they went direct with us. They are currently leveraging the Google Customer Match use case, along with sending their customer segments to a variety of social and display platforms for targeting.

As we have for the last eight years, we are always going to be transparent about what is working well and where we see opportunities for even better performance. In the quarter, net dollar retention came down from where it has trended historically. And while we signaled a decline on our last call, we're aiming higher and view this as an opportunity to generate even stronger growth, higher customer satisfaction and reduce churn. As we scale to $1 billion, upsell is going to become a more important driver of our business. So, let me share our plans to strengthen this component of our growth equation.

First, we recently implemented a field strategy function inside sales to drive greater ramp effectiveness and productivity. This group is tasked with improving focus on sales training and enablement. Second, we've strengthened our selling efforts to drive greater and more advanced upsells. We formed a strategic growth team that owns and drives all advanced measurement, analytics and data lake use cases, and continue to invest in subject matter experts to provide overlays for Horizon 2 and 3 growth initiatives.

And finally, we are building tighter integration in go-to-market strategies with key technology partners, agencies and consultancies. More complex use cases like advanced analytics, IDL-based data lakes and data-sharing strategies require significant customer expertise. And while our more advanced clients have this expertise, many are still building it.

By working with key agencies and technology partners to develop turnkey solutions, we can make it easier for our less sophisticated clients to take advantage of these more involved use cases. A great example of this is the work we are doing with Marketing Evolution partners. Marketing Evolution provides a multi-touch attribution platform that is built on IdentityLink. And by creating a very tight technical integration as well as go-to-market alignment, we are bringing a joint solution to market. This partnership and approach has proven to be really successful, and we have a pipeline of additional partnership opportunities we are pursuing.

The second initiative is to establish LiveRamp as the trusted, best and essential industry standard for connected data. The work we are doing inside our commercial and product teams to drive ubiquity of our identity and improve the extensibility of our platform directly ladders up to this effort. We invented the category of connected data and identity and believe we have a superior product. Anneka and her team have worked hard to ensure we're a leader in worldwide data stewardship and that our graph has ubiquity and redundancy that span multiple channels. But again, this is an area on which we will never rest and we intend to continue building more automation, easier integrations and better efficacy in all of our products.

And finally, we have several initiatives under way to aggressively expand our addressable market. Our emerging business initiatives fall squarely within this effort and we continue to be pleased with our progress across this group of growing opportunities. In the quarter, our marketplace business grew by more than 70%, excluding Facebook, driven by growing global demand for ethically sourced, people-based data and a trend towards BYOD, or bring your own data. In addition, we continue to be incredibly encouraged by our TV opportunity, which grew multiples with the acquisition of Data Plus Math. The integration is under way and on track and our role inside this ecosystem is growing in importance.

Simply put, there is no other company in this space today that is helping to power all aspects of advanced or data-driven television in the way LiveRamp is. Excluding Data Plus Math, which will be included in our results beginning in Q2, our TV business grew roughly 30% in the quarter driven by an increase in addressable TV campaign volumes and our ramping CTV business. Importantly, our bookings outlook for the remainder of the year gives us even more confidence in this business. We are seeing contract values expand as more homes become addressable and the growing data enablement of CTV inventory presents another strong tailwind for our business.

While these efforts give us optimism for the future, we must continue to evangelize our capabilities across the entire ecosystem. There are thousands of companies who currently advertise on television and we want all of them to be aware of how Data Plus Math can help them generate even better performance. Likewise, almost any company who is doing any marketing can generate better results by utilizing Data Store.

With that, I'll close by thanking our exceptional customers, partners and LiveRampers for their ongoing support and hard work. The market trends driving our business remain intact, and we continue to believe it is early morning for LiveRamp and our opportunity. We are off to a strong start in FY 2020 and look forward to updating you on our continued progress in the quarters ahead.

I'll now turn the call to Anneka to discuss our product strategy in more detail.

Anneka Gupta

President & Head-Products & Platforms, LiveRamp Holdings, Inc.

Thanks, Scott, and good afternoon, everyone. I'm excited to join today's call. As Scott mentioned, our focus inside product is to establish LiveRamp as a trusted industry standard for connected data. To do this, we have built a defensible and extensible identity and data connectivity platform for the enterprise, one that anyone and everyone in the industry can use as an integral part of their own independent technologies. In everything we do, we are an agnostic, neutral and trusted partner for the industry. We are essential to a competitive ecosystem and to enabling our customers to deliver great experiences to their customers.

