

05-Nov-2025

LiveRamp Holdings, Inc. (RAMP)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen, and welcome to LiveRamp's Fiscal 2026 Second Quarter Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

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

Andrew M. Borst

Vice President-Investor Relations, LiveRamp Holdings, Inc.

Thank you, operator. Good afternoon, everyone, and thank you for joining our fiscal 2026 second 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 description 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 a 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 thanks to everyone joining us today. We delivered solid Q2 results with revenue and operating income surpassing our guidance. This quarter showcased strong execution, fulfilling our near-term financial commitments, while strategically investing in growth drivers like AI product enhancements and our new usage-based pricing model.

Q2 revenue increased by 8%, led by a notable acceleration in Marketplace & Other to 18% growth. Subscription revenue grew by 5%, as expected based on bookings a year ago and what we foresee to be the low watermark. The good news, as we anticipated at the start of the year, a growth upturn appears to be on the horizon as evidenced by our ARR, which is the best leading indicator of our subscription revenue. Net new ARR in Q2 was \$14 million, the largest organic increase in the past seven quarters and equating to year-on-year growth of 7%.

We are seeing good momentum across a range of use cases, including commerce media, CTV and cross-media measurement. Million-dollar-plus subscription customers increased by five sequentially to a new high of 132. In Q2, we signed a multi-million-dollar new logo contract with one of the largest global auto manufacturers and signed a multi-million-dollar upsell with a leading social media platform.

Our non-GAAP operating income climbed 10%, a testament to improving cost efficiencies achieved through expanding offshore operations in India. GAAP operating income more than doubled and the margin expanded by seven points to a record quarterly high driven by sustainably lower stock-based comp.

Overall, it was a strong second quarter, particularly in our revenue leading indicators. Lauren will provide further details, while I'll focus on three key areas. First, our data collaboration platforms impact on commerce media, integration benefits with CTV, and other major publishers in catalyzing effect for AI.

Second, an update on our new pricing model rollout. And third, our commitment to achieving our long-term Rule of 40 financial targets.

Commerce media, CTV and AI. I spent much of September and October on the road, meeting with customers and prospects around the world at a variety of industry conferences and LiveRamp hosted events. In addition to dozens of one-on-one customer meetings, I participated in Ad Week in New York and Canada, Synchrony's Partner Summit in Chicago, RampUp on the Road Conferences in London and Sydney. And our AI in Marketing Forum in New York City. And a handful of other industry events.

Throughout my many conversations, a common theme emerged. Our customers recognize the immense value and expansive reach of our data collaboration network by seamlessly integrating first, second, and third-party signals across diverse platforms and partners, we empower brands to execute and measure exceptional experiences throughout the entire customer journey. The tangible excitement and impactful potential of our network are evident in several key areas.

Commerce media. LiveRamp has long been the pioneering industry leader in retail media networks. Over the past year, our success has evolved into what we call commerce media. We are powering new networks for industry giants like Uber, PayPal, General Motors, United Airlines, and many others. Each of these companies boasts vital commerce partners from quick-serve restaurants and small business to local auto dealerships and travel partners, presenting unparalleled opportunities to revolutionize the customer experience through data-driven collaboration, robust measurement, innovative media channels, and expanded off platform audience reach.

CTV and deeper publisher integrations. Collaboration is thriving through deeper publisher integrations and CTV partnerships. For instance, we recently introduced new Meta attribution insights for retail media networks,

including Albertsons and Target Roundel. By connecting Meta campaign results with our first party sales data, RMNs and their partners can now clearly see how off property sites, including Meta drive sales orders and return on ad spend. These insights help RMNs prove value to merchant partners, improving campaign performance visibility and enabling data-driven budget allocation.

CTV remains a key focus for our customers, given the growing consumer engagement across various ad supported CTV and streaming services. Our network is fully integrated with all these services, providing brands with seamless connectivity and comprehensive measurement, including de-duplicated comparative analysis across platforms. Through a clean room, unique publisher audience insights can be combined with unique advertiser insights to discover new prospects and drive superior performance.

