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LiveRamp Holdings, Inc. (RAMP)

Q2 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen, and welcome to LiveRamp's Fiscal 2022 Second Quarter Earnings Call. After the speakers' presentation, there will be a Q&A session. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to turn the call over to your host, Lauren Dillard, Senior Vice President of Finance and Investor Relations.

Lauren Russi Dillard

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

Thank you, operator. Good afternoon and welcome. Thank you for joining us to discuss our fiscal 2022 second quarter results. With me today are Scott Howe, our CEO; Warren Jenson, President and CFO; and David Pann, our new Chief Product Officer.

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 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

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

Thank you, Lauren. And thanks to all of you for joining us today. We delivered an outstanding second quarter, highlighted by accelerating top-line growth, near record net new ARR, and record margins. The market trends we discussed last quarter continue to play out, and momentum is building across all areas of the business.

I'll begin today by sharing some highlights from the quarter and then talk about the opportunity we see to drive sustained high growth and profitability in FY 2023 and beyond.

Second quarter performance, by almost any measure, Q2 was another exceptional quarter. Total revenue grew 22% and subscription revenue was up 23%. Normalizing for the wholesale contraction, total revenue grew 32% and subscription revenue was up 35%, a nice acceleration from last quarter. Bookings in the quarter again were strong, and total growth bookings were up more than 30% in Q2 and up more than 40% on a trailing 12-month basis.

From a margin standpoint, our gross margin expanded to 77%, and we remain profitable with operating margin in the double-digits. This performance is a reflection of the leverage in our model and demonstrates our continued ability to drive profitable growth at scale. In fact, as a leadership team, one of the key metrics we measure our progress against is the Rule of 40, the combined percentage of revenue growth and operating margin. And here, I feel really good about both our recent progress. We were at 36% in Q2 and the opportunity to drive this metric much higher over time, which perhaps is a nice segue to our longer-term outlook.

Our opportunity, my confidence in our future has truly never been greater. And I would like to highlight three key investment themes fueling my optimism. First, we are operating from a strong strategic position. LiveRamp's vision is to make it safe and easy for companies to use data. And as we shared last call, it feels like our vision matches the moment we are in. The secular trends propelling our business are only getting stronger and represent a significant market opportunity for LiveRamp. Digital transformation remains a top priority for many, and core to these efforts is establishing a strong customer data infrastructure.

Enterprise leaders across every industry recognize that competitive advantage in today's data-driven marketplace requires a safe and efficient way to access, connect, and collaborate with data, not only across their own silos and environments but across partners. They also need a simple solution to activate that data to power the thousands, thousands of applications, that working seamlessly together create more holistic omni-channel customer experiences.

Addressability also continues to be an important theme driving recent customer wins. Enabling addressability across the entire digital ecosystem is the linchpin to delivering efficient, personalized, and measurable engagement with consumers. And the breadth and global scale of our identity capabilities is an important differentiator and a key reason companies choose LiveRamp.

And finally, use case expansion remains a meaningful opportunity for our business. We believe that marketing and advertising is only the first application for our technology, and medium term represents a springboard into the broader data ecosystem, including greater support for other enterprise functions such as commerce, customer service, and support.

Next, we have multiple levers for strong, sustained revenue growth. The positive business trends from recent quarters continued in Q2. Demand signals for our products remain strong, and we are executing against the multi-

product land and expand strategy that Diego outlined on our last call, which we believe gives us multiple growth levers to pull over the medium to long term.

Land, as I mentioned, bookings in the quarter were again strong, and we are making steady progress adding new customers. We added 15 net new customers in Q2 and ended the quarter with 870 direct subscription customers. A few years ago, data activation was the tip of the spear with respect to new logo pursuits. Today, we have multiple product beachheads, which can be sold stand-alone or packaged as part of a more comprehensive solution.

LiveRamp Safe Haven, our data collaboration platform, is a great – a great example of this. Given the strong network effects and the traction we are seeing in retail and CPG, Safe Haven continues to be a growing source of new customer wins for LiveRamp. As a result, we are adding larger, more sophisticated enterprise customers, who want to both control and collaborate with data. This is reflected in the average ACV of new brand deals, which in the quarter expanded 23% compared to a year ago.

During the quarter, we had a multimillion-dollar new customer win with a global beverage company. As part of its digital transformation, this customer in-housed their media buying measurement and data capabilities. Through our partnership with a major systems integrator, LiveRamp was brought on to help build a Safe Haven data environment, powered by identity that will be used for audience creation, data activation, measurement, and critical business insights.

Expand, the breadth of our product capabilities and our ability to deepen current client relationships was also reflected this quarter in the strength of existing client bookings. Approximately 70% of growth bookings this quarter came from Expand deals. We continue to see usage increase, and our product attach efforts are paying off in the form of cross-sell to new channels and product modules like data collaboration and measurement.

This strong enterprise expansion motion was a key driver of our net retention performance and the big uptick in customer deals representing \$1 million or more. Subscription, net retention, was 108%, and we added 10 \$1 million customers in Q2, bringing our \$1 million-plus customer count to 80.