We help our customers and partners navigate the growing industry and regulatory complexity impacting their businesses. And we believe our unique positioning enables us to help the entire industry in three important areas that I'll discuss today: identity, data stewardship and innovation. Identity may be one of the most misunderstood concept in our industry because the term means many different things to different people. Today, there is a proliferation in unique and proprietary identifiers, including names, addresses, emails, third-party cookies, third-party cookies, mobile ad IDs, subscriber user IDs, device IDs and many, many more.

Within the complex landscape of fragmented identity one thing is clear, no one company has a complete view of their own customers' preferences, and every company needs a trusted and neutral translation layer that enables identity and data to be accessed and connected across an ecosystem of participants. This concept of connected identity is the essential role that LiveRamp has built for the industry.

We're too often asked if we compete in identity with the very partners we actually connect. Our goal isn't to own all identity, but rather to power every owner of identity to get greater value from their data. As we embed new identifiers, integration and partners into our product, our customers gain access to more capabilities to configure, manage and activate their own version of identity. At the same time, our efforts enable ecosystem interoperability and protect participants from being held captive to any single source of identity.

We're doing this in many ways. So let me highlight just a few. We've added a number of new identifiers and increased coverage in emerging addressable channels. Consumers consume content across an increasing number of media, and our customers want to talk to these consumers in an omni-channel context wherever they are.

For example, our customers can now reach over 55 million people on Connected TV, over 70 million people through our MVPD integration and over 80% of the U.S. population through our premium publisher integration. Our customers will be able to reach people across display inventories, regardless of the availability of third-party cookies or mobile advertising IDs through LiveRamp Authenticated Traffic Solution offering launching at the end of August, more about this later.

Through our Smart Reach program, advertisers can broaden their identity coverage by sharing first-party identities in a permissioned and non-discoverable context. In the last year alone, we've grown our mobile Smart Reach contributions by 350%, offline contributions 19X and online contribution by more than 20%. We don't believe third-party cookies are going away in the near term, as it would be hugely disruptive to the ecosystem and to competition.

That said, we are taking steps to enable addressability regardless of whatever industry shift may occur in the future. For example, in the last year, we incorporated LiveRamp IdentityLink into the bitstream for programmatic display. IdentityLink is the only people-based omni-channel identifier available in the bitstream. We now have billions of bit requests with an IdentityLink available on which to bit. Four out of the top five SSPs are currently committed to implementing IdentityLink in the bitstream and we have 11 DSPs live are implementing the ability to bid directly on IdentityLink. We are pleased with the progress, but urge those across the ecosystem, publisher, DSPs and SSPs to collaborate together and not take the foot off the gas in future-proofing their businesses.

And finally, through our Authenticated Traffic Solution or ATS, suppliers can ensure stable relationships with their customers and monetization of their traffic. ATS enables IdentityLink to be directly tied to first party identifiers so that publishers can own their first party relationship with the user and effectively make their inventory addressable to advertisers. This enabled publishers to build enduring business models, independent of the whims of big tech.

Beyond identity, a second area where we are well positioned to play an important role for our customers and partners is in the rapidly changing construct of data stewardship. We live in a world of complexity. The consumer protection afforded by GDPR were accompanied by regulatory complexity that impacted many businesses. And that complexity is growing with new regulation contemplated in many additional international markets in many U.S. states and at the federal level. And data stewardship extends far beyond legislation.

For instance, any company wanting to collaborate with any other company needs to ensure control, visibility and permissioning over what data is shared, how it is used and within what limitation. Understandably, companies that want to leverage their own customer data often feel overwhelmed by how to navigate the complexity, do what's right by consumers and appropriately protect an increasingly valuable asset and source of competitive advantage data.

We feel this is a tremendous tailwind for LiveRamp and have taken steps to ensure we provide value to the ecosystem as the safe, trusted choice to enable companies to operate within legal and ethical parameters. More specifically, we're ensuring our customers and partners are ready for regulatory change. Preparing for GDPR and being responsive to new rulings and interpretations of the lost has prepared us really well for tackling CCPA readiness.

There are three key areas of focus for us as it relates to CCPA readiness. The first is policy. We are updating our privacy policies to ensure that California consumers understand and are informed about their rights under the CCPA. The second area of focus is reviewing our contract to ensure that all parties who interact with our network are transmitting data in a privacy safe compliant manner. And the third area of focus is ensuring our products and systems recognize and support core stipulations of the CCPA like perpetuating consumer opt-out downstream.

