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LiveRamp Holdings, Inc. (RAMP)

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MANAGEMENT DISCUSSION SECTION

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Good afternoon, everybody. Thank you so much for joining us. My name is Stan Zlotsky from the Morgan Stanley Software Research team. And with us this afternoon we've got the pleasure of hosting the LiveRamp team, Scott Howe, CEO; Anneka Gupta, Head of Products; and Lauren Dillard, Head of IR.

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

Hi.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

So guys maybe just to kick things off. I have to read very important disclosures. Please note that all important disclosures including personal holdings disclosures and Morgan Stanley disclosures appear on the Morgan Stanley public website at www.morganstanley.com/researchdisclosures or at the registration desk. So with that out of the way, LiveRamp is a software company that's been flying under the radar of the traditional software investors. Maybe just for the sake of people who are newer to the story in the room, give a quick overview of the company, and then we'll begin.

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

Sure. So there is not a company on the planet doing anything that can't do whatever they're doing better if they utilize appropriate data. However, given your hands on the right data that matters, figuring out what it means and then activating at all the different touch points that you want to utilize incredibly difficult. No one had built like the equivalent of the phone grid for data, the power grid for data, essentially the metaphorical easy button for data. That's what we've set out to do. Over the last half decade, we have essentially created a platform that anyone can plug into, everyone who has data, everyone who utilizes data, any place that that be enriched with data to create a better experience, and we've created this platform that transforms that connected data into better experiences and better knowledge.

We started in the marketing world where 99% of our revenue is today, but we think the SaaS platform that we've built. 86% subscription long term is equally applicable to other businesses which we'll get to in the coming decades. For now, we're $290 million – a little bit less than $300 million in ARR will finish with this year. We're

growing – we've been growing at 40% top line CAGR, and we see a path towards being a $1 billion revenue company within five years.

QUESTION AND ANSWER SECTION

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

I think that's a great way to start. And one of the things that we've heard from investors is they try to – almost kind of try to pigeonhole you either as AdTech or MarTech, but in reality, you're neither really. You have exposure to both most AdTech companies, most marketing clouds are out there. They're actually your customers and they plug into LiveRamp. And in addition to a lot of other companies and corporates like Memorial Sloan who is neither MarTech or AdTech, they plug into your platform. Maybe just walk us through your revenue model because I think that really kind of showcases the fact that no, we're not an AdTech company, right, because we actually have recurring revenue rather than re-occurring revenue.

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

A

Yeah. So, if you look at the way that we serve our customers and then how we monetize that. We are primarily a subscription business. 85% of our business is subscription revenue. The way that we work with brands today is, if you think about what a brand is trying to accomplish like a major retailer for example, they want to engage with their customers across every interaction point in a very meaningful way, using data to optimize that experience while there someone is walking into their store, seeing an ad on TV, showing up on their website or mobile app, calling into their call center to get support, or at the hundreds of other places that they're interacting with their customers, the way that we monetize that if we have a subscription revenue model that's based on tiers of usage around how much data is flowing through our pipe, so how many records times the number of destinations that those records are getting sent to, and those are customer records.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

And the other – outside of subscription revenue, what's all the other stuff?

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

A

So, we have our marketplace business as well. And our marketplace businesses are some of our newer businesses, really excited about them. One of those businesses is our data store business. So, if you think about, again go back to this retailer example, they have a lot of data within their four walls about their customers. But they don't see the complete picture of their customer. There is so much other data out there that can help them understand how – that our customers are behaving, where are they spending their time, what else are they purchasing to complete that picture and then leverage that data to drive a better experience the next time that that customer shows up again at any interaction point. So, what we've done is, we've built a marketplace where any company can come in and plug in their data and we make that accessible across any channel and across any platform that our clients want to take that data to.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

And the LiveRamp that is public today, right...

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

A

Okay.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

...is very, very different and versus what it was when it was first acquired, but walk us through the history of how LiveRamp came to be a public entity today, because for the software investors that are out there, this is very non-traditional way to get there?

