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LiveRamp Holdings, Inc. (RAMP)

Stephens Nashville Investment Conference

OTHER PARTICIPANTS

Brett Huff
Analyst, Stephens, Inc.

MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

QUESTION AND ANSWER SECTION

Brett Huff
Analyst, Stephens, Inc.
...can you all hear me?

Q

A

There's a question here.

Brett Huff
Analyst, Stephens, Inc.

Q

That works?

A

I'll repeat your question.

Brett Huff
Analyst, Stephens, Inc.

Q

I get a lot of questions on give me some concrete use cases of how LiveRamp works? The ad tech ecosystem is complicated and not transparent and LiveRamp has a very specific unique place in there...

A

Sure.

Brett Huff

Analyst, Stephens, Inc.



...and a little bit of a Swiss Army knife and so you can give us an advertisers wants a new XYZ, they call LiveRamp and you just [indiscernible] (0:52) and what's the outcome. I think it helps people to kind of comfortize with you guys. So, can you start there and then [indiscernible] (0:57)



Sure. And first off, we don't necessarily think of ourselves as part of the ad tech ecosystem rather we think we play in a much bigger space. I mean we are data-driven SaaS. What we essentially do is we connect all of the infinite sources of interesting data with all of the places that data can be utilized. We've built a platform for that. And so for any company that wants to do anything with data rather than go out and formulate a bunch of different biz dev relationships and manage permissions and manage the contracts, they can just plug into our platform and do that all from one place.

And so, turnkey simplicity. To the Brett's point one of the first use cases is marketing and advertising because it is such a place where data can be utilized effectively to make your advertising much simpler. Some example use cases there. Let's take, for example, a credit card issuer for instance. Oftentimes, the first way that they'll start to utilize us is, they might be doing some display advertising online that might be with like a Facebook or an OAuth. So, they will take their first-party permission-driven CRM data. They will utilize our pipes, they will push it out to a Facebook or an OAuth or any number of dozens of different companies and deliver more personalized relevant ad messages to their users.

A second very popular use case is search, so that same company might integrate with Google through us and it will allow them to deliver different keyword copy depending on whether someone searching for the term credit card is an existing card member of that company or if they are a brand new prospect that that company has never seen before. If they're an existing cardholder, the keyword copy they're probably going to show takes them to their website to manage their balances, check their statements. If it's a brand new user that they've never seen before, it's probably more of a comparison why our card's better than other similar offerings.

A third very popular use case might be something like television advertising that if you want to utilize your data, you want to deliver more personalized television spots, you can do that with us and that same card issuer might give very differential messaging depending on the age, gender or demographics of the audience that they're reaching over television.

A fourth use case might be something like powering their direct mail campaigns or e-mail campaigns with data and segmentation and it can range – those are very much advertising cases. That same card issuer will oftentimes turn on their call centers and utilize our connectivity to inform their call center providers and pre-populate fields based on knowledge. When a user calls up, are they an existing cardholder? If so, what can be pre-populated such that they have a better call center experience versus they're a prospect and so the call should proceed very differently. So there are a whole host of different use cases. Our belief is that any experience that can be delivered to a business's customers, if data can inform that experience and somehow make it better, then we want to activate that destination and sync them into our network such that our clients can use that destination and populate it with data.

Brett Huff

Analyst, Stephens, Inc.



Really helpful. Thank you. The identity graph is at the heart of all that you do. Can you talk about what that is, how it's built and then maybe differentiate probabilistic versus deterministic matching identification of consumers on the Web?

A

Yeah. At the heart of running a platform between all these sources and destinations for data is the importance of identifying who a consumer is and then ensuring that they're getting the right message or right experience. And so it's very important that this concept of identity, accurately identifying who someone is in order to inform the right experience for them. And we do that through a number of different ways. Most importantly, that's being fed by our clients themselves, so companies like Disney or American Express or Nike who are building first-party data CRM systems with the permission of their customers. And so the customers are saying, hey, this is what I want you to know about me and the company is saying, and here's the experience we're going to give back to you. And so, we're ensuring that when they see those customers, we can identify them and we're building a giant cooperative file of permission-enabled identities.

