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LiveRamp Holdings, Inc. (RAMP)

Q1 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen, and welcome to LiveRamp's Fiscal 2022 First Quarter Earnings Call. My name is Bethany and I will be coordinating this call. You will have the opportunity to ask a question at the end of the presentation. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to turn the conference over to your host, Lauren Dillard, Chief Communications Officer. You may proceed.

Lauren Dillard

Chief Communications Officer, LiveRamp Holdings, Inc.

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

Today's press release and this call may contain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially. For a detailed description of these risks, please read the Risk Factors section of our public filings in the press release. A copy of our press release and financial schedules, including any reconciliation to non-GAAP financial measures is available at liveramp.com. Also during the call today, we'll be referring to the slide deck posted on our website.

At this time, I'll turn the call over to Scott.

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

Thanks, Lauren, and thanks to everyone for joining us today. Q1 was a great quarter and FY 2022 is off to a strong start. We significantly exceeded our financial commitments, made strong progress against our strategic growth initiatives and momentum continues to build across the board. LiveRamp's vision is to make it safe and easy for companies to use data and it's never been more relevant, our opportunities continue to grow.

There are so many positive things taking shape that validate my optimism, which I'll discuss in greater detail momentarily. I'll begin today by sharing some highlights from the quarter and discuss the few of the key trends driving our recent market momentum and finally conclude by highlighting a couple of recent leadership announcements. Q1 performance, while we evaluate many financial measures, there are three, we view as particularly important; revenue growth validates market demand for our offerings, bookings growth highlights a stronger future and profit margins demonstrate the leverage of our business model. On each of these dimensions, investors should be pleased with our Q1 performance.

For the quarter, total revenue grew 20% and subscription revenue was up 16%, normalizing for the wholesale contraction. Total revenue grew 30% and subscription revenue was up 29%, a nice acceleration from last quarter. Our land and expand model is working and we continue to see strong platform adoption in terms of increased platform usage and cross-sell to new channels like connected television and more sophisticated use cases like measurement and data collaboration.

International growth, it was also a driver of our strong subscription performance, marketplace and other revenue was up 36% driven by our Data Marketplace business which was up more than 50% and continues to benefit from a steady rebound in digital advertising spend, especially across the large media platforms where our marketplace is integrated. Bookings in the quarter were equally strong, growth bookings, the sum of bookings attributed to new customers and bookings from upsell were up more than 30% marking the third consecutive quarter of elevated bookings growth.

On a trailing 12-month basis, growth bookings are up more than 30%, an important signal of the momentum building across our business. While upsell bookings remained strong in the quarter, we saw a nice rebound in the new customer growth as well. Net customer adds in Q1 increased to 30 and we continue to be really pleased with the quality and caliber of customers we are winning. Our brand ACV was up 28% in Q1.

Finally Q1 was also a record quarter from a margin standpoint. At 76%, gross margin was ahead of our long-term target and we were again profitable on the bottom line demonstrating our continued ability to drive profitable growth at scale.

While our Q1 results demonstrated our business momentum, we believe long-term market trends are also favorable. Let me talk about three major long-term secular trends that we believe are favorable for LiveRamp's future. First, digital transformation, digital transformation has become an imperative for businesses of every size in every industry. And while the early months and quarters of COVID were all about helping our customers weather the storm, as we exit the pandemic, brands are beginning to really double down on their digital transformation initiatives and think longer term.

IDC estimates that by 2023, direct digital transformation investment will approach \$7 trillion. Foundational to many of our customers efforts in this area is building a strong first-party data and identity strategy. A great Q1 example of this is the work we are doing with a new top five global food and beverage customer. As part of their ongoing digital transformation, LiveRamp is helping this customer leverage a common identity infrastructure to consolidate

data across its enterprise and portfolio of brands in order to build deeper consumer insights and ultimately shape consumer experiences across all digital channels.

Perhaps the biggest opportunity to help accelerate our customers digital transformation journey is enabling privacy safe and permission-based data collaboration through Safe Haven. Business leaders are no longer choosing between data privacy and data utility. Instead they get both. Our expanded Carrefour partnership which Warren will discuss more in his section has the potential to be transformational for both Carrefour and LiveRamp and our retail CPG flywheel continues to accelerate.

With 30% and 40% respective market share in the big box retail and top 50 CPG, we are the clear – the clear market leader here and we're encouraged by the traction we are seeing in other industries as well. For example, in Q1, we signed a deal with a global consumer electronics brand to power data collaboration across their enterprise. This is a customer who has invested heavily in building a strategic first-party data asset and also has incredibly sophisticated data privacy standards. As a result, they turned to LiveRamp's Safe Haven to meet their needs.

Second, addressability. Another macro trend I would highlight is the flight towards privacy first addressability. Addressability is and will continue to be the linchpin to delivering efficient, personalized and measurable experiences to consumers. Google, Facebook, Trade Desk and hundreds of other publishers share one important thing in common; they all work with LiveRamp and businesses use LiveRamp to increase the efficiency of these publishers.

Now, while no one has a crystal ball, I am very convinced of several things. First, data-driven advertising and marketing, it's here to stay. Consumers expect relevance and advertisers generate better performance when they deliver relevant experiences to their consumers. Second, authenticated solutions like ATS are far better than cookies or device-based alternatives they currently complement and may someday even replace. And for this reason, we believe they represent the future for our ecosystem.

