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LiveRamp Holdings, Inc. (RAMP)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen, and welcome to LiveRamp's Fiscal 2025 Second Quarter Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you. As a reminder, this conference call is being recorded.

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

Andrew M. Borst
Vice President-Investor Relations, LiveRamp Holdings, Inc.

Thank you, operator. Good afternoon, everyone, and thank you for joining our fiscal 2025 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. Copy of our press release and financial schedules, including any reconciliation to non-GAAP financial measures, is available at investors.liveramp.com. Also, during the call today, we will be referring to the 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 for joining our call. There was a lot to like about our most recent quarter, whether it be top line growth, client progress or margin improvement. I'll start my remarks today by discussing our performance on these dimensions, which will be a fun conversation. I'll then shift to the topic about, which many of you have been asking, the current selling environment, provide some color and talk about why I'm optimistic about the long-term. Finally, I will discuss our ongoing progress toward becoming a Rule of 40 company, a steady journey of continuous improvement to which we are fully committed.

Let's start by spending some time on Q2 results. These were strong. For the quarter, both revenue and operating income exceeded our expectations. Total revenue grew by 16%, our third consecutive quarter of double-digit growth. Subscription revenue grew by 14%, and marketplace and other revenue increased by 23%. This marks the sixth straight quarter of at least 20% marketplace growth reflecting both strong secular growth in digital advertising, as well as strong execution by our team. On the bottom line, operating income grew by 28% and operating margin expanded by 200 basis points to a quarterly high of 22%.

Beyond these key financial results, there are two operational measures worth highlighting. First, our subscription net retention was 107%, which marks a sixth consecutive quarter of improvement. Second, our $1 million plus customer count increased by 10 to a record high of 125. Both of these metrics reflect the continued improvement in our renewal rate with existing customers. Over the past 18 months, we have enhanced our customer support and service function and invested in our platform to make it more user friendly. This has led to higher customer satisfaction and contributes to our renewal rate improvement.

Every quarter brings a fresh set of renewals, but we are focused on sustaining this positive momentum. These metrics also reflect some key upsells in the quarter, including the multiyear, multimillion-dollar ACV deal with one of the largest global ad agency holding companies, and a seven-figure ACV upsell with a major financial services company for a full suite of our solutions.

The financial services sector is now beginning to adopt commerce media networks, and we are helping multiple customers build their capabilities. While it's early, we expect this trend to be a growth opportunity over the coming years in much the same way that we've seen retail media networks gain traction.

We also had several notable new logo wins during the quarter. We signed a mid-six-figure deal for identity and onboarding with a leading biopharmaceutical company, as well as with a leading public cloud provider. New logo deals like these are critical to our future because most of today's million-dollar plus customers were yesterday's much smaller new logos. Finally, on the customer front, we had two key wins international with TF1, France's largest commercial broadcaster and streamer, and REA, Australia's leading residential real estate website. In both cases, these companies are using our clean room solutions to enable privacy first data collaboration with the advertisers for enhanced measurement of advertising effectiveness.

With another strong quarter now in our rearview mirror, let me shift gears to the future. Growth is never completely linear. And last quarter, I talked briefly about some of the near-term headwinds we've seen in the selling environment. In the tech sector, IT budgets are tight given economic uncertainty and at least based on conversations I've had with clients, many of them were anxious about yesterday's election and the implications for the business environment. In addition, when Google Chrome changed its timing and process for cookie deprecation, it certainly lessened the panicked technology migration urgency that many marketers may have felt.

What always fuels my confidence in the future, however, is LiveRamp's fundamental market position and we've also taken advantage of this temporary lull to do some smart things that should position us well for a decade of long- term growth. LiveRamp has a natural advantage. We are a network company with scale leadership in the evolving data collaboration market. We have steadily built our network over the past decade and we have significant scale with all, all of the important participants, over 500 brand advertisers and ad agency customers, 500 plus digital publishers from the open web to CTV and streamers to commerce media, and also all of the meaningful ad tech intermediaries.

Collectively, the publishers in our network reached over 92% of US consumer time spent online. Not to be overlooked, the other key component of our network is our data marketplace with more than 200 active data providers offering high quality data to other participants in the ecosystem and a growing amount of first party data collaborations through clean rooms.

