

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ----- to -----

Commission file number 1-38669

LiveRamp Holdings, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

**225 Bush Street, Seventeenth Floor
San Francisco, CA**

(Address of Principal Executive Offices)

83-1269307

(I.R.S. Employer Identification No.)

94104

(Zip Code)

(866) 352-3267

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol

Name of each exchange on which registered

Common Stock, \$.10 Par Value

RAMP

New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of common stock, \$ 0.10 par value per share, outstanding as of November 1, 2019 was 67,695,513.

LIVERAMP HOLDINGS, INC. AND SUBSIDIARIES
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September 30, 2019

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

LIVERAMP HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

| | <u>September 30, 2019</u> | <u>March 31, 2019</u> |
|--|---------------------------|-----------------------|
| <u>ASSETS</u> | <u>(Unaudited)</u> | |
| Current assets: | | |
| Cash and cash equivalents | \$ 777,443 | \$ 1,061,473 |
| Restricted cash | 14,815 | — |
| Trade accounts receivable, net | 88,150 | 78,563 |
| Refundable income taxes | 15,676 | 7,890 |
| Other current assets | 51,055 | 44,150 |
| Total current assets | 947,139 | 1,192,076 |
| Property and equipment, net of accumulated depreciation and amortization | 21,162 | 26,043 |
| Software, net of accumulated amortization | 27,413 | 6,861 |
| Goodwill | 297,477 | 204,656 |
| Deferred income taxes | 35 | 35 |
| Deferred commissions, net | 11,347 | 10,741 |
| Other assets, net | 58,657 | 32,499 |
| | \$ 1,363,230 | \$ 1,472,911 |
| <u>LIABILITIES AND EQUITY</u> | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 31,721 | \$ 31,203 |
| Accrued payroll and related expenses | 16,716 | 18,715 |
| Other accrued expenses | 55,724 | 40,916 |
| Acquisition escrow payable | 14,815 | — |
| Deferred revenue | 4,447 | 4,284 |
| Total current liabilities | 123,423 | 95,118 |
| Deferred income taxes | 1,500 | 39 |
| Other liabilities | 51,949 | 46,922 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock | 14,310 | 14,187 |
| Additional paid-in capital | 1,460,120 | 1,406,813 |
| Retained earnings | 1,587,263 | 1,669,605 |
| Accumulated other comprehensive income | 6,619 | 7,801 |
| Treasury stock, at cost | (1,881,954) | (1,767,574) |
| Total equity | 1,186,358 | 1,330,832 |
| | \$ 1,363,230 | \$ 1,472,911 |

See accompanying notes to condensed consolidated financial statements.

LIVERAMP HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in thousands, except per share amounts)

| | For the three months ended September 30, | |
|---|---|-----------|
| | 2019 | 2018 |
| Revenues | \$ 90,143 | \$ 64,812 |
| Cost of revenue | 41,460 | 24,466 |
| Gross profit | 48,683 | 40,346 |
| Operating expenses: | | |
| Research and development | 26,445 | 16,940 |
| Sales and marketing | 45,204 | 35,940 |
| General and administrative | 27,262 | 25,176 |
| Gains, losses and other items, net | 45 | 489 |
| Total operating expenses | 98,956 | 78,545 |
| Loss from operations | (50,273) | (38,199) |
| Total other income (expense) | 4,780 | (281) |
| Loss from continuing operations before income taxes | (45,493) | (38,480) |
| Income taxes (benefit) | (5,291) | 2,700 |
| Net loss from continuing operations | (40,202) | (41,180) |
| Earnings from discontinued operations, net of tax | — | 61,803 |
| Net earnings (loss) | \$ (40,202) | \$ 20,623 |
| Basic earnings (loss) per share: | | |
| Continuing operations | \$ (0.59) | \$ (0.53) |
| Discontinued operations | — | 0.80 |
| Net earnings (loss) | \$ (0.59) | \$ 0.27 |
| Diluted earnings (loss) per share: | | |
| Continuing operations | \$ (0.59) | \$ (0.53) |
| Discontinued operations | — | 0.80 |
| Net earnings (loss) | \$ (0.59) | \$ 0.27 |

See accompanying notes to condensed consolidated financial statements.

LIVERAMP HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in thousands, except per share amounts)

| | For the six months ended September 30, | |
|---|---|------------|
| | 2019 | 2018 |
| Revenues | \$ 172,654 | \$ 127,283 |
| Cost of revenue | 77,886 | 48,120 |
| Gross profit | 94,768 | 79,163 |
| Operating expenses: | | |
| Research and development | 50,167 | 33,910 |
| Sales and marketing | 88,348 | 69,263 |
| General and administrative | 52,580 | 43,301 |
| Gains, losses and other items, net | 2,321 | 490 |
| Total operating expenses | 193,416 | 146,964 |
| Loss from operations | (98,648) | (67,801) |
| Total other income | 10,662 | 75 |
| Loss from continuing operations before income taxes | (87,986) | (67,726) |
| Income taxes (benefit) | (5,644) | 1,272 |
| Net loss from continuing operations | (82,342) | (68,998) |
| Earnings from discontinued operations, net of tax | — | 86,606 |
| Net earnings (loss) | \$ (82,342) | \$ 17,608 |
| Basic earnings (loss) per share: | | |
| Continuing operations | \$ (1.21) | \$ (0.89) |
| Discontinued operations | — | 1.12 |
| Net earnings (loss) | \$ (1.21) | \$ 0.23 |
| Diluted earnings (loss) per share: | | |
| Continuing operations | \$ (1.21) | \$ (0.89) |
| Discontinued operations | — | 1.12 |
| Net earnings (loss) | \$ (1.21) | \$ 0.23 |

See accompanying notes to condensed consolidated financial statements.

LIVERAMP HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Dollars in thousands)

| | For the three months ended | | For the six months ended | |
|---|----------------------------|------------------|--------------------------|------------------|
| | September 30, | | September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| Net earnings (loss) | \$ (40,202) | \$ 20,623 | \$ (82,342) | \$ 17,608 |
| Other comprehensive income (loss): | | | | |
| Change in foreign currency translation adjustment | (715) | 1,293 | (1,182) | (575) |
| Comprehensive income (loss) | <u>\$ (40,917)</u> | <u>\$ 21,916</u> | <u>\$ (83,524)</u> | <u>\$ 17,033</u> |

See accompanying notes to condensed consolidated financial statements.

LIVERAMP HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2019
(Unaudited)
(Dollars in thousands)

| | Common Stock | | Additional paid-in Capital | Retained earnings | Accumulated other comprehensive income (loss) | Treasury Stock | | Total Equity |
|--|---------------------|-----------|----------------------------------|----------------------|--|---------------------|----------------|-----------------|
| | Number of shares | Amount | | | | Number of shares | Amount | |
| Balances at March 31, 2019 | 141,865,888 | \$ 14,187 | \$ 1,406,813 | \$ 1,669,605 | \$ 7,801 | (73,167,892) | \$ (1,767,574) | \$ 1,330,832 |
| Employee stock awards, benefit plans and other issuances | 46,681 | 4 | 1,056 | — | — | (221,195) | (12,093) | (11,033) |
| Non-cash stock-based compensation | 51,362 | 5 | 15,059 | — | — | — | — | 15,064 |
| Restricted stock units vested | 487,632 | 49 | (49) | — | — | — | — | — |
| Acquisition of treasury stock | — | — | — | — | — | (412,200) | (20,099) | (20,099) |
| Comprehensive loss: | | | | | | | | |
| Foreign currency translation | — | — | — | — | (467) | — | — | (467) |
| Net loss | — | — | — | (42,140) | — | — | — | (42,140) |
| Balances at June 30, 2019 | 142,451,563 | \$ 14,245 | \$ 1,422,879 | \$ 1,627,465 | \$ 7,334 | (73,801,287) | \$ (1,799,766) | \$ 1,272,157 |
| Employee stock awards, benefit plans and other issuances | 72,505 | 8 | 1,026 | — | — | (34,274) | (1,814) | (780) |
| Non-cash stock-based compensation | 6,833 | 1 | 16,267 | — | — | — | — | 16,268 |
| Restricted stock units vested | 146,521 | 14 | (14) | — | — | — | — | — |
| Liability-classified restricted stock units vested | 418,850 | 42 | 17,662 | — | — | — | — | 17,704 |
| Acquisition-related replacement stock options | — | — | 2,300 | — | — | — | — | 2,300 |
| Acquisition of treasury stock | — | — | — | — | — | (1,722,730) | (80,374) | (80,374) |
| Comprehensive loss: | | | | | | | | |
| Foreign currency translation | — | — | — | — | (715) | — | — | (715) |
| Net loss | — | — | — | (40,202) | — | — | — | (40,202) |
| Balances at September 30, 2019 | 143,096,272 | \$ 14,310 | \$ 1,460,120 | \$ 1,587,263 | \$ 6,619 | (75,558,291) | \$ (1,881,954) | \$ 1,186,358 |

See accompanying notes to condensed consolidated financial statements

LIVERAMP HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2018
(Unaudited)
(Dollars in thousands)

| | Common Stock | | Additional paid-in Capital | Retained earnings | Accumulated other comprehensive income (loss) | Treasury Stock | | Total Equity |
|---|---------------------|-----------|----------------------------------|----------------------|--|---------------------|----------------|-----------------|
| | Number of shares | Amount | | | | Number of shares | Amount | |
| Balances at March 31, 2018 | 136,079,676 | \$ 13,609 | \$ 1,235,679 | \$ 628,331 | \$ 10,767 | (58,304,917) | \$ (1,139,291) | \$ 749,095 |
| Cumulative-effect adjustment from adoption of ASU 2014-09 | — | — | — | 12,727 | — | — | — | 12,727 |
| Employee stock awards, benefit plans and other issuances | 233,784 | 23 | 4,093 | — | — | (391,898) | (10,044) | (5,928) |
| Non-cash stock-based compensation | 149,416 | 15 | 16,796 | — | — | — | — | 16,811 |
| Restricted stock units vested | 1,259,681 | 126 | (126) | — | — | — | — | — |
| Acquisition of treasury stock | — | — | — | — | — | (1,853,071) | (45,766) | (45,766) |
| Comprehensive loss: | | | | | | | | |
| Foreign currency translation | — | — | — | — | (1,868) | — | — | (1,868) |
| Net loss | — | — | — | (3,015) | — | — | — | (3,015) |
| Balances at June 30, 2018 | 137,722,557 | \$ 13,773 | \$ 1,256,442 | \$ 638,043 | \$ 8,899 | (60,549,886) | \$ (1,195,101) | \$ 722,056 |
| Employee stock awards, benefit plans and other issuances | 205,553 | 21 | 3,984 | — | — | (104,157) | (4,580) | (575) |
| Non-cash stock-based compensation | 91,168 | 9 | 17,272 | — | — | — | — | 17,281 |
| Restricted stock units vested | 336,870 | 33 | (33) | — | — | — | — | — |
| Warrant exercises | — | — | (51) | — | — | 3,488 | 51 | — |
| Acquisition of treasury stock | — | — | — | — | — | — | — | — |
| Comprehensive income: | | | | | | | | |
| Foreign currency translation | — | — | — | — | 1,293 | — | — | 1,293 |
| Net earnings | — | — | — | 20,623 | — | — | — | 20,623 |
| Balances at September 30, 2018 | 138,356,148 | \$ 13,836 | \$ 1,277,614 | \$ 658,666 | \$ 10,192 | (60,650,555) | \$ (1,199,630) | \$ 760,678 |

See accompanying notes to condensed consolidated financial statements

LIVERAMP HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

| | For the six months ended | |
|---|--------------------------|-------------|
| | September 30, | |
| | 2019 | 2018 |
| Cash flows from operating activities: | | |
| Net earnings (loss) | \$ (82,342) | \$ 17,608 |
| Earnings from discontinued operations | — | (86,606) |
| Non-cash operating activities: | | |
| Depreciation and amortization | 19,854 | 16,540 |
| Loss (gain) on disposal or impairment of assets | (140) | 475 |
| Provision for doubtful accounts | 2,430 | 631 |
| Deferred income taxes | (5,083) | 12,444 |
| Non-cash stock compensation expense | 41,984 | 35,465 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (11,258) | (2,649) |
| Deferred commissions | (606) | (2,047) |
| Other assets | (3,897) | 1,264 |
| Accounts payable and other liabilities | 2,821 | (4,604) |
| Income taxes | (7,789) | (16,416) |
| Deferred revenue | (133) | (1,515) |
| Net cash used in operating activities | (44,159) | (29,410) |
| Cash flows from investing activities: | | |
| Capitalized software | — | (1,322) |
| Capital expenditures | (7,529) | (2,035) |
| Proceeds from sale of assets | 517 | — |
| Cash paid in acquisition, net of cash received | (105,365) | — |
| Payments for investments | — | (2,500) |
| Net cash used in investing activities | (112,377) | (5,857) |
| Cash flows from financing activities: | | |
| Payments of debt | — | (3,293) |
| Fees from debt refinancing | — | (300) |
| Proceeds related to the issuance of common stock under stock and employee benefit plans | 2,092 | 8,121 |
| Shares repurchased for tax withholdings upon vesting of stock-based awards | (13,907) | (14,624) |
| Acquisition of treasury stock | (100,473) | (45,766) |
| Net cash used in financing activities | \$ (112,288) | \$ (55,862) |

LIVERAMP HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)
(Dollars in thousands)

| | For the six months ended | |
|---|--------------------------|-----------|
| | September 30, | |
| | 2019 | 2018 |
| Cash flows from discontinued operations: | | |
| From operating activities | \$ — | \$ 54,316 |
| From investing activities | — | (14,502) |
| Effect of exchange rate changes on cash | — | (172) |
| Net cash provided by discontinued operations | — | 39,642 |
| Effect of exchange rate changes on cash | (391) | (1,484) |
| Net change in cash, cash equivalents and restricted cash | (269,215) | (52,971) |
| Cash, cash equivalents and restricted cash at beginning of period | 1,061,473 | 140,018 |
| Cash, cash equivalents and restricted cash at end of period | \$ 792,258 | \$ 87,047 |
| Supplemental cash flow information: | | |
| Cash paid during the period for: | | |
| Income taxes | \$ 6,152 | \$ 115 |

See accompanying notes to condensed consolidated financial statements.