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

A

Yeah. And I think there's probably one or two folks in the audience who have been with us on a much longer journey, but it started – I'll even go back 10 years ago. 10 years ago as one in the advertising business group for Microsoft, and so at the time, it was like all the stuff that they had acquired when they did with me a company called aQuantive and I was responsible for Windows Live and MSN monetization being, X-Box monetization, all that stuff. And what we realized was that if you had data, you would monetize more effectively than if you didn't and I got to know there is company called Acxiom that became a partner with us. And I said that it's a pretty good company, they have pretty good data. They understand data but man, they are so difficult to work with, so difficult to work with, like someone needs to make the easy button for data, someone needs to take all the pain out of how do you activate, ingest and utilize data.

And so when the CEO opportunity came at this company called Acxiom and they called me, I said yeah, that would be great, but here's a different direction we got to go. We got to create this grid. We got to make everything easy, and so we set about doing that, brought on a CFO Warren Jenson world-class CFO, he's been my partner at every step of the journey, twice been named America's top CFO, The CFO of Electronic Arts, Silver Spring, Delta Airlines, was CFO of Amazon when they made their big pivot to become actually a real company post the dotcom implosion.

And we set in place building this power grid for data is a thing that could connect everyone. We got off the ground [indiscernible] (00:08:20) like scale. There was just a small piece of this much larger Acxiom and we said who else – did anybody else do this. And we found this company called LiveRamp and [indiscernible] (00:08:30) not only did they do it, but they did it better than we did. Like their technology was better than what we were building. So, at the time we bought them and this was what 2013...

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

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2014.

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

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[ph] 2014 (00:08:41).

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

A

And we integrated all of the stuff we built into LiveRamp under Anneka's leadership. She was in-charge of all the integration of the two platforms at the time. And that business just took [ph] on (00:08:56) and just continued to grow and grow and grow. And over time, we realized that oh boy, at Acxiom we had this legacy data services business that was kind of slow growth, really important services business, different economics, different business structure and then we had this really high SaaS growth business at LiveRamp that was a category creator, category leader, connecting everybody including Acxiom's legacy competitors.

And we just realized, hey, the right thing to do here is to split the businesses. So on July 1 of this past year, we announced – or July 2, we announced that we had entered into a sale of the legacy Acxiom assets to IPG, that transaction closed in October. Amongst SaaS start-ups at our stage, the result of that transaction is, we have a incredible team, we have great IP, we also have about the cleanest balance sheet you'll ever see, because we have about $1.5 billion of cash on our balance sheet, no debt and we've steadily been returning capital to shareholders. We just finished a $500 million reverse tender, [ph] that's tender auction (00:10:23) and we also have a, what is it, $560 million remaining share repurchase authorization. So we have a lot of flexibility to invest in organic growth. We'll opportunistically look at inorganic tuck-in acquisitions, and we'll continue to return capital to shareholders.

So net-net whether it's good sense, I think it's kind of an interesting story because we talk a lot internally about when Salesforce went public, they were couple hundred million dollars in ARR [indiscernible] (00:10:57) this year will be a little less than $300 million in ARR. Over the next five years, Salesforce went from a couple hundred million to $1.1 billion. We've told Wall Street – at our Analyst Day, we said five years, our goal is to be a $1 billion of revenue. Well, Salesforce didn't stop there, they went by expanding [ph] three (00:11:19) enterprise, growing share of wallet, [indiscernible] (00:11:22) number of applications. And they're talking about $20 billion in revenue.

We think there's a similar path like there is no slowdown in growth here that we see rather we have a lot of growth levers to pull. And in the past calls, they've talked about kind of Horizon 1, 2 and 3 kind of growth levers. We have like a big core subscription business that's growing 40% a year. Off a couple hundred million dollar base, we have a handful of things that are $20 million plus growing at 70% plus a year that should fuel kind of growth five years out. And then we have some seeds that we planted that are growing in excess of 100% but are much smaller $5 million businesses.