We're also making it easier for the ecosystem to collect and manage consumer permission. Faktor is core to this effort and its consent management platform for CCPA is set to launch later this fall. And we continue to serve as a trusted safe haven across businesses. We are often one of the only companies that our customers trust with access to their PII. This is because, time and time again, we have shown that we are ethical stewards of data and that philosophy is built into the very foundation of how we build our products.

In addition to identity and data stewardship, LiveRamp catalyzes and accelerates innovation for our entire ecosystem. Increasingly, we see our customers collaborating with one another across LiveRamp's platform to create entirely new products. And we believe that by making our product ever more modularized, we can unlock further innovation in our ecosystem.

Let me give you a couple current examples, a neutral data safe haven for measurement. Social media, premium publishers, search and other publisher platforms building ad-supported businesses need to be able to show ROI and enable granular optimization for advertisers. Without LiveRamp's data connectivity, these platforms are limited to tracking only online or mobile conversions in their ROI analysis.

However, across retail today, less than 11% of sales are online. Over the past couple of years, LiveRamp has been developing program with publishers to bring in-store sales data from retailer safely and securely into these platforms to enable omni-channel measurement. A few years ago, we had only a handful of these programs. Today, we enable store sales measurement into over 15 platforms and have over 50 clients leveraging one or more of these programs. These programs are often packaged and sold directly by publishers as a holistic advertising and measurement product.

Modularization and seamless integration. We are currently at the tail end of our migration to Google Cloud platform, which is a critical step in the scalability of our business. We are laying the groundwork today to execute on our API platform strategy post migration to both simplify our internal platform and expose more functionality externally. Many customers, both brands and platforms, are building their own identity graph and they're looking for faster and easier ways to do identity translation within their own environment. Through our efforts to modularize and expose more external APIs, we are creating greater flexibility for our customers to develop on top of our core identity and data connectivity capabilities.

The future of LiveRamp is bright, in part because of the amazing ecosystem of customers and partners who continue to give us feedback, hold us to ever higher standard, collaborate with us on launching new products of their own design and bring us new ideas to push the boundaries and inspire us.

Every company building identity we see as a potential partner; not as a competitor, because this opens new opportunities for us to connect and catalyze identity across the ecosystem. We see regulation as an opportunity to strengthen permissions around data collection and usage with our customers and partners. And while we will continue to drive innovation within our own product, we see an even greater opportunity to power innovation across our customer and partner ecosystem.

I'll close where I started. In everything we do, we are and agnostic, neutral and trusted partner for the ecosystem and that's a pretty exciting place to be.

With that, I will turn the call to Warren.

Warren C. Jenson

President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.

Thanks, Anneka, and good afternoon, everyone. We're pleased to report another strong quarter, highlighted by our growth initiatives and continued execution against our opportunity set. A few callouts, our business is strong, predictable and is benefiting from multiple growth levers. Total revenue increased 32%; and on a normalized basis, increased 39%. Subscription revenue increased 33% and our total company run rate is now $332 million.

ARR is approximately $240 million, up more than 30% year-over-year. While we always have more to do, our growth levers are working. Land, expand and extend is fast becoming a way of life. In the quarter, marketplace revenue was up over 70%. LiveRamp TV grew approximately 30%, and the Data Plus Math integration is going extremely well.

Our B2B business was up over 50%. Dollar-based net retention was 108%. The sequential decline was driven by lower upsell, the bulk of which was driven by the lapping of a few large customer upsells and to a lesser extent, non-regrettable churn. We are enterprise SaaS and serve the enterprise needs of the martech ecosystem. We serve many of the best brands in the world. During the quarter, we added more than 25 net new subscription customers and currently have over 200 brands and platforms using our Data Store.

Subscription revenue was 83% of total revenue and has contributed more than 80% of total revenue since Q1 of 2017, the period in which we began reporting our stand-alone results. Our product is differentiated and defensible. We are not a media platform and do not operate an arbitrage model. We are middleware for the customer experienced economy. We provide the infrastructure from which the ecosystem delivers personalized and innovative products and services.