The scale of our network is a true competitive advantage today, and we are not done. As the density of our network increases and network participant can activate more use cases, collaborate with more complementary companies and unlock greater value, we believe our growth will accelerate.

Capitalizing on our existing capabilities and network, we have embarked on the next phase of our network expansion, scaling our data clean room network. Two overarching existential trends are driving our network growth. First, personalized customer experiences are the gold standard in marketing because it results in better advertising outcomes for brands as well as their customers. Second, first party data on premium content where consumers spend their time is the best way to deliver personalized experiences as third-party signals degrade seamlessly, connecting first party data is paramount.

Our data collaboration platform is purpose built for this environment, helping brand marketers safely and securely use their first party data to deliver, measure and optimize personalized advertising at scale across the premium advertising ecosystem.

Let me explain what we have been doing recently to accelerate our growth and capitalize on this clean room network opportunity. We continue to fine tune and enhance our sales function as they navigate what remains a relatively tepid demand environment. In recent months, I've sat in on virtually all of our pipeline and forecasting calls, our account planning conversations, and been involved in dozens of client pitches. I've been speaking frequently and we've hosted numerous client education sessions. I've learned there is an incredible demand for collaboration, but customers need help to optimize their efforts.

More succinctly, we're seeing clients have ambitious agendas, unlock promising early results, but struggle with how to best prioritize the partner landscape, sequence their collaborations and intelligently scale their efforts. This is a luxury problem in as much as it's really an opportunity. A decade ago, we had to teach the ecosystem how to use their own data effectively, which unlocked consistently high top line growth. Now, we're teaching many of the same participants how to collaborate with others on data, which we believe is an even bigger opportunity.

So, what are we doing? Let me highlight some of our initiatives. Number one, we're focusing on the network nodes that really matter. Just as we once found that some destinations matter more than others, like Google and Meta, for example, we are now finding that some collaboration partners matter more than others. The biggest retailers, the largest card issuers, data rich CTV companies, and the major airlines. Over the past quarter, we have focused our efforts in winning key data owner nodes knowing that adding these participants to the network will create a future flywheel effect. We are seeing early signs that these enhancements are working, but this will take some time to scale.

Two, we're adding more publisher partners to the clean room network. Another key to seizing the data collaboration market is scaling the key publisher and data owner nodes in our clean room network. As we think about network expansion, we are focused on four categories of publisher and data owner segments, retail and commerce media, CTV, the Comscore 100 publishers, including the largest walled gardens as well as premium open web publishers, and finally, unique data providers. Across each customer segment, we are initially prioritizing the largest players with significant addressable audiences and consumer data.

Three, we're expanding our use cases. In any network, participants can extract greater value if there are more endpoints in the network. Use cases that allow marketers to create greater customer value. Last month, we announced the first artificial intelligence destinations in our network with perplexity and chalice. Through these partnerships, LiveRamp will enable marketers to personalize AI-powered searches on perplexity and use chalice to activate AI-derived custom audiences on Meta, YouTube, and soon other social platforms. And this is just the beginning. Over time, we will create a full suite of compelling AI partnerships and use cases for our ecosystem participants.

Four, we're making it easier for our clients and partners to collaborate with one another. Our approach centers on overcoming the primary hurdles to seamless collaboration between data owners and data consumers. We've developed a frictionless framework for collaboration by standardizing terms of engagement in two key areas, legal contracting and turnkey use cases. You can call this acceleration through standardization. And here's how it works practically.

Our advertiser clients can simply add an addendum to their existing LiveRamp contract, unlocking immediate collaboration with publishers across our clean room network. This enables them to act quickly on foundational use cases like audience overlap, reaching frequency and custom attribution. Moreover, we've designed pre-built query templates for these and other common applications, allowing advertisers generate insights faster and reduce their time to value significantly. Two weeks ago, we convened a group of over 30 current collaborators in Nashville, some of the world's largest retailers, packaged goods companies and publishers, and walk them through all the enhancements. Without exception, those in attendance saw opportunities to accelerate their efforts.

Five, we're improving our product functionality. In early October, we debuted a new version of the LiveRamp Data Collaboration Platform that will further accelerate customers' time to value and strengthen their ability to deliver personalized advertising to consumers. The updates enable first-party identity graphs with self-serve service capability, standardized queries to help customers drive immediate insights with clean room measurement and faster – much faster activation and performance. If interested, I encourage you to view the product demo videos available on our website to learn more about these new features.

