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LiveRamp Holdings, Inc. (RAMP)

Q4 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen, and welcome to LiveRamp's Fiscal 2020 Fourth Quarter Earnings Call. As a reminder, this conference call is being recorded, and I'd like to turn the call over to your host, Lauren Dilliard, Chief Communications Officer. Thank you, operator.

Lauren Dillard

Chief Communications Officer, LiveRamp Holdings, Inc.

Thank you, operator. Good afternoon. Welcome. Thank you for joining us to discuss our fiscal 2020 fourth quarter and year-end results. With me today are Scott Howe, our CEO, and Warren Jenson, President and CFO. James Arra, President and Chief Commercial Officer will be participating in the Q&A portion of today's call.

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 will 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.

Thank you, Lauren. Good afternoon and thanks for joining us today. Let me begin by saying we hope you and your loved ones are safe and healthy. To say that we are in unprecedented times almost feels cliché, but we are, and the rapid onset of the COVID-19 pandemic will have far-reaching consequences for months and likely years to come. This is a global time unlike any we have faced before, and we are responding by supporting our global employees, customers, and partners, and community.

Our first priority is always to our people, and I am incredibly proud of how seamlessly our 1,100 employees transitioned to working remote. We are providing our teams with the tools and resources they need to be productive and serve our customers in a work-from-home environment.

We are doubling down on employee communications, all hands meetings and virtual events to ensure our people feel supported and connected to their teams. And we are soliciting and responding to employee feedback through ongoing surveys.

We held a very successful virtual sales kick off at the end of last month and have smoothly transitioned our RampUp on the road events to a series of virtual summits. While it feels as though we haven't missed a beat, we also recognize this is a challenging time for our employees and their families, and I am so inspired by the resilience, grit, and customer obsession our teams have demonstrated.

There are silver linings to be found in every crisis and for LiveRamp, this period has served to strengthen the exceptional culture and character of our company. As a technology partner, we also have a duty to support all our customers and partners as they adjust to these challenging economic conditions by offering products and solutions that help their businesses become more resilient, efficient, and innovative.

Now more than ever, it is important for brands to stay close to their customers and to demonstrate that their marketing investments are driving quantifiable business results. At LiveRamp, we remain committed to providing the critical infrastructure required for companies and their partners to connect, control and activate data to deliver customer value and drive measurable return on investment.

And finally, we have a commitment to our community. And in recent months, we have stepped up our data for good efforts to support organizations that are on the frontlines. For example, in mid-March, we launched a no cost initiative to enable health care companies to use our products to recruit health care workers to telehealth platforms and to reach out to patients with personalized information in a time of national crisis. In addition, we are supporting a variety of local non-profit organizations in the cities where we have offices.

Before turning to the quarter, let me just acknowledge the efforts of all those who are working tirelessly to keep us safe and reopen the economy during this period. Thank you. A final but important thank you before I transition to discussing the business Mr. Bill Dillard who earlier today announced he would retire from our board of directors when his term expires in August. Bill is a giant in the business world. As CEO and Chairman of Dillard, he runs one of the biggest retailers in North America. He has incredible business and financial intellect, and he has been a director for LiveRamp and before that Acxiom for more than 30 years.

In my time as CEO, Bill has been a professional and personal mentor. He even took me to all the best Arkansan barbecue restaurants in my first year at Acxiom. He is amazing. And I can't thank him enough for his years of service. We've already started a search for Bill's board successor. And we're prioritizing SaaS expertise, operating experience, diversity, and deep understanding of the data ecosystem.

Switching gears now to the quarter. Amidst a challenging macro environment, I am pleased to report we delivered another strong quarter, highlighted by continued top line execution and improving gross margin trends. Total revenue was $106 million, representing 35% year-over-year growth. Subscription revenue increased 28% driven by strong usage of our platform to support more destinations and new use cases including measurement, advanced TV, and second party data collaboration.

Marketplace and other revenue was up 71% driven by a record data marketplace quarter. We saw strong growth in third party data sales in Q4 to support advanced television targeting and our consumer social program. We also closed another solid bookings quarter following record quarters in Q2 and Q3. Upsell bookings in particular were strong and we had a number of nice Safe Haven wins, driving our average ACV up.

Ending ARR grew 29% year-over-year. And our subscription and platform expansion metrics were a healthy 110% and 122%, respectively. Beneath the top line, we generated significant gross margin leverage in the quarter and remain focused on driving further efficiencies across our entire cost base in the coming year.

And finally, we continue to support our shareholders through our buyback. We took advantage of the recent pullback in our stock to pull forward our planned repurchases. As a result, we opportunistically bought back over $100 million of stock since December 31.