So all this to say, back to your original question, we started this like, we're kind of the classic story and shareholder transformation because we went from being like a really big Little Rock headquartered services business to a complete SaaS best-in-class kind of start-up here headquartered in San Francisco, like three blocks away, that has I think a really nice growth trajectory ahead of us.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

And yeah, that's certainly a very interesting story. Do you have any ties back to the old AMS business?

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

A

Oh, sure. Yeah, there are – so AMS, Acxiom Marketing Solutions, the business we sold to IPG, they immediately upon sale became one of our biggest most important clients. But along with that, all of their legacy competitors also have grown their client relationships with us and sitting where we are today, I think we work with 18 of the 20

largest digital publishers. We work with all six of the largest agency holding companies. We work with hundreds of marketers. We work with over 100 different digital platforms, and so we're really trying to wire everyone in the ecosystem together such that they can all work more effectively together.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

And one of their interesting dynamic that I found, that I heard about post the sale was after you sold AMS, you actually – there's a little bit of a conflict that you had from a go-to-market perspective when you had the AMS business with some of your holding companies. Maybe just walk us through what changed after you sold AMS...

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

A

Yeah.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

...in that relationship.

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

A

Well, I mean you have to understand like what we're trying to do is a natural network business. And I think that's where some of the power in our model comes from is that scale begets more scale. The reason that anybody would want to use this is because they can access everyone else in the ecosystem. And so, with the divestiture of AMS, we're able to go out and say in our loudest, proudest voice, we are Switzerland, we work with everyone. There is no one that is not our partner or customer. Even a few handful of companies that out there are saying they compete with us, we actually license our identity graph to, we created the category and we're also powering others in that category because our belief is that if we just make this technology available to everyone, they will all grow the category for us. And so, we're in a really unique position in as much as we don't really have kind of a natural competitor. We're going to work every day thinking about how do we make everybody in the industry better at what they're trying to do through data.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

And from products perspective, right, this week you have your user conference going on right up the street from here as much. [indiscernible] (00:15:28) I think a lot of investors were really busy in our conference for better or worse. But what are some of the highlights that are coming out of the conference?

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

A

Yeah. So we had our annual conference. This is our seventh year running at the Fairmont in San Francisco this week. On Monday and Tuesday, we had our 3,000 people show up for the event across the entire marketing and advertising ecosystem, so that means major – representatives from all the major agencies from France, from publishers, from AdTech and MarTech platforms, really it was a coming together of everyone in the industry. And I think some of the key things that are so powerful about ramp-up, which is the name of our conference is that there are so many conversations that are happening that we're not a part of but we are a part of.

So we have all these companies coming together and talking about how can they share data assets to better – to create win-win situations, where they're creating more value for each of their customers. We have different technology companies coming together and thinking about how do they build on top of our APIs to create innovative solutions and to better compete with other big AdTech and MarTech players out there. And we heard time and time again from every participant in the ecosystem that they really value the connections that they were able to make through our event and that the innovation they're able to drive thereafter.

We also heard that our clients, especially the brands, found that the content that we had was authentic. They were able to share ideas with other brands. They're able to brainstorm solutions to the complex issues that they're facing including how do they better leverage technology, what should their data strategy look like, how do they hire. That was a really common [indiscernible] (00:17:16) that something that we think about and trying to create and accelerate our innovation, but every single participant in this ecosystem has to also think about, and really everyone is coming together and sharing ideas and collectively problem solving, and that was something that we saw time and time again, whether it was walking around the lobby, going to our innovation lab or attending the panels.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

And we're just going to go real easy here.

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

A

I love that.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

One of the things that we heard at the conference, that came out of the conference is you're making your identity graph free for [indiscernible] (00:17:52). Unpack that for us. What does that mean?