Operationally, we continue to tighten. In products and operations, our migration to the Google Cloud is on track and our technical teams are working every day to drive higher levels of automation and innovation into our platform. In sales and marketing, we're standardizing and enhancing our product offerings. We are working to shorten deal cycles, improve rep productivity and increase customer ROI.

And finally, in our staff functions, we have largely completed the build-out of our stand-alone capabilities. Taken together, along with our growing market opportunity, we are in a strong position to be profitable in FY 2021.

Lastly, we continue to appropriately balance investment in our growth initiatives and acquisitions, with returning capital to our shareowners. In the quarter, we closed the Faktor acquisition and announced the acquisition of Data Plus Math. Since March 31, we have repurchased 1.4 million shares for total consideration of $69 million. Since the inception of our program, we now have repurchased over 35 million shares for total consideration of more than $1 billion.

In summary, while we have much to do, we believe the macro winds are squarely at our back. We are Switzerland. Our service is more important than ever in helping brands create great customer experiences. The breadth and neutrality of our service is foundational to enabling a healthy, open and competitive ecosystem.

For the remainder of my remarks, I'd like to walk through a few specifics from the quarter, remind you of our approach to capital allocation and end with an update on our FY 2020 guidance. Q1 results and activities. In the quarter, we closed the Faktor acquisition for total consideration of approximately $5 million.

We also announced the acquisition of Data Plus Math. Total purchase price was $150 million comprised of $120 million in cash and $30 million of time-based equity. The deal is now closed and should contribute approximately $5 million of revenue in FY 2020 and $20 million of revenue in FY 2021. Importantly, this opportunity has increased our TAM by roughly $4 billion. Finally, we implemented the new lease standard. This resulted in a $23 million gross-up in other assets and liabilities. There is no income statement impact.

Next, capital allocation. Please turn to slide 9. Before jumping into our guidance, we wanted to spend a few minutes and once again talk about our approach to capital allocation. This is a chart we presented at our Analyst Day and more specifically outlines how we have operated for the better part of the last eight years.

Our priorities are straightforward. We are managing for the long term. Fund our future, this includes appropriate investments in areas like TV, our data sharing service and B2B. Also embedded in this principle is stopping things that are not working or that are noncore. Over the past eight years, we have divested of noncore assets generating roughly $2.1 billion in after-tax proceeds.

Next, we seek to take advantage of important and strategic acquisition opportunities. Since fiscal 2012, we have focused our acquisition capital on opportunities which leverage our core competencies. This is an approach we will continue to follow. And finally, we are committed to appropriately returning capital to shareowners. To-date, we have now returned more than $1 billion to our shareowners. While we intend to be conservative in our near-term approach, we will, just as we did this quarter, be opportunistic. In summary, we have a long-term track record of discipline and returning capital. We have and continue to walk the talk. Our philosophy and approach to capital allocation remains unchanged.

Now, our guidance, please turn to slide 11. As a reminder, our guidance excludes items including noncash stock comp, purchased intangible amortization and restructuring charges. In FY 2020, we now expect to report revenue of between $363 million and $377 million, up between 27% and 32%; non-GAAP operating loss of between $56 million and $76 million. This estimate now includes approximately $13 million in transition costs. For Q2, we expect revenue of up to $86 million and an operating loss of approximately $25 million, of which roughly $6 million is associated with transition spending.

Further, we expect our dollar-based net retention to be roughly 105% for the remainder of the fiscal year, given the factors we have already discussed. We expect transition spending to be finished in Q2, and we are on track to complete our GCP migration before the end of September. Q2 should be the high-water mark for our operating loss as we expect a meaningful margin improvement in Q3. Finally, as a reminder, other guidance assumptions including our updated revenue phasing can be found on slides 12 and 13.

With that, let me close with a few final thoughts. We just finished a great quarter. Our business is strong, predictable and recurring. We are enterprise SaaS. We have multiple growth levers in place. Our products and services are in the sweet spot of martech and are helping to create billions of dollars in value for our customers. We have a path to profitability and ample liquidity to see us through our progression.

On behalf of all LiveRampers, our transformation has only just begun. Operator, we will now open the call to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question comes from Dan Salmon from BMO Capital Markets. Please go ahead.

Daniel Salmon
Analyst, BMO Capital Markets (United States)
Q

Thanks for taking the question. Good afternoon, everyone. For Scott and Anneka and maybe Warren as well, just because I know you spent a lot of time on this as well, I just wanted to ask a little bit more about the international side of the business. We continue to see the U.S. really power the results with the growth rate higher than the company overall. I know the international story is still an early one, but what are the sort of key checkpoints we should be looking for on that to see it accelerate?