In addition, we're also one of the biggest purchasers of third-party permission-based data to enhance that graph and make sure that we're always making a very accurate match and that's important because we believe that identity has to be deterministic. You have to know exactly who a person is and ensure that you have their permission and give them visibility into how their data is used. So that's called deterministic identity. There are others in the world who do what's called probabilistic identity which is a guess on who someone is based on all kinds of data, well that's not accurate and it's not going to be compliant with things like CCPA because you need to be able to expose to a consumer, hey this is what we know about you and give them visibility into turn off or on that capability. So the future of identity is all deterministic and has to be accurate.

Brett Huff

Analyst, Stephens, Inc.

Q

That's helpful. And then the last thing, but just as an intro, one of the things we believe about your business that makes it more durable than most ad-related businesses and as you move beyond that, is that there is a network effect. You are combining the two-sided network, you are combining demand with publishers and supply in the most popular use cases and that size matters and both parties benefit the bigger the each side gets. So, talk a little bit about that because thought was a really important part of the value process?

A

Yeah. The network effect we believe it exists and it manifests itself in a bunch of different ways. I mean one easy way is scale be gets more scale. And so I think it's on the back side of the handout we gave talks about what our market penetration is with a number of different constituencies. And so you can see we work with 18 of the 20 largest publishers, all 6 of the largest agency holding companies, all of the major marketing cloud providers. And by virtue of partnering with each specific one of those sectors that makes the other constituencies more likely to work with us because they can plug in and connect with the other audiences they want to reach and the other groups they want to reach. I mean we work with Facebook, we work with Google, we work with Amazon.

Basically the company that does anything with data is utilizing us to connect with the other companies that they want to do interesting things with. But the network effect isn't just that, it's also increasingly things like data stewardship that it's really important if you're going to – if you're a company and you want to share data with anybody else like imagine I want to share data with any of the rest of you around the table, it's really important

that I know what conditions are you going to use that data, what permissions have I given you to use that data and what permissions or assurances are you going to make back to me about how you're going to utilize that? Well, one way to do that is I can have a relationship with each one of you around the table, that's really hard. If I can go to one central place and have all of that be standardized, then it's much easier for me to manage each one of the separate relationships and permissions and controls that I want to have in place, well we offer that. And so increasingly it's not just about the ease of reaching everybody else, but it's about the ease of how do you manage, how you interact with everyone else that we've standardized for the entire industry. And we take that even a step farther, we are very adamant in all of our positioning and all of our policies that the industry is best served by someone who is neutral and agnostic, and works for the good of anyone and everyone in the industry. And so that means that we license our technology even to companies that want to compete with us which puts us in a unique spot because sometimes in head-to-head bake-offs even if we lose, we'll still win because the company that might beat us in the head-to-head is built using our capabilities.

Brett Huff

Analyst, Stephens, Inc.

Q

That's great. I've taken enough time. I know there's questions in the audience, please.

Q

[indiscernible] (12:09-12:18)

A

Yeah.

Q

[indiscernible] (12:18-12:23)

A

No, absolutely not. We look at all of those different ideas as each – every – every company that has one is a potential customer for us. Think of us as the Rosetta Stone that ties it all together. So whether it's the Trade Desk unified ID or Google using Hash Gmail e-mails for identity or Facebook or TransUnion, all of them control a certain swim lane and they have an identity such that they can optimize whatever function that they're trying to provide. But the nature of data is that all of us if we own data are inherently distrustful of everyone else around the table. So Facebook does not want to share their Google – their data directly with Google who does not want to share their data directly with the Trade Desk who does not want to share their data directly with Walmart and vice versa. They all need someone who can sit in the middle, the Rosetta Stone if you will, the middleware that can connect everything together and manage the protections on either side. And so that's what clients and partners use us to do. So we're connected with Trade Desk, we're connected with Amazon, we're connected with Facebook, we're connected with Walmart, we're connected with Google and by virtue of being connected with all of them we allow each one of them to connect to one another in a safe, oftentimes anonymized way. Okay.

Q

[indiscernible] (14:06-14:23)

A

Yeah. So, if you think about the integrations that we do, a lot of the integrations we have are not reliant whatsoever on cookies. And so our integration with Facebook, for instance, is a direct integration, likewise with Google, likewise with Amazon. Our relationships with all of our television suppliers don't require a cookie. Many of our integrations utilize a mobile ad identifier. For some areas like programmatic, cookies are the default standard and Chrome was the default standard for many years. When they talked about deprecating potentially the third-party cookie, it really forced many in the industry, mostly direct publishers, to ensure that they actually authenticated their traffic directly. In so doing, they can actually sync up with the LiveRamp IdentityLink and bypass third-party cookies entirely.