A recent case study with a national specialty retail and delivery company is the latest evidence of this, 20% increase in reach and 80% increase in ROI, leveraging ATS compared to cookies. This isn't just talk. We have real results and real case studies. ATS generates higher ROI and greater reach for advertisers, better yields for publishers and greater privacy and control for consumers. As a result, our momentum is growing. In fact more than 450 publishers globally are committed to ATS. And today, nearly 1,200 domains are live with code on page.

Third, and importantly, LiveRamp is agnostic to all the various identifiers that exist in the ecosystem. Since we don't have a media business or media interests, we remain Switzerland, a neutral provider that can work with everyone. Just as we'll continue to support cookies, we also work directly with many of the walled gardens, UIDs, gated community, the major CPV providers and many, many more ethical identity connectors.

As a result, we foresee no change to our strategy or approach as it relates to Google's decision to delay its transition away from cookies. We have achieved critical scale with ATS today and our customers and partners get the best of both worlds, while being afforded some extra time to prepare for the migration to this more consumer-friendly and secure authentication technology.

Third, use case expansion. Now my career spans several decades and at least three major recessions. A common trend that emerged in each downturn was a push towards greater media accountability. It's happening again. CMOs want to ensure that every line item in their media plan is measurable and accountable. The techniques popularized in search and digital media are quickly being applied to television. The connected

television space continues to represent a big expansion opportunity for our business as more of our customers are embracing this channel.

In the quarter, our CTV business grew roughly 80% and our CTV bookings remained strong. eMarketer estimates that CTV spending will reach \$27 billion by 2025 and other estimates suggest it could reach \$100 billion by 2030. But today we estimate that less than 10% of the CTV inventory is bought data-enabled or audience-based. Eventually, we believe nearly all CTV ads will be data-driven as advertisers realize the power of data to make their advertising vastly more effective.

The expansion of data-driven advertising in CTV is a huge opportunity for LiveRamp and we believe CTV is only the first step of many. For example, our Safe Haven product is being used by retailers to drive better in-store merchandising. If data can be somehow used to make a customer experience more useful and valuable, LiveRamp's platform can power this effort. In short, we don't consider ourselves as a programmatic ad tech provider; rather this is only a small first use case.

The final area I want to address today is around LiveRamp's leadership. We've built an incredibly strong culture at LiveRamp, consistently been named as one of the best places to work and pride ourselves on developing amazing deep talent throughout the organization. When employees transition to [ph] alumni (00:14:23), we celebrate their success and often subsequently win new clients.

As importantly, it gives us an opportunity to either internally promote emerging superstars or inject new external skillsets into our organization. We've done a bit of both recently. It's really energizing for the entire organization. First, I'm very excited to have Diego Panama in place as our Chief Commercial Officer and excited for you all to have a chance to hear from him next. A LiveRamp commercial leader needs to be analytical. Diego majored in mathematics at Yale, has a graduate degree from MIT. You have to be technologically savvy. Diego worked in product management for Microsoft. They obviously must be an absolute sales animal and they have to be an outstanding coach and mentor.

Diego joined LiveRamp up in 2014 as one of our earliest sales leaders and during his time with the company has consistently been a top performer in terms of quota attainment and strategic account expansion. Diego has held multiple positions on the commercial team including leading our platform partnerships and strategic account teams and most recently serving as Interim CCO while his predecessor James Arra decided to take on a new role within LiveRamp.

Importantly, Diego is also an incredible leader who consistently raises our definition of exceptionalism and demands that everyone meet this threshold. While the search we conducted was exhaustive, it gave me a chance to interview external leaders of many of the world's most reputable SaaS companies. This was perhaps one of the easiest leadership decisions I've made as CEO. Diego knows our business, our customers and the unique space we serve and also had strong unsolicited recommendations from his colleagues and clients. And I am confident he will be a driving force behind our continued growth reacceleration.

I am equally excited to share that earlier this week, we hired industry leader David Pann as our next Chief Product Officer. David will help LiveRamp reach an even higher orbit. He brings an incredible reputation for developing world-class people and products and injects decades of experience into our rapidly growing organization. David has spent the last 25 years in the software and Internet space holding senior leadership positions at Microsoft, Yahoo and even Netscape in the very, very early days.

At Microsoft, David successfully balanced platform upgrades, while also accelerating the rate of innovation. David brings deep experience in building world-class platforms and developing exceptional teams; skillsets that will make us move faster, more purposefully and more effectively. David will report directly to me and he starts in September.

Finally, we elevated Mohsin Hussain, who has been successfully serving as LiveRamp's Chief Technology Officer for the past year. And he'll now report directly to me. During his time as CTO, Mohsin has worked tirelessly to fortify LiveRamp's global engineering team, contributing critical oversight to modernize, modularize and integrate cutting-edge technology into our solutions. He was also instrumental in our acquisition of DataFleets.

In summary, I will end where I began. We posted a good quarter, but it's still dawn here at LiveRamp. I opened our last call by sharing the Ben Graham quote; in the short-term, the market is a voting machine, in the long-term, it's a weighing machine. Well, as we always have, we are playing for the long-term. Our customers know we are critically important to their success. Momentum is building across all areas of our business and we have a team in place that is hungry to keep winning. Our progress only further fuels our appetite for an even brighter future and we will never be satisfied.