And then, Warren, a bit more specific for you, we see that you picked up the buyback particularly in July. Obviously, you got past some milestones with some acquisitions and got visibility on it. Just curious if that contributed to the timing of picking up the pace in July or if more you were saying something about the stock after a bit of a pullback. But lastly, would love to just hear your updated thoughts on where you expect the pace of trend of the buyback to be in light of that elevation here lately. Thanks, everyone.

Warren C. Jenson
President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.
A

Hey, thanks, Dan. This is Warren. I'm going to jump in on both the international and then the buyback. It's really been quite fascinating as we've gone through GDPR and then as we think about CCPA, because I would say, number one, having gone through GDPR the way we did over the past years has been incredibly beneficial. It's also been incredibly beneficial as we have even further hardened our routines internationally. So, number one, this has been a big benefit to us we believe in how we're approaching regulation in the U.S.

The second thing that I want to point out internationally is because of GDPR, I think we've also been incredibly innovative and this will get to the pace of where are we focused and what – where is international leading. And by the way, where we're leading internationally can also benefit the entirety of the company. I'd highlight three or four things that we are working on today that we think ultimately will cause us to hit the inflection point that you talked about, Dan.

Number one, what we are doing with transactional data. We have incredible partnerships with retailers, with grocers and others in both France and the UK that we are connecting with advertisers to where we can complete the whole entire measurement loop. This is working extremely well and will be something that we will continue to roll out across the company, so basically, connecting advertisers with actual transaction data.

The second thing which you've heard a lot about is what we're doing on data sharing. The Carrefour platform is incredibly innovative, it has global attention. We have multiple tenants now up and running I believe on over four continents.

Next what's going on with Data Store. Obviously, overall and in terms of internationally, we had a great quarter with Data Store and marketplace. We think this will continue to benefit us internationally. And then finally, nothing per se this quarter that I want to talk about. But you'll also see TV, I believe or we believe become a material part of our overall international story.

So, a lot of things that are in the works, much more to come, we believe all very, very positive for us internationally. And I guess, finally, I'd put one other wrapper which also fits into our global story. Internationally clients are turning to us for assistance. We've made the statement before that data-driven marketing is as important in Tokyo or Paris as it is in New York City. That is 100% the case.

Next on the buyback, just as we said in the prepared remarks, we believe we'd really been walking the talk over a long period of time when it comes to capital allocation of returning capital to our shareowners. It's pretty interesting when we were preparing that little analysis going back – when Scott started out here, we believe our market cap was somewhere around $800 million or $900 million and we actually had bought back more stock in our entire market cap since that period of time. And this quarter was another good example of that. We felt like there was an opportunity to be opportunistic. Therefore, we were in the market the way we were even after the quarter closed.

That said, we want to be consistent – we want to be appropriate and balance all of our different needs going forward. Therefore, our guidance remains the same. In the near-term, we expect to be conservative in our approach just as we've outlined before. That said, if depending upon the facts and circumstances, we will also from time to time continue to be opportunistic.

Daniel Salmon
Analyst, BMO Capital Markets (United States)

Q

Great. Thank you, Warren.

Warren C. Jenson
President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.

A

Thank you.

Operator: Our next question is from Kirk Materne from Evercore ISI. Please go ahead.

Kirk Materne
Analyst, Evercore Group LLC

Q

Thanks very much and congrats on a good quarter. Yeah, I was wondering if maybe if...

Warren C. Jenson
President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.

A

Thanks, Kirk.

Kirk Materne
Analyst, Evercore Group LLC

Q

Yeah. I was wondering maybe if maybe Anneka could weigh in or Scott could weigh in, just on, when you look at to the back half of the year, given some of the changes Google is going through in CCPA, are the types of conversations you're having with customers getting are they longer, meaning are these things creating longer sales cycles or are customers kind of beyond that at this point in time? I just want to get some color around that just as we head in the back half of the year.

Scott E. Howe
Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah. I would tell you two things. Number one is, we've had the benefit, as Warren just mentioned, of living through GDPR and all of that experience is helping us prepare clients for CCPA and a flurry of other state, international and hopefully someday, federal legislation. Most of the companies that we work with, enterprise companies tend to have global businesses. So, they too have been through this before. And as a result, a lot of the remediation that they perhaps had to do in Europe is going to parallel what they now have to do in the U.S. And so, we look at this as a tailwind for us in so much as it's really hard for all of our clients and partners even the most sophisticated to stay up to speed on all of the changing regulations.