LIVERAMP HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

These condensed consolidated financial statements have been prepared by LiveRamp Holdings, Inc. ("Registrant", "LiveRamp", "we", "us" or the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). In the opinion of the Registrant's management, all adjustments necessary for a fair presentation of the results for the periods included have been made, and the disclosures are adequate to make the information presented not misleading. All such adjustments are of a normal recurring nature. Certain note information has been omitted because it has not changed significantly from that reflected in Notes 1 through 18 of the Notes to Consolidated Financial Statements filed as part of Item 8 of the Registrant's annual report on Form 10-K for the fiscal year ended March 31, 2019 ("2019 Annual Report"), as filed with the SEC on May 28, 2019. This quarterly report and the accompanying condensed consolidated financial statements should be read in connection with the 2019 Annual Report. The financial information contained in this quarterly report is not necessarily indicative of the results to be expected for any other period or for the full fiscal year ending March 31, 2020.

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP"). Actual results could differ from those estimates. Certain of the accounting policies used in the preparation of these condensed consolidated financial statements are complex and require management to make judgments and/or significant estimates regarding amounts reported or disclosed in these financial statements. Additionally, the application of certain of these accounting policies is governed by complex accounting principles and their interpretation. A discussion of the Company's significant accounting principles and their application is included in Note 1 of the Notes to Consolidated Financial Statements and in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of the Company's 2019 Annual Report.

Accounting Pronouncements Adopted During the Current Year

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"), which eliminates step two from the goodwill impairment test. Under ASU 2017-04, goodwill impairment is recognized based on step one of the preceding guidance, which calculates the carrying value in excess of the reporting unit's fair value. ASU 2017-04 is effective for annual periods beginning after December 15, 2019 (fiscal 2021 for the Company), including interim periods within those fiscal years; earlier adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. In the first quarter of fiscal 2020, we early adopted ASU 2017-04. The standard did not have an impact to our qualitative assessment for goodwill impairment that we performed in the first quarter of fiscal 2020.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), as a comprehensive new standard that amended various aspects of existing guidance for leases and requires additional disclosures about leasing arrangements. The new standard requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases except short-term leases. For lessees, leases will continue to be classified as either operating or financing in the income statement. The Company adopted the updated guidance as of April 1, 2019 using a modified retrospective transition method. See Note 2 of these Notes to condensed consolidated financial statements for further details.

Recent Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework", which eliminates, modifies and adds disclosure requirements for fair value measurements. The update is effective for annual periods beginning after December 15, 2019 (fiscal 2021 for the Company), including interim periods within those fiscal years, with early adoption permitted. The Company is currently assessing the impact of this new standard on our condensed consolidated financial statements and does not expect the adoption will have a material impact on our condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, "Intangibles-Goodwill and Other-Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract" ("ASU 2018-15"). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement ("CCA") that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Previously, all implementation costs for a hosting arrangement that was a service contract were expensed when incurred.

CCAs, such as software as a service and other hosting arrangements, are evaluated for capitalized implementation costs in a similar manner as capitalized software development costs. If a CCA includes a software license, the software license element of the arrangement is accounted for in a manner consistent with the acquisition of other software licenses. If a CCA does not include a software license, the service element of the arrangement is accounted for as a service contract. ASU 2018-15 is effective for annual periods beginning after December 15, 2019 (fiscal 2021 for the Company), including interim periods within those fiscal years, with early adoption permitted. The Company is currently assessing the impact of this new standard on our condensed consolidated financial statements and does not expect the adoption will have a material impact on our condensed consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 introduces new methodology for accounting for credit losses on financial instruments. The guidance establishes a new forward-looking "expected loss model" that requires entities to estimate current expected credit losses on accounts receivable and other financial instruments by using all practical and relevant information. ASU 2016-13 is effective for annual periods beginning after December 15, 2019 (fiscal 2021 for the Company), including interim periods within those fiscal years, with early adoption permitted. The Company is currently assessing the impact of this new standard on our condensed consolidated financial statements and does not expect the adoption will have a material impact on our condensed consolidated financial statements.

The Company does not anticipate that the adoption of any other recent accounting pronouncements will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

2. TOPIC 842 ADOPTION IMPACT AND LEASES

On April 1, 2019, the Company adopted the new lease guidance using a modified retrospective transition method applied to existing leases as of April 1, 2019. Results for reporting periods beginning after March 31, 2019 are presented under the new guidance, while prior period comparative amounts are not adjusted and continue to be reported in accordance with historical guidance. The Company applied the new standard using the practical expedients permitted under the transition guidance where the Company:

- did not reassess whether any expired or existing contracts contain a lease;
- did not reassess the classification of existing leases; and
- did not reassess initial direct costs for any existing leases.

The Company uses its incremental borrowing rate at commencement date in determining the present value of lease payments. The Company uses judgment in determining its incremental borrowing rate, which includes selecting a yield curve based on a hypothetical credit rating.

The resulting impact, as of the adoption date, to the condensed consolidated balance sheet of applying the new guidance in fiscal 2020 was an increase to right-of-use assets included in other assets, net of \$22.9 million, an increase to short-term lease liabilities included in other accrued expenses of \$8.4 million, an increase to long-term lease liabilities included in other liabilities of \$17.9 million, and a decrease to deferred rent included in other liabilities of \$3.4 million. There was no impact to stockholders' equity or the condensed consolidated statements of operations as a result of adopting the new guidance.

The Company determines if an arrangement contains a lease or is a lease at inception, and whether lease and non-lease components are combined or not. Operating leases with a duration of less than 12 months are excluded from right-of-use assets and lease liabilities and related expense is recorded as incurred.

As of September 30, 2019, right-of-use assets included in other assets, net were \$19.2 million, short-term lease liabilities included in other accrued expenses were \$8.4 million, and long-term lease liabilities included in other liabilities were \$14.2 million.

The Company leases its office facilities under non-cancellable operating leases that expire at various dates through fiscal 2024. Operating lease costs were \$4.6 million for the six months ended September 30, 2019.

Future minimum payments under all operating leases (including operating leases with a duration of less than 12 months) as of September 30, 2019 are as follows (dollars in thousands):

| Year | Amount |
|--|------------------|
| Fiscal 2020 | \$ 4,933 |
| Fiscal 2021 | 8,915 |
| Fiscal 2022 | 8,253 |
| Fiscal 2023 | 2,496 |
| Fiscal 2024 | 587 |
| Total undiscounted lease commitments | 25,184 |
| Less: Interest | 2,576 |
| Total discounted operating lease liabilities | <u>\$ 22,608</u> |

Future minimum payments as of September 30, 2019 related to restructuring plans as a result of the Company's exit from certain leased office facilities (see Note 14) are: Fiscal 2020: \$1,263; Fiscal 2021: \$2,560; Fiscal 2022: \$2,610; Fiscal 2023: \$2,663; Fiscal 2024: \$2,699; and Thereafter: \$4,497.

Supplemental information related to operating leases is as follows (dollars in thousands):

| | Six Months Ended September 30, 2019 |
|---|--|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows used in operating leases | \$ 4,270 |
| Weighted average remaining lease term | 3.7 years |
| Weighted average discount rate | 5.0 % |

As previously disclosed in our Fiscal 2019 Annual Report on Form 10-K and under the previous lease accounting standard, the future minimum payments under all operating leases as of March 31, 2019 was as follows (dollars in thousands):

| | For the years ending March 31, | | | | | | Total |
|------------------|--------------------------------|--------|--------|-------|-------|------------|-----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | |
| Operating leases | \$ 12,057 | 11,253 | 10,865 | 5,160 | 3,270 | 4,497 | \$ 47,102 |

3. REVENUE FROM CONTRACTS WITH CUSTOMERS:

Disaggregation of Revenue

In the following table, revenue is disaggregated by primary geographical market and major service offerings (dollars in thousands).

| Primary Geographical Markets | For the six months ended September 30, | |
|------------------------------|---|-------------------|
| | 2019 | 2018 |
| United States | \$ 160,448 | \$ 116,186 |
| Europe | 9,739 | 8,710 |
| APAC | 2,467 | 2,387 |
| | <u>\$ 172,654</u> | <u>\$ 127,283</u> |
| Major Offerings/Services | | |
| Subscription | \$ 140,293 | \$ 106,177 |
| Marketplace and Other | 32,361 | 21,106 |
| | <u>\$ 172,654</u> | <u>\$ 127,283</u> |

Transaction Price Allocated to the Remaining Performance Obligations

We have performance obligations associated with fixed commitments in customer contracts for future services that have not yet been recognized in our condensed consolidated financial statements. The amount of fixed revenue not yet recognized was \$339.0 million as of September 30, 2019. Additionally, the amount to be recognized over the next twelve months was \$190.3 million. The Company expects to recognize revenue on substantially all of these remaining performance obligations by March 31, 2024.

4. EARNINGS (LOSS) PER SHARE AND STOCKHOLDERS' EQUITY:

Earnings (Loss) Per Share

A reconciliation of the numerator and denominator of basic and diluted loss per share is shown below (in thousands, except per share amounts):

| | For the three months ended September 30, | | For the six months ended September 30, | |
|--|---|-------------|---|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Basic earnings (loss) per share: | | | | |
| Net loss from continuing operations | \$ (40,202) | \$ (41,180) | \$ (82,342) | \$ (68,998) |
| Earnings from discontinued operations, net of tax | — | 61,803 | — | 86,606 |
| Net earnings (loss) | \$ (40,202) | \$ 20,623 | \$ (82,342) | \$ 17,608 |
| Basic weighted-average shares outstanding | | | | |
| | 67,684 | 77,448 | 68,295 | 77,192 |
| Continuing operations | | | | |
| | \$ (0.59) | \$ (0.53) | \$ (1.21) | \$ (0.89) |
| Discontinued operations | | | | |
| | — | 0.80 | — | 1.12 |
| Basic earnings (loss) per share | \$ (0.59) | \$ 0.27 | \$ (1.21) | \$ 0.23 |
| Diluted earnings (loss) per share: | | | | |
| Basic weighted-average shares outstanding | | | | |
| | 67,684 | 77,448 | 68,295 | 77,192 |
| Dilutive effect of common stock options, warrants, and restricted stock as computed under the treasury stock method | | | | |
| | — | — | — | — |
| Diluted weighted-average shares outstanding | 67,684 | 77,448 | 68,295 | 77,192 |
| Continuing operations | | | | |
| | \$ (0.59) | \$ (0.53) | \$ (1.21) | \$ (0.89) |
| Discontinued operations | | | | |
| | — | 0.80 | — | 1.12 |
| Diluted earnings (loss) per share | \$ (0.59) | \$ 0.27 | \$ (1.21) | \$ 0.23 |

Due to the net loss from continuing operations during the three and six months ended September 30, 2019 and 2018, the dilutive effect of options and restricted stock units was excluded from the diluted loss per share calculation since the impact on the calculation was anti-dilutive. These anti-dilutive units are shown below (shares in thousands):

| | For the three months ended September 30, | | For the six months ended September 30, | |
|---|---|-------|---|-------|
| | 2019 | 2018 | 2019 | 2018 |
| Number of shares outstanding under options, warrants and restricted stock units plans | 2,391 | 4,773 | 2,586 | 3,554 |

Restricted stock units and warrants that were outstanding during the periods presented but were not included in the computation of diluted loss per share because the effect was anti-dilutive are shown below (shares in thousands):

| | For the three months ended September 30, | | For the six months ended September 30, | |
|--|---|------|---|------|
| | 2019 | 2018 | 2019 | 2018 |
| Number of shares outstanding under warrants and restricted stock units plans | 945 | 29 | 669 | 69 |

Stockholders' Equity

Under the modified common stock repurchase program, the Company may purchase up to \$1.0 billion of its common stock through the period ending December 31, 2020. During the six months ended September 30, 2019, the Company repurchased 2.1 million shares of its common stock for \$100.5 million under the stock repurchase program. Through September 30, 2019, the Company had repurchased a total of 24.7 million shares of its stock for \$549.5 million under the stock repurchase program, leaving remaining capacity of \$450.5 million.