With that, thank you again for joining us today and a special, special thanks to our global LiveRampers, customers and partners for their ongoing hard work and support. I will now turn the call over to Diego.

Diego Panama

Chief Commercial Officer, LiveRamp Holdings, Inc.

Thank you, Scott and good afternoon everyone. I am so excited to be here. I'm thrilled to be taking on the Chief Commercial Officer role. I've been at LiveRamp for seven years now and can confidently say, the opportunity in front of us has never been bigger. Truly, our opportunity is huge and perhaps what's most exciting is that it is entirely up to us and our ability to execute to seize it.

Echoing Scott's remarks on digital transformation, never has using data effectively been more mission-critical to every business out there. And I firmly believe there is no other company better positioned to help our customers' succeed with data. Our customers love our dedicated focus on what matters to them when it comes to data infrastructure. They want enterprise-grade software with security, privacy and flexibility. Being able to invest fully into what customers care about is what presents us with an incredible opportunity to accelerate our growth.

Today, I thought I would share some detail on my planned approach for leading our commercial teams into our next wave of growth. Personally, I thrive in connecting the dots between day-to-day execution and a big bold vision and my approach is simple; focus on helping our customers and do it through operational excellence that sets us up for scale. Together, not only as a LiveRamp commercial team, but with the entire LiveRamp team, our work is all about helping our customers and in turn accelerating our company's growth.

With our client success and growth acceleration top of mind, we are focusing all of our attention on three key levers; one, accelerating new logo bookings; two, expanding through higher product attach rates and three driving higher customer retention. Let me share a little bit more detail. First, increase [ph] land (00:21:30) through acceleration of new logo bookings. We continue to have a long runway with new logo.

A few examples of what we are doing here include having a very clear ideal customer profile, organizing our teams by industry vertical, so we can be closest to the customer needs and having a detailed outbound playbook to go after the opportunity. Our progress with retail and CPG is a great example of how this is paying off. We are

working on landing the accounts where we have the biggest opportunities and our results speak for themselves. As we are already seeing our brand's ACV increased significantly.

Number two; attach rates, attach rates, attach rates. Our customer needs drive us at LiveRamp. We are focused on delivering both the new products they need as well as the geographic expansion that aligns with where they do business. When we do this, we help our customers grow and in turn we grow with them. And we have not been standing still. As a team, our number one initiative in Q1 was focused on strengthening our global [ph] confidence (00:22:36) to enable our teams to better center our customer needs and our upsell opportunities.

One great example of our progress here is with international attach and we know that our customers operate globally and want solutions that work globally. The more markets we can help them in, the more valuable partner we become, the stickier our solution becomes. For this fiscal year, our team set a goal to do at least 20 global deals and we're off to an incredible start with 8 global deals in Q1.

Another great example in attach is the work we're doing with the Data Marketplace. Our customers want and need easy access to the world's data through the LiveRamp platform. And that is exactly what our marketplace delivers. Our continued innovation here is very, very exciting. In recent quarters, we released the Buyer API, which make accessing data increasingly frictionless. We have also made improvements around the control data providers have, for example, in managing pricing to help them use the marketplace more effectively.

And number three, we want to drive higher retention through an enterprise-grade customer experience. We are obsessing over how our customers experience LiveRamp, our product, our teams, our processes, everything. We have introduced a new support organization as well as a services organization which together with our customer success team are all about making LiveRamp's customer experience enterprise-grade.

This means improved onboarding and implementation, seamless support interaction and better collaboration with our customers on how our products can help them achieve their business objectives. Adding it all up, these initiatives are helping our customers accelerate adoption, decrease time to value and increase their ROI with LiveRamp. Over time, you will see these investments show up and improve net retention.

I'm a big believer in simplicity and prioritization and believe that above all else, betting on these three areas will drive our success. So, if you take away one theme from my remarks today, it should be this, helping companies use data presents a huge opportunity and LiveRamp is poised to make the most of it. One of our core values at LiveRamp is, we love our customers and putting them front and center on every decision we make as a commercial team and as a company is critical to our success.

I am confident that with a customer-first mindset and the right focus on operational excellence, we are just getting started and our future is very, very bright. Thank you so much for your time today. And now, over to Warren.

Warren C. Jenson

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

Good afternoon, everyone. And thanks, Diego. It's great having you in this role. I've had the pleasure over the last several quarters of working closely with Diego and can tell everyone, I have a great partner and that we have the right person in this job. Well, we are off to a great start to our new fiscal year. On our last call we talked about building momentum and our Q1 results delivered. Today, I'll focus my remarks on three areas. First, share a few highlights from Q1. Next, I'll share a bit more about Safe Haven, ATS and our groundbreaking partnership with Carrefour and finally provide updated and raised guidance for Q2 in FY 2022.

Q1 highlights. Please turn to slide 4. First our growth is accelerating. Revenue of \$119 million was up 20%, international up 21%, subscription revenue up 16% while ARR increased 12%. Our net new customer count increased by more than 30 this quarter. Net retention was 103% and platform net retention, 108%. And finally marketplace performed beautifully and was up 36%. As expected, our results were negatively impacted by the wholesale contraction, which we discussed on our prior earnings call and is outlined on slide 17.

