

05-Feb-2025

LiveRamp Holdings, Inc. (RAMP)

Q3 2025 Earnings Call

CORPORATE PARTICIPANTS

Andrew M. Borst

Vice President-Investor Relations, LiveRamp Holdings, Inc.

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

Lauren Russi Dillard

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

OTHER PARTICIPANTS

Shyam Patil

Analyst, Susquehanna Financial Group LLLP

Mark Zgutowicz

Analyst, The Benchmark Co. LLC

Jason Michael Kreyer

Analyst, Craig-Hallum Capital Group LLC

Elizabeth Porter

Analyst, Morgan Stanley & Co. LLC

Alec Brondolo

Analyst, Wells Fargo Securities LLC

Kirk Materne

Analyst, Evercore Group LLC

MANAGEMENT DISCUSSION SECTION

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

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

Andrew M. Borst

Vice President-Investor Relations, LiveRamp Holdings, Inc.

Thank you, operator. Good afternoon, everyone, and thank you for joining our fiscal 2025 third quarter earnings call. With me today are Scott Howe, our CEO; and Lauren Dillard, our CFO. Today's press release and this call may contain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially. For a detailed description of these risks, please read the Risk Factors section of our public filings and the press release. A copy of our press release and financial schedules, including any reconciliation to non-GAAP financial measures, is available at investors.LiveRamp.com. Also during the call today, we'll be referring to the slide deck that is also available on our Investor Relations website.

With that, I'll turn the call over to Scott.

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

Thank you, Drew. And thanks to everyone for joining us today. With our Investor Day approaching on February 25, I'll keep today's remarks brief and focused on our strong third quarter results. During Investor Day, we'll

provide a comprehensive update on our strategy, market position, product roadmap, go-to-market initiatives and multi-year financial outlook. We hope to see you there either in person in San Francisco or via the live webcast.

Three key takeaways from Q3. First, we exceeded expectations for revenue and operating income with double-digit revenue growth for the fourth consecutive quarter. Second, sales momentum rebounded as our pipeline converted into new clients and upsells and data marketplace and usage revenue remained strong. And third, we continue making progress on our Rule of 40 journey and are prioritizing ongoing improvement.

Exceeding expectations, we posted strong third quarter results exceeding our guidance and consensus on the top line and bottom line. I'm particularly pleased with the improvement in our sales momentum, which validates our strategy and product offering. We believe our data collaboration platform is uniquely positioned to capitalize on the growing demand from advertisers and publishers for enhanced measurement of digital advertising using first-party data.

Revenue increased by 12%, marking our fourth consecutive quarter of double-digit growth. Operating income increased by 24%, and operating margin expanded by over 2 points to reach a record quarterly high of 23%. Fiscal year-to-date, we have generated \$91 million in free cash flow, which is a 20% increase year-over-year.

Sales momentum, our sales momentum rebounded in the third quarter as the pipeline we've built year-to-date started to convert to new clients and upsells. Our pipeline conversion rate improved materially, swinging from below trend in the prior three quarters to well above trend in Q3. What drove the turnaround? We think several factors were at play.

First, the IT spending environment improved as concerns about the economy and macroeconomic policy receded. Second, customers are increasingly recognizing that data collaboration is critical for measuring outcomes in the fastest growing advertising channels such as CTV, commerce media and social, and for supporting data-fueled AI models.

Finally, our strategic focus and optimizations are paying off. We've simplified our messaging and educated the market about the value of data collaboration. The tactical adjustments we made to our product and go-to-market strategy starting last spring are gaining traction with customers. As I outlined on the last earnings call, these adjustments made our platform faster and easier to use for the use cases that matter most to customers, such as measuring marketing outcomes in CTV and retail media.

LiveRamp operates as a classic network business where scale creates a defensible advantage and a natural flywheel that further enhances the network scale and the value received by all participants. There's been a lot of talk in our industry recently about marketing entering the outcomes era, a period in which all advertising is data-driven, accountable and achieves measurable results. This trend benefits LiveRamp as our network enables a personalized customer experience at scale across all touchpoints with the ability to measure and optimize outcomes for better performance.