That's the entirety of our business. And so, now more than ever, we're being asked for our perspective on what we think, where we think things are going, and importantly, what our clients and partners need to do to prepare for that future.

Kirk Materne
Analyst, Evercore Group LLC

Q

That's helpful. And maybe one for Warren, I'm going to sort of dovetail two together. Your dollar-based retention you mentioned is right in line with your guidance of last quarter. What has happened in the back half of the year to sort of do a little bit better than that 105 target? And I was just – and actually I just have one other follow-up. Sorry, you want me to start there.

Warren C. Jenson
President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.

A

Okay. You know what I'd like to do is, I think it might be helpful for everyone, for me just to reconcile from, call it, last quarter we were at 114% down to the 108%. Because what you'll find, Kirk, is that the same drivers that drove it from 114% to 108% are the same drivers that are leading us to – get you to 105.

Scott E. Howe
Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Once you talk about reconciliation and I'll jump in about what's next.

Warren C. Jenson
President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.

A

Okay. Good. So, within the concept of reconciliation, what we've done is – I'd ask you to put up on top of your page, [ph] 115% (44:15), and then we've divided sort of the reconciliation into three buckets. The first one is large deals. The second one is no regrettable churn. And then, the third is kind of all other.

So let me start with large deals. In the year-ago quarter, and remember for everybody on the phone, dollar-based net retention about a revenue cohort from a year ago. So, what clients did you have a year ago generating what subscription revenue and how did that then translate to what you did in the current quarter. So, in the year-ago quarter, we had three large deals that materially contributed to upside. We were unable to repeat that performance with those large clients. That resulted in about four points of the decline.

The second piece was non-regrettable churn, which we've also talked about, that was one point and everything else was a single point. So, four one-in-one 114% to 108%. When we talked about the back half of the year, it's really more of the same just as I mentioned in the prepared remarks. Again, I'm reconciling from 115% to 105%.

About six points of that is large deals, about two points is non-regrettable churn, and another two points is all other.

Scott?

Scott E. Howe
Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah. In terms, Kirk, of what we need to do to now increase it, the good news is, there is no silver bullet here it's all about execution. That's what sales is always about. And so, it starts with the whole concept of just upselling which is having conversations with all of our enterprise clients about what they're trying to accomplish, bringing them ideas and those ideas and conversations then turn into product tweaks or new configurations, which then manifest themselves into our pipeline and then ultimately into bookings. It's sales 101.

Now, as we generate those bookings, some of them you'll see in our dollar retention and that's going to be increases to our core subscription business that upsell. Some of it, quite frankly, you won't see it on net dollar retention because it's going to go sit somewhere else in our P&L. So the things that we're doing, the things that drove, for instance, marketplace are many times with the existing book of business but those aren't factored into net dollar retention. So, things like television or Data Store which are a result of those upsell conversations won't actually show up in that dollar retention.

The second thing that we're doing which isn't a problem per se, but it's just an opportunity is really trying to manage churn or down-sell from clients more effectively. So, putting in place early indicators of winning a client isn't having as much success and then getting back in front of those clients and evangelizing, educating them how to use our products and technologies such that they can not only avoid churn but actually fall into the upsell bucket. Again, not a problem for us but definitely an opportunity. As long as churn is above zero, we're never going to be happy with it.

And then the final thing that we're doing, and I referenced a lot of this in my prepared remarks, are really like just core accountability and sales management basics, things like as we've scaled our sales force, training, ensuring that we surround our core sellers with subject matter experts that can go in and help get a client across the line when they have questions or just ensuring and Anneka gave a couple examples of this, the whole concept of partner alignment such that we're understanding what they're trying to do and tweaking our product such that the partners' products are more effective. And that's really the translation from sales to product.

So, the good news is, all those things are under way. And I think they're all quite manageable.

Kirk Materne
Analyst, Evercore Group LLC

Q

That's super. Thanks for all the color. Congrats.

Warren C. Jenson
President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.

A

Thank you.

Operator: Our next question comes from Shyam Patil from Susquehanna. Please go ahead.

Shyam Patil
Analyst, Susquehanna Financial Group LLLP
Q

Hey, guys. Great quarter. Had a couple of questions.