We continue to expect this impact to be \$30 million for the fiscal year and it was \$8 million in the quarter. If you exclude the impact consider the following. Total revenue increased 30% and international up 39%, subscription revenue was up 29% and ARR up 25% and net retention would have been 114% and platform net retention 117%. In short, while we don't discount the impact of the wholesale contraction, the numbers speak for themselves.

Second, our momentum continues to build. While we do not intend to regularly provide this level of detail, it might be helpful on this call to highlight the foundational strength of our business. On a trailing 12-month basis, overall bookings were up 33%, international up 122%, Safe Haven bookings up more than 200%. TV bookings up over 70%, and our average brand ACV on new deals increased a stunning 28% year-over-year. And by the way if you look at our growth bookings on a trailing six-month basis, you will see even a stronger performance. Add it all up, our momentum continues. Our foundation is strong.

Third, our model continues to demonstrate its strength. Gross margin crossed our long-term target of 75% and was 76% in the quarter. For the fifth consecutive quarter, we were profitable. In fact our operating margin was 6% and EBITDA margin 7%. Please note that in other income, we recorded a cash gain of \$30 million associated with the retained profits interest in our former IT outsourcing business. We have excluded this one-time gain from our non-GAAP results.

And finally, we are supporting our shareholders. Given the massive disconnect between our share price and our fundamentals, we repurchased \$29 million in the quarter and have since been active buyers. Fiscal year-to-date, we have repurchased approximately \$44 million in stock. In summary, we're off to a great start to our year. Our fundamentals are in great shape and the strength of our performance, unmistakable.

Safe Haven, ATS, Carrefour and global expansion; probably the most important thing I could say today is that we're at the beginning of a powerful global growth curve. While we can't promise this every quarter, in Q1 our Safe Haven bookings were up more than 500%. And more importantly the significance of Safe Haven, ATS and our partnership with Carrefour cannot be understated.

ATS is creating a global currency that is far better than cookies. ATS and Safe Haven make it easy and safe for Carrefour, its suppliers and publishers everywhere to work together seamlessly to everyone's benefit. ATS is the neutral, secure global standard. Identity is in fact a lot more than an ID in a bitstream. Our capability to expand globally is unique and a LiveRamp competitive advantage.

Please turn to slide 12. In short, we now don't have to rely on a third-party graph to expand globally. We now have the capability in a privacy-friendly way to swiftly and economically work in nearly every geography. For a global consumer brand, this is an incredibly important capability and one that is a clear competitive advantage for LiveRamp. At Carrefour alone, by year end, we expect to be working with between 20 and 30 CPGs and across geographies have roughly 50 partner tenants up and running.

Safe Haven is a lot more than media and it's giving retailers and CPGs capabilities that make a retail media network, but only one aspect of their strategy. This quarter we are launching the Safe Haven analytics platform.

This platform will be used by Carrefour and its suppliers for trade and promotion, data science, assortment and category management. So think of hundreds, if not thousands of users inside the Carrefour network.

We are moving well beyond media and now have customers in both pharma and insurance, and yes TV is on the way too. In total, we now have over 55 customers using the Safe Haven platform. And if we do it right in the not too far distant future, this number should be in the hundreds. In summary, Safe Haven has created a category. And along with ATS, a powerful global solution and we're just getting started.

Now on to guidance. The headline, we are raising outlook. Please turn to slides 14 and 15. For Q2, we expect revenue of approximately \$124 million, an increase of approximately 18% and non-GAAP operating income of roughly \$4 million. For the full year, we are increasing our guidance on both the top and bottom line. We now expect revenue of approximately \$522 million or roughly 18% growth and non-GAAP operating income of approximately \$15 million.

A few other call outs for Q2 and the full year. For Q2, we expect subscription net retention to be flat to Q1 or roughly 103%. As we mentioned last quarter, wholesale contraction is negatively impacting this metric by approximately 10 points and we expect our gross margin to be roughly 74%. For the full year, we expect overall revenues to increase about 18%. Absent the \$30 million impact from wholesale contraction, we expect both total and subscription revenue to increase by more than 25%.

We expect gross margin to be approximately 74%. We anticipate added investment in customer experience and security which will bring margin down a bit from our Q1 performance. We now expect to be profitable in every quarter, although we anticipate higher spend in the second half as we invest in our global Safe Haven and ATS rollout and connected TV related development. In addition we expect T&E to normalize as we move into the second half.

Let me now conclude with a few final thoughts. First, the numbers speak for themselves. Our foundations are strong and momentum building. Next, our platform and technology are key components of our customers' transformation strategies and equip LiveRamp beautifully for the future. Privacy preserving technology, ATS, federated identity management, Safe Haven and CTV put us in a great position. Our team at LiveRamp is strong and getting stronger by the day and we continue to support our shareowners with our repurchase program. Thanks to all our customers, our LiveRamp associates and to you, our shareowners.

Operator we'll now open the call to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We will pause here briefly to allow your questions to generate in queue. The first question is from the line of Shyam Patil with SIG. You may proceed.

Shyam Patil

Analyst, Susquehanna Financial Group LLLP

Q

Hey, guys. Congrats on the great results and outlook. I had a couple of questions. The first question I had was with Google's delay of its cookie deprecation, what kind of impact is that having on your business and sales cycles? And then, second question, Warren, you talked at length about Carrefour. It seems like a pretty exciting opportunity. Can you maybe talk about it a little bit more and just other potential partners where you see similar opportunity or discussions right now? Thank you.