Accumulated other comprehensive income balances of \$6.6 million and \$7.8 million at September 30, 2019 and March 31, 2019, respectively, reflect accumulated foreign currency translation adjustments.

5. ACQUISITIONS:

Data Plus Math

On July 2, 2019, the Company closed its merger with Data Plus Math Corporation ("DPM"), a media measurement company that works with brands, agencies, cable operators, streaming TV services and networks to tie cross-screen ad exposure with real-world outcomes. The Company has included the financial results of DPM in the condensed consolidated financial statements from the acquisition date. The acquisition date fair value of the consideration transferred for DPM was approximately \$118.0 million, which consisted of the following (dollars in thousands):

| | | |
|--|----|----------------|
| Cash, net of \$0.4 million cash acquired | \$ | 100,886 |
| Restricted cash held in escrow | | 14,815 |
| Fair value of replacement stock options considered a component of purchase price | | <u>2,300</u> |
| Total fair value of consideration transferred | \$ | <u>118,001</u> |

On the acquisition date, the Company delivered \$14.8 million of cash to an escrow agent according to the terms of the purchase agreement. The principal escrow amount is owned by the Company until funds are delivered to the DPM sellers six months from the acquisition date. All interest and earnings on the principal escrow amount remain the property of the Company.

The total fair value of the replacement stock options issued was \$7.4 million of which \$2.3 million was allocated to the purchase consideration and \$5.1 million was allocated to future services and will be expensed over the future requisite service periods (see Note 7).

In connection with the DPM acquisition, the Company agreed to pay \$24.7 million to certain key employees (see "Consideration Holdback" in Note 7). The consideration holdback is payable in 3 equal, annual increments, based on the anniversary dates of the acquisition, and is payable in shares of Company common stock. The number of shares to be issued annually will vary depending on the market price of the shares on the date of issuance. The consideration holdback is not part of the purchase price, as vesting is dependent on continued employment of the key employees. It will be recorded as non-cash stock-based compensation expense over the three-year earning period.

The following table summarizes the preliminary estimated fair values of assets acquired and liabilities assumed as of the date of acquisition (dollars in thousands):

| | July 2, 2019 |
|--|-------------------|
| Assets acquired: | |
| Cash | \$ 438 |
| Trade accounts receivable | 957 |
| Goodwill | 89,942 |
| Intangible assets (Other assets) | 35,000 |
| Other current and noncurrent assets | 1,186 |
| Total assets acquired | 127,523 |
| Deferred income taxes | (6,357) |
| Accounts payable and accrued expenses | (2,727) |
| Net assets acquired | 118,439 |
| Less: | |
| Cash acquired | (438) |
| Net purchase price allocated | 118,001 |
| Less: | |
| Fair value of replacement stock options considered a component of purchase price | (2,300) |
| Net cash paid in acquisition | \$ 115,701 |

The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill. The goodwill balance is not deductible for U.S. income tax purposes. The Company initially recognized the assets and liabilities acquired based on its preliminary estimates of their fair values as of the acquisition date. As additional information becomes known concerning the acquired assets and assumed liabilities, management may make adjustments to the opening balance sheet of the acquired company up to the end of the measurement period, which is not longer than a one-year period following the acquisition date. The determination of the fair values of the acquired assets and liabilities assumed (and the related determination of the estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment. As of September 30, 2019, the Company has not completed its fair value analysis and calculation in sufficient detail necessary to arrive at the final estimate of the fair value. The fair values currently assigned to tangible and identifiable intangible assets acquired and liabilities assumed were based on the information that was available as of the date of the acquisition. The Company expects to finalize the valuation as soon as practical.

The amounts allocated to intangible assets in the table above included developed technology, data supply relationships, customer relationships, and trademarks. Intangible assets will be amortized on a straight-line basis over the estimated useful lives. The following table presents the components of intangible assets acquired and their estimated useful lives as of the acquisition date (dollars in thousands):

| | Fair value | Useful life (in years) |
|--------------------------------|------------------|---------------------------|
| Developed technology | \$ 23,000 | 4 |
| Data supply relationships | 7,000 | 4 |
| Customer relationships | 4,000 | 4 |
| Trademarks | 1,000 | 2 |
| Total intangible assets | \$ 35,000 | |

The Company has omitted disclosures of revenue and net loss of the acquired company from the acquisition date to September 30, 2019 as the amounts are not material.

The pro forma financial information in the table below summarizes the combined results of operations for LiveRamp and DPM for the purposes of pro forma financial information disclosures as if the companies were combined as of the beginning of fiscal 2019. The pro forma financial information for all periods presented included the business combination accounting effects resulting from these acquisitions, including amortization charges from acquired intangible assets (certain of which are preliminary), stock-based compensation charges for unvested restricted stock-based awards and stock options assumed, if any, and the related tax effects as though the aforementioned companies were combined as of the beginning of fiscal 2019. The pro forma financial information as presented below is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisitions had taken place at the beginning of fiscal 2019.

The pro forma financial information for the three months ended September 30, 2018 combined the historical results of LiveRamp for the three months ended September 30, 2018 and the historical results of DPM for the three months ended June 30, 2018 (adjusted due to differences in reporting periods) and the effects of the pro forma adjustments listed above. The pro forma financial information for the three months and six months ended September 30, 2019 and 2018, respectively, combined the historical results of LiveRamp for the three and six months ended September 30, 2019 and 2018, and the historical results of DPM for the three months ended March 31, 2019 and the six months ended June 30, 2018 (adjusted due to differences in reporting periods) and the effects of the pro forma adjustments listed above. The pro forma financial information was as follows (dollars in thousands, except per share data):

| | For the three months ended | For the six months ended | |
|-----------------------------------|----------------------------|--------------------------|------------|
| | September 30, | September 30, | |
| | 2018 | 2019 | 2018 |
| Revenues | \$ 65,201 | \$ 173,583 | \$ 127,792 |
| Net earnings (loss) | \$ 14,168 | \$ (88,217) | \$ 5,365 |
| Basic earnings (loss) per share | \$ 0.18 | \$ (1.29) | \$ 0.07 |
| Diluted earnings (loss) per share | \$ 0.18 | \$ (1.29) | \$ 0.07 |

Faktor

On April 2, 2019, the Company acquired all of the outstanding shares of Faktor B. V. ("Faktor"). Faktor is a global consent management platform that allows consumers to control how their data is collected, used, and transferred for usage to another party. Faktor's platform provides individuals with notice and choice on websites and mobile apps and allows them to opt-in or opt-out via a visible banner of the page. The Company paid approximately \$4.5 million in cash for the acquired shares. The Company has omitted pro forma disclosures related to this acquisition as the pro forma effect of this acquisition is not material. The results of operations for the acquisition are included in the Company's condensed consolidated results beginning April 2, 2019.

The following table presents the purchase price allocation related to assets acquired and liabilities assumed (dollars in thousands):

| | April 2, 2019 |
|---------------------------------------|-----------------|
| Assets acquired: | |
| Cash | \$ 35 |
| Trade accounts receivable | 63 |
| Goodwill | 3,110 |
| Intangible assets (Other assets) | 1,700 |
| Other current and noncurrent assets | 126 |
| Total assets acquired | 5,034 |
| Deferred income taxes | (194) |
| Accounts payable and accrued expenses | (326) |
| Net assets acquired | 4,514 |
| Less: | |
| Cash acquired | (35) |
| Net cash paid | \$ 4,479 |

The fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed were based on preliminary calculations and valuations using management's estimates and assumptions and were based on the information that was available as of the date of acquisition. The Company expects to finalize the valuation as soon as practical.

6. DISCONTINUED OPERATIONS:

Axiom Marketing Solutions business ("AMS")

During fiscal 2019, the Company completed the sale of its AMS business to The Interpublic Group of Companies, Inc. ("IPG") for \$2.3 billion in cash. The business qualified for treatment as discontinued operations during fiscal 2019. Accordingly, the results of operations, cash flows and the balance sheet amounts pertaining to AMS, for all periods reported, have been classified as discontinued operations in the condensed consolidated financial statements.

Results of operations of AMS for the three and six months ended September 30, 2018 are segregated and included in earnings from discontinued operations, net of tax, in the condensed consolidated statements of operations.

The following is a reconciliation of the major classes of line items constituting earnings from discontinued operations, net of tax (dollars in thousands):

| | For the three months ended | For the six months ended |
|---|-------------------------------|-----------------------------|
| | September 30, 2018 | |
| Revenues | \$ 167,696 | \$ 332,185 |
| Cost of revenue | 95,218 | 188,835 |
| Gross profit | <u>72,478</u> | <u>143,350</u> |
| Operating expenses: | | |
| Research and development | 7,352 | 14,918 |
| Sales and marketing | 21,106 | 42,633 |
| General and administrative | 27,789 | 44,383 |
| Gains, losses and other items, net | 1,369 | 2,653 |
| Total operating expenses | <u>57,616</u> | <u>104,587</u> |
| Income from discontinued operations | 14,862 | 38,763 |
| Interest expense | (2,864) | (5,702) |
| Other, net | (145) | 23 |
| Earnings from discontinued operations before income taxes | 11,853 | 33,084 |
| Income taxes (benefit) | (49,950) | (53,522) |
| Earnings from discontinued operations, net of tax | <u>\$ 61,803</u> | <u>\$ 86,606</u> |

Substantially all interest expense was allocated to discontinued operations.

The Company entered into certain agreements with AMS in which services will be provided from the Company to AMS, and from AMS to the Company. The terms of these agreements are primarily 60 months from the date of sale.

Cash inflows and outflows related to the agreements are included in cash flows from operating activities in the condensed consolidated statements of cash flows. Revenues and expenses related to the agreements are included in loss from operations in the condensed consolidated statement of operations. The related cash inflows and outflows and revenues and costs for the six months ended September 30, 2019 was (dollars in thousands):

| | For the six months ended September 30, 2019 |
|---------------|--|
| Cash inflows | \$ 24,879 |
| Cash outflows | \$ 5,830 |
| Revenues | \$ 25,277 |
| Costs | \$ 4,089 |

The revenues amount includes approximately \$10.2 million of revenue from AMS's resale of LiveRamp services to its customers. These amounts were also reported in the prior year as revenues in the condensed consolidated statement of operations.

7. STOCK-BASED COMPENSATION:

Stock-based Compensation Plans

The Company has stock option and equity compensation plans for which a total of 42.3 million shares of the Company's common stock have been reserved for issuance since the inception of the plans. At September 30, 2019, there were a total of 10.4 million shares available for future grants under the plans.