Importantly, we're seeing early momentum that should snowball over time. For example, on our last earnings call, I mentioned that we have been working on this acceleration through standardization process with an initial target list of 35 large publishers, including CTV streaming platforms and retail media networks. In less than a quarter, I am pleased to report that we have achieved strong traction with over half, over half of these 35 targeted publishers joining the data collaboration network. We expect the remainder to be signed by the end of this quarter and we have added an additional 45 targets.

This progress highlights a pivotal aspect of our strategy. Technology alone is insufficient to drive real value for our partners and customers. For our customers, seamless access to premium Internet publishers is proving transformative, enabling deep customer insights, accelerating sales, and most importantly, better consumer experiences. This expanding network effect is fueling our strategic vision and will only deepen the impact and efficiency of our clean room solutions. We know what data collaboration success looks like with these large publishers that have scaled authenticated audiences and a highly demanded advertising inventory. So let me share some recent examples.

One of the largest CTV nodes in our network is Disney's video streaming platform. We have been working with them for more than a year and they have scaled their collaboration connections to over 30 brands and counting. The primary CTV use case is measurement and optimization of personalized advertising, using first party data. Brands want to safely and securely use their first-party data to connect to publishers logged in authenticated audiences. We enable this in a privacy compliant way through the combination of our clean room, identity, and connectivity solutions.

We intend to replicate this kind of success not only with other CTV and streaming platforms, but across the entire publisher ecosystem, including commerce media, walled gardens, and open web publishers. We are seeing similar success in retail media. Walmart is using our clean room solutions to collaborate with advertisers on a couple of different platforms, including collaborating with media platforms to measure sales attribution and sales uplift from advertising campaigns and creating custom audience segments for onsite and offsite advertising. It's still early days, but Walmart is actively collaborating with 10 advertisers and is continuing to scale.

Finally, we think the prize is significant not only for our clients and partners, but for LiveRamp itself. Our revenue model is now intentionally two sided with both publishers and brand advertisers investing in the platform to unlock distinct advantages. Publishers pay an annual platform fee for each clean room they use to collaborate with individual brand advertisers. For publishers, this investment enhances the value and effectiveness of their advertising inventory through improved targeting and measurement capabilities. On the other side, brand advertisers also pay an annual fee, which scales based on the data volume shared over the year. For large enterprise customers, the annual fee will typically be larger than the publishers fee.

Brands see this as a high value investment because it grants them access to a broad network of premium publishers, enabling them to connect seamlessly with multiple clean rooms to achieve greater reach, richer consumer and advertising insights, and more sophisticated campaign strategies. This two-sided approach not only drives revenue, but creates a collaborative network where both parties see meaningful returns.

To summarize, we think this clean room network is a significant growth opportunity as we successfully execute. This business has the potential to scale quickly. We think the combination of our identity, connectivity, data access and clean room capabilities, all, all of them on a single platform, all of them available to the entire ecosystem. It's a unique competitive advantage that will allow us to capitalize on this emerging growth opportunity.

Finally, let me close by briefly talking about our ongoing efforts to earn our way into the Rule of 40 club, a steady march, which we believe will unlock greater returns for shareholders. Good news. We continue to make steady progress on our goal of being a Rule of 40 company. In fact, at the midpoint of our updated guidance, we expect to reach Rule of 30 this fiscal year with 12% revenue and 18% operating margin. This is a 350-basis point improvement year-over-year.

On the revenue side, we have been meeting our objective of 10% to 15% growth in each of the past three fiscal years, including this fiscal year with 12% growth assuming the midpoint of our guide. Growth will never be perfectly linear, but we like our long-term prospects. On the margin side, we continue to make steady progress on improving our efficiencies throughout the business. This is a journey. Three years ago, our margin was just 8%. This year, we expect our margin to expand by 200 basis points to 18% and we are not nearly done. Like many well-managed companies, we use periods of economic uncertainty to even more closely examine every aspect of our operations.

As we look out to FY 2026, we see the potential for our operating margin to expand to between 20% and 25%, driven by a combination of cost efficiencies, savings associated with our offshoring initiative and the high drop-down rate on incremental revenue inherent in our SaaS model. As always, we believe we are striking the right balance of investing for future revenue growth, but also delivering improving profitability.