While we are very proud of our strong finish to FY 2020, LiveRamp, along with most companies, will be impacted by the pandemic in FY 2021. We are carefully monitoring leading indicators and key activity metrics, including pipeline, sales cycle length, conversion rates, contraction, and product usage to assess the potential impact this year.

We believe in the fundamental strength of our model, but we'll feel pressure in certain areas. For example, at the end of last quarter, we began to experience a higher trend in contraction amongst our smaller customers. This, in addition to some non-controllable churn events, drove the deceleration in net customer adds in Q4. That said, we are actively pursuing a handful of initiatives to ensure we are delivering world-class customer experience during this time.

We recently released several enhancements to our UI and also made significant improvements in reliability and turnaround times, reducing the average turnaround time by as much as 40% in recent months. We have also streamlined our customer support structure, to get customers faster, higher-quality responses. We are also watching our variable and data marketplace revenue closely.

In line with what others in this space are reporting, year-over-year marketplace growth although positive trended lower in April as certain advertisers paused the campaign spend. However, we are seeing some early signs of stabilization in May. While we acknowledge the macro environment will present some headwinds for our industry and business, we also know that circumstances like these often bring opportunities. And in the coming months and quarters, we will play from a position of strength by leveraging three core competitive advantages; one, the growing importance of our value proposition; two, our durable business model; and three, our exceptionally strong balance sheet.

Let me briefly address each in turn. First, we have an attractive and increasingly important value prop for our customers and partners in this environment. While we would never claim to be immune to the global pullback in advertising, we are fortunate to benefit from this secular wave toward data driven performance-based marketing. As budgets shift from above the line to below line, we play a critical role in helping our customers spend smarter and demonstrate a clear return on investment.

Our product suite and in particular, solutions like ATS, Advanced TV, and Safe Haven helps to ensure every marketing dollar spent is addressable, accountable and measurable. We continue to experience strong global traction with the Authenticated Traffic Solution or ATS. It feels like the industry is rallying around ATS as the solution for a post-cookie world. And we've seen a nice uptick in recent adoption.

We currently have 18 SSPs live with or implementing ATS. And we were excited to recently go live with Amobee, our first mobile SSP. On the demand side, we have 35 PSPs bidding on IBL or in the process of implementing including Amobee, Beeswax, Criteo and MediaMath. And perhaps most validating is the recent global publisher momentum we've generated. We now have people-based integrations with over 30% of the Comscore 50 and have publishers on board in the UK, France, Italy, Spain, Germany, Australia, and Japan.

Continuing to evangelize and drive adoption of ATS will remain a top priority in the coming year. We know this is an area of interest for many of you, so we have included additional resources on our website and plan to host another ATS focused investor webinar in June.

Next, we believe the last two months have significantly accelerated our opportunity in Advanced Television. If there were ever to be a tipping point for data-driven television, we are witnessing it. With live sports cancelled and the traditional upfront canceled or postponed, we are seeing a sharp shift in activity to regional buying and CTV, both of which have the opportunity to be data-driven and addressable.

Our CTV-related revenues were again very strong in the quarter and our total Advanced Television business was up well in excess of 50%. As the economy begins to gradually reopen and as TV advertisers reengage, targeting and in particular, regional targeting and measurement will become more important than ever.

We are uniquely positioned to help these advertisers find targeted audiences across addressable television and streaming platforms and measure how those campaigns are driving business outcomes with Data Plus Math.

The dramatic shift to streaming and in particular, AVOD streaming services during this time also presents an interesting opportunity for us to help brands find cord cutters and cord nevers where they are now consuming television.

Finally, our Safe Haven solution has also generated tremendous global interest since its official launch this year. The current environment has spurred a moment for the industry to pause and reflect on its current strategies and practices, and as a result, many retailers are looking for ways to modernize their tech stack, which is exactly, exactly where Safe Haven comes in. I will let Warren share more in our progress in this area in a moment as Safe Haven was really born out of the innovative work we have been doing internationally with Carrefour and several other leading brands under Warren's leadership.

While no one can predict exactly when we will see a recovery or what it will look like, what we do know is that data-driven advertising has an important role to play today and an even bigger one as advertisers begin to strategize how they emerge on the other side of this pandemic.

Second, we have a durable business model and diversified customer base. In recent quarters, there has been some debate around whether LiveRamp is true SaaS or ad-tech. We hope our performance during this period serves to take that debate off the table.