The brand and business value our customers build increases exponentially with the LiveRamp data collaboration network. The scale of our data collaboration network is unparalleled. Consider some of these metrics. Over 350 brand customers, including 20 of the 25 largest US advertisers and 30% of the Fortune 500; more than 200 adtech platforms such as DSPs, SSPs, marketing clouds and customer data platforms; 200-plus third-party data providers, 70-plus ad agencies, including all six of the largest agency holding companies, 10 of the 11 largest streaming platforms; and over 30 retail and commerce media networks, including 14 of the 15 largest. Even at this scale, we're not done growing. The current leg of growth is being driven by the need to deliver measurable

marketing outcomes, a dawning recognition that few companies have enough data to go it alone, and the desire to collaborate in a secure, clean room environment.

Every marketer, media owner and marketing partner is judged on their ability to deliver measurable marketing outcomes, and you simply cannot deliver, measure and optimize these outcomes without collaboration. Both the data owners and data consumers in our network and most companies now fit into both categories recognize that collaboration improves virtually every measurable outcome.

Publishers and commerce media networks use our clean room solution to enhance the value and effectiveness of their advertising inventory through improved targeting and measurement capabilities. Advertisers are able to seamlessly connect to a broad network of the premium publishers to achieve greater reach, richer consumer insights, execute more sophisticated campaign strategies, and measure their marketing outcomes, such as return on ad spend. The customer upsells and new logo wins we had this quarter exemplify the growth across our network.

We secured a high six-figure upsell on a multi-million dollar two-year contract with a leading mass market retailer in the US. The upsell spanned our identity, connectivity and clean room solutions, bringing their retail media network into our network as a data owner.

We also signed a seven-figure upsell on a multi-million three-year contract with a large quick service restaurant, who will be utilizing our clean room solution as a data consumer.

Our collaboration network is also helping with new logos. This quarter, we signed a top five retail media network to our clean room as a data owner for a high six-figure ACV. Finally, we signed a seven-figure new logo contract with a two-year term with a global hotel and resort operator. This contract included our clean room solution as the data consumer, in addition to our identity and connectivity products.

As I mentioned, many of our clients are now serving as both data consumers and data owners. For example, the aforementioned hotel operator came into our clean room network as a data consumer to support their advertising efforts. But we are already discussing how to expand this relationship to include their commerce media network as a data owner node in our collaboration network. This improved sales momentum is partially, although not fully, reflected in several key operational metrics.

ARR grew by 10% year-on-year, marking the fourth consecutive quarter of double-digit growth. Net new ARR in the quarter was \$8 million. This only partially reflects Q3 signings due to the normal one to two-month lag between contract signing and the first invoice that triggers revenue recognition for ARR.

Third quarter CRPO also rebounded with a 16% increase quarter-over-quarter. While we typically see an acceleration in CRPO quarterly growth in Q3, due to seasonal quality in our contract renewals, 16% growth was significantly above the normal seasonal trend. Of course, we know that a single quarter doesn't guarantee continued success. We're focused on maintaining this momentum and improving the consistency of our execution.

To support that goal, we're hosting our annual customer and partner conference RampUp in San Francisco at the end of February. This event is a cornerstone zone of our commercial strategy, and we anticipate engaging with over 3,000 attendees, including hundreds of customers and partners. We'll hold more than 350 customer meetings and announce platform enhancements focused on speed, ease of use and expanded functionality.

We're also excited to share new use cases, partnerships and innovations. Given the current momentum within our data collaboration network, we're more enthusiastic than ever about this year's RampUp.

Rule of 40 progress, we continue to make progress on our Rule of 40 journey, prioritizing ongoing improvement, which we believe will unlock greater returns for shareholders. Based on our updated FY 2025 guidance, we expect to reach or surpass Rule of 30 with 12% to 13% revenue growth and an 18% operating margin. This represents [ph] 300 basis point to (00:11:44) 400 basis point improvement compared to our FY 2024.

Revenue, our medium term objective remains 10% to 15% annual revenue growth. And FY 2025 will be the seventh consecutive year we grew above 10% since the Acxiom divestiture. While our revenue growth isn't always linear, Q3 sales momentum reinforces that we have the right strategy and product to meet substantial market demand for data collaboration. This positions us for strong growth over the medium to long term.

Additionally, we see an opportunity to evolve our pricing model to better align our revenue growth with our customers' increasing data use for digital advertising, delivery and measurement. We'll elaborate on this at our Investor Day.