One example of this is an expansion deal we signed with a financial services company that was a new customer to LiveRamp last quarter, highlighted on our last call. Initially, this customer was leveraging our TV measurement product to apply more data to their TV media and brand awareness efforts. Seeking to accelerate their performance marketing function, this customer is now using LiveRamp to integrate customer data across their entire media plan, as well as leveraging LiveRamp to power measurement and analytics within their cloud environment. In a matter of two quarters, this customer became a \$1 million client for LiveRamp.

Another notable expansion deal was with a top five global food and beverage company that has been using multiple LiveRamp products for the last two quarters. Partnering closely with our cloud provider, GCP, we cross-sold our identity module to enable the enterprise-wide consolidation and resolution of their customer data.

These recent wins and several that weren't mentioned highlight an early, but emerging trend I'm very excited about, the growing momentum of our channel partner strategy. This includes ecosystem partners, systems integrators and, increasingly, cloud providers, where a better-together approach has taken hold.

We help our customers unlock value from their data, wherever it lives. And as more customer data migrates to the cloud, LiveRamp is ensuring that our customers achieve faster returns on their investments, reduce fragmentation and can take advantage of the flexibility and simplicity of using identity in the cloud.

Lastly, we are seeing our investment in international begin to pay off, and believe we have a long runway for growth here. International growth bookings were up 110% on a trailing 12-month basis. Our global Carrefour deployment is well underway, and we have more than 100 Safe Haven tenants globally. To summarize, our land and expand model is working and our new products are winning globally.

The third and final theme I'll touch on is our continued operating strength. Warren will discuss our operating performance in more detail, but the strength of our model is evident and gives me a lot of confidence in our ability to drive durable profitable growth, while continuing to invest for the future.

As part of our long-term model, we have an operating margin target of 25%. While we remain committed to this target, we also intend to step up our rate of innovation and development velocity, because at the end of the day, for LiveRamp, strong results and outcomes come from one source, and that's innovation.

You will hear from David Pann, our new Chief Product Officer, in a moment. But I am very encouraged by the initial progress he and the team have made. We're bringing in world-class senior-level talent. Our operating strength affords us the opportunity to drive continued margin improvement, while also reinvesting for future growth.

So with that, thank you again for joining us today. And a special thanks to our exceptional customers, partners and all LiveRampers across the globe for their ongoing hard work and support. Fueled by them, we delivered another great quarter in Q2, and we look forward to updating you on our continued progress in the quarters ahead.

With that, I'll now turn the call over to David Pann.

David Pann

Chief Product Officer, LiveRamp Holdings, Inc.

Thanks, Scott. It's great to be on the call. I'm David Pann, the new Chief Product Officer of LiveRamp. I joined at the beginning of September after spending over 11 years working at Microsoft in the Microsoft Advertising business.

Over those 11-plus years, I had the opportunity to work with an incredible team to grow the Microsoft Advertising into a highly profitable global business. At Microsoft, I was deeply involved in shaping our global product offerings. I had direct responsibility, as a Vice President of the Global Business Advertising team, over all of our marketing functions, business and product strategy, the marketplace product management, technology partnerships and our advertiser analytics across our search, native and display businesses.

My experiences at Microsoft, Yahoo! and companies like NetIQ and Netscape had given me the opportunity to build large businesses at global scale by listening carefully to our clients to deliver solutions to real problems they have or will have in the future.

I've joined LiveRamp for the same reason many people do: first, the LiveRamp team; second, LiveRamp's unique position; and third, the market opportunity. I've known members of the LiveRamp team for over a decade. And as I got to know the exec team, my new leadership team, I realized I could learn from this team, I could teach this team, and I could see myself working with them to scale LiveRamp's business.

I also felt LiveRamp was uniquely positioned in the market to help clients succeed in an unbiased manner with a product portfolio that was being designed and built for where the industry needs to go, giving brands more control over how their data is used to grow their business, to reach customers in a trusted and in permissioned way that builds deeper brand affinity, and to create networks of collaboration within companies, across companies and across countries.

What I've seen since joining LiveRamp has only made me more excited about the opportunities for our clients, partners and employees. LiveRamp has the people and core assets to have a bigger impact across industries. The momentum we have seen with connected TV and with Safe Haven is a clear demonstration of the unique position LiveRamp is in to help enterprises partner and collaborate across companies.

As we focus more on our people, processes, and products, it will accelerate the speed of collaboration within the company and with our clients and partners. This will also increase the speed of innovation and time to market at a global scale.

Over the next few quarters, we're going to work to integrate our product offerings, make them easier to use, and leverage the data assets in our marketplace, and put a focus on bringing more solutions to our global customers. I'm excited about the future for our clients, partners, and employees.

With that, thanks for the opportunity to introduce myself. I'll now turn the call over to Warren.

Warren C. Jenson

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

Thanks, David, and welcome to LiveRamp. In the short time that you've been here, your leadership and partnership have been outstanding, and it's great having you on the team.