While peers in the ad-tech space are forecasting sharp year-over-year revenue declines, we are forecasting growth. LiveRamp is enterprise SaaS, and we generate recurring subscription revenue. Approximately 80% of our revenue comes from subscription contracts, and more than 70% of our committed revenue or RPO is tied to multiyear deals. This provides us more stability than most as we navigate this period.

We are also fortunate to have a diversified customer base, with approximately 780 direct subscription customers spanning a variety of verticals and geographies. Exposure to the most impacted industries like travel, hospitality, and entertainment is highly manageable. And for these customers, we are developing a series of hit-the-ground-running packages designed to help ready their data and capabilities for a quick restart when the economy stabilizes.

Finally, we have an incredibly strong balance sheet. With more than $700 million in cash and no debt at year end, we are fortunate to have the flexibility to continue to invest in product innovation and our key growth initiatives while also making bold investments to secure our future growth. In the coming year, we intend to aggressively invest in the continued platformization of our infrastructure in our key future growth initiatives like television and Safe Haven.

In addition, our strong financial position enables us to explore smart and strategic acquisitions and partnerships like the partnership we announced with Comscore a couple of weeks ago, which we believe is a game changer for outcome-based television measurement. This preferred partnership provides customers access to Comscore's unified television viewership data spanning tens of millions of addressable households for outcome-based measurement through Data Plus Math and additional activation and measurement use cases through Safe Haven.

In short, it means that an advertiser running an Advanced Television campaign now has even more options available for measurement, segment creation, and understanding business outcomes. We are very excited to team up with Comscore to bring these combined capabilities to market.

To conclude, I'll end where I began. We are in unprecedented times and we expect this pandemic to have lasting effects on how companies do business now and in the future. But as Warren and I have often said, data usage is only growing in importance during periods of great uncertainty, leaders lead, and we will navigate the coming months and quarters from a position of strength.

We play a critical role in helping companies deliver relevant and meaningful experiences to consumers. We have a set of products designed to deliver immediate value to customers by enabling their marketing spend to be addressable, accountable, and measurable.

We have a recurring subscription business model, diverse customer base, and a strong balance sheet, which provides us flexibility to drive innovation and invest for long-term growth. And importantly, we have a nimble and resilient culture and a team of global LiveRampers who are up for the challenge. And with that, thanks again for joining us today and a big thank you to our exceptional customers, partners and employees for their ongoing support and hard work.

I'll now turn the call over to Warren.

Warren C. Jenson

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

Thanks, Scott and good afternoon, everyone. Thanks for joining us. Before jumping in, I too, would like to thank our associates for their awesome work over the last several weeks. I feel fortunate to work with such great people. I also hope that all is well for each of you and your families.

I like to focus my remarks today on four areas. First, briefly talk about Q4, highlighting the strength of our position going into this downturn. Next, share a few performance highlights from April and the first two weeks of May. In other words, what we're seeing right now. Then share a few high-level observations about FY 2021 and finally our Q1 guidance.

Q4 results LiveRamp's position of strength. Please turn to slide 4. Well, in short, we entered this crisis with considerable momentum and from a position of strength. Almost every critical metric was up close to or over 30%. Q4 revenue was up 35%. Subscription revenue up 28%. Bookings grew by 31%. Current RPO for our next 12-month backlog was up 29% and ARR ended the year up 29%. And notably marketplace was up 71% driven by the strength of our performance in TV. Net retention was 110% and platform net retention was a strong 122%.

Our growth initiatives are on a roll and setting the pace for innovation, globally. LiveRamp's Safe Haven, earlier this year we launched our Safe Haven platform and we've been winning globally. This calendar year, we've entered into Safe Haven partnerships with over 10 leading global brands, including another top five US retailer, one of the largest pharma companies in the world, Carwell, the leading online automotive marketplace in the UK; and MIQ, a programmatic media platform in China.

In addition, TV had a standout quarter. TV-related revenues were up over 70% year-over-year. Operationally, it was also a great quarter as our gross margin exceeded 70% for the first time, as a stand-alone business. We have now fully absorbed our extra public company infrastructure cost. Interestingly, in the US, our gross margin was 73%, which is very close to our long-term model commitment. Our operating loss was $16 million.

As part of our year-end close, we scrubbed our balance sheet and added approximately $3.5 million in incremental bad debt reserves to cover potential COVID-related challenges. Of our total expenses, approximately $10 million was largely onetime in nature. And lastly, we ended the year with a very strong balance sheet.

Our cash balance was $718 million, and we have no debt. We've been through our receivables with a fine-tooth comb and we feel our exposures are appropriately reserved. We were careful over the last few months, but at the same time, we're opportunistic with our buyback. And as a result, we took the opportunity to front-end load our FY 2021 repurchases. Calendar year-to-date, we have repurchased 3.1 million shares for total consideration of $103 million.