Margin, we have a track record of steady margin expansion delivering 200 basis points of improvement this year to reach 18%. We remain on track to deliver a 20% to 25% operating margin in FY 2026, driven by cost discipline, savings from our offshoring initiative and the inherent dropdown rate on incremental revenue in our SaaS model. We're confident that we're striking the right balance between investing for future revenue growth and delivering improved profitability.

In closing, let me reiterate the key themes from the quarter. First, we delivered strong Q3 financial results with revenue and operating income exceeding the expectations. We achieved double-digit growth in both revenue and ARR above normal seasonal quality and CRPO growth and record high operating margin.

Second, our sales momentum accelerated during the quarter, driven by an improving IT spending environment and growing recognition amongst customers that data collaboration is essential for both measuring outcomes in key advertising channels, CTV, commerce media, social and supporting data-driven AI models. Our focus on simplifying onboarding, educating the market and enhancing our products also contributed to this success.

Third, we continue making steady progress towards Rule of 40 and expect 300 basis point to 400 basis point improvement to reach or surpass Rule of 30 this fiscal year. We remain committed to delivering a 20% to 25% operating margin in FY 2026, up from 18% in FY 2025, driven by cost discipline, offshoring savings and the high dropdown rate on incremental revenue.

We hope you can join us on February 25th for our Investor Day. Registration information can be found on our Investor Relations website, and please reach out to Drew with any questions. Thank you again for joining us today.

I also want to thank our exceptional, exceptional customers, partners and all LiveRampers for their ongoing hard work and support. We look forward to updating you on our continued progress in the coming quarters.

And with that, I'll turn the call over to Lauren.

Lauren Russi Dillard

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

Thanks, Scott, and thank you all for joining us. Today, I will cover two topics. First, a review of our Q3 financial results. And second, provide our outlook for FY 2025 and Q4. Unless otherwise indicated, my remarks pertain to non-GAAP results and growth is relative to the year-ago period. I will be referring to the earnings slide deck that is available on our IR website.

Starting with Q3. In summary, we delivered strong results above our expectations, highlighting another quarter of solid performance. Revenue came in at \$195 million, \$4 million above our guide and operating income was \$45 million, \$6 million above our guide. Operating margin expanded by 2 points to a record quarterly high of 23%. Subscription net retention improved by 1 point sequentially to a 10-quarter high of 108%. ARR grew 10%, the fourth consecutive quarter of double-digit growth.

Let me provide some additional details. Please turn to slide 5. Total revenue was \$195 million, up 12%, with both subscription and marketplace above our expectations. Subscription revenue was \$146 million, up 10%. Fixed subscription revenue was also up 10%, in line with our low-double-digit expectation.

Subscription usage was up 9%, ahead of our expectation of flat. As a percentage of total subscription revenue, usage was 16%, slightly above the 10% to 15% historic range. ARR was \$491 million, up 10% year-on-year and quarter-on-quarter grew by \$8 million, driven primarily by upsell.

Subscription net retention was 108%, ahead of our 100% to 105% expectation, driven by stronger usage. Total RPO or contracted backlog was up 6% to \$579 million. Current RPO was up 13% to \$434 million. As Scott mentioned, the sequential increase in CRPO was above normal seasonality, reflecting the improved sales momentum in the quarter and a larger volume of successful renewals.

The selling environment improved notably in Q3 compared to the prior three quarters. Our conversion rate swung from below trend in the prior quarters to above trend in Q3. We think the improvement was driven by a combination of an improved IT spending environment, reduced concerns about macroeconomic growth and the tactical adjustments we made to our product and go-to-market motion. Demand signals and our sales pipeline remain robust, so we're optimistic we can sustain the recent momentum.

Marketplace and other revenue increased 20% to \$50 million. Data Marketplace, which accounted for 78% of marketplace and other revenue, grew by 18%, reflecting continued strength in digital advertising markets, and in particular CTV, which now accounts for roughly 20% of Data Marketplace revenue.

Moving beyond revenue, gross margin was approximately 74%, down 0.5 point year-on-year. Operating expenses were \$100 million, up 6% and lower than we expected, due primarily to the timing of certain investment projects. Operating income was \$45 million, up from \$36 million a year ago, and our operating margin expanded by 2 points to a record quarterly high of 23%. GAAP operating income was \$15 million, reflecting the impact of stock-based comp and purchased intangible asset amortization.