Warren C. Jenson
President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.
A

Hey, thank you.

Shyam Patil
Analyst, Susquehanna Financial Group LLLP
Q

Had a couple of questions. First one on CTV, can you talk just a little bit more about how that business is ramping for you guys here in the U.S. as well as internationally? And then, just, how you're thinking about Amazon opening up Fire TV to third-party demand and just how LiveRamp fits into that?

And then second question for you, Warren, is when you look at the subscription revenue, can you talk about just how the direct revenue portion of that has been trending and just kind of how you're thinking about that growth going forward?

Scott E. Howe
Chief Executive Officer & Director, LiveRamp Holdings, Inc.
A

Yeah. So this is Scott and I'll start. In terms of television, like our core television business – that's pre-Data Plus Math – grew around 30% for the quarter. And remember not all of the television efforts we do show up in television. That also draws a lot from Data Store, so some of it actually will sit there. But with the Data Plus Math acquisition, I will tell you that our expectations here really have skyrocketed. Our TAM has increased, and I really have to go back to our acquisition of LiveRamp to see clients as excited about a new offering on our portfolio as they're excited about Data Plus Math.

Virtually, all of our enterprise clients are doing some kind of television advertising. And we think that with Data Plus Math, it just makes them more effective at that television advertising and extends what they might already be doing in search or display or email, what have you. So we would expect that our television business for the remainder of the year is going to grow significantly, significantly faster than our baseline.

With respect to Amazon, two thoughts: number one – and both of them are good. Number one is remember that we're one of the early partners of Amazon powering their DSP. We already have dozens of advertisers live with that and our API goes live at the end of Q2, should make it even easier for advertisers to get on board there. So we have a really good relationship with Amazon.

Moreover, we think that anything that drives awareness of advanced television of any sort is good for our business because remember one of the things that LiveRamp does is we play across all the elements of advanced television, whether it be connected television, OTT, data-driven linear, the full gamut. And so, awareness in the industry means inquiries and opportunities for us.

Warren C. Jenson
President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.
A

And then let me comment on the second part, and I'm going to answer the question really two ways. One, I'm going to talk about both our subscription revenue and then the variable part of subscription revenue; and then the second way is I'll talk about direct versus reseller.

So in terms of the variable piece of subscription, it's trending right where we thought it would be, right around 10%, 12%, so kind of 11% and we see that holding in strong. When it comes to direct versus reseller, both are up nicely. And in fact, we're hopeful, again, over the long term, to increase our reseller relationships as we increasingly see a number of the consulting firms or others very interested in partnering with us as they do their strategic work with their global clients.

Shyam Patil
Analyst, Susquehanna Financial Group LLLP

Q

Great. Thank you, guys.

Warren C. Jenson
President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.

A

Thank you.

Operator: Our next question comes from Stan Zlotsky from Morgan Stanley. Please go ahead.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

All right. Perfect. Thank you so much for taking my questions. Maybe just to start, so very strong Q1 results, which is great, but then when we look through the deck, it looks like your revenue phasing for the rest of the year shifted more towards Q4 versus Q2. And also the full-year revenue guidance didn't move up despite the very strong beat in Q1. How should we think about your outlook for the rest of the year, what you baked into your forward guidance, and given the phasing that you are now seeing more towards Q4? And then I have a quick follow-up.

Warren C. Jenson
President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.

A

Yeah. And I guess what I would say, first of all, obviously we didn't change the full year and let me come to that point first, Stan. We just think it's too early to change our full-year outlook. If things change throughout the back part of the year and it warrants that we raise, we would of course do that. From our own internal perspective, yes, we had a solid beat. Materially, things have not really moved around in our own internal expectation relative to Q2, Q3 and/or Q4.

Our outlook, we continue to expect a very strong outlook for marketplace. I want to remind everybody that we are expecting a material step-up in revenue in Q3. That step up is based about 50% on what's going on in marketplace, which we think is solid based on our current run rates and also what we expect to have happened in Q3. Our increase in subscription revenue Q2 to Q3 is right in line with historical averages, and when we think about what we have actually committed today into the books, well in line with historical standards.