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

A

Yeah. So, we – for those of you who've been following LiveRamp for a while, two years ago, we launched what we called the Ad ID Consortium. And the objective of launching this consortium was to look at it, hey, what do Facebook, Google, Amazon have that the rest of the open ecosystem really needs access to in order to be able to compete on a level playing field. And it really came down to two things. One was identities. So, the big players are able to understand a user's identity across devices and across different contexts, and then they're able to bring a vast treasure trove of data and [indiscernible] (00:18:33) to that identity and therefore make that the inventory that they have that much more valuable and our goal of launching the Ad ID Consortium was to look at all the participants in the open AdTech ecosystem and say, how can we help create that same value proposition for everyone else. And so we have brought together – over the past two years, we've brought together publishers, brands, agencies and, of course, all of the AdTech players in the supply chain including supply side platforms and DMPs to participate.

We've been working on technology to essentially enable our ID, our people-based ID to be seamlessly integrated into the ad buying experience for everyone in that ecosystem. And so, we've been working on that for a while. What we launched at ramp-up was the ability for DSPs to actually start leveraging our identity as they're doing these ad buys. And we've already – we've had longstanding relationship with DSPs, and it opens up a much more

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seamless experience for brands and publishers to participate and truly understand and bring more data to bear when they're making these ad buys.

And these include both direct clients of LiveRamp but more importantly all the clients that we don't work with directly that are enabled and that these DSPs work with as well. So it opens up the adjustable market for us and creates a much more seamless experience for everyone.

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

A

Other thing I might just add to is, internally, we talk a lot about adoption and everything we do is really around increasing adoption and driving the ubiquity of our identity solution across ecosystem. And I think the move we made around offering IdentityLink to DSPs just furthers that mission and drives additionally ubiquity across the different partners in our ecosystem.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

And is the thinking behind offering IdentityLink to DSPs for free? The free aspect, right, that's really aimed at driving that adoption, right. Is that the right way to think about it?

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

A

Yes.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

Okay. And so staying with products, right, in our conversations with marketers, with CIOs, data privacy is something that comes up in a lot of conversations. And obviously, it's become an incredibly important topic with GDPR, with the California privacy laws. In that context of data privacy, one of the themes that's been emerging is the power of second-party data. Maybe explain to people in the room who might be a little bit newer to story, what does second-party data really mean and how does this trend of second-party data actually help LiveRamp?

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

A

So it's – for those people in the data industry, there are kind of three different types of data that often get talked about, the first-party data, second-party data, and third-party data. The first-party data is data that a company directly is collecting from a consumer about that consumer and about all the interactions that they're having directly with that consumer. Second-party data is essentially someone else's first-party data.

So, if you think about for instance retailers, retailers are collecting a lot of data from their loyalty programs, collecting it into their CRM, collecting data in their email programs and consolidating that together. If you are a CPG company who's selling in a retailer store, you may want access to that retailer's data, so that you can better understand who's purchasing your products and be able to drive a direct relationship or drive a better relationship through that retailer with those customers. So that would be an example of a second-party data.

And then third-party data is really data that's being kind of aggregated and manufactured, picking someone else's first-party data or someone else's second-party data and creating other data assets around that. So, if you – in the context of the privacy landscape in conversation, one of the things that's really interesting about second-party

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data is that because of someone else's first-party data, that company that's collecting the data directly already has a relationship with that customer. And that means that they're able to collect the permissions appropriately and they're able to do the value exchange that enable them to leverage that data to interact – to create some kind of value for the consumer whether it's a better experience, when they're showing up in the store or it's more targeted offers or creating product recommendations.

All of those things are a way – those are all ways that you can create a value exchange and, therefore, create the right permissions for the data to be collected. And when you get many first parties together and you get them exchanging data and sharing data in that way, it's incredibly powerful, because not only the data tend to be higher quality but you know that the right permissions are being collecting on it.

Stan Zlotsky   Q
Analyst, Morgan Stanley & Co. LLC

And the whole concept of GDPR, data privacy, regulation, and all the data complexity that's now being created out there, is the right way to think about it that the more complex this data landscape and data exchange landscape becomes, the more actually of a benefit it is to a company like LiveRamp that has this really powerful data stewardship capabilities.