Since inception of our buyback, we have returned approximately $1.2 billion to our shareholders. In summary, we ended FY 2020 in an incredibly strong position. We're in the middle of a powerful secular growth curve and have a great set of customers, employees and products. Our lagging and leading performance metrics are strong, and our products are winning. We are helping to power the secular trend toward outcome-driven advertising and addressability.

And finally, we have a balance sheet that is the envy of the industry. But as we all know, that was then. So, what are we seeing now? For the next several minutes, I'll focus my comments on three areas. First, metrics. What are the numbers telling us? Next, what have we done to manage the crisis and ensure we will lead and win in economic recovery? And finally share our perspective on FY 2021 and provide guidance for Q1.

Metrics, what are the numbers telling us? Please turn to slide 13, industry concentration and customer concessions. First, we are SaaS, and as a result, our revenues are highly durable. As this chart shows, our client mix is also diverse. As you would expect, we have worked with our customers who have been severely impacted. For those customers, in some cases, we have temporarily paused our service and billing for a short period of time, usually about three months. Typically, that accommodation has also included a contract extension.

To-date, concessions have been highly manageable and have totaled about $4 million. These concessions will impact our near-term revenue and have been factored into the guidance we will share later on this call. In summary, our client mix is diverse, and our SaaS revenue resilient. And while things could always change, customer concessions have been manageable.

April results. Please turn to slide 14. In short, we grew. Subscription, marketplace, and ARR all improved year-over-year. We continue to win and close business. Further, we have seen no deterioration in the records being uploaded into our platform. In fact, our volumes indexed against the first 10 weeks of the calendar year were up in April and for the first two weeks of May. However, the usage portion of our subscription revenue as a percentage of total subscription revenue did decline compared to the prior year. Typically, the variable portion has averaged between 10% and 15% of total subscription revenue.

For the month of April and the first two weeks of May, variable is averaging low to mid-single digits as a percentage of the total subscription revenue. Net while down as a percentage of revenue we continue to see usage from customers in excess of their committed minimums.

Before talking about our approach to an outlook for FY 2021, I'd like to share a few of the challenges we are seeing. While we are obviously thrilled with the resiliency of our platform and the reception of our products, we would be the last to argue that our business is not being impacted by the downturn. It has been and is.

Specifically, we would highlight that we have seen pipeline push out. Make no mistake we're still closing deals, but deal cycles are extending. Next, we expect our net new customer adds to slow considerably as a result of higher churn and fewer new deals closing in this environment. We felt some of this pressure in late March. It is conceivable that we may have a quarter where our net adds are flat to down. We expect our results internationally to continue to be pressured.

Next, we expect our retention metrics to be pressured for the reasons mentioned above and it's very possible that there will be more requests to put our service on hold, particularly in industries where recovery will lag.

In summary, we feel very fortunate to be the category creator and innovator in a business which is benefiting from a powerful secular trend, we're Switzerland and the industry needs a neutral identity infrastructure, our products drive real results. This is more important than ever during this critical time where SaaS and the resiliency of our subscription business is clear. And finally, we are clearly feeling – while we are clearly feeling the impact of macro forces we have and are managing the impact. In short, we are still growing.

I would now like to spend a minute and share our approach to the macro challenges. As many of you know, I was Amazon's CFO in the company's early days. 20 years ago, the markets and press turned on Amazon. Pretty sure it was the Wall Street Journal who came out with the headline Amazon.bomb. The stock went to $7. That said, Amazon had a unique advantage and challenge. Its customers love the service, but the company was bleeding hundreds of millions, and absent change was a goner. Seems hard to believe today but true.

History now tells the rest. In those dark days, Amazon became free cash flow positive but simultaneously drove massive innovation. Used goods were sold next to new. The company entered into platform joint ventures with Toys R Us and Target. And as a result, the origins of AWS were seeded. Its fulfilment centers became an asset as third-party merchants could use Amazon's infrastructure and sell next to Amazon's owned inventory. What's seldom discussed though was how buttoned up Amazon became. In short order, every operational process got good. My words, Amazon got control of the knobs really, really fast. And 20 years later, the rest is history.

So, what have we been up to at LiveRamp? As the world around us changed, our leadership team gathered virtually in mid-March, and set some objectives and guardrails for replanning the company's coming months and quarters. Specifically, we would protect the health and well-being of our employees and our company's culture, delight our customers and focus on their needs, deal with the new reality and move quickly to take action, and finally take steps to ensure we would protect our business in the short term but also when in recovery. Specifically, on the top line, double down on new initiatives like ATS, TV, and Safe Haven; and on the bottom line, tighten up our operational processes to accelerate our drive toward operational excellence, profitability, and margin expansion.