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Shyam, this is Scott. I'll take the first question. When I think about Google, I think about them beyond just third-party cookies. Obviously, they're an important partner to us from a direct integration perspective. In terms of the cookie decision though, we view that as neutral to positive really for the industry because it gives everybody time to prepare for the eventual deprecation of cookies.

On that, though, it doesn't change our strategy whatsoever. We're neutral from an identity perspective. And whether it's cookies or authentication, our clients can get the best of all worlds. And if they work with us now, they can certainly target using cookies, but they're also preparing themselves to utilize authentication methods as well.

Now we obviously have a view around which works better and we've shared that. We think authentication, we've seen it repeatedly, we have a lot of case studies, is generating higher ROI and better reach for advertisers, better yields for publishers. And we think it's a more privacy-friendly option for consumers. But in terms of the timeline and what everyone does, that's ultimately a decision for the regulators and Google approval, and regardless of when it happens, we'll be ready and our clients and partners will be ready for it.

Warren C. Jenson

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

A

And let me jump it on the second one. It's really interesting, [indiscernible] (00:37:38) headline obviously Safe Haven has had a tremendous amount of momentum which has gone well beyond Carrefour. However, speaking of Carrefour specifically, there are a few things to call out. First, let me remind everybody of the business model, it's subscription based, we have a primary tenant, think Carrefour, and then we have partner tenants, think CPG and we have multiple countries.

In the case of Carrefour, it's groundbreaking in several aspects. Many of these aspects, we believe you'll start to see throughout the world of global retail and global CPG. What are those things? First of all, Carrefour is opening up its entire transactional database, if you will. So think of all the billions and billions of transactions that a global retailer of this scale has and they're making their data available to CPGs on a very detailed granular basis. So think it is SKU level. That is transformational.

We've also seen, in particular in Europe, other retailers start to do the same thing. So you're going to start to see this happen. So number one, it's groundbreaking in terms of its depth. Two, it's groundbreaking in that it's global. So now think about it, if you're a major CPG and you can start to get these insights across nine major geographies, so you can start to see the network flywheel start to build.

Third in terms of its application and what it means for LiveRamp, I go back to my prepared remarks. What we're doing at Carrefour is so much more than simply a retail media network. All of this data is being used for assortment, for pricing, being used for trade, for category management, for data science and then also for analytics. So, through the platform all these analytics are being put in the hands of store managers, being put in thousands of category managers out there. So the scope and breadth of how our platform is being used really goes well beyond some of the early use cases.

And then in summary what I would say, I guess, which leads back to your original question, 100% yes, what we're doing at Carrefour will translate to the world of not only retail, but the world of CPG. And by the way, we're also seeing that now extend to other industries like pharma and financial services.

Shyam Patil

Analyst, Susquehanna Financial Group LLLP

Q

Great. Thank you for all the color guys.

Warren C. Jenson

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

A

Thank you.

Operator: Thank you Mr. Patil. The next question is from the line of Stan Zlotzky with Morgan Stanley. You may proceed.

Elizabeth Elliott

Analyst, Morgan Stanley & Co. LLC

Q

Hi. This is Elizabeth Elliott on the Stan. Congrats on the quarter. It was great to see the strong kind of new customer additions and I wanted to dig on – it seemed the large customers of over 1 million ARR, it looks like that cohort stayed flat after getting some strong growth over the last six quarters. So, is there any trends to kind of call out there on kind of the limited expansion in that group?

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah. Elizabeth, I wouldn't read anything into that. I think the more important metric is what's been happening with our underlying ACV where our average contract value was up just under 30%, so a really nice growth there. So, as I think about that, it bodes really positively for the future as we get more and more clients that can make the leap to a \$1 million plus.

Elizabeth Elliott

Analyst, Morgan Stanley & Co. LLC

Q

Great. And then just a follow-up on my end, so the subscription retention rate of 114% is really impressive and even including a headwind, the 103% surpassed the 101% rate you guys put up last quarter, despite the

wholesale contracts being a headwind, so what are the factors that you're seeing that are allowing you to more than offset that headwinds in the contract?

Diego Panama

Chief Commercial Officer, LiveRamp Holdings, Inc.

A

Thanks Elizabeth. This is Diego. Let me take on that question. We're very happy with the trends we're seeing on net retention and continue to focus on that. And perhaps the biggest lever that we have on that front is all about our attach rates. We're spending a lot of time really focusing on making sure that our customers are using multiple products in multiple markets and that's just an awesome opportunity for us.

Warren C. Jenson

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

A

Hey Elizabeth, I could add – this is Warren, let me add a couple of other things just to put some math behind that. If you look at upsell, you look at the variable contribution, we look at an even lower contraction aside obviously from the significance of the wholesale contraction, all of those improved year-over-year, so really a strong performance across the board. I think the focus that Diego and his team are putting on this is really paying off.

Elizabeth Elliott

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you so much.

Warren C. Jenson

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

A

Thank you.

Operator: Thank you. The next question is from the line of Kirk Materne with Evercore. You may proceed.