Stock-based Compensation Expense

The Company's stock-based compensation activity for the six months ended September 30, 2019, by award type, was (dollars in millions):

| | For the six months ended September 30, | |
|---|---|---------|
| | 2019 | 2018 |
| Stock options | \$ 1.8 | \$ 1.7 |
| Restricted stock units | 25.4 | 17.5 |
| Arbor acquisition consideration holdback | 2.6 | 7.7 |
| DPM acquisition consideration holdback | 2.1 | — |
| PDP assumed performance plan | 9.5 | 7.9 |
| Other non-employee stock-based compensation | 0.6 | 0.7 |
| Total non-cash stock-based compensation included in the condensed consolidated statements of operations | 42.0 | 35.5 |
| Less expense related to liability-based equity awards | (10.7) | (7.1) |
| Stock-based compensation of discontinued operations | — | 5.7 |
| Total non-cash stock-based compensation included in the condensed consolidated statements of equity | \$ 31.3 | \$ 34.1 |

The effect of stock-based compensation expense on income, by financial statement line item, was (dollars in millions):

| | For the six months ended September 30, | |
|---|---|---------|
| | 2019 | 2018 |
| Cost of revenue | \$ 1.8 | \$ 1.5 |
| Research and development | 10.0 | 7.9 |
| Sales and marketing | 18.7 | 19.8 |
| General and administrative | 11.5 | 6.3 |
| Total non-cash stock-based compensation included in the condensed consolidated statements of operations | \$ 42.0 | \$ 35.5 |

The following table provides the expected future expense for all of the Company's outstanding equity awards at September 30, 2019, by award type. The amount for 2020 represents the remaining six months ending March 31, 2020. All other periods represent fiscal years ending March 31 (dollars in millions).

| | During the year ended: | | | | | Total |
|--|------------------------|---------|---------|---------|--------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | |
| Stock options | \$ 1.9 | \$ 2.4 | \$ 1.2 | \$ 0.3 | \$ — | \$ 5.8 |
| Restricted stock units | 28.4 | 47.2 | 36.5 | 22.2 | 3.0 | 137.3 |
| DPM acquisition consideration holdback | 4.1 | 8.3 | 8.2 | 2.1 | — | 22.7 |
| PDP assumed performance plan | 7.6 | 15.1 | 15.1 | — | — | 37.8 |
| | \$ 42.0 | \$ 73.0 | \$ 61.0 | \$ 24.6 | \$ 3.0 | \$ 203.6 |

Stock Option Activity

In connection with the acquisition of DPM, the Company replaced all outstanding stock options held by DPM associates immediately prior to the acquisition with options to acquire shares of LiveRamp common stock having substantially the same terms and conditions as were applicable under the original options. In total, the Company issued 162,481 replacement options at a weighted-average exercise price of \$1.64 per share. The acquisition-date fair value of the replacement stock options was \$7.4 million and was determined using a binomial lattice model with the following assumptions: dividend yield of 0.0% since LiveRamp is currently not paying dividends and there are no plans to pay dividends; risk-free interest rates from 1.86% to 1.96%, based on the rate of U.S. Treasury securities with a term equal to the remaining term of each option; remaining terms of each option from 7.33 years to 9.55 years; expected volatility of 45.00% considering the implied volatility of publicly traded LiveRamp options and historical volatility of LiveRamp stock.

Of the total replacement options issued, 48,619 were fully vested and required no post-combination employee service. The remaining replacement options had components of both pre-combination and post-combination service requirements. As a result, \$2.3 million of the acquisition-date fair value of the replacement options was calculated and identified as consideration transferred in the DPM acquisition. The remaining \$5.1 million acquisition-date fair value is considered future compensation costs and will be recognized as stock-based compensation cost over the remaining service period.

Stock option activity for the six months ended September 30, 2019 was:

| | Number of shares | Weighted-average exercise price per share | Weighted-average remaining contractual term (in years) | Aggregate intrinsic value (in thousands) |
|--------------------------------------|------------------|---|--|--|
| Outstanding at March 31, 2019 | 1,374,430 | \$ 14.81 | | |
| DPM replacement stock options issued | 162,481 | \$ 1.64 | | |
| Exercised | (77,209) | \$ 3.55 | | \$ 3,343 |
| Forfeited or canceled | (4,354) | \$ 5.39 | | |
| Outstanding at September 30, 2019 | 1,455,348 | \$ 13.97 | 4.3 | \$ 42,197 |
| Exercisable at September 30, 2019 | 1,301,861 | \$ 15.41 | 3.9 | \$ 35,877 |

The aggregate intrinsic value at period end represents the total pre-tax intrinsic value (the difference between LiveRamp's closing stock price on the last trading day of the period and the exercise price for each in-the-money option) that would have been received by the option holders had they exercised their options on September 30, 2019. This amount changes based upon changes in the fair market value of LiveRamp's common stock.

A summary of stock options outstanding and exercisable as of September 30, 2019 was:

| Range of exercise price per share | Options outstanding | | | Options exercisable | |
|-----------------------------------|---------------------|---|---|---------------------|---|
| | Options outstanding | Weighted-average remaining contractual life | Weighted-average exercise price per share | Options exercisable | Weighted-average exercise price per share |
| \$ 0.61 — \$ 9.99 | 304,410 | 6.2 years | \$ 1.61 | 150,923 | \$ 1.51 |
| \$ 10.00 — \$ 19.99 | 709,672 | 3.1 years | \$ 14.69 | 709,672 | \$ 14.69 |
| \$ 20.00 — \$ 24.99 | 441,266 | 4.9 years | \$ 21.32 | 441,266 | \$ 21.32 |
| | 1,455,348 | 4.3 years | \$ 13.97 | 1,301,861 | \$ 15.41 |

Performance Stock Option Unit Activity

Performance stock option unit activity for the six months ended September 30, 2019 was:

| | Number of shares | Weighted-average exercise price per share | Weighted-average remaining contractual term (in years) | Aggregate intrinsic value (in thousands) |
|-----------------------------------|---------------------|---|---|--|
| Outstanding at March 31, 2019 | 130,154 | \$ 21.44 | | |
| Forfeited or canceled | (130,154) | \$ 21.44 | | |
| Outstanding at September 30, 2019 | — | \$ — | | \$ — |
| Exercisable at September 30, 2019 | — | \$ — | — | \$ — |

The performance stock option units outstanding at March 31, 2019 reached maturity of the relevant performance period at March 31, 2019. The units attained a 0% attainment level, resulting in cancellation of the units in the current fiscal year.

Restricted Stock Unit Activity

During the six months ended September 30, 2019, the Company granted time-vesting restricted stock units covering 1,273,119 shares of common stock and having a fair value at the date of grant of \$67.5 million. All of the restricted stock units granted in the current period vest over four years. Grant date fair value of these units is equal to the quoted market price for the shares on the date of grant. Included in the restricted stock units granted in the current fiscal year were units related to the DPM acquisition. Following the closing of the DPM acquisition, the Company granted new awards of restricted stock units covering 155,346 shares of common stock to select employees to induce them to accept employment with the Company (the "DPM inducement awards"). The DPM inducement awards had a grant date fair value of \$7.3 million.

Time-vesting restricted stock unit activity for the six months ended September 30, 2019 was:

| | Number of shares | Weighted-average fair value per share at grant date | Weighted-average remaining contractual term (in years) |
|-----------------------------------|---------------------|--|--|
| Outstanding at March 31, 2019 | 3,054,750 | \$ 30.91 | 2.47 |
| Granted | 1,273,119 | \$ 53.06 | |
| Vested | (237,220) | \$ 24.61 | |
| Forfeited or canceled | (220,733) | \$ 36.19 | |
| Outstanding at September 30, 2019 | 3,869,916 | \$ 38.28 | 2.55 |

The total fair value of time-vesting restricted stock units vested for the six months ended September 30, 2019 was \$12.0 million and is measured as the quoted market price of the Company's common stock on the vesting date for the number of shares vested.

During the six months ended September 30, 2019, the Company granted performance-based restricted stock units covering 202,818 shares of common stock having a fair value at the date of grant of \$12.3 million. The grants were made under two separate performance plans. Under the first performance plan, units covering 60,844 shares of common stock were granted having a fair value at the date of grant of \$4.4 million, determined using a Monte Carlo simulation model. The units vest subject to attainment of market conditions established by the compensation committee of the board of directors ("compensation committee") and continuous employment through the vesting date. The 60,844 units may vest in a number of shares from 0% to 200% of the award, based on the total shareholder return of LiveRamp common stock compared to total shareholder return of the Russell 2000 market index for the period from April 1, 2019 to March 31, 2022. Under the second performance plan, units covering 141,974 shares of common stock were granted having a fair value at the date of grant of \$7.9 million equal to the quoted market price for the shares on the date of grant. The units vest subject to attainment of performance criteria established by the compensation committee of the board of directors. The units may vest in three equal annual increments in a number of shares from 0% to 200% of the award, based on the attainment of year-over-year revenue growth targets for each annual period from April 1, 2019 to March 31, 2022.

Non-vested performance-based restricted stock unit activity for the six months ended September 30, 2019 was:

| | Number of shares | Weighted-average fair value per share at grant date | Weighted-average remaining contractual term (in years) |
|-----------------------------------|---------------------|--|--|
| Outstanding at March 31, 2019 | 394,188 | \$ 43.88 | 3.23 |
| Granted | 202,818 | \$ 60.65 | |
| Forfeited or canceled | (46,236) | \$ 34.61 | |
| Outstanding at September 30, 2019 | <u>550,770</u> | <u>\$ 50.83</u> | 2.73 |

Consideration Holdback

As part of the Company's acquisition of DPM in the current fiscal year, \$24.7 million of the acquisition consideration otherwise payable with respect to shares of DPM common stock held by certain key employees was subject to holdback by the Company pursuant to agreements with those employees (each, a "Holdback Agreement"). The Holdback Agreement specifies that the consideration holdback will vest in three equal annual increments on the anniversary of the closing date. Vesting is subject to the DPM key employees' continued employment through each annual vesting date and will be settled in shares of Company common stock. Through September 30, 2019, the Company has recognized a total of \$2.1 million related to the DPM consideration holdback. At September 30, 2019, the recognized, but unpaid, balance related to the DPM consideration holdback in other accrued expenses in the condensed consolidated balance sheet was \$2.1 million.

As part of the Company's acquisition of Arbor in fiscal 2017, \$38.3 million of the acquisition consideration otherwise payable with respect to shares of restricted Arbor common stock held by certain key employees was subject to holdback by the Company pursuant to agreements with those employees (each, a "Holdback Agreement"). The Holdback Agreement specifies the payment of the consideration in monthly installments using LiveRamp shares over a thirty month period, ending in the quarter ended June 30, 2019. As of June 30, 2019, the Company had met its full obligation for the consideration holdback due to the Arbor key employees. Through September 30, 2019, the Company had recognized a total of \$38.3 million expense related to the Holdback Agreements.

PDP Assumed Performance Plan

In connection with the fiscal 2018 acquisition of PDP, the Company assumed the outstanding performance compensation plan under the PDP 2018 Equity Compensation Plan ("PDP PSU plan"). During the current fiscal year, the year-one performance payout under the plan was finalized resulting in a \$19.7 million payout to the plan participants. On the settlement date, a total of 465,389 shares of Company common stock was delivered to the PDP PSU plan participants to settle the year-one performance payout obligation, of which 418,850 shares represented the liability-classified portion of the award.

Through September 30, 2019, the Company has recognized a total of \$27.2 million related to the PDP PSU plan. At September 30, 2019, the recognized, but unpaid, balance related to the PDP PSU plan in other accrued expenses in the condensed consolidated balance sheet was \$6.8 million.

8. OTHER CURRENT AND NONCURRENT ASSETS:

Other current assets consist of the following (dollars in thousands):

| | September 30, 2019 | March 31, 2019 |
|---|-----------------------|------------------|
| Prepaid expenses and other | \$ 17,318 | \$ 9,058 |
| Post-closing receivable from IPG | 17,625 | 17,625 |
| Interest receivable | 1,366 | 2,497 |
| Assets of non-qualified retirement plan | 14,746 | 14,970 |
| Other current assets | <u>\$ 51,055</u> | <u>\$ 44,150</u> |

Other noncurrent assets consist of the following (dollars in thousands):

| | September 30, 2019 | March 31, 2019 |
|---------------------------------------|--------------------|------------------|
| Acquired intangible assets, net | \$ 30,873 | \$ 24,217 |
| Right of use asset | 19,158 | — |
| Other miscellaneous noncurrent assets | 8,626 | 8,282 |
| Other assets, net | <u>\$ 58,657</u> | <u>\$ 32,499</u> |

9. OTHER ACCRUED EXPENSES:

Other accrued expenses consist of the following (dollars in thousands):

| | September 30, 2019 | March 31, 2019 |
|--|--------------------|------------------|
| Liabilities of non-qualified retirement plan | \$ 14,746 | \$ 14,970 |
| Short-term lease liabilities | 8,443 | — |
| PDP performance plan liability (see Note 7) | 6,799 | — |
| DPM consideration holdback (see Note 7) | 2,060 | — |
| Other miscellaneous accrued expenses | 23,676 | 25,946 |
| Other accrued expenses | <u>\$ 55,724</u> | <u>\$ 40,916</u> |

10. PROPERTY AND EQUIPMENT:

Property and equipment is summarized as follows (dollars in thousands):

| | September 30, 2019 | March 31, 2019 |
|--|--------------------|------------------|
| Leasehold improvements | \$ 23,981 | \$ 20,097 |
| Data processing equipment | 31,785 | 37,678 |
| Office furniture and other equipment | 8,674 | 7,077 |
| | <u>64,440</u> | <u>64,852</u> |
| Less accumulated depreciation and amortization | 43,278 | 38,809 |
| | <u>\$ 21,162</u> | <u>\$ 26,043</u> |

Depreciation expense on property and equipment was \$10.4 million and \$5.8 million for the six months ended September 30, 2019 and 2018, respectively. Depreciation expense for the six months ended September 30, 2019 included \$3.6 million of accelerated depreciation expense associated with the reduced useful life of certain IT equipment in connection with the Company's migration to a cloud-based data center solution.