Please turn to slide 16. This page summarizes the financials associated with eight weeks of focused planning and activity across every function of LiveRamp. We've built detailed plans for accelerating our investments in ATS, TV, Safe Haven, and B2B. These investments will mostly show up in R&D. Next, we have built strategies to boost productivity in every functional area of the company. As an example, as a result of changing work practices, we don't intend to add any new lease space this coming year. We have also retooled our quote to cash practices. And where we had opportunity, we went after reducing discretionary spend. In short, we're excited and leaning in. We have protected innovation and are doubling down on some big opportunities, and at the same time have dramatically brought in our profitability timeline.

I'd like to close by summarizing our thoughts on FY 2021 and then provide specific guidance for Q1 Please turn to slide 15, while we intend to give traditional full year guidance, we wanted to summarize the positives, the challenges, and the likely implications. Our net takeaways are on the right. Secular trends are in our favor. We expect FY 2021 will be a growth year, albeit modest. Given what we see today, we expect meaningful profit improvement and manageable cash burn. Our balance sheet and liquidity are secure.

And finally, the importance of our platform and products puts us in a great position to win and accelerate in economic recovery. For Q1, we expect revenue of approximately $88 million and a non-GAAP operating loss of up to $12 million. Please keep in mind this guidance excludes intangibles, stock-based compensation, and restructuring and related charges.

A few other callouts. In Q1, our guidance is intended to be conservative, but it is also appropriate. Given the sequential decline in revenue, we would expect gross margin to be down sequentially. We expect approximately $6 million of restructuring and related spend, and $1 million of CapEx. Finally, for the year, a few additional items.

Buyback, given the market dislocation, we purposely front-end loaded our repurchases. Therefore, we do not expect to be in the market for the remainder of the calendar year. That said, we will not hesitate to be opportunistic should circumstances warrant. Note that during the year, we expect to receive a tax refund of approximately $30 million, as a result of being able to carry back our FY 2020 tax losses.

Other full year guidance items have been included on slide 19. Before opening the call to questions, I'll close with a few final thoughts. First, again, a huge thank you to our customers and employees. It is you who make this company great. Next, we are approaching the coming months and quarters from the position of considerable strength. We are SaaS and our revenues are resilient. We sit at the center of a strong secular trend and have taken steps to deliver solid top and bottom-line performance due to the downturn and are investing and tightening to ensure we lead in recovery too. It's a great time to be at LiveRamp.

With that operator, we will open the call to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instruction] Our first question comes from Dan Salmon with BMO Capital Markets. Your line is open.

Daniel Salmon
Analyst, BMO Capital Markets (United States)

Q

Yes. Good afternoon, everyone. Thanks for taking the questions. I've got one for Scott, one for Warren. Scott, I'd be curious just to hear a little bit more of the nuance on your conversations with clients if we can sort of remove the effect of the pandemic if that's possible. And what the tone of conversations is with clients around some of the key issues that we're driving adoption of your product previously including obviously the challenges to third party cookies, and particularly the notice that a lot more people tended to take one's Chrome made their announcement regarding that. I'd love to just hear what the conversation is broadly around where those priorities still lie?

And then Warren, I understand the fiscal 2021 guidance of albeit modest growth. I guess when we see that compared against the plus 14% in April. I guess, it's fair to say that we're – some of these negatives around especially, say, pipeline pushing out in some concessions are driving something that we would expect to be below the April rate. Is that how we should take modest to be? Thank you.

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

A

So, Dan, it's Scott. And I'll also start but also invite James. James Arra is on the call with us as well. And so, he can probably provide some real anecdotal color around what I'm about to say. So, what I would tell you is there is a real headwind from COVID, but also a real silver lining.

And certainly, the economy is in a different period, different state than it was just three short months ago and we absolutely work with some clients who are hard hit by that. Travel, retail, automotive – they have been hard hit and you can see it in particular their television investments, their broadcast television investments. I mean, they've really pulled back.

But within that backdrop, I think all of our clients have found that they have a little bit of breathing room to stop and think as opposed to just execute, execute, execute. And so, the conversations around third-party cookie deprecation and their response have certainly accelerated. We especially see that from publishers.

I think there was kind of a misperception in the industry that the Authenticated Traffic Solution was a replacement for third-party cookies. No. It is – it's not an or it's an and. That even before third-party cookies go away, the publishers who embrace ATS can make what was 40% of their inventory that was previously unaddressable through Safari or Firefox, they can actually lock in significantly higher yields, I mean, 20% more.