Since, I'd say, the last eight months or so when they first contemplated that, two things have changed. One is we've made tremendous progress in terms of ensuring that all that would be impacted by third-party cookies could just go directly and know that they could integrate with us. And if that were to happen, they would have a switchover. We're now integrated with the 20-plus DSPs and the top-10 SSPs in the programmatic space; and they're integrated on our IdentityLink.

Moreover, I think the possibility of Google deprecating cookies has probably gone down as well, given the fact that there's some antitrust scrutiny and I think a recognition that the browser cookie is kind of like a public road. I mean, it's the standard for so much of the ad tech industry that they can't just take it away without a fallback plan like IdentityLink. So I don't think that's a real issue for both of those reasons and I think on both fronts a lot of change since maybe eight months, a year ago.

Q

[indiscernible] (16:57-17:07)

A

So no. And I want to be really clear. We're not a data manufacturer, nor do we create like a giant data lake of everything that's out there. We're cloud based and we basically wired the world between all these different providers. And so, to the extent that data is shared is at a moment in time in the cloud and then it evaporates afterwards. So we are not like this giant monopolistic clearinghouse for data, in fact nothing could be further from that. We sold the Acxiom manufactured data business so we could remove any perception, any bias of us as a data manufacturer. We are just the pipes and rails.

Q

[indiscernible] (18:02-18:15)

A

Well, I'd really have to go back a few years ago to – at Acxiom we launched a website called AboutTheData and it was at the time the first ever representation of all of the different data companies that were out there, and we tried to aggregate all of their data collection, put it in one place and expose it to a user and then along with that we had an opt out and correct button such that people could go and either opt out of those data providers or correct the data. And what we found actually was a surprisingly low opt out rate at the time. And this goes back a few years ago but it's about creating the education process. And number one ensuring that consumers understand if they opt out they're still going to get advertising. It's just not going to be messaging or experiences they like and that preference manifests itself differently with different consumers, some want access to great song choices, personalized music selections or books, others want access behind the firewall of their favorite websites, others want free Facebook or free Google. But the explicit value exchange that everyone is making in exchange for, I'll let you have a little bit of my data in exchange for a better experience, what different people value is different but most people value something and so they want control over what data can be shared and what circumstances but they love the fact that there is a value exchange that exists.

So again when we did that we saw the opt out rates were low digit percentages. I suspect that the same will be true here in GDPR which is opt in in Europe they saw when they activated the opt in across all properties that the opt in rates were in the high-90s – kind of mid to high-90%. So I think people generally are comfortable. Those that aren't, will opt out. And I think that will be the minority though.

Brett Huff

Analyst, Stephens, Inc.

Q

Can I talk a little bit on IdentityLink? IdentityLink started as sort of a standard of standards trying to link things together. It's evolved to be a key part of the Open Web's ability to do deterministic or more accurate targeting outside of a very constrained walled garden competitors. Where do we go from here? Do we just become more ubiquitous? Do we add functionality to IdentityLink? Kind of where are we on that journey and where do we see it going?

A

Yeah. I think there are three big levers. Number one is just continuing to land more clients. There's not a company on the planet that can't utilize data to make better decisions and inform better experiences with their clients or their partners. We have a really big and growing book of those companies, but there is a lot more for us to go win. When we created the category here, we're the clear market leader in the category, but the category is five years old. And so we got to continue to evangelize and win new clients and if you look at say last quarter, for instance, 50% of our bookings were driven by new logos. So still a lot of opportunity there. So land, the second is expand and with existing clients once they come into our franchise, typically they'll start with the simple use case, it might be Facebook, it might be Google. But over time they're going to activate more and more destinations, their television providers, their e-mail, their agency, their call centers, their point of sale systems and we'll continue to see that expand. The remaining other half of our bookings was this expand and then increasingly you'll see us extend. And what I mean by that is there are a lot more ways to utilize IdentityLink besides just activating data and experience. So if you think about what we've done, is we've wired the world and people are pushing their own data across to their destinations and utilizing it effectively.

Well, the same pipes that go out, well they will come back too. And so a lot of our clients immediately once they have a dozen use cases they say, well can I use this to measure and so increasingly we're activating measurement use cases.