As I sat down to prepare my script, I thought about the messages you'd hear from me. As you listen to my remarks, hopefully a few themes will ring loudly. Durability and resilience. Performance, we again, and have consistently delivered. Relevance. And finally, competitive advantage.

With that in mind, today I'll focus my remarks on three areas. First, share a few highlights from Q2. Next, discuss our global progress with Safe Haven. And finally, provide updated and raised guidance for Q3 and FY 2022.

Q2 highlights, please turn to slide 4 (sic) [slides 4, 5 and 6]. First, our growth continues to accelerate. Revenue of \$127 million was up 22%, international up 17%, subscription revenue up 23%, while ARR increased 15%. Q2 was a near record for net new ARR. Our net new customer count increased by 15 this quarter, and our brand ACV was up a stunning 23% year-over-year. Our \$1 million customer count is now 80, up 10 sequentially and up 29% year-over-year. Net retention was 108% and platform net retention 109%. CRPO was up 23%. And finally, marketplace was up 16%, in line with our expectations.

As expected, our results continue to be negatively impacted by the wholesale contraction, as is outlined on slide 16. We continue to expect this impact to be \$30 million for the year, and it was \$8 million for the quarter. If you exclude this impact, consider the following: Total revenue increased 32% and international up 33%. Subscription revenue was up 35% and ARR up 27%. And net retention would have been 118% and platform net retention 117%. In short, while we don't discount the impact of the wholesale contraction, the numbers do speak for themselves.

Second, our momentum continues. While there will always be ups and downs, the strength of our bookings are unmistakable. On a trailing 12-month basis, overall growth bookings were up over 40%, international up 110%, Safe Haven bookings up more than 150% and TV bookings up approximately 80%. Add it all up, there is one word that comes to mind, durability. While our industry has gone through seismic change, there is one constant, we have delivered. LiveRamp's importance has never been greater. Our growth foundations are strong.

Third, our model has consistently shown its strength and ability to scale. Our Q2 results are no exception. Gross margin was a record 77%, up 500 basis points. For the sixth consecutive quarter, we were profitable. In fact, our operating margin was 14% and adjusted EBITDA margin 15%.

What's even more interesting is to look at our results on a trailing 12-month basis. Here are some stats. Revenue increased by 18% and \$73 million on an absolute dollar basis. Our operating income was \$38 million, up from a loss of \$19 million for the comparable 12-month period, an increase of \$57 million. Add it all up, on a \$73 million increase in revenue, \$57 million fell through to the bottom line, a fall through rate of 78%. Again, we performed.

And finally, we are supporting our shareholders. In Q2, we repurchased \$15 million of stock. Fiscal year-to-date, we have repurchased \$44 million. Just like a year ago, we took advantage of the market opportunity and front-loaded our repurchase activity.

In summary, accelerating growth, sustained top line performance through industry change, massive margin improvement, share repurchases, and increased relevance. The importance of LiveRamp and strength of our performance, unmistakable.

Now, a quick update on our Safe Haven global expansion. Our opportunity just keeps getting bigger, and quite frankly, our biggest challenge is keeping up with demand. The market is embracing our platform.

Please turn to slide 20. So, why are we setting the pace in collaboration when it seems there are countless clean room technologies and market? The answer is pretty simple. Our Safe Haven platform brings together things others can't or they are simply just learning about. Leadership in global privacy and privacy enhancing technologies, the sophistication and importance of our DataFleets acquisition cannot be overstated.

Identity, federation and activation, our approach and the scale of our integrations are a hallmark of LiveRamp. ATS, we are helping global brands future-proof their approach to identity and allowing them to do this consistently across all geographies. Neutrality, we don't buy or sell media. We are across cloud and enable our Safe Haven clients to collaborate with anyone regardless of their data infrastructure. And finally, we are setting the pace with permission-based collaboration technology. Remember, we created the category and have been building and testing our Safe Haven platform for more than five years.

Taken together, a new category, unique capabilities, and a platform the world needs, that's relevance. And the numbers back it up. This quarter, we hit our first \$10 million bookings quarter, and over half of our deals came from outside of the US. This is truly a global offering. We now have over 100 tenants or global endpoints, and we expect that number to be over 150 by the end of Q3.

In summary, Safe Haven has created a category, is a powerful global solution, and one where we are playing with competitive advantage, and we're only getting started.

Now, on to guidance. The headline, we're raising our outlook. Please turn to slides 13 and 14. For Q3, we expect revenue of approximately \$139 million, an increase of 16%; and non-GAAP operating income of roughly \$10

million. For the full year, we are increasing our guidance on both the top and the bottom line. We now expect revenue of approximately \$525 million, a roughly 19% growth; and non-GAAP operating income of approximately \$40 million.

A few other callouts for Q3 and the full year. For Q3, we expect subscription net retention to be roughly flat to Q2, give or take. As we mentioned last quarter, wholesale contraction is negatively impacting this metric by approximately 10 points, and we expect our gross margin to be roughly 75%.