We are particularly excited about our expanding partnership with Netflix, which encompasses a range of integrations across our connectivity, data marketplace and measurement solutions. This quarter, we extended our Netflix connectivity integrations beyond the US to 10 new international markets, exemplifying the type of network expansion we are pursuing with all CTV and streaming platforms and serving as a steady source of growth for our business now and in the future.

AI. AI is integral to every discussion. As customers navigate its transformative opportunity and challenges, we are uniquely positioned to guide them through this evolving landscape. Our scaled data network, with its comprehensive links to all of the critical data signals, empowers customers to unlock AI's full potential for superior marketing outcomes. We are excited about our strategic positioning to help the entire ecosystem harness AI's power. By extending our collaboration network, we're seamlessly integrating with a wide array of AI partners.

Our efforts are categorized in the six distinct areas, each featuring multiple AI application partners: search; conversational and chat; commerce; creative; measurement; and agentic trading. These partnerships span from industry leaders like Perplexity to niche innovators like Zapier. In every instance, we connect our network to these AI powered search experiences, enabling personalized advertising. While partner integration is a key scaling strategy, we also introduced our own AI tools for clients.

For example, our new AI powered audience segment builder is an industry first solution, allowing marketers to instantly create precise multi-source audience segments using natural language prompts, activating them in minutes.

Furthermore, we've launched our AI agentic orchestration. LiveRamp is the first platform to empower autonomous AI agents with governed access to identity, segmentation, activation, and measurement solutions, enabling marketers to plan smarter campaigns, optimize investments, improve impact across all touchpoints.

New pricing model. Turning to our second major topic. Let me now give you an update on our new pricing model. We are actively rolling out a usage-based pricing model designed to unlock incremental revenue growth by significantly boosting both our land and expand sales motions. This new model enhances our land motion with a lower cost of entry and a more flexible usage-based structure, which is particularly beneficial for mid-sized brands, media platforms, and data providers. It also accelerates or expand motion by utilizing fungible usage tokens that can be seamlessly applied across all platform capabilities and use cases. This allows customers to explore additional features at no extra cost, and these tokens are valid across the entire 12 month annual contract period rather than being limited monthly.

Since launching our customer pilot in July, which runs through March, we've been steadily onboarding customers to the new pricing model. The feedback from both our sales teams and customers has been overwhelmingly positive, so much so that we are strategically expanding the pilot beyond our initial target list.

We have a robust pipeline of customers perfectly positioned to benefit from this innovative model. The key selling feature for customers is a lower upfront fixed commitment, combined with the fungibility of usage across platform use cases and months.

Let me share two compelling customer examples. One new customer, a rapidly growing beverage company, perfectly illustrates how our new pricing model attracts new logos. They start with a relatively low annual contract value, or ACV, but have significant upside as their business growth drives increased customer data and advertising budgets, leading to greater use of our capabilities. These factors can quickly transform a five-figure ACV customer into a six-figure success.

In another example, we recently signed a leading domestic airline to our new pricing model. This is an existing seven-figure customer who secured an early renewal with a 20% upsell. They leverage various platform capabilities, including clean room insights for social media measurement.

For them, the fungibility of usage tokens across different platform capabilities was the decisive selling point. In short, the early feedback on our new usage-based pricing model is incredibly encouraging. Consequently, we are opportunistically expanding the pilot beyond our original target list. We anticipate this new model will drive incremental revenue growth by improving our land and expand sales motions, and better aligning our variable data costs with subscription revenue.

Rule of 40. Moving to my final topic, let me briefly comment on our long-term financial targets. While once again hitting our short-term financial targets this quarter, we remain focused on our long-term objective of being a Rule of 40 company by FY 2028. Based on the midpoint of our updated guidance, we will achieve Rule of 31 this fiscal year, with 9% revenue growth and 22% operating margin.