11. GOODWILL AND INTANGIBLE ASSETS:

Goodwill for the six months ended September 30, 2019 (dollars in thousands) was as follows:

| | Total |
|---|-------------------|
| Balance at March 31, 2019 | \$ 204,656 |
| Acquisition of Faktor | 3,110 |
| Acquisition of DPM | 89,942 |
| Change in foreign currency translation adjustment | (231) |
| Balance at September 30, 2019 | <u>\$ 297,477</u> |

Goodwill by geography as of September 30, 2019 was:

| | Total |
|-------------------------------|-------------------|
| U.S. | \$ 294,404 |
| APAC | 3,073 |
| Balance at September 30, 2019 | <u>\$ 297,477</u> |

The amounts allocated to intangible assets from acquisitions include developed technology, customer relationships, trade names, and publisher relationships. Amortization lives for those intangibles range from two years to six years. The following table shows the amortization activity of intangible assets (dollars in thousands):

| | September 30, 2019 | March 31, 2019 |
|---|-------------------------|-------------------------|
| Developed technology, gross (Software) | \$ 78,500 | \$ 54,000 |
| Accumulated amortization | (52,633) | (49,625) |
| Net developed technology | <u>\$ 25,867</u> | <u>\$ 4,375</u> |
| Customer relationship/Trade name, gross (Other assets, net) | \$ 41,000 | \$ 35,800 |
| Accumulated amortization | (29,251) | (26,128) |
| Net customer/trade name | <u>\$ 11,749</u> | <u>\$ 9,672</u> |
| Publisher relationship, gross (Other assets, net) | \$ 30,800 | \$ 23,800 |
| Accumulated amortization | (11,676) | (9,255) |
| Net publisher relationship | <u>\$ 19,124</u> | <u>\$ 14,545</u> |
| Total intangible assets, gross | \$ 150,300 | \$ 113,600 |
| Total accumulated amortization | (93,560) | (85,008) |
| Total intangible assets, net | <u><u>\$ 56,740</u></u> | <u><u>\$ 28,592</u></u> |

Total amortization expense related to intangible assets for the six months ended September 30, 2019 and 2018 was \$8.5 million and \$9.6 million, respectively. The following table presents the estimated future amortization expenses related to purchased intangible assets. The amount for 2020 represents the remaining six months ending March 31, 2020. All other periods represent fiscal years ending March 31 (dollars in thousands):

| Fiscal Year: | |
|--------------|-------------------------|
| 2020 | \$ 10,690 |
| 2021 | 17,650 |
| 2022 | 14,342 |
| 2023 | 11,933 |
| 2024 | 2,125 |
| | <u><u>\$ 56,740</u></u> |

12. SOFTWARE:

Software is summarized as follows (dollars in thousands):

| | September 30, 2019 | March 31, 2019 |
|--|-------------------------|------------------------|
| Internally developed computer software | \$ 51,525 | \$ 51,525 |
| Acquired developed technology | 78,500 | 54,000 |
| | <u>130,025</u> | <u>105,525</u> |
| Less accumulated amortization | 102,612 | 98,664 |
| | <u><u>\$ 27,413</u></u> | <u><u>\$ 6,861</u></u> |

Amortization expense was \$3.9 million and \$5.8 million for the six months ended September 30, 2019 and 2018, respectively, including \$3.0 million and \$4.7 million, respectively, related to acquired developed technology as part of recent acquisitions.

13. ALLOWANCE FOR DOUBTFUL ACCOUNTS:

Trade accounts receivable are presented net of allowances for doubtful accounts, returns and credits of \$4.2 million at September 30, 2019 and \$3.0 million at March 31, 2019.

14. RESTRUCTURING, IMPAIRMENT AND OTHER CHARGES:

The following table summarizes the restructuring activity for the six months ended September 30, 2019 (dollars in thousands):

| | Associate-related reserves | Lease accruals | Total |
|---------------------------------------|-------------------------------|-------------------|-----------|
| March 31, 2019 | \$ 4,595 | \$ 5,688 | \$ 10,283 |
| Restructuring charges and adjustments | 1,736 | (79) | 1,657 |
| Payments | (5,810) | (413) | (6,223) |
| September 30, 2019 | \$ 521 | \$ 5,196 | \$ 5,717 |

The above balances are included in other accrued expenses and other liabilities on the condensed consolidated balance sheets.

Restructuring Plans

In the six months ended September 30, 2019, the Company recorded a total of \$1.7 million in restructuring charges and adjustments included in gains, losses and other items, net in the condensed consolidated statement of operations. The current year expense included adjustments to fiscal 2019 restructuring plans for associates in the United States of \$1.8 million, and lease accruals and adjustments of \$-0.1 million.

In fiscal 2019, the Company recorded a total of \$7.7 million in restructuring charges and adjustments included in gains, losses and other items, net in the consolidated statement of operations. The fiscal 2019 expense included restructuring plans primarily for associates in the United States and Asia-Pacific of \$6.1 million, lease accruals and adjustments of \$0.8 million, and leasehold improvement write-offs of \$0.8 million. Of the total fiscal 2019 plans associate-related accruals, \$0.3 million remained accrued at September 30, 2019. The associate-related costs are expected to be paid out in fiscal 2020.

In fiscal 2018, the Company recorded a total of \$2.7 million in restructuring charges and adjustments included in gains, losses and other items, net in the condensed consolidated statement of operations. The expense included severance and other associate-related charges of \$0.2 million, and lease accruals and adjustments of \$2.5 million. The associate-related accruals of \$0.2 million were paid out in fiscal 2019. The lease accruals and adjustments of \$2.5 million result from the Company's exit from certain leased office facilities.

In fiscal 2017, the Company recorded a total of \$3 million in restructuring charges and adjustments included in gains, losses and other items, net in the condensed consolidated statement of operations. The expense included lease accruals and adjustments of \$3.0 million resulting from the Company's exit from certain leased office facilities (\$1.5 million) and adjustments to estimates related to the fiscal 2015 lease accruals (\$1.5 million).

In fiscal 2015, the Company recorded a total of \$9.3 million in restructuring charges and adjustments included in gains, losses and other items, net in the condensed consolidated statement of operations. The expense included severance and other associate-related charges of \$2.6 million, lease accruals of \$4.7 million, and the write-off of leasehold improvements of \$2.0 million. Of the associate-related accruals of \$2.6 million, \$0.2 million remained accrued as of September 30, 2019. These amounts are expected to be paid out in fiscal 2021.

With respect to fiscal 2015, 2017, 2018, 2019, and 2020 lease accruals and adjustments described above, the Company intends to continue subleasing the facilities to the extent possible. The liabilities will be satisfied over the remainder of the leased properties' terms, which continue through November 2025. Of the total amount accrued, \$5.2 million remained accrued as of September 30, 2019. Actual sublease receipts may differ from the estimates originally made by the Company. Any future changes in the estimates or in the actual sublease income could require future adjustments to the liabilities, which would impact net earnings (loss) in the period the adjustment is recorded.

Gains, Losses and Other Items

Gains, losses and other items for each of the periods presented are as follows (dollars in thousands):

| | For the three months ended September 30, | | For the six months ended September 30, | |
|--|---|---------------|---|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Restructuring plan charges and adjustments | \$ (143) | \$ 489 | \$ 1,657 | \$ 490 |
| Other | 188 | — | 664 | — |
| | <u>\$ 45</u> | <u>\$ 489</u> | <u>\$ 2,321</u> | <u>\$ 490</u> |

15. COMMITMENTS AND CONTINGENCIES:

Legal Matters

The Company is involved in various claims and legal proceedings. Management routinely assesses the likelihood of adverse judgments or outcomes to these matters, as well as ranges of probable losses, to the extent losses are reasonably estimable. The Company records accruals for these matters to the extent that management concludes a loss is probable and the financial impact, should an adverse outcome occur, is reasonably estimable. These accruals are reflected in the Company's condensed consolidated financial statements. In management's opinion, the Company has made appropriate and adequate accruals for these matters, and management believes the probability of a material loss beyond the amounts accrued to be remote. However, the ultimate liability for these matters is uncertain, and if accruals are not adequate, an adverse outcome could have a material effect on the Company's consolidated financial condition or results of operations. The Company maintains insurance coverage above certain limits. There are currently no matters pending against the Company or its subsidiaries for which the potential exposure is considered material to the Company's condensed consolidated financial statements.

16. INCOME TAX:

In determining the quarterly provision for income taxes, the Company applies its estimated annual effective income tax rate to its year-to-date pretax income or loss and adjusts for discrete tax items in the period. The estimated annual effective income tax rate for the current fiscal year is primarily driven by the valuation allowance, with a lesser impact attributable to federal research tax credits and the benefit of certain state tax losses, offset by income tax expenses in profitable foreign jurisdictions. Realization of the Company's net deferred tax assets is dependent upon its generation of sufficient taxable income of the proper character in future years in appropriate tax jurisdictions to obtain benefit from the reversal of temporary differences and net operating loss carryforwards. In the quarter ended September 30, 2019, the Company released a portion of its valuation allowance in connection with deferred tax liabilities associated with DPM acquired intangibles (see Note 5). As of September 30, 2019, the Company continues to maintain a full valuation allowance on its net deferred tax assets except in certain foreign jurisdictions.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and cash equivalents, trade receivables, unbilled and notes receivable, and trade payables - The carrying amount approximates fair value because of the short maturity of these instruments.

Under applicable accounting standards financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Company assigned assets and liabilities to the hierarchy in the accounting standards, which is Level 1 - quoted prices in active markets for identical assets or liabilities, Level 2 - significant other observable inputs and Level 3 - significant unobservable inputs.

The following table presents the balances of assets measured at fair value as of September 30, 2019 (dollars in thousands):

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------|------------------|----------------|----------------|------------------|
| Assets: | | | | |
| Other current assets | \$ 14,746 | \$ — | \$ — | \$ 14,746 |
| Total assets | <u>\$ 14,746</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 14,746</u> |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction and Overview

LiveRamp is a global technology company with a vision of becoming the trusted platform that makes all customer data accessible and meaningful. We provide an enterprise customer management platform that helps organizations better leverage customer data to deliver innovative products and meaningful experiences. Powered by its core capabilities in data accessibility, identity, connectivity and data stewardship, LiveRamp makes it safe and easy to connect the world's data, people and applications.

LiveRamp is a Delaware corporation headquartered in San Francisco, California. Our common stock is listed on the New York Stock Exchange under the symbol "RAMP." We serve a global client base from locations in the United States, Europe, and the Asia-Pacific ("APAC") region. Our direct client list includes many of the world's largest and best-known brands across most major industry verticals, including but not limited to financial, insurance and investment services, retail, automotive, telecommunications, high tech, consumer packaged goods, healthcare, travel, entertainment, non-profit, and government. Through our extensive reseller and partnership network, we serve thousands of additional companies, establishing LiveRamp as a foundational and neutral enabler of the customer experience economy.

Operating Segment

The Company operates as one operating segment. An operating segment is defined as a component of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker. Our chief operating decision maker evaluates our financial information and resources and assesses the performance of these resources on a consolidated basis. Since we operate as one operating segment, all required financial segment information can be found in the consolidated financial statements.

Sources of Revenues

LiveRamp recognizes revenue from the following sources: (i) **subscription revenue**, which consists primarily of subscription fees from clients accessing our platform; and (ii) **marketplace and other revenue**, which primarily consists of revenue-sharing fees generated from data transactions through our Data Store platform, and transactional usage-based revenue from arrangements with certain publishers and addressable TV providers. Our platform subscription pricing is tiered based on data volume supported by our platform.

The majority of our subscription revenue is derived from subscriptions that are one year in duration and invoiced on a monthly basis, although some of our clients are entering into multi-year subscriptions.

The LiveRamp Platform

As depicted in the graphic below, we power the industry's leading enterprise customer management platform. We enable organizations to access and leverage data more effectively across the applications they use to interact with their customers. A core component of our platform is the omnichannel, deterministic identity graph that sits at its center. Leveraging this knowledgebase, the LiveRamp platform resolves a customer's data (first-, second-, or third-party) to consumer identifiers that represent real people in a way that protects consumer privacy. This omnichannel view of the consumer can then be activated across any of the 550 plus partners in our ecosystem in order to support a variety of people-based marketing solutions, including:

- **Onboarding.** We enable customers to leverage their first-party data in the digital and TV ecosystems through a safe and secure data matching process called data onboarding. Our technology ingests a customer's first-party data, removes all offline data (personally identifiable information or "PII"), and replaces them with anonymized IDs called IdentityLinks, a true people-based identifier. IdentityLinks can then be distributed through direct integrations to the top platforms in the digital ecosystem, including leading DMPs and DSPs, publishers and social networks, personalization tools, and connected TV services.