For the full year, we expect revenue to increase approximately 19% to roughly \$525 million. Absent the \$30 million impact from wholesale contraction, we expect total revenue to increase by more than 25% and subscription revenue to increase roughly 30%, gross margin to be approximately 75%. We anticipate added investment in customer experience, services and security, which will bring margin down a bit from our Q2 performance. We continue to expect to be profitable in every quarter, although we anticipate higher spending in the second half as we open and expand new regions, stemming from our global Safe Haven and ATS rollout. In addition, we expect T&E to normalize as we move into the second half. And lastly, we expect to be cash flow positive for the year.

Before concluding, I'd like to make an announcement about which we are very proud. As you know, Lauren Dillard has been leading Communications and Investor Relations here at LiveRamp. Well, she's been promoted. She is now taking on a much larger set of responsibilities inside of our finance organization, and will have responsibility for FP&A and Operations Finance in addition to Investor Relations. Please join me in congratulating Lauren.

Now, let me conclude with a few final thoughts. First, it's great being part of a great company and working with a great team that is doing big things. We have the right products at the right time. Our technology is core to our customers' data management, transformation, and digital strategies. Durability, resilience, and global relevance, our numbers speak for themselves. Our foundations are strong, and momentum continues to build. And finally, rest assured, we are only just getting started.

On behalf of all my LiveRamp colleagues, thanks to our customers and to you, our shareowners. Operator, we will now open the call to questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Shyam Patil with SIG.

Shyam Patil

Analyst, Susquehanna International Group, LLP

Hey, guys. Great quarter, especially in such a choppy macro. And congrats, Lauren.

Q

Lauren Russi Dillard

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

Oh, thanks, Shyam. Appreciate it.

A

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

Yeah. We're really excited...

A

Shyam Patil

Analyst, Susquehanna International Group, LLP

Had a couple of – yeah, it sounds exciting. I had a couple of questions. If we look at ARR, for several quarters in a row it's been very strong, 25% growth in fiscal 1Q, 27% growth this past quarter. How do you guys just think about when revenue growth should more closely mirror ARR growth?

Q

And then second question, in terms of the supply chain issues that we're all seeing or that we expect to see in the fourth quarter, some advertising companies have called out global supply chain disruptions impacting advertising budget potentially in the fourth quarter. Just wondering if those issues do materialize, how would that show up for you guys, if at all? Thank you.

Warren C. Jenson

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

Let me go ahead and take the first part, then maybe Scott can comment on the supply chain. I think we'd pretty much argue, you're already seeing it. And I'm using some numbers, excluding the impact of wholesale. ARR, as you mentioned, up 27% in Q2. Subscription revenue up 35%. For the full year, we talked about subscription revenue, again excluding the impact of wholesale, being up 30%, which we're obviously very proud of. Similarly, I'd expect ARR to be up about 30%. So, by and large, it's really tracking already.

A

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

Yeah. And, Shaman (sic) [Shyam], your second question, you'll never hear us claim to be recession-proof. But I'll just point to, I think, the numbers we shared earlier, that 83% of our revenue last quarter was subscription-driven. In recessions, as a result, we don't necessarily feel the impact that others who have variable media businesses would. And, in fact, we've often benefited during any kind of slowdown. It's even more important for advertisers to focus their tactics on things that have proven ROI and addressability.

A

If we were to see anything, and we're not seeing in our numbers right now, you'd see it in two places. One would be the usage component of our subscriptions. And we looked at that number actually even earlier. That's really remained constant over the last few months and, indeed, last few weeks. And then the second place where you'd potentially see it would be in our marketplace business which tends to be more variable.

And as we have in the past, this is where we probably injected a little bit more conservatism into our numbers, we think, appropriately so, given the market and the fact that we don't have as good a line of sight into that variable component as we do into subscription.

Shyam Patil

Analyst, Susquehanna International Group, LLP

Great. Thank you, guys.

Q

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

Thank you.

A

Operator: Your next question comes from the line of Robert Coolbrith with Wells Fargo Securities.

Robert J. Coolbrith

Analyst, Wells Fargo Securities LLC

Hi. Good afternoon. Thanks for taking the questions. And also congratulations, Lauren. I think last quarter you gave us a growth rate on Safe Haven bookings. Just wondering if you could maybe give us an update on that with the \$10 million milestone. And then sounds like you're continuing to see a lot of success in core retail and CPG, but you've had some nice wins outside of those, like GSK in the past. Just wondering if you could talk through maybe what categories fit most naturally with Safe Haven outside of core retail and CPG, and where the value proposition outside of those two is sort of resonating most strongly today? Thank you.

Q

Warren C. Jenson

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

I'll go ahead and jump in and talk a little bit about, I guess, just our overall reception for Safe Haven across multiple different industries. Obviously, as I mentioned during the formal part of my script, our bookings remained very, very strong, up well over 100% year-over-year, and that really continues.

A

The other thing that I would tell you, I just got back from literally spending the last three weeks in Europe. And during that time, I met with companies in France and met with companies in Spain and in Belgium, the CEOs of the large telcos, not every, but virtually every large publisher. And the interesting thing is everybody is really excited about the potential of what Safe Haven is bringing to the table and, in particular, the partnership that we've struck with Carrefour.