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

Well, number one, I think it's the right thing to do like I – I just think that ethically companies have the responsibility to give consumers control and choice over data. But yes, if there is regulatory complexity, it makes it hard for companies to understand – particularly if it's all at the state level, it's essentially an operational tax on companies. And companies that are great at retail or great at manufacturing or great at whatever aren't necessarily great understanding how to collect the privacy permission and manage regulatory complexity. And so the first thing they do is look to a company like us to help be their trusted guide through that maze. And so I think it's a really good thing for our business. But again, I also think that it's also just the right thing for all businesses.

Stan Zlotsky   Q
Analyst, Morgan Stanley & Co. LLC

Make sense. And sticking with products, one area that is one of the newer product areas for you guys, but I think it's a very interesting area is addressable TV. The thing with TV though is it's complex. There is a lot of manual processes, and there is also – there is this push to try to get more tech and you have things more automated, but at the end, it's complicated. What is LiveRamp's angle here with an addressable TV?

Anneka Gupta   A
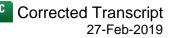*Co-President & Head-Products & Platforms, LiveRamp, Inc.*

Yeah. So when we look at TV, we're looking at it under the umbrella of advanced TV and that's really thinking about how do you make every piece of inventory, digital video, all TV, every way that it's bought, how do you make that inventory both addressable and measurable at the person level or at the household level. One piece of that is addressable TV and that's the category – or that's the inventory that's directly sold by the cable providers. It's basically tied as a set-top box.

They're able to say, hey, how I want to show these households the specific ad because I know these households are people that have bought trucks from me in the past or basically using that data to directly target ads there. That's something that's a newer buying process, and it's one where it's incredibly powerful for the brand to be able

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to actually target the people they want to target, and then on the backend of that measure the results of those campaigns as well. And so we're seeing a huge amount of traction there.

The second category is more around the way that TV has traditionally been brought usually by a TV show and you use [indiscernible] (00:27:02) segment to say which TV shows you want to buy. Well, what we enable is we enable you to bring more data into that process, so you can say, hey, which shows do yogurt loving moms over-index on, and so maybe they over-index on modern families, so now you can buy ads on modern family knowing that you're targeting audience that you want to target.

And then the third category under advanced TV is connected TV and OTT which is really all the new ways in which consumers are watching content, they're watching on their tablets, they're watching on Roku, they're watching on smart TVs, they're using whole lot of different streaming services with more emerging every day, and what we offer is we're enabling all of that inventory to be truly data driven. So when we're looking at that ecosystem, we're really excited about all of the potential because we're enabling data to drive better decisions across every piece of inventory, that's TV or video.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

And one of the big to-do recently was a big spat between CBS and Nielsen over their contract. But one of the cruxes there was just the ability to measure and figure out how are people actually watching the content that's coming out from CBS and how do you monetize that content, right. How does LiveRamp in that context help the industry?

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

A

Yeah. If you look at what an advertiser is trying to do at the end of the day is they're trying to reach a person wherever that person is. And I think like what we're really enabling going back to this umbrella of advanced TV is that we're enabling them to reach that person wherever that person is, wherever they're consuming content in the digital world and then wherever they're going in the physical world as well. And so that, I think, is really the power of what we're able to bring to different participants in ecosystem.

Specifically in TV, a lot of the broadcasters and networks, the challenge they have is that they don't have a direct relationship with that consumer, so it becomes really hard for them to figure out who is the person that's watching my content, how when I'm selling my ads do I enable an advertiser to use data in this process. And so there are many different ways that we're working with them, in some of the more traditional context, but we're also as we think about this entire ecosystem, we're not thinking about the ecosystem in these three silos that I talked about. But also talking about how do we connect the network [indiscernible] (00:29:41) broadcasters better with the cable providers so that they can exchange data to enable the broadcasters' networks so that we know who the people are at the end of the day.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

That's great. Well I think that's a really good place for us to stop, Anneka, Scott, Lauren. Thank you so much for your time.

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

Thank you.

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

Thank you.

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

Thank you.