Stock comp was \$27 million, up from \$17 million a year ago. The increase reflects a benefit in the prior year from accelerated vesting for tax planning purposes. The current year also includes the impact of the Habu acquisition.

Operating cash flow was \$45 million, up from \$17 million a year ago, reflecting growth in adjusted EBITDA and improved impact of working capital changes. We repurchased \$10 million in stock in the fiscal third quarter, bringing the fiscal year-to-date total to \$76 million. There is approximately \$282 million remaining under the current authorization that will expire at the end of calendar 2026.

In summary, we posted strong results in Q3. We saw a nice improvement in the selling environment and in our own sales execution. Our marketplace growth continued to outpace market growth and we remain disciplined with respect to costs.

Let me now turn to our financial outlook for FY 2025 and Q4. Please turn to slide 12. Please keep in mind our non-GAAP guidance excludes intangible [indiscernible] (00:20:26) amortization, stock comp and restructuring and related charges.

Starting with the full year, we are increasing our revenue guidance to between \$741 million and \$743 million, up 12% to 13% year-on-year. Relative to our prior guide, this is \$4 million higher at the midpoint, passing through the Q3 beat. We still expect fixed subscription revenue to be up low-double-digits, but we now expect subscription usage to increase high-single digits, up from mid-single digits previously.

Our outlook for subscription revenue assumes net retention remains within a range of 100% to 105%. This is a few [ph] ticks (00:21:12) below Q3, which benefited from above trend subscription usage, as well as the acquisition of Habu, which gets lapped starting in Q4.

With Marketplace and other, we now expect growth to be approximately 20%, up from high-teens previously. We expect gross margin to be at the low end of our 74% to 75% range, reflecting short-term investments to improve platform reliability and data processing speed.

We expect non-GAAP operating income to be \$135 million, up 28%, and representing a margin of 18%, up approximately 2 points year-on-year. On the Rule of 40 framework, we expect to reach or surpass Rule of 30 for the first time, given our guide of an 18% operating margin, plus 12% to 13% revenue growth. We expect GAAP operating income to be \$10 million.

Lastly, we're on track to use a substantial portion of this year's free cash flow for share repurchases. And we will be opportunistic in fiscal Q4 depending on market conditions.

Now, moving on to Q4, we expect total revenue of between \$184 million and \$186 million, non-GAAP operating income of \$22 million and an operating margin of 12%, up 3 points year-on-year. As a reminder, Q4 is seasonally our highest expense quarter due to RampUp and payroll taxes.

A few other callouts for Q4. We expect subscription revenue to be up high-single digits across both fixed and usage. Marketplace and other revenue is expected to be up approximately 10%. Note that the Q4 Data Marketplace comp is the most difficult of the year and our guide assumes the two-year stack growth rate remains stable sequentially in Q4.

The expected deceleration in revenue growth in Q4 to high-single digits reflects both the lapping of the Habu acquisition, as well as the challenging sales environment we experienced in the prior three quarters. Gross margin is expected to be 73% and we expect stock-based compensation to be approximately \$26 million.

Before opening the call to questions, I'll conclude with a few final thoughts. We had a strong Q3, ahead of our expectations on the top line and bottom line, reflecting strength with existing customers and healthy digital ad markets. Operating margin expanded by 2 points to a record quarterly high of 23%. We increased our FY 2025 guide for both revenue and operating income.

And finally, our sales momentum rebounded in Q3 and we are making significant progress in scaling our data collaboration network. Our sales pipeline remains robust and we're focused on sustaining the current momentum. On the bottom line, we continue to carefully and smartly manage costs. We're executing well against our offshore initiative and continue to aggressively manage costs. We remain on track to deliver a 20% to 25% operating margin in FY 2026.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Shyam Patil from Susquehanna. Please go ahead.

Shyam Patil

Analyst, Susquehanna Financial Group LLLP

Hey, guys, congrats on the strong results. Scott...

Q

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

Thanks, Shyam.

A

Lauren Russi Dillard

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

Hi, Shyam.

A

Shyam Patil

Analyst, Susquehanna Financial Group LLLP

Scott, I just had a question for you. You talked a little bit about improved sales momentum in the quarter. And I know this has been a topic that we've talked about for a while, but that was great to see. I was just wondering if you could maybe provide some additional color on the drivers of the turnaround there. Thank you.