Kirk Materne

Analyst, Evercore ISI

Q

Okay. Thanks very much and congrats on a really good quarter. I don't know who wants to take this one, but just obviously trends in bookings have been really strong. It's great to see the pick up there and what that likely means for revenue growth going forward. Can you just talk about what you're seeing in the pipeline and, sort of, your confidence on this maybe not exact level of growth continuing, but this kind of execution continuing and the demand in the market, not just being, say, maybe a rebound off of COVID, but sustainable as we look out over the next, call it, 6 to 12 months.

Diego Panama

Chief Commercial Officer, LiveRamp Holdings, Inc.

A

Hey this is Diego again. I'm happy to jump in on this question and the trends that we're seeing in booking and what we see in the pipeline, so we're super, super happy with our bookings results over the last three quarters and excited for the quarters ahead. We've done a lot to focus on growth both new logo and attach and that's showing up in our bookings. One example that I'll point out to is we've really gone to the detail of focusing on specific industry verticals. And the one that we're talking a lot about today, because we're seeing great results, is retail and CPG for example.

We have an awesome opportunity in retail and CPG centered around Safe Haven, but also the flywheel that that opens up for us. So the focus that we have on initiatives, they're on both new logo and attach, really give us a lot of optimism on our bookings trajectory.

Kirk Materne

Analyst, Evercore ISI

[indiscernible] (00:44:19)

Q

Warren C. Jenson

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

Hey, Kirk one other thing that I might [indiscernible] (00:44:22) point out is, in the quarter, obviously, we had the wholesale contraction and so ARR all-in was up 12%. I'm sure it's not lost on people on this call. But if you look at our guidance and you start to look at the out quarters, you're going to see some pretty interesting increases in the rate of growth of ARR.

A

Kirk Materne

Analyst, Evercore ISI

Yeah. I'm looking forward to that as well. And maybe Warren along those lines, the linearity is the wholesale, sort of, weighing down, should we, sort of, anticipating that like just this \$8, \$9 per quarter for the next three. And then we kind of get past that or could it be a little bit more the next two and then say the fourth quarter frankly helping you all show the aggregate results accelerating a little bit?

Q

Warren C. Jenson

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

It's really the fourth quarter where you start see this ease off a little bit...

A

Kirk Materne

Analyst, Evercore ISI

Okay.

Q

Warren C. Jenson

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

...and we detail this, as we did last quarter, it's on slide 17 everybody, but it's \$8 million Q1, \$8 million Q2, \$8 million to Q3, \$6 million impact in Q4, that's revenue. On ARR, the impact is \$30 million to \$30 million to \$30 million to \$25 million.

A

Kirk Materne

Analyst, Evercore ISI

Thanks. Sorry I didn't make it back to slide 17 yet. And maybe one last from me, the marketplace is really strong. How should we think about that for, I don't know, if you called that in your guide, but how should we think about that just, sort of, either seasonally over the next couple of quarters just so we, sort of, stay within the framework of what you're thinking?

Q

Warren C. Jenson

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

A

I'd say two things. First of all our marketplace performance was strong, although we would be the first to say that probably Q1 was an easier comp for us. So keep that in mind, but nonetheless our marketplace business as Diego talked about is strong. Inherently in our guide, would put – if we call revenue up 18%, would put marketplace and subscription roughly the same, so in the high teens. And then finally, I would say, just inherently we're going to be more conservative in the outer quarters in our marketplace guide given the fact that it is variable.

Kirk Materne*Analyst, Evercore ISI*

Q

Okay that's great. Thank you all. Congrats.

Warren C. Jenson*President, Chief Financial Officer & Executive Managing Director-International, LiveRamp Holdings, Inc.*

A

Thank you.

Operator: Thank you Mr. Materne. The next question is from the line of Tim Nollen with Macquarie. You may proceed.

Timothy Nollen*Analyst, Macquarie Capital (USA), Inc.*

Q

Hi, thanks a lot. Couple for me too, if I could. First appreciate the comments on the different verticals that you're getting into. It's not just a marketing services supported business that you're working in. I wondered if you could talk a little bit more about some of those other sectors and are these more longer tail type of smaller customers?

Scott you used to talk about breaking into the Fortune 2000 or whatever that number was, getting to a certain level there. So, any comment on, sort of, how far down that tail you're moving and what types of verticals those are in?

And then another question on the CTV topic, could you maybe help explain, what is it that LiveRamp does that can help CTV become a more real-time business. I think you referenced it being 10% or so only driven by data which seems kind of ironic. So what can LiveRamp do to really help the TV industry convert CTV to really a real-time bidding marketplace? Thanks.

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

A

Hey Tim its Scott. I'll start by answering the second question on the real-time bidding. The way that we work with CTV is very similar to the way we work across all aspects of the media plan. We're so much bigger than just programmatic. And so while there are other players out there who really specialize in remnant, we don't whether its premium hand-sold or whether it's remnant, our applicability to it is equally important.

And so what do we bring to the CTV space? Well number one; it's addressability, the ability to micro target users. Number two; it is measurability, including potentially different payment models around outcomes as opposed to just reach. And together those two things coupled with the changes that have happened over the last 18 months, explosion in connected device usage bodes really well. There's just a big appetite that we see and given the fact that we skew to larger clients, almost without exception our clients are spending on television, that's a really nice opportunity for us to go and tap.

Diego Panama

Chief Commercial Officer, LiveRamp Holdings, Inc.

A

And this is Diego, let me jump in on the vertical question and actually connected to – and talk about CTV and one of my favorite examples of – a deal we did in Q1 for example is a nearly public, a fintech company. Obviously they are doing a lot of customer acquisition and they're investing on CTV and the linear TV.