• **Identity Resolution.** We provide enterprise-level identity resolution with accuracy, reach, privacy, flexibility and scale. Our identity resolution capabilities are built from two complementary graphs, combining offline data and online data and providing the highest level of accuracy while still being privacy compliant. LiveRamp technology for PII gives brands and platforms the ability to connect and update what they know about consumers, resolving PII across enterprise databases and systems to deliver better customer experiences in a privacy-conscious manner. Our digital identity graph associates anonymous device IDs, cookie IDs and other online customer IDs from premium publishers, platforms or data providers, around an IdentityLink. This allows marketers to perform the personalized segmentation, targeting, and measurement use cases that require a consistent view of the user in anonymous spaces.

• **Data Networks.** We enable the search, discovery and distribution of data, with access to trusted industry leading third-party data globally. The LiveRamp platform allows users to organize, group and access customer data, connected via IdentityLink, to benefit from better campaign targeting and audience intelligence. Our platform also provides the tools for data providers to manage the organization, access, and operation of their data and services available across platforms, publishers, agencies, brands, and data companies. Providers and buyers can also choose to leverage our neutral data marketplace (see below for discussion on Data Store), featuring 180 providers across all verticals and data types.

• **Measurement & Analytics.** We power more accurate, more complete measurement with the measurement vendors and partners our customers use. Our platform allows customers to combine disparate data files (typically ad exposure and customer events, like transactions), replacing customer identifiers with IdentityLinks. Customers then can use that aggregated view of each consumer for measurement of reach and frequency, sales lift, closed loop offline to online conversion and cross-channel attribution.

• **Analytics Environments.** We also help enable in-house data science analytics, providing an end-to-end customized measurement solution designed for marketers looking to create an omnichannel view of their customer journey. Leveraging our identity graph, we help organizations control and aggregate all their customer data to interrogate, explore, analyze and report within our data science environment, that powers the deep functionality of a data lake.

• **Consent Management.** Our Consent Management Platform ("CMP") empowers consumers to maintain their privacy while facilitating business for brands and publishers. Our CMP informs website visitors about the data being collected on them and how it will be used. We provide the tools to give consumers control and choice over their personal data, publishers the solutions to operate sustainable business models, and brands the ability to advertise more relevantly and effectively.



Consumer privacy and data protection, what we call Data Ethics, are at the center of how we design our products and services. Accordingly, the LiveRamp platform operates with technical, operational, and personnel controls designed to keep our customers' data private and secure.

Our solutions are sold to enterprise marketers and the companies they partner with to execute their marketing, including agencies, marketing technology providers, publishers and data providers. Today, we work with over 720 direct customers world-wide, including approximately 21% of the Fortune 500, and serve thousands of additional customers indirectly through our reseller partnership arrangements.

• **Brands and Agencies.** We work with over 300 of the largest brands and agencies in the world, helping them execute people-based marketing by creating an omni-channel understanding of the consumer and activating that understanding across their choice of best-of-breed digital marketing platforms.

• **Marketing Technology Providers.** We provide marketing technology providers with the identity foundation required to offer people-based targeting, measurement and personalization within their platforms. This adds value for brands by increasing reach, as well as the speed at which they can activate their marketing data.

• **Publishers.** We enable publishers of any size to offer people-based marketing on their properties. This adds value for brands by providing direct access to their customers and prospects in the publisher's premium inventory.

• **Data Owners.** Leveraging our vast network of integrations, we allow data owners to easily connect to the digital ecosystem and monetize their own data. Data can be distributed to clients or made available through the **LiveRamp Data Store** feature. This adds value for brands as it allows them to augment their understanding of consumers and increase both their reach against and understanding of customers and prospects.

We generally charge for IdentityLink on an annual subscription basis. Our subscription pricing is based primarily on data volume supported by our platform.

Data Store

As we have scaled the LiveRamp network and technology, we have found additional ways to leverage our platform, deliver more value to clients and create incremental revenue streams. Leveraging our common identity system and broad integration network, the LiveRamp Data Store is a data marketplace that seamlessly connects data owners' audience data across the marketing ecosystem. The Data Store allows data owners to easily monetize their data across hundreds of marketing platforms and publishers with a single contract. At the same time, the Data Store provides a single gateway where data buyers, including platforms and publishers, in addition to brands and their agencies, can access high-quality third-party data from more than 180 data owners, supporting all industries and encompassing all types of data. Data providers include sources and brands exclusive to LiveRamp, emerging platforms with access to previously unavailable deterministic data, and data partnerships enabled by our platform.

We primarily generate revenue from the Data Store through revenue-sharing arrangements with data owners that are monetizing their data assets on our marketplace. This revenue is typically transactional in nature, tied to data volume purchased on the Data Store.

Summary Results and Notable Events

A financial summary of the quarter ended September 30, 2019 is presented below:

- Revenues were \$90.1 million, a 39.1% increase from \$64.8 million in the same quarter a year ago.
- Cost of revenue was \$41.5 million, a 69.5% increase from \$24.5 million in the same quarter a year ago.
- Gross margin decreased to 54.0% from 62.3% in the same quarter a year ago.
- Total operating expenses were \$99.0 million, a 26.0% increase from \$78.5 million in the same quarter a year ago.
- Cost of revenue and operating expenses for the quarters ended September 30, 2019 and 2018 include the following items:
 - Non-cash stock compensation of \$23.4 million and \$17.7 million, respectively (cost of revenue and operating expenses)
 - Purchased intangible asset amortization of \$5.4 million and \$3.5 million, respectively (cost of revenue)
 - Accelerated depreciation of \$1.7 million in fiscal 2020 (cost of revenue and operating expenses)
 - Separation and transformation and transformation costs of \$2.1 million in fiscal 2019 (operating expenses)
- Net loss was \$40.2 million, a loss of \$0.59 per diluted share, compared to a net loss from continuing operations of \$41.2 million, or \$0.53 per diluted share in the same quarter a year ago.
- Net cash used in operating activities was \$28.9 million compared to \$27.1 million in the same quarter a year ago.
- The Company repurchased 1.7 million shares of its common stock for \$80.4 million under the Company's common stock repurchase program.
- On July 2, 2019, the Company closed its merger with Data Plus Math Corporation ("DPM"), a media measurement company that works with brands, agencies, cable operators, streaming TV services and networks to tie cross-screen ad exposure with real-world outcomes. The acquisition date fair value of the consideration transferred for DPM was approximately \$118.0 million. The Company has included the financial results of DPM in the condensed consolidated financial statements from the date of acquisition.

This summary highlights financial results as well as other significant events and transactions of the Company during the quarter ended September 30, 2019. However, this summary is not intended to be a full discussion of the Company's results. This summary should be read in conjunction with the following discussion of Results of Operations and Capital Resources and Liquidity and with the Company's condensed consolidated financial statements and footnotes accompanying this report.

Results of Operations

A summary of selected financial information for each of the periods reported is presented below (dollars in thousands, except per share amounts):

| | For the three months ended September 30, | | | For the six months ended September 30, | | |
|-----------------------------------|---|-----------|-------------|---|------------|-------------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Revenues | \$ 90,143 | \$ 64,812 | 39 | \$ 172,654 | \$ 127,283 | 36 |
| Cost of revenue | 41,460 | 24,466 | 69 | 77,886 | 48,120 | 62 |
| Gross profit | 48,683 | 40,346 | 21 | 94,768 | 79,163 | 20 |
| Total operating expenses | 98,956 | 78,545 | 26 | 193,416 | 146,964 | 32 |
| Loss from operations | (50,273) | (38,199) | 32 | (98,648) | (67,801) | 45 |
| Net earnings (loss) | \$ (40,202) | \$ 20,623 | (295) | \$ (82,342) | \$ 17,608 | (568) |
| Diluted earnings (loss) per share | \$ (0.59) | \$ 0.27 | (323) | \$ (1.21) | \$ 0.23 | (629) |

Revenues

The Company's revenues for each of the periods reported is presented below (dollars in thousands):

| | For the three months ended September 30, | | | For the six months ended September 30, | | |
|-----------------------|---|-----------|-------------|---|------------|-------------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Subscription | \$ 71,967 | \$ 54,849 | 31 | \$ 140,293 | \$ 106,177 | 32 |
| Marketplace and Other | 18,176 | 9,963 | 83 | 32,361 | 21,106 | 53 |
| Total revenues | \$ 90,143 | \$ 64,812 | 39 | \$ 172,654 | \$ 127,283 | 36 |

Total revenue for the quarter ended September 30, 2019 was \$90.1 million, a \$25.3 million or 39.1%, increase compared to the same quarter a year ago. The increase was due to Subscription growth of \$17.1 million, or 31.2%, primarily due to new logo deals and upsell to existing customers, and Marketplace and Other growth of \$8.2 million, or 82.5%. Marketplace and Other revenue growth was negatively impacted in the amount of \$1.6 million from a revenue-sharing arrangement related to a lost customer. On a geographic basis, U.S. revenue increased \$23.9 million, or 39.9%, from the same quarter a year ago. International revenue increased \$1.4 million, or 28.6%, from the same quarter a year ago. Again, both U.S and International revenue was negatively impacted by the lost customer.

Total revenue for the six months ended September 30, 2019 was \$172.7 million, a \$45.4 million, or 35.6%, increase compared to the same period a year ago. The increase was due to Subscription growth of \$34.1 million, or 32.1%, primarily due to new logo deals and upsell to existing customers, and Marketplace and Other growth of \$11.3 million, or 53.4%. Marketplace and Other revenue growth was negatively impacted in the amount of \$4.6 million from a revenue-sharing arrangement related to a lost customer. On a geographic basis, U.S. revenue increased \$44.3 million, or 38.1%, from the same period a year ago. International revenue increased \$1.1 million, or 10.0%. Again, both U.S and International revenue was negatively impacted by the lost customer.

Cost of revenue and Gross profit

The Company's cost of revenue and gross profit for each of the periods reported is presented below (dollars in thousands):

| | For the three months ended | | | For the six months ended | | |
|-----------------|----------------------------|-----------|-------------|--------------------------|-----------|-------------|
| | September 30, | | | September 30, | | |
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Cost of revenue | \$ 41,460 | \$ 24,466 | 69 | \$ 77,886 | \$ 48,120 | 62 |
| Gross profit | \$ 48,683 | \$ 40,346 | 21 | \$ 94,768 | \$ 79,163 | 20 |
| Gross margin % | 54.0 % | 62.3 % | (13) | 54.9 % | 62.2 % | (12) |

Cost of revenue: Includes third-party direct costs including Identity Graph and cloud and hosting costs, as well as costs of IT, security and product operations functions. Cost of revenue also includes amortization of internally developed software and other acquisition related intangibles.

Cost of revenue was \$41.5 million for the quarter ended September 30, 2019, a \$17.0 million, or 69.5%, increase from the same quarter a year ago. Gross margins decreased to 54.0% compared to 62.3% in the same quarter of the prior year. The gross margin decrease is due primarily to increased hosting and security costs, as well as accelerated depreciation. U.S. gross margins decreased to 55.1% in the current year from 65.1% in the prior year. International gross margins increased to 36.6% from 26.9%.

Cost of revenue was \$77.9 million for the six months ended September 30, 2019, a \$29.8 million, or 61.9%, increase from the same period a year ago. Gross margins decreased to 54.9% compared to 62.2% in the prior year period. The gross margin decrease is due primarily to increased hosting and security costs, as well as accelerated depreciation. U.S. gross margins decreased to 56.4% in the current year from 64.8% in the prior year. International gross margins were flat at 34.5%.

Operating Expenses

The Company's operating expenses for each of the periods reported is presented below (dollars in thousands):

| | For the three months ended | | | For the six months ended | | |
|------------------------------------|----------------------------|-----------|-------------|--------------------------|---------|-------------|
| | September 30, | | | September 30, | | |
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Operating expenses | | | | | | |
| Research and development | \$ 26,445 | \$ 16,940 | 56 | 50,167 | 33,910 | 48 |
| Sales and marketing | 45,204 | 35,940 | 26 | 88,348 | 69,263 | 28 |
| General and administrative | 27,262 | 25,176 | 8 | 52,580 | 43,301 | 21 |
| Gains, losses and other items, net | 45 | 489 | (91) | 2,321 | 490 | 374 |
| Total operating expenses | \$ 98,956 | \$ 78,545 | 26 | 193,416 | 146,964 | 32 |

Research and development ("R&D"): Includes operating expenses for the Company's engineering and product/project management functions supporting research, new development, and related product enhancement.