And, so as a result, those conversations have really found wings. Our direct clients also, as they think about what spend remains and what additional spend don't activate as they come out of the recession, they're really focused on measurability and ROI. And those two characteristics really played to our strengths.

So, we were talking earlier, we tend to be the last one to leave and the first one back, meaning that when clients turn off their efforts, the direct accountable stuff is the last thing that they'll ever want to touch. And it's the first thing that they want to reactivate coming out of a downturn. And so that spurred additional conversations for us on things like connected television, where clients realize there is no upfront.

Behavior has shifted to in-home behind screens. And the only way to reach young people is through connected television, the likes which we can provide moreover, because we have a data set that allows them to buy far more granularly than GRPs or TRPs, they can actually target their audience more effectively. So, a lot of good opportunities for us to go mine in this downturn.

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

A

And then, Dan...

James F. Arra
President and Chief Commercial Officer, LiveRamp Holdings, Inc.

A

Hey, Dan...

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

A

James, go ahead.

James F. Arra
President and Chief Commercial Officer, LiveRamp Holdings, Inc.

A

Oh, sure. Thanks, Warren. Hey, Dan. Yeah. Just to give you some client anecdotes because clearly the COVID shutdown is having an impact that no one could have predicted a few months ago. But our conversations with our clients have always been around two primary themes, and that's addressability and measurability. And the interesting thing we saw at the end of last quarter and then even in April is many – we are seeing some pipeline push. But we're also seeing some of our companies look to this as an opportunity to really think about what to do once they're out of the COVID shutdown, and there's two examples I want to give you.

One is with a fantasy sports platform, and we thought for sure our deal at the end of last quarter would be dead in the water. But we were able to show them that once we get through this period, here's all the things they need to do, and they ended up signing a deal at the end of the quarter. So, we were really pleased with that, and that's an example of a company thinking about what happens after the shutdown.

And another one is in the QSR space. We signed a new logo deal, seven-figure deal with one of the major QSR companies out there. And they're clearly not as impacted by the COVID period, but they are using this as an opportunity to really think about their strategy and think about how to drive to more of a data-driven approach, how to drive more measurability and more addressability. So, there's certainly a lot of silver linings in what's happening, and we really believe strongly we're well positioned to help our customers through the recession and to really recession-proof their businesses.

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

A

And, Dan, let me – this is Warren. Let me chat a little bit about our guidance. First, let me just start off by saying, we were incredibly pleased by what we saw in April and the resiliency of our business across the board. As you would expect however, we like you we're watching everything very, very carefully. And in particularly – and in particular, watching the variable portion of subscription revenue and marketplace.

So, what about our guidance? A couple of things that I want to mention. First is, I did in my prepared remarks, we intended our guidance to be conservative. And let me just kind of put another phrase around that. We wanted to give you guidance you can take to the bank. And I'm going to mention three things. First of all, overall revenues will be up for the year, subscription revenue will be up for the year, and we expect profitability improvement. So, again we fully intended the guidance to be conservative, be conservative and secondly, guidance you can take to the bank.

Daniel Salmon
Analyst, BMO Capital Markets (United States)

Q

Thank you.

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

A

Thank you.

Operator: Your next question comes from Stan Zlotsky with Morgan Stanley. Your line is open.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

Perfect.

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

A

Hey Stan.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

Thank you so much. Hey, ladies and gentlemen, thank you so much for taking my questions. First one for me, the connected TV business, we're certainly hearing a lot about it in the industry news with the upfront going away as you mentioned. How are you thinking about the business and whether this really could – the COVID, as terrible as the whole thing maybe this could be a massive shift that finally pushes the whole industry away from the legacy way in which TV advertising was bought and really push it to this connected TV and digital buying. And then I have a quick follow-up.

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

A

Yeah, Stan. It's Scott. So connected TV for us was up very, very strongly in Q4, and we expect it to have another very strong double-digit growth year in FY 2021. I do think this is as close to a tipping point as we'll see. Things are starting to move. I think the first harbinger for us is just the sheer number of client conversations that we feel that [Technical Difficulty] (00:45:49) yeah, it's picked up perhaps in the last couple of months. However, these were strong over the last six to eight months that this trend was already coming.