They came to us to be able to use data on that investment and then quickly also use their outcomes to measure their investment. And what's really neat is that they were not only measuring a user acquisition, but they were able to measure their investment against first trade, size of trade and the details like that that is just a really data-driven approach that we're seeing our customers take that's awesome to see.

I think it's also a great example of how [indiscernible] (00:50:13) in other verticals, so that's why I'm connecting the dots there. Because we are super excited about retail and CPG like we called out, but there's [ph] fort-forwards, like finserv (00:50:24) is a awesome vertical for us. They are data-rich companies, very progressive. And we have a great history with them. So that's exciting. Travel is coming back.

What I would say about our verticals is that, to your point, we are focused on the Global 2000 accounts. We see we have a lot of runway there and by really focusing on their industry vertical and the specific needs that they have, we're able to deliver a much better solution that adds values to the customer and in turn gives us a lot more traction.

Timothy Nollen

Analyst, Macquarie Capital (USA), Inc.

Q

That's great. Thanks.

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Thank you.

Operator: Thank you, Mr. Nollen. The next question is from the line of Jason Kreyer with Craig-Hallum. You may proceed.

Q

Yes. This is [indiscernible] (00:51:22) for Jason. I appreciate you taking the call and just had another question, kind of, related to the TV side. We've heard a lot in the [ph] in the channel about strength of upfront commitments this spring (00:51:35). Do you benefit from that increased volume basis in any way or does that – restricting that channel will allow you to accelerate your exposure to the connected TV side?

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah. This is Scott and what I would tell you is once again we're pretty unique in as much as we're not limited to any single part of television. I think we're probably the only player that serves both linear television and CTV. So if it's good for television, it's good for us. Over time, we've seen the mix change between the two and certainly we've benefited from the growth of CTV relative to linear. But as a general rule, whatever actually increases

spend across marketing as long as it can be accountable and as long as it can use data, it's going to be good for us.

Q

Great. Thanks. I appreciate that. And if you can get one more quickly. Regarding the starting up of a new professional services arm you guys mentioned last quarters, I was just wondering, if you might be able to comment on what that opportunity could look like going forward because you've mentioned that it had gotten off to a promising start, wondering if that momentum will continue?

Diego Panama*Chief Commercial Officer, LiveRamp Holdings, Inc.*

A

Yeah. Hey, this is Diego and I'm happy to talk about our momentum with professional services. It's a critical component of what we're doing around the customer experience and really making that enterprise-grade together with our support teams and our customer success teams. The service team is truly delivering. And what we find is that it's really a services business in service off our software business. When we include services, our customers have faster time to value. Their ROI just really improves. And we're really, really pleased with the traction the team is getting and how the customers are reacting and really using the offering.

Q

Appreciate that.

Operator: Thank you. The next question is from the line of Daniel Salmon with BMO. You may proceed.

Daniel Salmon*Analyst, BMO Capital Markets Corp. (Broker)*

Q

Hey, good afternoon everyone, and welcome Diego. The breakout of growth bookings on slide 10 is really interesting and, sort of, backs up other things you've been saying about the strength of Safe Haven, especially over the last year. And so maybe this is for Scott and Diego. And I'm trying not to have you sort of pick amongst your children here.

But is Safe Haven becoming the lead product and in context to that. I think we all know that there's some differing views on alternate ideas in the ecosystem. But what is ironclad is using consented first-party data and comingling it together in cleanroom-like environments. And so has Safe Haven really risen to lead your conversations more and more these days?

And then just the second one for Warren is a follow-up on everything you were discussing about with Carrefour and European retailers, what are your discussions like with US retailers, is the market particularly different there, do you expect this momentum to flow back across the Atlantic as well? Thank you.

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

A

So, Dan on the first – on Safe Haven what I would tell you is yes with about 10 exclamation points behind it. There's not a conversation that we're having with clients that typically doesn't involve Safe Haven because Safe Haven really encompasses all of the disparate products that we've been talking to clients about over time.

It gives us access to all of the world's ethical data. It allows identity to tie that data together. It provides a client with the segmentation UI to make sense of the data. It allows a client to activate the data at all the places that matter. It allows clients to potentially collaborate with partners using configurable permissions always securely and it allows them to measure and optimize and improve over time. So it links everything together.

Now, the other thing that I'd rip off in your comment is around the ID space and you were exactly right. I mean you and I have had this conversation before where I think one of the great misperceptions about LiveRamp is somehow we're in competition with all these other IDs that are out there. I mean Facebook, Google, Amazon, Trade Desk, they all have their own IDs and that makes sense because that powers their own algorithms and we work with all of them.

But when we talk to clients, we're not a media company. We're not a DSP. They want to work with someone to optimize their spend with each of those destinations, but also importantly across all of those destinations. And so it's so important for us to be unbiased and have a solution that's neutral for data and measurement as well because that allows us to work across the entire industry. And I think that's why so many of the largest companies in the world are working with us because we in turn work across all the other players in the industry in a neutral agnostic interoperable way.

Warren C. Jenson

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

A

Dan let me jump in on the second question. The short answer is yes. The percent the discussions with US retailers continue to be very, very strong. I mean, we're incredibly proud that in just a year we have a 30% share of big box grocery. And that's phenomenal relative to where we are. A few things that I'd call out though just for everybody to think about is, I guess three things.