R&D expenses were \$26.4 million for the quarter ended September 30, 2019, an increase of \$9.5 million, or 56.1% compared to the same quarter a year ago, and are 29.3% of total revenues compared to 26.1% in the same quarter of the prior year. The increase is primarily due to an increase in non-cash stock-based compensation expense of \$2.6 million, and ongoing investment in LiveRamp products.

R&D expenses were \$50.2 million for the six months ended September 30, 2019, an increase of \$16.3 million, or 47.9%, compared to the same period a year ago, and are 29.1% of total revenues compared to 26.6% in the prior year. The increase is due primarily to an increase in non-cash stock-based compensation of \$2.7 million, and ongoing investment in LiveRamp products.

Sales and marketing ("S&M"): Includes operating expenses for the Company's sales, marketing, and product marketing functions.

S&M expenses were \$45.2 million for the quarter ended September 30, 2019, an increase of \$9.3 million, or 25.8%, compared to the same quarter a year ago, and are 50.1% of total revenues compared to 55.5% in the same quarter of the prior year. Current quarter expenses included \$9.8 million of non-cash stock-based compensation expense compared to \$9.9 million in the prior year. The increase in S&M expenses is due to increased headcount to support revenue growth initiatives and increased bad debt expense on growing revenue levels.

S&M expenses were \$88.3 million for the six months ended September 30, 2019, an increase of \$19.1 million, or 27.6%, compared to the same period a year ago, and are 51.1% of total revenues compared to 54.4% in the prior year. The increase in S&M expenses is due to increased headcount to support revenue growth initiatives and increased bad debt expense on growing revenue levels.

General and administrative (G&A): Represents operating expenses for the Company's finance, human resources, legal, corporate IT, and other corporate administrative functions.

G&A expenses were \$27.3 million for the quarter ended September 30, 2019, an increase of \$2.1 million, or 8.3% compared to the same quarter a year ago, and are 30.2% of total revenues compared to 38.8% in the same quarter of the prior year. G&A expenses included \$6.2 million of non-cash stock-based compensation compared to \$3.3 million in the same quarter of the prior year. The prior year period also included \$2.1 million in separation and transformation costs. The remaining increase in G&A expenses is primarily headcount related to support business growth.

G&A expenses were \$52.6 million for the six months ended September 30, 2019, an increase of \$9.3 million, or 21.4%, compared to the same period a year ago, and are 30.5% of total revenues compared to 34.0% in the prior year. G&A expenses included \$10.7 million of non-cash stock-based compensation compared to \$6.1 million in the same quarter of the prior year. The prior year period also included \$2.1 million in separation and transformation costs. The remaining increase in G&A expenses is primarily headcount related to support business growth.

Gains, losses, and other items, net: Represents restructuring costs and other adjustments.

Gains, losses and other items, net of \$0.0 million for the quarter ended September 30, 2019 decreased \$0.4 million compared to the same quarter a year ago. Gains, losses and other items, net of \$2.3 million for the six months ended September 30, 2019 increased \$1.8 million compared to the same period a year ago, primarily due to restructuring charges (primarily severance).

Loss from Operations and Operating Margin

Loss from operations was \$50.3 million for the quarter ended September 30, 2019 compared to \$38.2 million for the same quarter a year ago. Operating margin was a negative 55.8% compared to a negative 58.9%.

Loss from operations was \$98.6 million for the six months ended September 30, 2019 compared to \$67.8 million for the same period a year ago. Operating margin was a negative 57.1% compared to a negative 53.3%.

Other Income and Income Taxes

Other income was \$4.8 million for the quarter ended September 30, 2019 compared to other expense of \$0.3 million for the same quarter a year ago. Other income was \$10.7 million for the six months ended September 30, 2018 compared to \$0.1 million for the same period a year ago. The increase is due to interest income related to invested cash proceeds from the sale of AMS.

Income tax benefit was \$5.3 million on a pretax loss of \$45.5 million for the quarter ended September 30, 2019 compared to income tax expense of \$2.7 million on a pretax loss of \$38.5 million for the same quarter last year. The current year benefit was primarily due to a \$4.9 million valuation allowance release in connection with recorded deferred tax liabilities associated with DPM acquired intangibles. In the quarter ended September 30, 2018, the Company recognized a discrete tax expense of \$5.5 million in connection with establishing a valuation allowance against its net deferred tax assets.

Income tax benefit was \$5.6 million on a pretax loss of \$88.0 million for the six months ended September 30, 2019 compared to income tax expense of \$1.3 million on a pretax loss of \$67.7 million for the same period last year. The current year benefit was primarily due to a \$4.9 million valuation allowance release in connection with recorded deferred tax liabilities associated with DPM acquired intangibles. In the six months ended September 30, 2018, the Company recognized a discrete tax expense of \$5.5 million in connection with establishing a valuation allowance against its net deferred tax assets.

Discontinued Operations

Summary results of operations of AMS are segregated and included in earnings from discontinued operations, net of tax, in the Company's condensed consolidated statements of operations for the period presented below (dollars in thousands):

| | For the three months ended September 30, 2018 | For the six months ended September 30, 2018 |
|---|---|--|
| Revenues | \$ 167,696 | \$ 332,185 |
| Cost of revenue | 95,218 | 188,835 |
| Gross profit | 72,478 | 143,350 |
| Operating expenses: | | |
| Research and development | 7,352 | 14,918 |
| Sales and marketing | 21,106 | 42,633 |
| General and administrative | 27,789 | 44,383 |
| Gains, losses and other items, net | 1,369 | 2,653 |
| Total operating expenses | 57,616 | 104,587 |
| Income from discontinued operations | 14,862 | 38,763 |
| Interest expense | (2,864) | (5,702) |
| Other, net | (145) | 23 |
| Earnings from discontinued operations before income taxes | 11,853 | 33,084 |
| Income taxes (benefit) | (49,950) | (53,522) |
| Earnings from discontinued operations, net of tax | \$ 61,803 | \$ 86,606 |

Capital Resources and Liquidity

The Company's cash is primarily located in the United States. Approximately \$7.8 million of the total cash balance of \$777.4 million, or approximately 1.0%, is located outside of the United States. The Company has no current plans to repatriate this cash to the United States.

Working capital at June 30, 2019 totaled \$823.7 million, a \$273.2 million decrease when compared to \$1.1 billion at March 31, 2019.

Management believes that the Company's existing available cash will be sufficient to meet the Company's working capital and capital expenditure requirements for the foreseeable future. However, we may take advantage of opportunities to generate additional liquidity through capital market transactions. The amount, nature, and timing of any capital market transactions will depend on our operating performance and other circumstances; our then-current commitments and obligations; the amount, nature, and timing of our capital requirements; and overall market conditions.

Cash Flows

The following table summarizes our cash flows for the periods presented (dollars in thousands):

| | For the six months ended | |
|--|--------------------------|-------------|
| | September 30, | |
| | 2019 | 2018 |
| Net cash used in operating activities | \$ (44,159) | \$ (29,410) |
| Net cash used in investing activities | \$ (112,377) | \$ (5,857) |
| Net cash used in financing activities | \$ (112,288) | \$ (55,862) |
| Net cash provided by discontinued operations | \$ — | \$ 39,642 |

Operating Activities - Continuing Operations

Our cash flows from operating activities are primarily influenced by growth in our operations, increases or decreases in collections from our clients and related payments to our suppliers. The timing of cash receipts from clients and payments to suppliers can significantly impact our cash flows from operating activities. Our collection and payment cycles can vary from period to period.

For the six months ended September 30, 2019, net cash used in operating activities of \$44.2 million resulted primarily from net loss adjusted for non-cash items of \$23.3 million and a decrease in cash used by operating assets and liabilities of \$20.9 million. The net unfavorable change in operating assets and liabilities was primarily related to unfavorable changes in accounts receivable of \$11.3 million, income taxes of \$7.8 million and other assets of \$3.9 million, partially offset by favorable changes in accounts payable and other liabilities of \$2.8 million. The increase in accounts receivable was primarily due to the growth in our subscription and marketplace and other revenue and the timing of cash receipts from clients. The change in income taxes was primarily due to extension payments related to fiscal 2019 state income tax returns.

For the six months ended September 30, 2018, net cash used in operating activities of \$29.4 million resulted primarily from net loss adjusted for non-cash items of \$3.4 million and a decrease in cash provided by operating assets and liabilities of \$26.0 million. The net unfavorable change in operating assets and liabilities was primarily related to unfavorable changes in income taxes of \$16.4 million, accounts payable and other liabilities of \$4.6 million and accounts receivable of \$2.6 million. The increase in accounts payable and other liabilities was primarily due to the timing of payments to suppliers. The increase in accounts receivable was primarily due to the growth in our subscription and marketplace and other revenue and the timing of cash receipts from clients.

Investing Activities - Continuing Operations

Our primary investing activities have consisted of capital expenditures in support of our expanding headcount as a result of our growth. Capital expenditures may vary from period to period due to the timing of the expansion of our operations, the addition of new headcount and new facilities. Expenditures related to our capitalized software may also vary from period to period based on development cycles. As development cycles shorten, we expect our capitalized costs to continue to decrease. Other periodic investing activities include cash paid in acquisitions, cash received in dispositions that are not classified as discontinued operations, and payments for investments.

For the six months ended September 30, 2019, we used \$112.4 million of cash in investing activities, primarily consisting of \$7.5 million for capital expenditures, and \$105.4 million for the acquisitions of DPM and Faktor.

For the six months ended September 30, 2018, we used \$5.9 million of cash in investing activities, consisting primarily of \$2.0 million for capital expenditures, \$2.5 million payment for an investment and \$1.3 million for capitalized software.

Financing Activities - Continuing Operations

Our financing activities have consisted of acquisition of treasury stock, proceeds from our equity compensation plans, and shares repurchased for tax withholdings upon vesting of stock-based awards.

For the six months ended September 30, 2019, we used \$112.3 million of cash in financing activities, consisting of the acquisition of treasury shares pursuant to the board of directors' approved stock repurchase plan of \$100.5 million (2.1 million shares), and \$13.9 million for shares repurchased for tax withholdings upon vesting of stock-based awards (0.3 million shares). These uses of cash were partially offset by proceeds of \$2.1 million from the sale of common stock from our equity compensation plans.

For the six months ended September 30, 2018, we used \$55.9 million of cash in financing activities, consisting primarily of the acquisition of treasury shares pursuant to the board of directors' approved stock repurchase plan of \$45.8 million (1.9 million shares), \$14.6 million for shares repurchased for tax withholdings upon vesting of stock-based awards (0.5 million shares), and payments of debt of \$3.3 million. These uses of cash were partially offset by proceeds of \$8.1 million from the sale of common stock from our equity compensation plans.

Discontinued operations

Net cash provided by discontinued operations was \$39.6 million in the prior year.

Off-Balance Sheet Items and Commitments

Common Stock Repurchase Program

Under the modified common stock repurchase program, the Company may purchase up to \$1.0 billion of its common stock through the period ending December 31, 2020. During the six months ended September 30, 2019, the Company repurchased 2.1 million shares of its common stock for \$100.5 million under the stock repurchase program. Through September 30, 2019, the Company had repurchased a total of 24.7 million shares of its stock for \$549.5 million under the stock repurchase program, leaving remaining capacity of \$450.5 million.

Contractual Commitments

The following table presents the Company's contractual cash obligations and purchase commitments at September 30, 2019. Operating leases primarily consist of our various office facilities, and purchase commitments primarily include contractual commitments for the purchase of data. The table does not include the future payment of liabilities related to uncertain tax positions of \$21.2 million as the Company is not able to predict the periods in which the payments will be made. The amounts for 2020 represent the remaining six months ending March 31, 2020. All other periods represent fiscal years ending March 31 (dollars in thousands).

| | For the years ending March 31, | | | | | | Total |
|------------------|--------------------------------|----------|----------|----------|--------|------------|-----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | |
| Operating leases | \$ 4,933 | \$ 8,915 | \$ 8,253 | \$ 2,496 | \$ 587 | \$ — | \$ 25,184 |

Future minimum payments as of September 30, 2019 related to restructuring plans as a result of the Company's exit from certain leased office facilities are: Remainder of Fiscal 2020: \$1,263; Fiscal 2021: \$2,560; Fiscal 2022: \$2,610; Fiscal 2023: \$2,663; Fiscal 2024: \$2,699; and Thereafter: \$4,497.

| | For the years ending March 31, | | | | | | Total |
|----------------------|--------------------------------|----------|----------|----------|-------|------------|-----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | |
| Purchase commitments | \$ 8,084 | \$ 7,179 | \$ 5,201 | \$ 3,308 | \$ 96 | \$ 48 | \$ 23,916 |

While the Company does not have any other material contractual commitments for capital expenditures, certain levels of investments in facilities and computer equipment continue to be necessary to support the growth of the business.