Some of those are on behalf of clients, some of those are on behalf of publishers like Google uses us to do their store sales program whereby which if there are Google advertisers that want to anonymize their information and connect it with Google, they can link back the actual search that was conducted to did that manifest itself with a cash register or store purchase in a physical store. That allows Google to understand did their search work effectively and drive more than just online clicks but actual in-store conversions. By understanding that, they can generate better yields in their search and the advertisers can generate better ROI in their keyword advertising efforts. So this is measurement construct. Likewise things like healthcare, education, commerce, other areas where data can be utilized, you'll see us go there. We feel like we've created a Amazon type capability, and it's 1996 we've built an engine that in Amazon's instance was good for selling books and magazines and music, and then they said well what else can this be utilized for, sporting goods, cosmetics, used cars. I mean they sell everything under the sun now, it's the everything store.

Well, we believe we're the everything platform for data and it can be utilized – data can be utilized for marketing and advertising, but it can also be used for commerce and government and education and a zillion different use cases. And so those are small things we've done. Healthcare is less than \$10 million for us, it's small today. But in five years from now, we believe it's going to be much bigger and pretty interesting.

Q

[indiscernible] (25:36-25:45)

A

So, we have two main revenue streams. About 80% of our revenue is driven from subscription fees. So platform licenses that brands, agencies, platforms pay to access the LiveRamp platform. And then the balance of our revenue is driven by our Marketplace business. So on top of the core platform we created for a subscription business, we've developed a data Marketplace where data providers can monetize their data in a very streamlined way. There the revenue model is more transactional. So, it's a rev share. But as we've developed now several quarters' worth of proof points, we're finding that business is becoming increasingly predictable.

Q

[indiscernible] (26:31)

A

How do we know our pricing?

Q

That is the second part of the question.

A

I think our pricing has continued to evolve. So two or three years ago, we were pricing just based on the number of input records. But what that limited is our ability to grow with our customers as they were expanding their data usage across more use cases. So, we feel like the mechanism we have in place today is more value based and does allow us to capture more revenue as data gets activated across an increasing number of use cases and endpoints. Would you add anything? Okay.

Brett Huff

Analyst, Stephens, Inc.

Q

Turning to financials for a little bit. Net revenue retention was very good, better than expected, 109% if I remember correctly.

A

Yeah.

Brett Huff

Analyst, Stephens, Inc.

Q

We were thinking more like 105% earlier in the year. We get a lot of questions, sort of what changed between X and Y? What changed between 105% and 109%? You articulated some of that on the call, but I think it's probably worth kind of rearticulating here. So I think it was an important metric that the Street was really looking for.

A

[indiscernible] (27:38)

A

Yeah, I will. So, the metric that you're referring to, they're subscription net retention, which was 109% in the quarter, and we've guided for the back half of the year for it to be anywhere between 107% and 110%. And I would say fundamentally what changed between our Q1 outlook and Q2 is just better upsell and usage trends. And I think some of that was driven by better blocking and tackling and stronger sales execution. And I think some of that was also driven by faster adoption of Data Plus Math, which we think is an important upsell use case for many of our customers who are very large TV advertisers.

I think when we think about our growth outlook and what gives us confidence in our ability to meet our in-year revenue commitments and our goal to be a \$1 billion company in FY 2024, we look at four things. So we look at ARR growth, which in the quarter grew 40%, so we saw an acceleration there. We look at our subscription net retention which we just discussed. And importantly, we look at our platform net retention, which incorporates not only the revenue we're able to upsell through our subscription business but the revenue we're able to upsell through the use of our Marketplace business as well. So we feel like it's a little bit more of a complete metric. And then, finally, we look at our Marketplace growth and there in the quarter our Marketplace business grew north of 100% adjusting for Facebook. We do not model that for the balance of the year, but we do expect Marketplace to grow at a faster pace than our core business, just given it's growing off a small base today.

Brett Huff

Analyst, Stephens, Inc.

Thank you. Others please?

Q

Q

[indiscernible] (29:31-29:49)

A

Yeah. So, if you think about our strategy both for acquisitions and organic growth, it's very much customer-driven. So our customers are always telling us where are their opportunities, experiences that they would like to inject data that would generate better outcomes and experiences for their customers. And chief on the list of those was television that marketers in particular had done so much over the last 20 years, smart advertising, data-driven advertising in the programmatic space, increasingly with search, and they wanted to extend that to television. Television has been bought and sold the same way for the last 30 years, largely TRPs and GRPs based on age and gender, and largely driven by upfront buying using existing tools like Nielsen; just no changes.