With sales productivity and ARR trending up and AI creating incremental growth opportunities for our business, we are confident that we can get back to 10%-plus revenue growth. And with that level of revenue growth, our operating margins should naturally expand, because our costs are highly fixed and we have ongoing cost efficiencies from our offshoring initiative. All of this to say that we remain confident, confident in our ability to reach this Rule of 40 target by FY 2028.

In closing, let me reiterate our strong financial performance and future outlook. Q2 success. Q2 delivered solid results exceeding both top and bottom line expectations with double-digit operating income growth and the highest organic net new ARR in seven quarters.

Strategic leadership. Customers are actively seeking our guidance and navigating AI, commerce media and CTV. We've launched innovative capabilities, including Cross-Media Intelligence, expanded CTV integrations and new AI capabilities.

Positive pricing model. Early feedback on our new usage-based pricing model is consistently positive, leading to an expanded pilot. We anticipate this model will drive incremental revenue growth and better align data costs with subscription revenue.

Confidence in Rule of 40. We remain confident in achieving our Rule of 40 goal by FY 2028, an increase from Rule of 31 this year, fueled by incremental AI revenue growth and ongoing cost efficiencies.

Thank you again for joining us today. We extend our gratitude to our exceptional customers, partners and all LiveRampers for their unwavering dedication 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 Q2 financial results and then discuss our updated outlook for FY 2026 and Q3. Unless otherwise indicated, my remarks pertain to non-GAAP results and growth is relative to the year-ago period. I will be referring to the earnings slide deck posted to our IR website.

Starting with Q2. In summary, we delivered solid results, exceeding our expectations, reflecting strong execution by the team and ongoing sales momentum against a relatively stable macro backdrop.

Revenue increased by 8% and was \$3 million above our guide. Non-GAAP operating income increased by 10% and was \$6 million above our guide. GAAP operating income more than doubled, net new ARR was a seven-quarter high, and we posted a strong upturn in million-dollar-plus subscription customers.

Let me provide some additional details. Please turn to slide 5. Total revenue was \$200 million, up 8% ahead of our guide and consensus. Subscription revenue was \$150 million, up 5%. Fixed subscription revenue was up 6%, in line with our expectation, and usage was down slightly. ARR increased by \$14 million quarter-on-quarter, which was the best organic result in the past seven quarters. On year-on-year basis, ARR was up 7%, pointing to an acceleration in the second half.

Our million-dollar-plus subscription customers increased by five quarter-on-quarter to a new high of 132. Subscription net retention was 102%, in line with our 100% to 105% near-term expectation. Total RPO, or contracted backlog, was up 29% to \$652 million. And current RPO was up 15% to \$430 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. It was a solid quarter overall with signings strongly year-on-year. We had an especially strong new logo quarter, and churn was better than expected. Our average deal cycle was stable sequentially at roughly nine months, and for the second consecutive quarter, our conversion rate of pipeline into contract signings was several points above the recent trend line.

We're seeing good momentum with our clean room insight solutions, including use cases for commerce media, CTV and cross-media measurement and this gives us increased confidence heading into our seasonally high renewal period in Q3 and Q4.

Marketplace & Other revenue increased 18% to \$50 million. Data marketplace, which accounted for roughly 75% of Marketplace & Other revenue grew by 14%. As expected, data marketplace growth accelerated by approximately five points sequentially, driven by a stable ad spending environment and new CTV integrations.

Moving beyond revenue. Gross margin was 72%, in line with our guide and down three points year-on-year due to higher cloud hosting expenses related to our platform modernization. Operating expenses were a \$100 million, roughly flat year on year and lower than expected, due mostly to the timing of project-related spending in G&A.

Operating income was \$45 million, up 10% versus a year ago, and our operating margin edged up to over 22%. GAAP operating income was \$21 million, up from \$7 million a year ago, and the margin expanded by seven points, driven in part by a more disciplined approach to stock compensation.