We're seeing that kind of interest really now across industries. We're seeing it in financial services, we're seeing it in healthcare, we're seeing it in retail, in other parts of industry too. So we think the momentum bottom line is incredibly strong. One other interesting piece of anecdote, we were talking with particular publisher in Belgium about Safe Haven and also ATS and integrating. And out of that, not only came the commitment for an integration, but also came pipeline because they became incredibly interested in actually adopting this platform for their selves.

And then, finally, I just want to re-emphasize that we are playing with competitive advantage. I won't go through the same points that I did in the script, but we bring to the table things that others cannot, and that's why we're winning. We have a lot of work to do. We have a lot of opportunity to capture. It's great having David on the team. And we look forward to continuing to report our progress in the quarters ahead.

Robert J. Coolbrith

Analyst, Wells Fargo Securities LLC

Great. Thank you.

Q

Operator: Your next question comes from the line of Dan Salmon with BMO.

Daniel Salmon

Analyst, BMO Capital Markets Corp.

Great. Good afternoon, everyone.

Q

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

Hey, Dan.

A

Daniel Salmon

Analyst, BMO Capital Markets Corp.

I have two questions. Hey. So, first, just curious about your expectations for new client growth now that mobility is increasing again and presumably you can get out and start to meet new prospective customers in person more. That was the first thing.

Q

And then second, IPG had some comments on their call about a new identity solution they're rolling out from their Kinesso business. Could you just remind us here for just the state of your relationship with IPG and possibly remind us what proportion of your revenue comes from the licensing arrangement for AbiliTec with Acxiom specifically?

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

Yeah, Dan. I'll jump in on your first question around the client count. We had added a net of 15 last quarter. I mean, realistically, I would have liked that to be a little bit higher, given the traction we're getting in the marketplace right now. But I would say kind of sitting above that is I am really, really ecstatic with the quality and size of the clients that we've been winning.

A

And so, in my prepared remarks, I talked about the increase in ACV. We are winning. If you looked at the list that we won last quarter, you would recognize every single one of the brands. And they're doing more sophisticated things with us, safe Haven and television. We even won, I was looking at the list this morning, one of the largest automotive manufacturers in Italy.

So it really, I think, starts to embody two things that we've been talking about; the sophistication and allure of products like Safe Haven and also the position we're in internationally, given our unique capabilities in Safe Haven and ATS to really get the flywheel going overseas.

Warren C. Jenson

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

A

And then, Dan, let me just comment on your last question. The size of the licensing portion is about \$20 million.

Daniel Salmon

Analyst, BMO Capital Markets Corp.

Q

And then just maybe sort of any broader comments on sort of the evolution of your relationship with IPG, Warren?

Warren C. Jenson

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

A

Look, we have a great relationship. We work with them across many, many clients. And we would expect that relationship to continue for an awfully long time. So, I'd say, our overall relationship is very solid. Obviously, any sunseting of that licensing agreement down is a ways off. So, that's the other thing in the short term. But I would also tell you that any potential loss in revenue, we're more than confident we can offset with upside.

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

A

Yeah. Dan, it's so interesting. I feel like I've answered the same question, and you can kind of fill in the blank on who the questions being asked about. Because so many companies are talking about their unique approach to an identity solution. The one common denominator across all of those companies though, is we're working with them. And in fact, Lauren and I ran the numbers last week. There were over 400 different identity nodes to which we're connected right now. And we don't look at any of them as competition. Rather, we view our role in the industry as being the Rosetta Stone that ties all of those things together.

The real bonus for us is whenever anyone is talking about things like identity, or regulation, or authentication, or clean rooms, they're actually doing our marketing for us because we're so strong in those areas and our neutrality allows us to park alongside so many other partners and make what they're doing better.

Daniel Salmon

Analyst, BMO Capital Markets Corp.

Q

That's great. Thank you, both.

Operator: Your next question comes from the line of Stan Zlotzky with Morgan Stanley.

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

A

Hey, Stan.

Elizabeth Elliott

Analyst, Morgan Stanley & Co. LLC

Q

Hi. This is Elizabeth Elliott, on for Stan. Great jump in the number of customers that are spending over \$1 million in ARR, up 80% from 70% in the last two quarters. How should we think about kind of the mix of new logos coming in at larger sizes and kind of existing customers just crossing that threshold with greater upsell or cross-sell? Just any factors to call out driving the bigger than normal increase?

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

A

Yeah. Elizabeth, it's Scott here again. What I would tell you again is, yeah, we'd like to win, see our number of new client ads at an even higher level. But if you look at the client wins that we've had over the last six months to a year, and I talked about this in my prepared remarks, it's been amazing how quickly they've embraced even more sophisticated products. And so we can bring them in and maybe they cut their teeth on something like activation on major sites. But then very quickly, they're embracing Safe Haven or television. And as they layer in more and more of those products, they become – we increase our share of wallet. So, that's – that upsell has really driven our growth over the last six months. Again, now, long term, I'd like to see an even greater number of new customers out into the franchise.