In closing, let me reiterate what I believe to be the key themes from the quarter. First, we delivered strong financial results in Q2 with revenue and operating income exceeding our expectations, double-digit growth in revenue and ARR, record high $1 million plus customers and record high operating margin. Good stuff.

We're using what I believe is a short-term lull in sales caused by economic uncertainty to educate the ecosystem and position ourselves for sustained longer-term growth. We're making our data collaboration platform simple and easy and scaling our clean room network by adding the critical publisher and data owner nodes. We are doing the foundational work to standardize the use cases and the contract terms that will allow publishers and advertisers to immediately, immediately start collaborating on foundational use cases, and we're seeing signs of progress. I'm optimistic here.

Finally, we want to deliver even greater returns to our shareholders. We are committed to making steady progress on our goal of being a Rule of 40 company. This fiscal year, we expect a 350-basis point improvement, which will earn us membership in the Rule of 30 club. That's progress, but we want to be in the more prestigious Rule of 40 club.

As we look out to FY 2026, we see a path to 20% to 25% operating margin, up from 18%, driven by a combination of cost efficiencies, offshoring savings and high drop-down rate on incremental revenue.

Thank you again for joining us today. And a special thanks to our exceptional customers, partners and all LiveRampers for their ongoing hard work and support. We look forward to updating you on our progress in the coming quarters. I will now 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 will cover two topics. First, a review of our Q2 financial results. And second, provide our outlook for FY 2025 and Q3. Unless otherwise indicated, my remarks pertain to non-GAAP results and the growth is relative to the year ago period. I will be referring to the earnings slide deck that is available on our IR website.

Starting with Q2, in summary, we delivered strong results above our expectations, highlighting another quarter of solid performance. Revenue came in at $185 million, $9 million above our guide, and operating income was $41 million, $10 million above our guide. Operating margin expanded by 2 points to a record quarterly high of 22%. Subscription net retention improved by 2 points sequentially to 107%. ARR grew by 13% and $1 million plus customer count grew by 10 quarter-on-quarter to a record high of 125.

Let me provide some additional details. Please turn to slide 5. Total revenue was $185 million, up 16%, with both subscription and marketplace and other above our expectations. Subscription revenue was $143 million, up 14%. Fixed subscription revenue was also up 14%, a 2-point acceleration from last quarter and slightly ahead of our low double-digit expectation on lower-than-expected contraction. Usage revenue was up 16% and largely benefited from some one-time activity. Usage as a percentage of total subscription revenue was 16%, slightly above the 10% to 15% historic range.

ARR was $483 million, up 13% year-on-year, and quarter-on-quarter grew by $5 million, driven by product attach expansion and improved customer churn and downsell. Subscription net retention was 107%, 2 points better sequentially, and above our 100% to 105% expectation. The improvement was mostly driven by lower customer churn and downsell and to a lesser extent stronger subscription usage. Total RPO or contracted backlog was up 3% to $504 million. Current RPO was up 10% to $374 million.

The selling environment in Q2 was similar to the prior two quarters. On the positive side, our sales head count is stable, and we have sufficient sales capacity to meet our goals this year. We are confident in our second half pipeline and we saw a modest improvement in the average sales cycle in the quarter, and we had a near record renewal rate with existing customers in Q2.

On the other hand, our conversion of pipeline into sales remains below trend. Customers remain cautious and software spending decisions are being carefully scrutinized. As we turn the page to calendar 2025, with a lower interest rate environment, we are cautiously optimistic that spending loosens up. In the meantime, as Scott mentioned, we remain focused on what we can control, refining our go-to-market, improving our product functionality, and expanding our network.

Marketplace and other revenue increased 23% to $42 million. Data marketplace, which accounted for 78% of marketplace and other revenue, grew by 24%, reflecting continued strength in digital advertising and in particular CTV, which now accounts for roughly 20% of data marketplace revenue.

Moving beyond revenue, gross margin was 75% flat year-on-year. Operating expenses were $99 million, up 11%, driven primarily by investments in product and sales head count to support revenue growth. Operating income was $41 million, up from $32 million a year ago, and our operating margin was up 2 points to a record quarterly high of 22%. GAAP operating income was $7 million, reflecting stock-based compensation and purchased intangible asset amortization.