The other thing that I mentioned briefly in my prepared remarks, but one of the advantages that we have as a company right now is, we do feel like we have a really strong balance sheet. And that's going to allow us to be very strategic in commercial deals as well. And so, one of the things we announced in the last couple of weeks was our deal with Comscore. In the television space, there are kind of two things that really matter, number one is addressability, the ability to identify who's living behind a set-top box. And that's something that we've long prided ourselves on the ability to do. But the other piece of that is viewership. What are they watching?

And through the Comscore commercial deal that they announced on their earnings call a couple of weeks ago, we have licensed viewership data for a really significant number of households, I mean, when you talk about both set-top box and connected television, we are talking upwards of 80 million or 90 million devices. So that really, I think, allows us to bring scale to the conversations we have and really offer a compelling value proposition to our advertisers. So, all this to say, we're really excited about what's to come here.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC

Q

Got it. And then just a follow-up on the expansion – well, actually I guess the flipside, the contraction rather that you're seeing within your existing customers. Maybe help us to break it down between the 22% of your ARR that's really coming from these heavily impacted industries and what you're seeing there, is that – is the contraction there as in like, full stop or stopping everything. And or is it maybe just a slight pullback? And then the other 78% of your business and what the contraction looks like on the other side? That's it for me. Thank you.

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

A

James, do you...

James F. Arra
President and Chief Commercial Officer, LiveRamp Holdings, Inc.

A

Yeah. Hi, Stan. This is James. Yeah, I'll go ahead and take this. So, let me start by saying, Q4 was a really good quarter and as Scott mentioned in his prepared remarks, it was our third largest bookings quarter ever. And similar to other quarters for FY 2020, roughly 65-ish percent of that was an upsell. So, we are still seeing significant growth within our customer base.

Now, what we experienced towards the end of Q4 and what we're being very cautious of in our guidance for FY 2021 is we did see a number of very small clients, some $50,000 a year clients pull back and we saw churn from there. The other thing we saw was some non-controllable churn that was some major acquisitions that have happened where both of our clients – both sides of our clients and we saw that impact to a certain extent and then some bankruptcies and some nonpayment. We saw that tick up quite substantially in Q4 as well.

So, all that being said, we are always looking for ways we can provide more valuable to – value to our customers and we'll continue to do that. And we've always said that churn is an opportunity for us, and we're really looking for ways that we can continue to drive more value.

Now the COVID impact for specifically the 22% that we outlined. There, what we are seeing is them ask for concessions and we're being a good partner and we recognize that they're going through some very, very tough times right now and we're working with them as they shut things down right now. But we don't view this as a situation for the companies that survive this, and we think many of our customers will. We don't necessarily view that COVID shutdown as a churn event.

In fact, just said earlier today, a major hotel chain that two months ago had asked us to pause because they were shutting down everything and furloughing employees. They came back to us today and said they're starting back up. We were expecting the conversation to be, hey, we're going to need another month or we're going to need another two months and it was the opposite. They're already gearing up for the reopening. So, we're viewing that as a really positive sign.

Stan Zlotsky
Analyst, Morgan Stanley & Co. LLC
Q

Perfect. Thank you so much.

James F. Arra
President and Chief Commercial Officer, LiveRamp Holdings, Inc.
A

Sure.

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

Thank you.

Operator: Your next question comes from Brian Fitzgerald with Wells Fargo. Your line is open.

Brian Fitzgerald
Analyst, Wells Fargo Securities LLC
Q

Thanks, guys. One just to drill down just a little more on the mechanics of that lower usages, is it pure campaigns, pure segments, customer using fewer touchpoints or just the impact of – to your point clients were pulling back very hard on advertising? And any broad trends or themes to tease out there or how quickly you see that bouncing back as [indiscernible] (00:51:31).

Brian Fitzgerald
Analyst, Wells Fargo Securities LLC
Q

Thanks.

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

Yeah, I'll start and then Warren, why don't you weigh in with some of the macro metrics that we're seeing. So, for the customers that have requested a pause and really this is a concession that we're giving. It's really due to the fact that they've either completely shut off all marketing and, in many situations, have furloughed employees because of the shutdown, where there's just no reason for them to be spending that money. But where – we're staying engaged with these customers, we're being a good partner and we're also doing – we're helping them build their startup plan. So, Scott mentioned this in his remarks as well.

Once we get out of sort of COVID shutdown mode there is going to be a meaningful recession, and we strongly believe we can help our customers through a recession because budgets are going to be constrained and what they're going to need to maximize the value they get out of every marketing dollar they spend, and the way they do that is through measurability and addressability and that's the areas that we really help them with.

So, for many of these customers that are on pause we're staying engaged. We're working with them on their plans for how to restart and what they should focus on. And we believe that will help them and will help us accelerate out of this very quickly.