Q

A – [008J14-E Scott Howe]>: Yeah. Yeah. Thanks for the question, Shyam. Improved sales momentum always starts first and foremost with great salespeople. And I just want to give a callout to our team there because, internally, I'm always hard on them and I always say, hey, it's never good enough. But we have a lot of experienced sellers. I was with one of them yesterday in the Midwest. And every time I see him in action and see how knowledgeable they are about our clients' businesses, what great stewards they are of client results, I'm always so impressed. And so, it starts there, but it's complemented by the fact that we are the scale leader. And in this business, network scale means everything.

Product is important and we always need to strive to improve our product. But part of our product efficacy is the network effect that we generate. And so, when you're talking about data clean rooms or data collaboration, a lot of the value that each participant gets is caused by their ability to connect and collaborate with everyone else. That's part of the network. And so, we have a nice flywheel going.

In fact, in the Midwestern retailer I was at yesterday, they told they said, hey, we chose you, because when we talk to everyone in the ecosystem and everyone we wanted to partner with, our publishers, our merchant partners, they all said that they worked with LiveRamp. And so, when you hear that kind of thing, the flywheel gets moving and scale breeds more scale.

The third thing that I'd point to is just our pipeline, and it's been frustrating the last couple of quarters to be on these calls and talk about how nice our pipeline was, but yet our frustration around converting that pipeline into closed contracts. I feel like perhaps in the wake of the election, budgets were unstuck and we saw a real infusion.

We saw our conversion rate increase pretty materially off of what were real low points in the previous quarters. We had just a nice rebound and that was particularly true in connectivity and clean rooms where both our additions to clean rooms, for instance, doubled in terms of new nodes and our usage also doubled. And when you see both new nodes and increased usage, that also fuels more data consumption. And so, you saw that in our marketplace. So, we really saw – started to see everything hitting on all cylinders. Again, I'd reinforce what I said in my prepared remarks. One quarter is a data point. Now, we need to string together trend lines. But based on what I'm seeing in the marketplace, I'm pretty encouraged.

Lauren Russi Dillard

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

A

Yeah. And, Shyam, I might just put some additional numbers against what Scott said. So, as Scott mentioned, sales were up nicely across all elements of our product suite, but most notably in our connectivity and clean room solutions. Conversion rates nearly doubled from where they were in the preceding three quarters. Our sales cycle for new logos improved meaningfully. Our average deal size ticked up nicely. It was up over 25% versus recent quarters. And finally, our renewal rates in the quarter were at a 10-quarter high. So, just really strong – to Scott's point, really strong sales execution across the board.

Shyam Patil

Analyst, Susquehanna Financial Group LLLP

Q

Great. Thank you, guys. Very helpful.

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

Mark Zgutowicz

Analyst, The Benchmark Co. LLC

Q

Thanks very much. Hi, Scott, Lauren. It's really nice improving metrics, RPO, ARR, retention. Curious on a couple of fronts. On Data Marketplace, which was also very strong, just curious if there was much Oracle impact there in the quarter and if you expect to see any impact in the fiscal fourth quarter. And then, as it relates to RPO, I was just curious if you think about contract renewals and the pace that you saw in the quarter, how that influenced your RPO number and sort of what pace you think you'll see in terms of contract renewals again in fourth quarter relative to the third quarter? Thanks.

Lauren Russi Dillard

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

A

Yeah. I'm happy to take both, Mark. So, first on Oracle, just given the scale and breadth of our Data Marketplace business, it's hard to perfectly tease out the benefit from Oracle versus other factors, including seasonality. Oracle

had about 45 data providers in its marketplace and we were already working with the majority of them. And just for context, we've got about 200 active data providers in our marketplace.

That said, our best estimate is that Oracle added a few points of growth to Data Marketplace in Q3 and we would expect that to continue moving forward.

And then with respect to RPO first, seasonally, we always see strong quarter-on-quarter growth in RPO in Q3 and this reflects the seasonality in our contract renewals. Second, of the increase in total RPO, about 80% of it was associated with the CRPO and that really reflects the strong sales momentum both Scott and I discussed in our prepared remarks.

And then finally, the non-current portion also increased nicely and we think this is a reflection of the continued traction we're having signing our customers to multi-year deals upon renewal. Q4 is also a seasonally high renewal quarter for the business, and we feel good about our ability to maintain renewal rates this quarter.