Stock comp was $29 million, up from $16 million a year ago. As a reminder, the prior year benefited from accelerated vesting for tax planning purposes, and the current year includes the impact of the Habu acquisition. Operating cash flow was $56 million, up from $36 million a year ago, reflecting growth in adjusted EBITDA and improved working capital. In August, the board expanded and extended our share repurchase program. And in Q2, we increased our repurchase to $50 million, bringing our fiscal year-to-date total to roughly $71 million through today. There is approximately $287 million remaining under the current authorization that expires at the end of calendar 2026.

So in summary, we posted strong financial results in Q2. We beat on both the top and bottom line. Subscription revenue and ARR grew by double-digits for the third consecutive quarter. Subscription net retention improved sequentially to 107%, the highest level in over two years. $1 million plus customer count increased by 10 to reach a new record high of 125. Operating margin expanded by 2 points to a record high of 22%.

Let me now turn to our financial outlook for FY 2025 and Q3. Please turn to slide 12. Please keep in mind our non-GAAP guidance excludes intangible amortization, stock-based compensation and restructuring and related charges.

Starting with the full year, we are increasing our revenue guidance to between $737 million and $739 million, up 12% year-on-year. Relative to our prior guide, this is a $13 million increase at the midpoint and above the $9 million beat in Q2. We are increasing our subscription growth expectations. We expect fixed subscription revenue to grow approximately low double-digit versus our prior expectation of high single to low double-digit. We expect subscription usage to be up mid-single digits up from flat previously. Our outlook for subscription revenue assumes net retention remains within a range of 100% to 105%. This is a few ticks below Q2, which benefited from some one-time items in subscription usage, as I mentioned. With marketplace and other, we now expect growth in the high teens up from our prior expectation of mid-teens. Underpinning this estimate is an expectation that data marketplace growth will be in line to above the growth in overall US digital advertising. In addition, we expect services growth to moderate as we move through the back half of the year.

We now expect gross margin to be approximately 74% to 75% due to short-term investments to modernize our platform and improve data processing, speed and reliability. We expect non-GAAP operating income of between $133 million and $135 million. At the midpoint, this represents 28% growth and a margin of 18%, up 2 points year-on-year. On the Rule of 40 framework, at the midpoint of our guide, the 18% operating margin plus 12% revenue growth would put us at Rule of 30 for the first time. We expect GAAP operating income to be between $6 million and $8 million. And lastly, on share repurchases, we intend to use a substantial portion of this year's free cash flow for share repurchases and we'll be opportunistic over the balance of the fiscal year depending on market conditions.

Now, moving on to Q3. We expect total revenue of $191 million, non-GAAP operating income of $39 million and an operating margin of 20%. A few other call outs for Q3. We expect subscription revenue to be up high single digits with fixed subscription up low double digits and usage roughly flat. Marketplace and other revenue is expected to be up mid-teens. Note that the comps get increasingly difficult in the fiscal second half, but our guide assumes a fairly stable two-year stack. Gross margin is expected to be between 74% and 75%, and we expect stock-based compensation to be approximately $27 million.

Before opening the call to questions, I'll conclude with a few final thoughts. First, we had a strong Q2 ahead of our expectations on the top and bottom line, reflecting strength with existing customers and healthy digital ad markets. Operating margin expanded by 2 points to a record quarterly high of 22%. We've increased our FY 2025 guidance for revenue and operating income. And while not yet in a position to provide guidance for FY 2026, we remain committed to continue the Rule of 40 progress.

As Scott mentioned, our top focus is on building out our network and reaccelerating our sales momentum. On the bottom line, we will continue to carefully and smartly manage expenses. We are executing well against our offshoring initiative and are continuously evaluating opportunities for further cost efficiencies. Net, we expect to deliver several points of operating margin improvement in FY 2026 and show further progress against Rule of 40.

Before turning to your questions, a quick public service announcement. RampUp, our annual customer and partner conference, will be held on February 25 through February 28 in San Francisco. In addition, we will host an Investor and Analyst Day on February 25. More details to come, but please mark your calendars and we hope you can join us.