For a description of certain risks that could have an impact on results of operations or financial condition, including liquidity and capital resources, see "Risk Factors" contained in Part I, Item 1A, of the Company's 2019 Annual Report.

Non-U.S. Operations

The Company has a presence in the United Kingdom, France, Netherlands, Australia, China, Singapore and Japan. Most of the Company's exposure to exchange rate fluctuation is due to translation gains and losses as there are no material transactions that cause exchange rate impact. In general, each of the foreign locations is expected to fund its own operations and cash flows, although funds may be loaned or invested from the U.S. to the foreign subsidiaries. These advances are considered long-term investments, and any gain or loss resulting from changes in exchange rates as well as gains or losses resulting from translating the foreign financial statements into U.S. dollars are included in accumulated other comprehensive income. Therefore, exchange rate movements of foreign currencies may have an impact on the Company's future costs or on future cash flows from foreign investments. The Company has not entered into any foreign currency forward exchange contracts or other derivative instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

Critical Accounting Policies

We prepare our condensed consolidated financial statements in conformity with U.S. GAAP as set forth in the FASB ASC and we consider the various staff accounting bulletins and other applicable guidance issued by the SEC. These accounting principles require management to make certain judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The consolidated financial statements in the Company's 2019 Annual Report include a summary of significant accounting policies used in the preparation of the Company's consolidated financial statements. In addition, the Management's Discussion and Analysis filed as part of the 2019 Annual Report contains a discussion of the policies that management has identified as the most critical because they require management's use of complex and/or significant judgments. None of the Company's critical accounting policies have materially changed since the date of the last annual report other than as described in the Accounting Pronouncements Adopted During the Current Year section of Note 1, "Basis of Presentation and Summary of Significant Accounting Policies," of the Notes to Condensed Consolidated Financial Statements.

Accounting Pronouncements Adopted During the Current Year

See "Accounting Pronouncements Adopted During the Current Year" under Note 1, "Basis of Presentation and Summary of Significant Accounting Policies," of the Notes to Condensed Consolidated Financial Statements for a discussion of certain accounting standards that have been issued and were adopted during the current fiscal year.

New Accounting Pronouncements Not Yet Adopted

See "Recent Accounting Pronouncements Not Yet Adopted" under Note 1, "Basis of Presentation and Summary of Significant Accounting Policies," of the Notes to Condensed Consolidated Financial Statements for a discussion of certain accounting standards that have been issued but not yet adopted.

Forward-looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements, which are not statements of historical fact, may contain estimates, assumptions, projections and/or expectations regarding the Company's financial position, results of operations, market position, product development, growth opportunities, economic conditions, and other similar forecasts and statements of expectation. Forward-looking statements are often identified by words or phrases such as "anticipate," "estimate," "plan," "expect," "believe," "intend," "foresee," or the negative of these terms or other similar variations thereof. These forward-looking statements are not guarantees of future performance and are subject to a number of factors and uncertainties that could cause the Company's actual results and experiences to differ materially from the anticipated results and expectations expressed in the forward-looking statements.

Forward-looking statements may include but are not limited to the following:

- management's expectations about the macro economy;
- statements containing a projection of revenues, operating income (loss), income (loss), earnings (loss) per share, capital expenditures, dividends, capital structure, or other financial items;
- statements of the plans and objectives of management for future operations, including, but not limited to, those statements contained under the heading "Growth Strategy" in Part I, Item 1 of the Company's 2019 Annual Report on Form 10-K;
- statements of future economic performance, including, but not limited to, those statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's 2019 Annual Report on Form 10-K;
- statements containing any assumptions underlying or relating to any of the above statements; and
- statements containing a projection or estimate.

Among the factors that may cause actual results and expectations to differ from anticipated results and expectations expressed in such forward-looking statements are the following:

- the risk factors described in Part I, "Item 1A. Risk Factors" included in the Company's 2019 Annual Report and those described from time to time in our future reports filed with the SEC;
- the possibility that, in the event a change of control of the Company is sought, certain clients may attempt to invoke provisions in their contracts allowing for termination upon a change in control, which may result in a decline in revenue and profit;
- the possibility that the integration of acquired businesses may not be as successful as planned;
- the possibility that the fair value of certain of our assets may not be equal to the carrying value of those assets now or in future time periods;
- the possibility that sales cycles may lengthen;
- the possibility that we will not be able to properly motivate our sales force or other associates;
- the possibility that we may not be able to attract and retain qualified technical and leadership associates, or that we may lose key associates to other organizations;
- the possibility that competent, competitive products, technologies or services will be introduced into the marketplace by other companies;

- the possibility that there will be changes in consumer or business information industries and markets that negatively impact the Company;
- the possibility that we will not be able to protect proprietary information and technology or to obtain necessary licenses on commercially reasonable terms;
- the possibility that there will be changes in the legislative, accounting, regulatory and consumer environments affecting our business, including but not limited to litigation, legislation, regulations and customs impairing our ability to collect, manage, aggregate and use data;
- the possibility that due to changes in culture, legislation or regulation, such as the California Consumer Protection Act (and regulations thereunder) and analogous laws and regulations, that greater numbers of consumers will exercise rights to prevent the use of personal data and reduce the amount of data available for our use and for the advertising and marketing ecosystem in which we operate leading to a reduction in our revenue;
- the possibility that data suppliers might withdraw data from us, leading to our inability to provide certain products and services;
- the possibility that data purchasers will reduce their reliance on us by developing and using their own, or alternative, sources of data generally or with respect to certain data elements or categories;
- the possibility that we may enter into short-term contracts that would affect the predictability of our revenues;
- the possibility that the amount of volume-based and other transactional based work will not be as expected;
- the possibility that we may experience a loss of data center capacity or interruption of telecommunication links or power sources;
- the possibility that we may experience failures or breaches of our network and data security systems, leading to potential adverse publicity, negative customer reaction, or liability to third parties;
- the possibility that our clients may cancel or modify their agreements with us;
- the possibility that we will not successfully complete customer contract requirements or the service levels specified in the contracts, which may result in contract penalties or lost revenue;
- the possibility that we may experience processing errors that result in credits to customers, re-performance of services or payment of damages to customers;
- the possibility that our performance may decline and we may lose advertisers and revenue if the use of "third-party cookies" or other tracking technology is rejected by Internet users, restricted or otherwise subject to unfavorable regulation, blocked or limited by technical changes on end users' devices, or our clients' ability to use data on our platform is otherwise restricted;
- general and global negative economic conditions; and
- our tax rate and other effects of the changes to U.S. federal tax law.

With respect to the provision of products or services outside our primary base of operations in the United States, all of the above factors apply, along with the difficulty of doing business in numerous sovereign jurisdictions due to differences in scale, competition, culture, laws and regulations.

Other factors are detailed from time to time in periodic reports and registration statements filed with the SEC. The Company believes that it has the product and technology offerings, facilities, associates and competitive and financial resources for continued business success, but future revenues, costs, margins and profits are all influenced by a number of factors, including those discussed above, all of which are inherently difficult to forecast.

In light of these risks, uncertainties and assumptions, the Company cautions readers not to place undue reliance on any forward-looking statements. Forward-looking statements and such risks, uncertainties and assumptions speak only as of the date of the Quarterly Report on Form 10-Q, and the Company expressly disclaims any obligation or undertaking to update or revise any forward-looking statements contained herein, to reflect any change in our expectations with regard thereto, or any other change based on the occurrence of future events, the receipt of new information or otherwise, except to the extent otherwise required by law.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We believe there have been no material changes in our market risk exposures for the six months ended September 30, 2019, as compared with those discussed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2019.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our Chief Executive Officer (our principal executive officer) and our President, Chief Financial Officer and Executive Managing Director of International (our principal financial and accounting officer), evaluated the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended). Based on this evaluation, our principal executive officer and our principal financial and accounting officer concluded that as of September 30, 2019, our disclosure controls and procedures were effective.

(b) Changes in Internal Control over Financial Reporting.

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are currently no matters pending against the Company or its subsidiaries for which the potential exposure is considered material to the Company's condensed consolidated financial statements.

Item 1A. Risk Factors

The risks described in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended March 31, 2019 (the "2019 Form 10-K"), which was filed with the Securities and Exchange Commission on May 29, 2019, remain current in all material respects. The risk factors in our 2019 Form 10-K do not identify all risks that we face. Our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. If any of the identified risks or others not specified in our SEC filings materialize, our business, financial condition, or results of operations could be materially adversely affected. In these circumstances, the market price of our common stock could decline.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

- a. Not applicable.
- b. Not applicable.
- c. The table below provides information regarding purchases by LiveRamp of its common stock during the periods indicated.

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs |
|----------------|----------------------------------|------------------------------|--|--|
| July 2019 | 1,012,957 | \$ 48.09 | 1,012,957 | \$ 482,134,876 |
| August 2019 | — | — | — | 482,134,876 |
| September 2019 | 709,773 | 44.61 | 709,773 | 450,473,075 |
| Total | 1,722,730 | \$ 46.66 | 1,722,730 | N/A |

Under the modified common stock repurchase program, the Company may purchase up to \$1.0 billion of its common stock through the period ending December 31, 2020. Through September 30, 2019, the Company had repurchased a total of 24.7 million shares of its stock for \$549.5 million, leaving remaining capacity of \$450.5 million under the stock repurchase program.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following exhibits are filed with this quarterly report:

- 31.1 [Certification of Chief Executive Officer \(principal executive officer\) pursuant to SEC Rule 13a-14\(a\)/15d-14\(a\), as adopted pursuant to Sections 302 and 404 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Certification of President, Chief Financial Officer and Executive Managing Director of International \(principal Certification of President, Chief Financial Officer and Executive Managing Director of International \(principal financial and accounting officer\) pursuant to SEC Rule 13a-14\(a\)/15d-14\(a\), as adopted pursuant to Sections 302 and 404 of the Sarbanes-Oxley Act of 2002 and accounting officer\) pursuant to SEC Rule 13a-14\(a\)/15d-14\(a\), as adopted pursuant to Sections 302 and 404 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 [Certification of Chief Certification of Chief Executive Officer \(principal executive officer\) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Officer \(principal executive officer\) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2 [Certification of President, Chief Financial Officer and Executive Managing Director of International \(principal financial and accounting officer\) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101 The following financial information from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in XBRL: (i) Condensed Consolidated Balance Sheets at September 30, 2019, and March 31, 2019, (ii) Condensed Consolidated Statements of Operations for the Three Months ended September 30, 2019 and 2018, (iii) Condensed Consolidated Statements of Operations for the Six Months ended September 30, 2019 and 2018, (iv) Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three Months and Six Months ended September 30, 2019 and 2018, (v) Condensed Consolidated Statement of Equity for the Three Months and Six Months ended September 30, 2019 and September 30, 2018, (vi) Condensed Consolidated Statements of Cash Flows for the Six Months ended September 30, 2019 and 2018, and (vii) the Notes to Condensed Consolidated Financial Statements, tagged in detail.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LiveRamp Holdings, Inc.

Dated: November 6, 2019

By: /s/ Warren C. Jenson
(Signature)
Warren C. Jenson
President, Chief Financial Officer and Executive Managing
Director of International
(principal financial and accounting officer)

LIVERAMP HOLDINGS, INC AND SUBSIDIARIES

CERTIFICATION

I, Scott E. Howe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LiveRamp Holding, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 6, 2019

By: /s/ Scott E. Howe

(Signature)

Scott E. Howe

Chief Executive Officer

LIVERAMP HOLDINGS, INC. AND SUBSIDIARIES

CERTIFICATION

I, Warren C. Jenson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LiveRamp Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 6, 2019

By: /s/ Warren C. Jenson
(Signature)
Warren C. Jenson
President, Chief Financial Officer and Executive Managing
Director of International

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of LiveRamp Holdings, Inc. (the "Company") for the period ending September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott E. Howe, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott E. Howe

Scott E. Howe
Chief Executive Officer
November 6, 2019

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q of LiveRamp Holdings, Inc. (the "Company") for the period ending September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Warren C. Jenson, Chief Financial Officer & Executive Managing Director of International of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Warren C. Jenson

Warren C. Jenson

President, Chief Financial Officer and Executive Managing
Director of International

November 6, 2019