Free cash flow was \$57 million, of which \$50 million was put towards opportunistic share repurchases in the quarter. Fiscal year-to-date, we've repurchased \$80 million in stock. We have \$177 million remaining under the authorization that expires on December 31, 2026. Our balance sheet remains very strong with \$377 million in cash and short-term investments and zero debt.

In summary, Q2 was solid, coming in ahead of our guidance on the top line and especially on the bottom line. Record GAAP operating margins, the best net new ARR quarter in seven quarters, strong growth in million-dollar-plus subscription customers, and a sizable return of cash to shareholders through our buybacks.

Let me now turn to our financial outlook for FY 2026 and Q3. 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 \$3 million at the midpoint, passing through the Q2 beat. We have narrowed the range by lifting the low end to reflect less macroeconomic risk now that we're halfway through the fiscal year. We now expect FY 2026 revenue to be between \$804 million and \$818 million, which is growth of 8% to 10%.

Let me now provide some color on the revenue components. 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 high-single digits, driven mostly by the above trend growth in Q1. We assume second half usage is roughly flat year-on-year. Marketplace & Other revenue is now expected to grow mid-teens, outpacing digital ad market growth and benefiting from the new CTV platform integration Scott and I mentioned.

Beyond revenue, we now expect gross margin to be approximately 72% versus our prior expectation of mid-70s. We originally expected second half gross margins to rebound to the mid-70s, driven by savings associated with migrating customers to an upgraded back end. With the migration remains on track for completion in Q4, the cost optimization is taking longer than expected as we continue running two platforms to ensure a stable customer experience.

That said, 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 the lower gross margin I just mentioned, offset by incremental OpEx efficiency.

At the midpoint of the guide, operating income is growing 3%, and the margin is expanding four points to 22%. The combination of offshoring and general cost discipline continues to afford us the ability to invest in key growth areas, while at the same time driving significant margin expansion.

Stock comp is expected to decline 23% year-on-year to \$83 million, again, reflecting a more disciplined approach to share-based compensation over the last couple of years. We now expect GAAP operating income to be between \$83 million and \$87 million, equating to a record-high margin of 10% to 11% and a year-on-year increase of 9 to 10 points.

Lastly, we continue to expect free cash flow to be up this year, with savings from the new federal tax legislation offsetting a normalization in working capital. Our EBITDA conversion rate is expected to be above our 75% target rate. We expect to deploy a substantial amount of this year's free cash flow towards share repurchases, consistent with our recent practice.

As always, we will be opportunistic depending on market conditions. Given the decline in stock-based comps combined with our repurchase activity, like last year, we are again expecting to more than offset dilution.

Now moving to Q3. We expect total revenue to be between \$209 million and \$213 million, non-GAAP operating income between \$55 million and \$57 million and an operating margin of roughly 27%.

A few other call-outs for Q3. We expect subscription revenue to be up mid-single digits. Marketplace & Other revenue is expected to be up low-teens. And finally, we expect gross margin to be similar to Q2, as we work through the final phases of our back-end upgrade and migration effort, which will be completed in Q4.

Let me wrap up before Q&A. Our second quarter featured strong execution and healthy demand, with results ahead of expectation across the board and double-digit growth in operating income. We're seeing sustained sales momentum and a robust pipeline heading into our seasonally high renewal quarters in the second half. Our focus remains on converting that pipeline into signings and keeping churn low to set the stage for accelerating revenue growth in FY 2027.

And finally, we remain on track for another strong year of free cash flow, reflecting more than 30% growth in operating income, benefits from the recently enacted tax legislation, and continued discipline in balancing growth investments with efficiency.

We plan to deploy a substantial portion of that free cash flow towards share repurchases, underscoring both our confidence in the business and our commitment to 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. [Operator Instructions] And we will take our first question from Jason Kreyer from Craig-Hallum. Please go ahead.