Mark Zgutowicz

Analyst, The Benchmark Co. LLC

Q

Thanks. That's helpful. And if I could, maybe squeeze one last one in just around the EBITDA, just the EBITDA guide. I know you talked about seasonality you typically have, is there bit more seasonality this year versus last couple of years? Are you expecting – are there any other one-time potential items in the quarter, just curious on that point? That's it for me. Thanks.

Lauren Russi Dillard

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

A

Yeah. Great question. The sequential increase in OpEx this year between Q3 and Q4 is roughly in line with what we've seen in prior years. Of the \$12 million increase, about half of it relates to seasonal items and events, like payroll, taxes and RampUp, as I mentioned in my prepared remarks. And the remainder is due to some one-time project spend, so spend that shifted from Q3 into Q4. So, those would be the two drivers I'd call out for the increase in OpEx in Q4.

Mark Zgutowicz

Analyst, The Benchmark Co. LLC

Q

Super helpful. Thanks, Lauren.

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

Jason Michael Kreyer

Analyst, Craig-Hallum Capital Group LLC

Q

Great. Thank you, guys. I just wanted to stay on the topic of just the sales momentum and ask that just in terms of what you're seeing that would give you indications of the durability of that? And then kind of to contrast that with the Q4 guide, like the trajectory of growth that we're seeing, if these sales improvements continue, do you think that that can drive better momentum exiting Q4 and [ph] then (00:33:30) give us a better indication of growth as we get into FY 2026 or do you think it's still too early to look at it that way?

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Well, let's start Jason with your second question. Anytime we win new clients and secure upsells that de-risks us going forward, but it's the curse and benefit of SaaS, right. You see it kind of six months in the future as opposed to immediately. And so, the things that we do this quarter will really show up in a stronger back half of next year.

So, in terms of what gives me confidence, I do think it's durable. And the reason I say that is because we are in such early stages with all of that data collaboration, commerce media and CTV opportunities in front of us. In CTV, for instance, with almost all of our providers and we work with all, but one of the top 10, I think. So, we're really strong there. But what you typically see is companies start by activating their own data sets, their own CRM targeting schemes on CTV providers. It is not yet the case that many of our advertisers have started to think about the combination of their data, plus the CTV providers' deep rich audience data to combine new segments, the huge measurement opportunity with all of those CTV providers.

In the data collaboration space, it's the case that most of our clients are only activating a single-digit number of edges or number of use cases. We would expect that to continue over time. And as it does, our usage grows fairly significantly.

And so, all the things that we've done up to this point are really seeds that will blossom over time. And what we've found is that the more use cases that any client activates, whether it's destinations or collaboration partners, the stickier the business is for us. So, we think we see that, for instance, in our declining churn. We had a really nice renewal quarter. So, again, scale breeds scale and scale should breed more growth over time. We like where we're at, but now, we need to deliver on it.

Jason Michael Kreyer

Analyst, Craig-Hallum Capital Group LLC

Q

[ph] I (00:36:38) appreciate that, Scott. Thank you.

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

Elizabeth Porter

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you so much. I wanted to follow up on the comment around some of the sales tactical changes that are benefiting execution. Just as it relates to sales efficiency, kind of where are you now versus your targets? Are we getting back to those historical norms or how should we think about the further runway to go on improving that?

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah. Elizabeth, listen, we're never going to be where we want to be in terms of our selling efficiency and relative to, say, where we were a year ago, we're not where we'd like to be. Now, quarter-on-quarter, we took a nice step forward. And so, I think we – you're going to see this in our business going forward. We have disproportionately high fall-through rates. And that's true kind of across the board, it's also true in sales. So, we would expect that our focus is going to be maintaining the seasoned sellers that we have and watching them build their books that they already have. And I think you'll see that drive progress in Rule of 40 going forward for us.

Lauren Russi Dillard

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

A

And, Elizabeth, if the question – if your question is whether we've kind of rebounded from some of the sales capacity challenges we faced a couple of years ago, the answer is unequivocally yes. We really like our sales capacity at this point, and we'll continue to add to it as appropriate to support revenue growth. But we've built back from the deficit we faced a handful of years ago.