Warren C. Jenson

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

A

Hey, one thing that I would add to what Scott said, you should also not think of Safe Haven as the end product. There's a whole slew of upsell opportunities once the Safe Haven platform is in place. And as we look at our product roadmap, we're adding more and more capabilities really every quarter.

Elizabeth Elliott

Analyst, Morgan Stanley & Co. LLC

Q

Great. That's super helpful. And just as a follow-up, it looks like the marketplace revenue growth slowed in the quarter. And curious if IDFA had any impact here or is there anything specific to flag for the slowdown.

Warren C. Jenson

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

A

A little bit of slowing, but I just – I guess I would remind everybody that Q1, we had a pretty easy comp. And so we had obviously a huge quarter in Q1. Overall, our guidance has remained unchanged for marketplace. And interestingly, I'd point to the data marketplace in – separately. It was up 27% in the quarter, and we're expecting it to be up close to 30% for the year. So, overall, its performance remains very strong.

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

A

And Liz, this wasn't your exact question. But let me just riff on what Warren said and really respond to your point on IDFA. And the same thing is true on Apple iOS 15 and Google cookie deprecation. There's been a lot of news about different things happening in the industry. And other than the sunseting of the wholesale revenue that we talked about last year, we haven't seen any material impact and don't anticipate any material impact from those kinds of changes.

Our coverage, our capabilities really span multiple touch points. It's programmatic. It's mobile. It's in-app. It's CTV, social media, call centers. And so, within that mix, sometimes we see who the winners and losers are. But the mega trend is what we point to, and that is that companies want to utilize their data at the places that matter. And so, to the extent that some are available and others are not, it just shifts the money into things that are available. We see it and we benefit from it.

Elizabeth Elliott

Analyst, Morgan Stanley & Co. LLC

Q

Thank you so much.

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

A

Thank you.

Operator: Your next question comes from the line of c with Evercore ISI.

Stewart Kirk Materne III

Analyst, Evercore ISI

Q

Thanks very much. Congrats on the quarter. And I'll add my congrats to Lauren on her promotion as well. I guess for you, Scott, you talked in your comments just about the pipeline you're seeing with your partners. I was wondering how confident you are in that, meaning it's sometimes tough to get visibility when you're working with a partner. How do you feel about sort of the quality of the pipeline you're seeing with the partners that you're working with at this point in time, whether it's SIs or GCP, et cetera?

And then, Warren, just one for you. Obviously, net retention rate of 118% when you back out the wholesale is really impressive and starting to border on sort of best-in-class for SaaS companies. Is that sustainable? I mean, how should we think about that as things sort of normalize as we go on do calendar 2022 and fiscal 2023?
Thanks.

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

A

Kirk, if I look at the last couple of years and indeed the success we've had this year alone, so much of that has been around major brands, companies that any of us would recognize and probably in many cases are manufactured products that each of us use, so direct brands. But I think you're right in highlighting, we see a real opportunity going forward through some of these other channel partners in three areas in particular.

First would be with systems integrators or consultants. They have been really key in many of the major Safe Haven wins that we've had. Those have been with recognized brands, some of the world's biggest companies. And so they're oftentimes using SIs and consultants to help shape the decision. Warren and his team have just done a fabulous job at educating those kinds of partners who we are, such that they're recommending us as part of the build.

A second major opportunity for us, which you hit on, is cloud. And James Arra, who ran our Salesforce and did it just excellently for nearly a decade, is leading the charge on that. And with a really nice win that came through GCP last quarter, I think that is just a taste of what could come.

And then a third area for us that we probably don't talk about as much that we have a guy named Grant Ries, one of the founders of BlueKai leading the charge on, is in emerging markets. And he's focusing on things like contact centers, healthcare, other use cases. And those are probably a little bit further afield for us, but when you take all three together, they should be a driver of long-term sustainable growth.

And to your direct question, do we have a lot of visibility in the pipeline? Well, through the conversations, yes. But I would also tell you that this is all upside for us. So it's a really nice place for us to be. This is kind of the first couple years, really the last 24 months we've really started to put our muscle behind this.

Warren C. Jenson

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

A

And let me make a few comments on your retention question. We, like you, are very pleased with the performance at 118%. And really, when you go through the drivers, whether it was upsell, we had a very strong quarter with variable, which added to our overall net retention rate. We benefited from lower contractions, so all the drivers were really working in our favor.

Our guide for Q3 is consistent with our Q2 performance. So, call it, again, ex-wholesale in the neighborhood of 118% could be, give or take, one side or the other. Obviously, we won't guide beyond that, but I think it's important to, at least in my mind, just think about the drivers. And the drivers are the relevance of our products and the innovation that we're bringing to the table and the market reception that we're receiving. And right now, the momentum is in our favor. So, I guarantee there will be ups and downs in future quarters, but a lot of things are working in our favor right now.

Stewart Kirk Materne III

Analyst, Evercore ISI

Q

Super. Thank you.