Where we are feeling some pressure is on our subscription growth rates and that has directly to do with the strength that we saw from these large clients in the back part of the year. That said, just as Scott did, we have a lot of growth levers. We're very optimistic about our long-term growth, but we are seeing some pressure in our subscription growth rates in the back part of the year.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

Got it. And if I could just maybe go back to the discussion around the sales changes. [ph] And that's changed a little bit, (00:55:38) the adjustments that you're making as far as focusing your sales organization on net revenue retention rate. Could you maybe dive into that a little bit more, specifically around like the strategy functions that you're adding with the upsell of analytics, measurement, data lakes and – no, that's it for me. Thank you.

Warren C. Jenson
President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.

A

Yeah, I really talked about two changes. And let me just say, this train has left the station and it has been rolling down the tracks for several years. So don't think that there's any huge strategic shifts here. This is just normal course of business. You've heard us talk before about the importance of education and evangelization. It is very difficult as a category creator going out and talking to large clients. We have to educate them around what we do, how to utilize our capabilities effectively. And so, one of the things that we realized over time is that we have to surround our kind of account quarterbacks with subject matter experts, and that's increasingly true as we add more products into our portfolio.

So, we have television subject matter experts who can accompany the account owner to a meeting and help get those conversations across the line. Likewise, we spun up a group that's really focused more on measurement because the whole concept of measurement, the creation of data lakes, that's a deep subject matter expertise that not everyone in our organization has. And so, there we have kind of a one to many selling relationships. Those subject matter experts work across much smaller group, works across our entire client portfolio.

The other thing that we talked about in my prepared remarks was, the construct of sales excellence team. One of the things that we did – and this isn't just in sales, but really throughout our business, when we sold the legacy Acxiom business, we stood up LiveRamp as a public company. We really had a focus on how do we get a spotlight on everything that matters in our business? And so, relative to a year or two ago, we have so much granularity in how we look at all the key levers in our business. The things we're measuring and tracking, the dashboards with which we can arm our teams. And so the sales excellence group was stood up really to help manage those dashboards and work across all of the sales teams to help them interpret their results, determine what to do about it and long-term just manage their businesses more effectively.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

Got it. Thank you.

Warren C. Jenson
President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.

A

Thank you.

Operator: Our next question comes from Vasily Karasyov from Cannonball Research. Please go ahead.

Vasily Karasyov
Analyst, Cannonball Research LLC

Q

Thank you. Good afternoon. I wanted to go back to Data Plus Math and had a question about that, and maybe Anneka can step in here too. So, my question was, trying to understand exactly the service and the TAM that the company has here. It would seem, and correct me if I'm wrong, and I want to understand why I'm wrong, it seems like the service that they provide has to do more with direct response advertising, TV advertising and which would imply that it's not necessarily applicable to all of the television advertising market. And so, I'm assuming I'm not understanding entirely the suite of services they provide. So, if you could correct me and tell me how it works with brand advertising on television, I would really appreciate that.

Scott E. Howe
Chief Executive Officer & Director, LiveRamp Holdings, Inc.
A

Yeah, I would say a couple things on this and then Anneka could jump in here. Number one, is it's not just for direct response advertising, it's really beneficial for accountable advertising. And in some cases, that could mean someone saw an ad and subsequently purchased. But in other cases, it's about did they see an ad and visit a website? So there are opportunities to measure things that have historically been thought of as building awareness, but doing it with accountability.

The second thing that our television business allows us to do is historically, traditional television has been bought on TRPs and GRPs, broad reach measures. But what we can now do is bring all of the more granular data, the more interesting data is someone in the market to purchase an automobile in the Northeast. That tells us something far more interesting than just simply age and gender. And so, even for brand advertisers to buy with those dials, it allows them to buy with much more precision than historically has been accessible to them.

Vasily Karasyov
Analyst, Cannonball Research LLC
Q

Okay. Thank you very much.

Operator: My apologies. I'd like to turn the call back over to Warren Jenson for closing remarks.

Warren C. Jenson
President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.

Let me simply conclude again by thanking, everyone, for joining us today, and I'll close with just a few final thoughts. Again, thank you. We just finished a great quarter. Our business is strong. It's predictable. It's recurring. We are enterprise SaaS and we are Switzerland. We're pleased to have this call today with multiple growth levers in place. Our products are in services, are in the sweet spot of martech and are helping create billions of dollars in value for our customers. The great news is, we have a clear path to profitability, ample liquidity to see us through our progression. And again, thank you. Our transformation at LiveRamp has only just begun.

Operator: This concludes today's conference call. You may now disconnect.