I would also just add we're seeing nice progress with our channel partnership strategy as well. And I think for our business, we think about channel partners across a few dimensions. There are that traditional kind of systems integrators. I think, over the past few years, we've talked about closer partnerships with the cloud. And then finally, to Scott's point on network and the flywheel of our network, we increasingly think about the big commerce media network nodes as channel partners that we leverage for new logo, both new logo acquisition, as well as kind of growing the usage of existing customers. And I think that's played out really nicely for us. We think there is a continued opportunity to tap into channel partners moving forward.

Elizabeth Porter

Analyst, Morgan Stanley & Co. LLC



Great. And just as a follow-up, I wanted to ask on that customer side, the total customer count looks like it had a little bit of pressure and then the greater than \$1 million was about the same as last quarter. Just given some of the comments around sales cycles improving, retention improving, Habu likely giving more access to that mid-market segment, are there any other incremental pressures kind of going on in the customer side and when should we start to think about that needle moving forward?

Lauren Russi Dillard

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



Yeah. I'm happy to take this one and I'll address total customer count and then \$1-million-plus customer count separately. So, with respect to total customer count, I would say the trends here have been pretty consistent with what we've seen in prior quarters. We continue to experience a little bit of pressure from smaller, lower ACV customers, and in part, due to broader market consolidation.

In addition and to your point, over the past couple of quarters, we've also shifted several small international customers from a direct to a reseller arrangement, and this has pressured the metric. Moving forward, we do believe this metric is stabilizing, especially as we work through this international transition I just mentioned. So, we think that's positive.

On the \$1 million customer count side, as we talked about, we had a very strong sales quarter, including adding several \$1-million-plus ACV deals. However, not very many of these deals showed up in our \$1-million-plus metric this quarter, just due to the lag between when deals close and when they show up in revenue and customer count. So, we would expect this metric to show more strength next quarter.

That said, if you just take a big step back, I mean, the trend here is pretty clear and pretty positive. Year-to-date, \$1 million customers are up 20% on top of being up 20% last year. And I think this really highlights our ability to upsell, the more use cases, as well as attach newer solutions like clean room. So, we feel good about our ability to drive growth from this cohort moving forward.

Elizabeth Porter

Analyst, Morgan Stanley & Co. LLC



Okay. Thank you so much for the additional color.

Operator: [Operator Instructions] Your next question comes from the line of Alec Brondolo with Wells Fargo. Please go ahead.

Alec Brondolo

Analyst, Wells Fargo Securities LLC

Q

Hey, thanks so much for the question. So, I think one of the positive factors you cited on the better bookings in the third quarter were the optimizations you made to the product in October. And I think the lesson is kind of like the easier you make the product to use, the better the funnel conversion is. And so, could you maybe give us some insight into those next couple of iterations you're thinking about as you kind of move along the journey of making the product easier to use? Thank you.

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah. Alec, hopefully you're going to join us for RampUp at the end of February, because you'll actually see in a way that you haven't before at both our Analyst Day on, I think it's the 25th and then also the next day when I do my keynote to kick off the conference, you'll see kind of more product demos than you have in the past.

I would tell you that if I were to think about kind of three areas of enhancements that I would prioritize in the coming year. Number one, and it will probably always be number one, will just be consistent improvements in usability. And I'll tell you exactly what I told our internal team. I was sitting through a demo the other day and, it's kind of like V2 of our clean rooms and no one else even has a V1 yet, but it's still not good relative to what you'd expect it to be. It's significantly better than anything that's ever been used in the industry before, but it has to be so simple and intuitive that someone who's not a data analyst, not a data scientist, can just pick up the tool and start to create.

And so, you'll see us incorporate more AI into our queries. You'll see us standardize more and more of our reports, because what we've realized is that this is the proverbial 80/20 rule where if you standardize reporting, you give 80% of the functionality, and then you can build more bespoke reporting later on.

The second big improvement that you'll see in emphasis is really around measurement. Measurement becomes so important as more and more of our clients are connecting with more and more CTV destinations, social destinations and AI destinations and ingesting more data, they need to understand how all those complicated pieces fit together to drive a holistic result. And so, we've really put a lot of emphasis on our cross media insights to make that easier to use and scale, and also the reports easier to interpret.

And we'll share some of the progress on that at RampUp as well.