Cal Bartyzal

Analyst, Craig-Hallum Capital Group LLC

Q

Great. Thank you. This is Cal on for Jason tonight. Maybe just to start, can you elaborate on some of the drivers of the improvement in ARR in the quarter?

Lauren Russi Dillard

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

A

Sure, I'd be happy to, Cal. This is Lauren. A few things I'd highlight. First, with respect to the strength of gross new ARR, cross-sell and upsell of our clean room solution continues to be a big driver here, and these are for the use cases that that Scott mentioned. So measurement, and in particular, CTV measurements, Cross-Media Intelligence, and to support just a growing number of retail and commerce media use cases.

We also saw a really nice uptick in new logo activity in the quarter, which was encouraging, specifically for our connectivity or data onboarding use cases. And we think this is a reflection of an increase in focus, as we've rolled out now a dedicated new logo sales team, as well as a new pricing model, which allows us to address a larger ICP.

In addition, we also had much lower customer churn in the quarter, both on an absolute basis and particularly compared to Q1, which was impacted by the couple of unusual events we discussed last call.

Importantly, though, we believe these trends are durable, and while 7% ARR growth is solid and certainly trending in the right direction, it's not our final destination. We believe we have the product and market demand for faster growth over time, and that's exactly what the team is focused on here in the back half.

Cal Bartyzal

Analyst, Craig-Hallum Capital Group LLC

Q

Great. And then as a follow-up, you alluded to some of this on the call, but your renewal cycles, they're a little skewed towards the second half of your fiscal year. So with these new solutions and integrations coming to market, how do you feel about the upsell opportunity here over the next two quarters?

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

I think we feel really good about it. And I'll reference again the road trip I just took. There are so many different levers of growth and depending on which client we're talking to, they're excited about something a little bit different.

So we have XMI, Cross-Media Intelligence. We have our Commerce Media Networks that are taking us in completely new directions with new types of clients. We have CTV expansion. And we have some really exciting opportunities in AI.

So, I was talking to a sales rep just last night, and he told me, hey, I can't remember being at LiveRamp and having this many things that our clients are excited to talk about. So, we've got to deliver, but I feel really optimistic about our ability to do that.

Cal Bartyzal

Analyst, Craig-Hallum Capital Group LLC

Q

Great. Thank you very much for taking the question.

Lauren Russi Dillard

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

A

Thanks, Cal.

Operator: Thank you. Our next question comes from the line of Shyam Patil from Susquehanna. Please go ahead.

Q

Hey, this is [ph] Nikhil (00:29:55) on for Shyam. Thanks so much for taking my question. There's been a lot of debate about how AI search and AI overviews are hurting click-through rates to the open web. How are you thinking about the implications that this dynamic might have on your business? Thank you.

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah, [ph] Nikhil (00:30:13). This is Scott, I'll take that. And you know, thanks for being on the call today. I recognize to everybody who's on the call that this is one of the busiest earnings weeks, and you're juggling a lot of balls.

Two thoughts come to mind with your question. First off, I would tell you our exposure to the open web is low. I mean, throughout LiveRamp's history, we've always seen changes in our activation profile. We see the winners and losers, sometimes far before the market as a whole does. And if some things don't work as effectively, the money just flows to the things that do work. And we've seen that in recent years. We've seen the beneficiary of that with the growth in CTV and social media and commerce media as well.

I looked at our top destinations actually just earlier today, and the vast majority of our top 20 destinations, I mean, in no particular order, companies like Meta, Roku, LinkedIn, Spotify, Disney+, Pandora, Twitter X, I guess, and Tik-Tok, they're simply not impacted by these open web shifts that people are talking about.

And then the second point that I'd make is our upside from AI is high. AI models are only as effective as the signals that power the underlying intelligence of those models. And first and second party data, the kind that empowers everything we currently do, is the great differentiator that makes any model even better.