On behalf of all LiveRampers, thanks again for joining us today, and thank you to our amazing customers and partners. Operator, we will now open the call to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We ask that you please limit to one question and one follow-up. We will pause for just a moment to compile the Q&A roster. Your first question comes from the line of Jason Kreyer with Craig-Hallum. Please go ahead.

Jason Michael Kreyer
Analyst, Craig-Hallum Capital Group LLC

Q

Great. Thank you, guys. I just wanted to ask about the strong performance in subscription revenue. We've talked the past couple of quarters about these longer sales cycles, so we had expected maybe a little bit of a [ph] desell (00:50:33) there. So, just curious if you can unpack what elements of the selling process drove the acceleration you saw in subscription.

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

A

Yeah. I'm happy to. And we were pleased to report that the outperformance in subscription was driven by both an improvement in fixed subscription as well as subscription usage. With respect to fixed subscription, and as Scott mentioned, we had a near record high renewal rate in the quarter and record low contraction, and that benefited our fixed subscription growth in Q2. And then as I mentioned in my prepared remarks, subscription usage did benefit from some one-time items and activity in the quarter, which we're not expecting to repeat in the second half but certainly benefited usage growth in Q2. So taken together, we saw a nice beat against our expectation for subscription. And then, while you didn't ask it, data marketplace also outperformed relative to our expectations in the quarter, and that was largely driven by a strong data marketplace performance and particularly CTV.

Jason Michael Kreyer
Analyst, Craig-Hallum Capital Group LLC

Q

Always happy to have you slide in the outperformance on data marketplace. Appreciate that. So, you also had some interesting commentary just on the margin outlook as we get into 2026. Can you maybe unpack what the drivers are going to be or a little bit more detail on where you expect that better performance and margin to come from as we get into next year?

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

A

Yeah. I'm happy to take this one as well. And thank you for the question. First, offshoring, as we've discussed, remains a big lever for the business over the medium term and we continue to execute really nicely here. Today, we have about 250 roles offshore, up from 60 at the same time last year. The savings benefit this year is being somewhat masked by the addition of Habu related expenses but would expect this to be a more meaningful driver of margin expansion in FY 2026. In addition, as we mentioned, we're looking carefully at our cost structure to ensure every dollar of investment is aligned to the key growth initiatives that Scott discussed. And we're driving efficiencies where we can. So, for example, as we continue to modernize our platform, which we discussed and pay down technical debt, we expect to slow the rate of hiring and investment in our product and engineering function. And similarly, we would expect to see continued leverage on our G&A investments.

Jason Michael Kreyer
Analyst, Craig-Hallum Capital Group LLC

Q

Perfect. Thank you very much.

Operator: Your next question comes from the line of Shyam Patil with Susquehanna. Please go ahead.

Aaron Samuels
Analyst, Susquehanna Financial Group LLLP

Q

Good afternoon. This is Aaron on for Shyam. Thanks for taking our questions. Can you talk about CTV and how that's contributing to the growth that we're seeing? And then relatedly, are there any more details that you can share to help us better understand the clean room partnership that you recently announced with Netflix? Thank you.

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

A

Yeah. Hey, Aaron, it's Scott. First off, on CTV, it's not something we break out anymore specifically because we're not a [ph] BD (00:54:01) take rate business. That said, I would tell you that I think we are absolutely instrumental in the future of CTV, where it's going and how those CTV players are going to in the future partner with major advertisers. And let me unpack that a little bit. It used to be that if you were buying television, you would go do panel based – with some panel-based data to plan your buy. Well, it is now the case that every major CTV provider has an authenticated audience, and they have deep, valuable data. And so, the combination of that valuable CTV data, along with the valuable first-party advertiser data, which is authenticated as well. Well, when you start to collaborate across those two deep datasets, that's when the magic happens and that requires clean rooms.

So when I talked earlier in my prepared remarks about the 35 publishers that we had targeted, a big chunk of those are the major CTV companies, and we are working with virtually all of them. And the ways that we're working with them is to set up this clean room so there can be audience collaboration that also facilitates measurement. So advertisers are getting just a fundamentally better experience when they're placing their ad buys on those CTV providers. And that's so important now because we've passed this tipping point for CTV. So, I think that's going to be a really interesting part of our business. We've talked so much over the last couple years about retail media networks. But add in here kind of these entertainment networks that we're going to start to see virtually every major advertiser is going to be collaborating with, call it, the top dozen CTV providers and doing really, really interesting things.