Warren C. Jenson

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

A

Thank you.

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

Jason Michael Kreyer

Analyst, Craig-Hallum Capital Group LLC

Q

Great. Thanks. Two for me. Scott, I want to piggyback off an earlier comment you made just on cookie deprecation, and curious if you've changed – if you've seen any change in user behavior on ATS as far as usage rates or pipeline or anything like that in the handful of months since Google announced that delay.

And then second, obviously strong quarter in terms of ARR and bookings, especially from existing customers. Just curious, can you call out specific product areas that you saw as kind of the main drivers in the quarter? I know we've kind of talked a lot about Safe Haven so far. Just wondering anything else in terms of CTV or other particular products there. Thanks.

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

A

Sure. I'll start. And on ATS, I would tell you, I'm really pleased with where we're at. The markets really embraced us. We feel like we've reached critical scale. I want to say by last measure, we have 90% reach to US audiences. And we are, quite frankly, the only solution in many international markets. We have 75% of the Comscore 50 largest publishers signed up, 500-plus publishers overall, an amazing statistic. 70% of consumer time spent online sit on top of LiveRamp solutions, either ATS or a direct ramp ID integration. So we truly have reached a point of critical scale.

What's really interesting though is that the conversation has changed. And last week, I presented at a digital conference in New York and I saw this so many times over that a year ago, the conversation was around Google

or Apple and what they're doing and the impact of regulation and readiness. Now, given the number of case studies and the yield improvements that publishers have seen through authentication and the ROI improvements that advertisers have seen through authentication, the conversation has shifted in a really meaningful, exciting way.

People are talking about this now because they see it as an enhancement, an improvement over what they've been doing for the last 20-plus years. It's just the case that authentication works better than cookies. And so, that is now starting to power the conversation and the adoption, which is, I think, a much healthier place for the ecosystem to be and bodes well for us as well also.

Warren C. Jenson

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

A

And then let me talk a little bit about bookings. I'll share a couple of interesting stats that go into one level of detail on our various products, and I'm going to use a look at trailing 12-month and trailing 6-month metrics. First of all, just some added color on Safe Haven, I mentioned on a trailing-12-month basis, up over 150%; on a trailing 6-month basis, up over 200%. TV trailing 12-month, up over 75%; and on a trailing 6-month basis well over 50% growth. So both Safe Haven and TV continued to deliver.

Jason Michael Kreyer

Analyst, Craig-Hallum Capital Group LLC

Q

And when you talk about TV, that's both linear and CTV, correct, you're not breaking the two out?

Warren C. Jenson

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

A

No, it's really CTV.

Jason Michael Kreyer

Analyst, Craig-Hallum Capital Group LLC

Q

Got it. Thank you.

Operator: Your next question comes from the line of Tim Nollen with Macquarie.

Tim Nollen

Analyst, Macquarie Capital (USA), Inc.

Q

Hi. Thanks. Good timing, because my question actually is on CTV. You've spoken in the past about what Data Plus Math has been doing. You had announced partnership with Comscore a little while back. And I just saw something recently about a partnership with Innovid. So I wonder if you could just talk a little bit more about your work in CTV and if that's really tied to measurement, which is a really hot topic in the CTVs or just the TV space or in the media space, I should say, broadly these days. And in particular, the role that cleanrooms, I think, are becoming more important in playing, if you could just give us some color on that would be great. Thanks.

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

A

Well, Tim, I think you hit on something we're really excited about. And, overall, CTV continues to be a real bright spot for LiveRamp. I think we're up about 70% in CTV year-over-year in Q2. In Q2, we also announced an enhanced TV platform that just makes it easier for our clients to do integrated planning, activation, and TV

measurement. We have some really cool case studies that's probably premature for me to share, but some stuff I'm really excited to talk about that show the impact of television viewership on buying and visitation activity. And so, a lot of good news there.

And to your point, the whole conversation about television is really now one about measurement that for too long television was the one thing that we couldn't measure other than reach. And now, the same sophistication that advertisers are utilizing across the rest of their marketing plan, they're starting to apply to television.

And to your final point, we're starting to see that manifest itself in all kinds of interesting Safe Haven opportunities. Because it's natural if your focus is on measurement, then the next thing is, well, what data do you want to bring to bear to create more personalized advertising? And we think there's a lot of interesting collaborations that are possible between advertisers and major television publishers, and we are really in an interesting spot to be the leader in that.

Warren C. Jenson

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

A

And the only thing that I would add, just one line, this is a global opportunity. It's not simply a domestic one.

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

A

For sure.

Tim Nollen

Analyst, Macquarie Capital (USA), Inc.

Q

Perfect. Thanks.

Operator: Your next question comes from the line of Jack Andrews with Needham & Company.

Jack Andrews

Analyst, Needham & Co. LLC

Q

Well, good afternoon, and congratulations on the results.

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

A

Thank you, Jack.

Jack Andrews

Analyst, Needham & Co. LLC

Q

Just given the strength you're seeing in demand around Safe Haven, I was just wondering how much of an opportunity do you think there might be to develop some sort of self-serve capability around this? Or is there demand to effectively democratize this among a much broader set of customers?