Our clients want to standardize and control how their data is used, which puts us right at the center of a long-term future growth driver. And the investments that we've made, that Lauren and I both referenced, modernizing our stack, creating AI readiness, and usage-based pricing, they build the foundation for our success as AI starts to take off.

Andrew M. Borst

Vice President-Investor Relations, LiveRamp Holdings, Inc.

Operator, we'll take the next question, please.

A

Operator: Thank you. Our next question comes from the line of Mark Zgutowicz from The Benchmark Company. Please go ahead.

Alex Lavigne

Analyst, The Benchmark Co. LLC

Hey, guys. This is Alex on for Mark. Thanks for taking the question. Actually, two, if you don't mind. The first one, just on the degree of macro-conservatism baked into the guide, the revenue guide for the year. Curious if you can provide an update there? And how you're thinking about potential incrementality from these pilots, in addition to working with AI labs?

Q

And then second question, curious if you can elaborate on the mix of retail and CPG versus non, in terms of incremental ARR in the second half as you point towards an acceleration? Thank you.

Lauren Russi Dillard

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

Sure. I'm certainly happy to take the first. So with respect to our guidance, kind of at this point in the year, the swing factors are mostly in our variable revenue sources, so specifically subscription usage and data marketplace. And as we typically do, we have built in some conservatism here, which accounts for the relatively wide range in the back half. At the midpoint, we're assuming the macro remains fairly consistent with what we've seen recently. The low end of the range assumes a pretty major deterioration in the macro in the back half. But in short, we believe we've built in an appropriate level of conservatism into our guide.

A

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

Yeah. In terms of the retail versus non-retail commerce media stuff, I don't know if I have those specific numbers, because I don't know if we broke it out, did the math. We can get that. But I would tell you that, if I just think about what I believe is happening, we're seeing growth in both places. In our kind of traditional retail media, what we're trying to do is build density. So it's usage increases, we're trying to scale the number of merchant partners that are working with each major retailer.

A

And then, from a new logo, new starts perspective, that's where we're really excited about, expanding from retail to commerce media. Some of the things I talked about like PayPal or Uber, the airlines, that just exposes us to really different businesses. And instead of just thinking about merchant partners, it's causing us to think about, well, how do we connect with quick-serve restaurants or restaurants as a whole? How do we connect with SMB merchant partners that are driving payments usage? How do we connect with travel partners? And so all of that opens up new TAM for us. And so I think that will be an even greater accelerator for our growth next year than even maybe the traditional retail media side where we've long been strong.

Alex Lavigne

Analyst, The Benchmark Co. LLC

Very helpful. Thanks, Scott and Lauren.

Q

Lauren Russi Dillard

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

A

Hey, Alex, really quickly, there was a second part of your first question, which is on the pricing pilot, and I didn't answer it, so want to now. We have not baked in any upside in this year's guide to account for pricing upside. I may just take the opportunity to reiterate what Scott mentioned, which is at a high level, our hypothesis is over time the new model will unlock incremental revenue growth by benefiting both our land and expand sales motions.

As Scott mentioned, on the land front, it offers a lower entry point, which should allow us to address a larger ICP. And on the expand front, due to the fungibility of the tokens, it enables customers to more seamlessly grow into our product suite.

Right now, we're in the middle of the pilot, which we expect to run through the balance of this fiscal year. We're learning a lot. We expect to continue to learn a lot, which will help us fine tune the model and approach ahead of rolling it out in the early part of next year. And we expect to roll it out very thoughtfully. And for the benefit to accrue over several quarters. So this is something we would expect to see some benefit from as we move through next fiscal year. But so far, nothing baked into this year's guide.

Alex Lavigne

Analyst, The Benchmark Co. LLC

Q

Super helpful. Thank you both.

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Clark Wright from D.A. Davidson. Please go ahead.

Clark Wright

Analyst, D.A. Davidson & Co.

Q

Thank you. Maybe to start, can you elaborate on the step-up in platform investments this year? Is this something that stretches into fiscal 2027?