And remind me again, your second question, it was Netflix, right? So, on the Netflix side, I talked in my prepared remarks about what we're doing with Disney, and the Netflix partnership is just very similar. We announced it last quarter. I think it goes live in early January. I mean, it's really hard to take things live in Q4, which is kind of the height of the selling season from a publisher technology perspective. But I'll tell you, advertiser demand for this off the charts, it's going to be the measurement, the audience collaboration. I had lunch with – or dinner with some of the Netflix folks last month. They're super excited about it. So, I expect good things, but don't expect to see any growth from that this coming quarter, that will be in calendar Q1 or Q4.

Aaron Samuels
Analyst, Susquehanna Financial Group LLLP

Q

Great. Thanks, Scott.

Operator: [Operator Instructions] Your next question comes from the line of Elizabeth Porter with Morgan Stanley. Please go ahead.

Josh Baer
Analyst, Morgan Stanley & Co. LLC

Q

Hi, this is Josh Baer on for Elizabeth. I wanted to ask one on the FY 2026 operating margin guidance, really appreciate the early color. Wondering what would land you at 20% versus 25%, especially now looking for 18% or so for this year, the difference between sort of solid, modest expansion and really significant expansion. I'm wondering if you're managing costs to manage to some rule of metric that goes beyond the 30% this year or if it's a dynamic where top line upside is going to flow through. If you could talk to like what would land you at the top and bottom of that range, that would be great. Thanks.

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

A

Yeah, it's a great question. I'm happy to. And I'll start by just acknowledging it's probably too premature to talk about top line growth next year. We still have two quarters to go in this fiscal year. That said, under all reasonable revenue scenarios, we believe we have the levers to drive the margin expansion that both Scott and I discussed.

Revenue, of course, is going to be a lever on the 20% to 25% range just given that the high fall through of our model. In addition, that the pace at which we continue to offshore is a big lever. And then, finally, as we mentioned, we have kind of levers and other areas of our business to just run a better business and drive greater efficiencies. And how quickly we harvest those opportunities will also dictate margin expansion next year.

Josh Baer
Analyst, Morgan Stanley & Co. LLC

Q

Okay. Got it. Thank you.

Operator: Your next question comes from the line of Alex Lavigne with The Benchmark Company. Please go ahead.

Alex Lavigne
Analyst, The Benchmark Co. LLC

Q

Hey, guys. Thanks for taking the question. This is Alex on for Mark. I'm just curious if you could provide an update to the Oracle-related marketplace pipeline progression and whether or not to raise guidance, in fact, reflects that. And then, secondly, curious if you could quantify, perhaps I missed this, the contribution on revenue and ARR [indiscernible] (00:59:52) in the quarter. Thank you.

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

A

Yeah. Hey, Alex. I am happy to take both of those. So, first, with respect to the Oracle impact, we continue to expect a modest positive impact in Q3 associated with the shutdown of Oracle's ad business. As a reminder, this shutdown happened at the end of September, so still relatively new. And we'll continue to tread lightly with respect to guidance until we have more of a trend line to forecast against, but do continue to expect it to be – to represent a nice opportunity for us in the back half of this year.

And with respect to Habu, what I can share is we remain on track for the $18 million of synergized revenue this year and tracking toward that in the first half. At this point, just given the integration of Habu into our broader suite of clean room solutions, it's hard to pull it out – to pull out the contribution perfectly. But would reiterate, we are on track to deliver the $18 million we committed to at the beginning of this year.

Alex Lavigne
Analyst, The Benchmark Co. LLC

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Got it. Thank you very much.

Operator: [ph] Team (01:01:13), as we do not have any more questions at this time, 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.

Thanks so much. And I'll conclude with a few final thoughts. First, we delivered another strong quarter with both revenue and operating income ahead of our expectations. Next, we're pleased to take up our full year outlook for both revenue and operating income. And as we look ahead, we like our strategic position and our conviction about the long-term has never been greater. And finally, we hope you join us at RampUp in February in San Francisco.

So, with that, thank you again for joining us today. We look forward to speaking in the days and weeks ahead.

Operator: Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.