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

A

Well, we're going to turn this one over to David Pann.

David Pann

Chief Product Officer, LiveRamp Holdings, Inc.

A

Hey, Jack. Thanks. It's great to be on the call with the team here. Jack, I think you've hit on a great point. With the success we've seen with Safe Haven, we think that building in self-service, automation, bit of a machine learning and AI, we can actually propel the deployment of Safe Haven not just in the retail space, but across multiple verticals. So we're super excited about the opportunity that that opens us up to. But the simplification of that really takes a lot of the friction out of the business that our clients are seeing today.

Jack Andrews

Analyst, Needham & Co. LLC

Q

No, appreciate the color. Thanks. And maybe, David, if I could just follow up with another question for you, just could you speak to maybe philosophically, how do you view sort of the build versus buy tradeoff in terms of organic product development versus maybe opportunities to accelerate the product road map through tuck-in M&A?

David Pann

Chief Product Officer, LiveRamp Holdings, Inc.

A

Yeah. Great question. I think, first, you have to say we've done – the team that we have on is amazing. I'm more excited today two months into the job than I was when I walked in the door. It's an amazing team. And what I'm super excited about also is just the traction we're seeing across not just Safe Haven, but all of the product portfolios and the ability to really integrate them even more so to bring kind of capacity to the market and to our teams.

I think we will look strategically at places where we think that an acquisition makes most sense to help solve customer problems that we don't think we can do in a timely manner. But that's – we will kind of look at that in a strategic way. And there's – I think there may be opportunities, but it's more on kind of as a need basis.

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

A

Yeah. And Jack, judge us by our track record over the last 10 years. In any given year, we probably kick the tires on a hundred different things. And then in any given year, we probably do one, at most two, small tuck-in acquisitions. We are pretty strategic. We tend to be very collaborative with potential tuck-ins. They tend to have a long, long runway. And by the time we get certainty, it is a really smart bet on our part because we know exactly the personality, the capabilities, and the fit of those businesses. So, all this to say is don't expect us to break with our character, because we're not going to.

Jack Andrews

Analyst, Needham & Co. LLC

Q

Understood. Thanks for taking my questions.

Operator: You have a follow-up question from the line of Robert Coolbrith with Wells Fargo Securities.

Robert J. Coolbrith

Analyst, Wells Fargo Securities LLC

Q

Thanks. [ph] Thanks for taking this. I (00:57:41) really appreciate it. Want to ask a quick follow-up on iOS. Our understanding is that there may be a carve-out there for things like uploaded marketing lists, uploaded custom

audiences, things like that. So just wondering if you're seeing your clients lean into those types of strategies, given that they're maybe seeing some visibility or targeting challenges using some of the Facebook or the other platforms' other products. And just generally, just given the shifting privacy landscape, if you're seeing your customers really sort of want to double down and invest more in gathering sort of fully permissioned lists of their customers and things of that nature, so any insight on that would be great. Thank you.

Scott E. Howe

Director & Chief Executive Officer, LiveRamp Holdings, Inc.

A

Yeah, Robert, I'm going to talk to our team and circle back to you with some color. But I would tell you that my number one takeaway on this is the counsel we are giving to virtually every publisher, every app manufacturer, and every client is there is no substitute for direct authentication. Do not allow yourself to be disintermediated. Do not allow yourself to be part of a carve-out that could change, or try to trick the technology, no. Be transparent with your consumers, explain why you want to collect their data, and what the value exchange for them will be. And if you do that, you actually generate a better customer experience.

Now, that philosophy is being taken to heart by our advertisers and publishers. And that is spurring a lot of the demand that we're seeing for things like Safe Haven. Because our clients and partners, what they're recognizing is it's really hard for them to go it alone. They need to collaborate with their partners, but they need to do it in a privacy-compliant, secure way. And so the fact that we're neutral, that we're agnostic, and that we've built this kind of cleanroom technology, and (we've talked about it for well over a decade, positions us really well in a world where first-party data is the most valuable data.

Robert J. Coolbrith

Analyst, Wells Fargo Securities LLC

Q

Great. Thank you.

Operator: And there are no further questions at this time. I'd like to turn the call back over to Warren for any closing remarks.

Warren C. Jenson

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

Great. Well, thank you, operator, and thanks, everybody, for joining us. Let me just conclude with a few final thoughts, kind of coming back to the more formal part of our script today. First, it is awesome being part of a great company, and looking around the table, it's really great to work with people like Lauren and David Pann to go do great things.

We have the right products at the right time. Our technology is core to our customers' data management, transformation, and digital strategies, durability, resilience, and global relevance, and lastly, let me add to that the word competitive advantage. We are playing with competitive advantage. Our foundations are strong. Our momentum continues to build. And finally, we're just getting started.

So on behalf of Scott and me and the rest of the team here, thanks again for joining us.

Operator: Ladies and gentlemen, this concludes today's conference call. We thank you for your participation. You may now disconnect.

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