And so, with Data Plus Math, our acquisition there, we were able to immediately turn on every area of television, so addressable, connected TV or even data-driven linear and give clients two advantages. Number one, they could take their existing CRM schemes whatever they had developed for their own use and extend those into television and buy and plan in the same level of granularity. And then second, through the integrations that we had built through to the programmers and the MVPDs, we could also connect with them to generate secondary outcome-based guarantees based on something other than did we believe based on a panel sample that someone saw an ad, no, we could actually verify someone did see an ad or they did react to the ad by visiting a website or they reacted to an ad by subsequently going into a store or making a call and purchasing something. And the programmers are actually very excited about that because it allows them often times to monetize inventory in a different and even faster way than TRPs and GRPs. It allows them to be involved in the segmentation, delivering the right ad to the right user and then potentially delivering all of their ad guarantees much more quickly as a result. And so for the programmers they can increase their monetization.

So there really has been a lot of demand for this on both the buy and the sell side. I would tell you that in the six months since we acquired Data Plus Math, the team there has been amongst our busiest, and it's outpacing our expectations, they really are ahead of both their bookings and more importantly their pipeline, because we're getting a lot of advertiser demand and also a lot of demand and interest from the supply side. I think in our last call we shared a couple case studies around that's worth go – worth revisiting those if you want more information.

Q

Can you talk about regulation just generally? I noticed it's something you talk about a lot both as a...

A

Yeah.

Q

...opportunity, as a threat. Is this [indiscernible] (34:10) of some sort. Talk a little about GDPR, talk a bit about the short-term regulation. You guys are in a catbird seat to kind of see what might happen. You're engaged with the regulators regularly. Tell us what's the view from your seat and [indiscernible] (34:25)

A

Yeah. I got to tell you I'm incredibly optimistic on regulation and I've also – you can go back 10 years since I became CEO of Acxiom and I don't think I've ever said anything other than I am a huge proponent of heightened regulation. I am a true believer in data, that data is the fuel that can power a lot of innovation in the world, both for businesses delivering better experiences, better outcomes, making better decisions but also to consumers to get experiences they want, to get messages that they value in healthcare to live longer lives and in education to learn more and make better utilization of their investment in education. There are just so many benefits to data utilization, but the one inhibitor over time has been too often data has lived in the shadows and it hasn't been clear how it's been utilized to businesses or importantly to consumers. And I think by making that more transparent, by giving consumers more choice and voice over how their data is utilized, nothing but good comes of it. It squeezes out the bad players who would otherwise do bad things with data and it will accelerate the good use cases and the productive uses of data in society.

So I'm a huge proponent of it. Moreover, I think it improves our network effect, so for businesses or even consumers it is overwhelming to go manage your privacy settings and permission management settings across all of the different partners or use cases where you might want your data to be utilized. It is much easier to go to a one stop shop and do it in a common way across all of those different endpoints. Well, we offer that, so we can do it for businesses already and increasingly we view one of the functions we're providing to consumers a one stop shop where they can control permissions and preferences across all of the trusted brands with which they want to do business. So we think long-term it's going to be wins at our back.

Brett Huff

Analyst, Stephens, Inc.

Time for one last question.

Q

Q

[indiscernible] (37:25-37:45)

A

Well we're not doing any aggregate analysis across those data sets. All of our data is permission based on both ends. And so to the extent that two companies get together and decide they want to transact on data and one wants to push data to the other, well so two they can decide the measurement of how that data is – how consumers respond to it, they want to share that as well. And so we can enable that capability also. So it's just about the permissions.

A

Yeah. I think that we [indiscernible] (38:28) concept of a translation layer and so that remains in our platform which makes the ability to use data on either side. It enables that because we can translate the data to however the other side or platform might recognize an individual.

Brett Huff

Analyst, Stephens, Inc.

Maybe time to wrap up there. Thank you so much for coming. We appreciate it again and thank you all for [indiscernible] (38:54)...

Unverified Participant

Thanks everyone.

Brett Huff

Analyst, Stephens, Inc.

...the session here.

Unverified Participant

Thanks, Brett.

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