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah, Clark, I'll start, and Lauren will certainly probably jump in here. But yes, we have actually stepped up our investments recently. We are confident about this driving incremental revenue in the coming quarters and years. The investments are in three critical areas.

First, we're upgrading our platform,, both the front and back end to provide our customers just with a better experience, more intuitive UI, faster processing, more stability. Second, we're investing in AI product capabilities. I mentioned that, AI-powered segment builder, agentic orchestration. I talked about those in my prepared remarks. AI is really reshaping the digital advertising ecosystem, and so these investments ensure we're ready to capture the opportunities that are emerging from these changes. And then third, the kind of companion piece with this is the investments we're making in our new usage-based pricing model. And that ensures that we'll have the optimal revenue models as the volumes kind of expand from what we're seeing in terms of increased collaboration and the AI opportunity, we're going to monetize that through this new variable usage-based pricing model.

Lauren Russi Dillard

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

A

And hey, Clark, I would just simply add that, while we're making these investments to fuel future revenue growth, we're not sacrificing bottom line growth in the short-term. Again, we're guiding to FY 2026 operating income growth of over 30% and four points of margin expansion. And finally, would just mention to the earlier part of your question, we believe this investment period will abate by the end of this fiscal year, which puts us in a really strong position for both revenue growth and continued margin expansion in FY 2027.

Clark Wright*Analyst, D.A. Davidson & Co.*

Q

That's helpful. Appreciate that color. And then turning to the growth picture, direct subscription customer count is effectively stabilized after declining for five straight quarters. Do you have the visibility to call this the trough or a potential inflection in growth going forward, or is that still yet to be determined given some of the other moving factors?

Lauren Russi Dillard*Executive Vice President & Chief Financial Officer, LiveRamp Holdings, Inc.*

A

Yeah, I would characterize it as stabilizing, especially now that we've worked through the international headwind that we've discussed on past calls, and you saw that in the results this quarter. In addition, I mentioned this a bit earlier, we saw a nice uptick in new logo activity in the quarter, which we think is durable. This is a combination of building out a dedicated new logo sales force and also having a new pricing model that allows us to serve a larger TAM over time. As we look out over the medium to long term, we do think there are a couple meaningful levers for customer count growth, the pricing model, which I just mentioned, and then also our clean room strategy.

As Scott discussed, as kind of these big clean room networks to support use cases in retail or commerce media take hold, we have the ability to pull customers through these large anchor nodes that we're supporting. And we think that can be a source of sustained new logo growth over time. The final point I would just make here is that the quality of our new customer ads continues to be very impressive. It certainly was, again, in Q2. GM, Uber, Constellation Brands, I think this is a real testament to the criticality of what we do and to the value we deliver to our customers.

Clark Wright*Analyst, D.A. Davidson & Co.*

Q

Thank you.

Operator: Thank you. We have no further questions. I will now turn the call back over to Lauren Dillard for closing remarks.

Lauren Russi Dillard*Executive Vice President & Chief Financial Officer, LiveRamp Holdings, Inc.*

All right. Thank you. I'd love to close with just a few remarks. So first, our second quarter featured, again, strong execution and healthy demand with results ahead of expectations across the board and double-digit growth in operating income. We're seeing sustained sales momentum and a robust pipeline heading into our seasonally high renewal quarters in the second half. Our focus, of course, remains on converting that pipeline into sales and keeping churn low to set the stage for accelerating top line growth next year. And finally, we remain on track for another strong year of free cash flow, reflecting more than 30% growth in operating income and continued discipline in balancing growth investments with efficiency. We plan to deploy a substantial portion of that free cash

toward share repurchases, underscoring both our confidence in the business and our commitment to long-term shareholder value. Thanks again for joining us. We look forward to speaking with many of you in the days ahead.

Operator: The meeting has now concluded. Thank you all for joining. You may now disconnect.

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