First of all, best practice sharing. So this is really a network effect. So we're able to share best practices globally with retail. And one of the more interesting things, is, you think about the privacy standards that we've built with Carrefour in GDPR, well we're bringing those best practices to the US as well. Also from a product perspective, the analytics environment that we're launching with Carrefour for all of their CPG partners will by year end have some 300 standardized reports available to CPG. And also people inside of the Carrefour network as well. That's a product that has 100% global applicability for any retailer.

And then finally the network effect with CPG. CPG, almost by definition, are global companies. They work in almost every major geography in the world and they want a common standard and it just helps them a ton to have ATS, to have Safe Haven, to have a common way of looking at things and that's helping us in all of our discussions not only with CPGs, but also with retailers everywhere.

Daniel Salmon

Analyst, BMO Capital Markets Corp. (Broker)

Q

Okay. Thank you, both.

Warren C. Jenson

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

A

Thank you.

Operator: Thank you Mr. Simon. You do have an additional question from the line of Brian Fitzgerald with Wells Fargo. You may proceed.

Brian Fitzgerald

Analyst, Wells Fargo Securities LLC

Q

Thanks guys. We want to ask a couple of questions about the synergy between ATS and Safe Haven and some of the commentary in your prepared remarks Warren. We can see why that would be important since you might have a customer that Carrefour knows well, who's been in the stores, maybe has been online, but then recently and perhaps is an iOS user who can't be reached through cookie targeting, so given Google's announcement of the deprecation delay just wondering if Safe Haven helps to create some sense of additional urgency around ATS deployment and need. And then I have another quick follow-up.

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah. What I would tell you Brian is I think that Safe Haven creates more opportunities to accelerate on ATS and anything that involves measurement or data collaboration or sophisticated data usage. But the real pressure for migrating to ATS doesn't come from Google. It comes from the results that we're seeing.

And we have real case studies, real data. Our product has been live for well over a year and so we've seen very consistent and very, quite frankly, spectacular results. Consistently ATS generating strong double-digit lifts for advertisers, I mean numbers well in excess of 50% lift are always not uncommon, they're actually the norm because these advertisers are reaching previously unaddressable users on Safari and Firefox and rather than just hitting saturated users on cookies with the same message, they're reaching new audiences. As a result we're seeing the reach increase as well.

For publishers who are the other side of the authentication, when they deploy this and we have so many of the world's largest publishers already embracing this, they're seeing a strong yield increase and they're making more money. And of course what shouldn't be lost in this is it's just a better experience for consumers and everybody in the industry should want that because that is the fuel that keeps the industry going.

So I think it's a really good story to tell. And that's why we've taken the position of – we no longer really care too much about what else happens in the industry. We believe authentication is a better way to go. And so, we're sharing those results with our clients and then letting them make the decision.

Brian Fitzgerald

Analyst, Wells Fargo Securities LLC

Q

Got it. And then the quick follow-up and sorry for going long in the end. We know that [ph] you've (01:02:42) said you have minimal IDFA exposure but we've heard some talk of their plans to mitigate impacts with server side solutions. So we want to ask your role in supporting some of those solutions. Are you seeing your customers increase their utilization of targeting products such as uploaded custom audiences, can that be a catalyst for business as well?

Scott E. Howe

Chief Executive Officer & Director, LiveRamp Holdings, Inc.

A

Yeah. I think you've hit on something interesting here is that we don't normally see a huge impact as the industry changes around us. Now there are certainly winners and losers in the industry. But what we've found over time is

addressability trumps all others. And so, if one tactic goes away, clients will just redirect their dollars to other tactics.

And so, not surprisingly Facebook and Google and other walled gardens have been the big winners. And there are other companies who have lost over time. But once again, we're agnostic. All we do is make data addressable and allow it to be utilized at the destinations that matter, so whoever does win, we expect that will underpin that and will benefit, wherever the spend, as a result, goes.

Brian Fitzgerald

Analyst, Wells Fargo Securities LLC



Got it. Appreciate it. Thanks, Scott.

Operator: Thank you Mr. Fitzgerald. There are no additional questions waiting at this time. I would like to pass the conference back over to Warren Jenson with any closing remarks.

Warren C. Jenson

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

Great. Well thank you, operator. I was sitting here listening to Scott and thinking about what I might say to conclude our call. Probably if I were to say simply one thing you should walk away with from this call is that at LiveRamp, we're incredibly excited and we're leading in. Our foundations are strong and we love our position.

Number two is, if you think of all the incredible things that we've talked about today, global Safe Haven, CTV what we're doing across industry groups, we think our technology puts us incredibly well for the future, whether it's privacy preserving technology, ATS, federated identity management, Safe Haven, CTV etcetera, we believe we're in great shape.

Third we're incredibly proud of the personnel announcements that were made over the course of the past month or so. Whether it's Diego, David or Mohsin, our team is incredibly strong and we have an equally strong bench underneath this team as well. So on behalf of our entire team here in San Francisco and LiveRampers everywhere. Thank you so much for joining us today. We love our customers. We're incredibly appreciative of your support. Thank you very much.

Operator: Thank you all for joining today's LiveRamp fiscal 2022 first quarter earnings call. You may now disconnect your lines. And have a lovely day.

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