And then the third area really doesn't speak to something that's visible in product, but it is a product lift and that's more integrations. You'll see even more use cases from us in future. And a great area for expansion, an area that we really want to push on is the use of AI and all of our partner capabilities. AI, regardless of who's talking about it, most AI models to this point in time have been trained on all the world's public data. Well, a lot of the most valuable data in the world is owned by the enterprises we work with. And so, we've tried really hard to configure that datasets that it can be ingested very easily and our partners maintain control of that data. The data doesn't necessarily move and they can utilize, activate a variety of different applications.

We've already talked about Perplexity as one of our AI partners. We've talked about Chalice, and I would imagine a year from now, we will have a menu offering that kind of goes row by row. What is the use case that you want to identify and I would like to have at least three partners for every major use case such that all of our clients and

partners have a variety of choices when they're thinking about the AI applications that they can use to generate better results. Again, that's an important piece of our product. It doesn't necessarily require a change in the UI or the architecture, but it is kind of a heavy integration lift to ensure that we're integrating with all of these new AI applications that improves the efficacy of how people experience LiveRamp. More to come. Hopefully we'll see Alec on the 25th.

Alec Brondolo*Analyst, Wells Fargo Securities LLC*

Q

I will. I will. Thank you for the public call. I will be there.

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

A

Awesome.

Operator: Your next question comes from the line of Kirk Materne with Evercore ISI. Please go ahead. Yeah

Kirk Materne*Analyst, Evercore Group LLC*

Q

Yeah. Thanks, Scott, and congrats on the quarter.

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

A

Thank you, Kirk.

Kirk Materne*Analyst, Evercore Group LLC*

Q

Can you just talk a little bit about anything you're seeing in your discussions as it relates to just AI and the need for a lot of these new models to transact on top of data? And is that, I guess, having any kind of halo effect for you all or is it helping you get pulled into more discussions? I'm just trying to get a sense on – you guys obviously play in the world of data and AI sort of requires it. So, I'm just kind of curious how you all are filtering into some of these discussions enterprises might be having right now?

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

A

Yeah. I love the question, Kirk. Thanks for asking it. And I would tell you, I think over time, investors are going to start to view us as one of the potential investment vehicles in AI, because AI only works if you can feed it with valuable data. And the valuable data is sitting with our clients and we see kind of three manifestations of this.

First, we know that more useful data drives better model efficacy. And so, throughout our client base, data collaboration customers by partnering with one another and collaborating on data can access better collective data that is authenticated, i.e. permissioned for use in their models.

The second thing that we're doing across our clients and early on this is we're helping them transform their existing data into synthetic data, which is so important. When they start to test different AI models, they don't always want to use their actual data and if they train their models and they test their models on synthetic data, it's

far more secure and gives you a really good indication as to whether the model will work or not. So, early stages on that.

And then the third, which is what I was just talking about with Alec is, is more use cases. Anybody who's been to CES, the Consumer Electronics Show, [ph] or (00:49:55) last week, I was at the IAB Annual Meeting. I mean, it's crazy, you walk around with your name badge and like literally 1,000 people want to grab you and talk about their latest AI application. There so many innovative companies being spun up around AI and we view our role as much the same as we did 10 years ago in the adtech space. Why do we have 65 DSP partnerships? Well, it's because 10 years ago, we didn't know who was going to win. So, we secured partnerships with everyone. And then over time, DV360 and Amazon and Trade Desk kind of emerged as the industry leaders. 10 years ago, no one knew that. And likewise today, no one knows who's going to win in AI. And so, we view our role as securing partnerships with all of the contenders. And then our clients will decide over time who the winners and losers in the AI space will be. And there'll probably be a similar wave of consolidation in AI in a few years that we're now seeing in the adtech space. So, early stages is where I'd end on this. I don't want to overhype this. I mean, we are very early on in AI development as an industry, but I think a lot of potential here.

Kirk Materne

Analyst, Evercore Group LLC



Yeah. That's helpful. And I think I'll leave it there. Thanks very much.

Operator: Seeing as there are no further questions, I will now turn the call back over to Lauren Dillard for closing remarks.

Lauren Russi Dillard

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

Thanks so much. And I'll finish with just a few final thoughts. First, our third quarter was again a strong quarter with both the top line and bottom line ahead of expectations. Our network continues to expand and momentum for our clean room solution continues to build. And finally, we hope to see you at our upcoming Investor Day and at RampUp at the end of this month.

With that, thanks again for joining. We look forward to speaking with you over the coming few days and weeks.

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

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.