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

Hey. A couple of things, Brian, that I'd mention that are also – I guess one thing very specific to the numbers, and then a couple of things anecdotally, was really interesting. A large global consumer brand that spends I don't know how many hundreds, if not billions of dollars, on advertising came to us about 30 days ago and they said, we have pulled back 80% of our advertising globally, but we have also made the decision that when we come back, we are going to come back with 100% addressability. And so, we are working with this brand on putting them in a position to do exactly that, and that's the sort of thing that we're seeing from our customers.

The second thing is that, obviously, as it comes to usage for April and for the first two weeks of May, it's been – we said loaded – mid-single digits, so call it 4% or 5%. So, it is down from 10% to 15%, but it's still positive and would argue, at least for now, it's certainly stable.

And then one other interesting specific, in terms of the concessions we've given to people, as I noted in the call and I'll just repeat it, typically they're 30 to 90 days. And then also for the vast majority of those, we also extended our clients, so – or extended our contracts. So, it was very much just a pause. And over – I think, James, wasn't it over 70% of those requests came in the first 10 days or so of April? So, this was very much front-end loaded...

James F. Arra
President and Chief Commercial Officer, LiveRamp Holdings, Inc. A

Yeah.

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

...and we just have not seen any kind of volume like that over the course of really the last four weeks.

James F. Arra
President and Chief Commercial Officer, LiveRamp Holdings, Inc. A

Yeah, that's exactly right.

Brian Fitzgerald
Analyst, Wells Fargo Securities LLC Q

Got it. Thanks, James. Thanks, Warren.

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

You got it.

Operator: Your next question comes from Shyam Patil with Susquehanna. Your line is open.

Shyam Patil
Analyst, Susquehanna Financial Group LLLP Q

Yeah. Good afternoon. Thanks for all the...

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

[indiscernible] (00:55:05).

Shyam Patil
Analyst, Susquehanna Financial Group LLLP
Q

...color. I wanted to ask a few questions or a couple of questions around the marketplace business. It seems like it's trending much better than what we've seen for programmatic spend. And I was just curious why you think that is. And when you look at just the programmatic display portion of that business, are you seeing any changes in terms of data elements per campaign, less users there? And then, Warren, in your in your fiscal year expectations, just in your base case, how are you thinking about just the marketplace [ph] line (00:55:43)? Thank you.

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

So, Shyam, it's Scott. First off, on the marketplace business. Remember that if you think about the customers of our data marketplace business, it's actually fairly broad. Yes. We work with direct brands, but we also work with some of the large platform and tech providers. And importantly when they're ingesting data through our data marketplace, they're using it to enhance their own products. So, it's not just for programmatic. It can be for programmatic. It can be for television but in many cases, it's even more broad than that.

I think there's going to be a real benefit in the coming year for us in – with television because to the extent that an advertiser feels that just buying thin demographic sets on broadcast television that no one's watching anymore is kind of a tired approach, well, they can actually utilize Data Plus Math to go find a much more granular audience. So, we think that will be an enabler for that business over time. That said, it is the one area because it's variable. Much of it is not subscription that we think will be most impacted by the recession. And so, we put in place a conservative forecast. In terms of the data elements the people are buying the mix, it's not something I know off the top of my head, but we'll look at that and let you know. I mean we certainly have good line of sight to that.

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

And then in terms of our guidance or just our outlook for the year, I'd probably just repeat a little bit of what Scott said where – we're again very pleased by what we've seen in April and what we've seen really month-to-date in May. That said, just given all the uncertainty, this is one of the areas that we're watching throughout the year. And we've tried to be appropriately conservative in our internal outlook such that we rightsized everything. But at the same time, we're optimistic but also cautious.

Shyam Patil
Analyst, Susquehanna Financial Group LLLP
Q

Great. Thanks, guys.

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

Thank you.

Operator: And our next question comes from Kyle Evans with Stephens. Your line is open.

Kyle Evans
Analyst, Stephens, Inc.

Q

Hi. Thanks, Scott you make...

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

A

Hey, Kyle.

Kyle Evans
Analyst, Stephens, Inc.

Q

Hey. You mentioned that ATS was causing some of your constituents to rally around and it's kind of a solution in a post-cookie world. Could you talk about what you've seen geographically, I know there are other countries that have higher exposure to Safari and Firefox? I was wondering if that was a good kind of leading indicator for what we would expect from the rest of the world going forward.

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

A

Well, Warren runs our international business. You want to – you want to talk about this?

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

A

No, go ahead and jump in, I'll follow-up.

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

A

Okay. In my prepared remarks I talked about just this, the traction we have gotten outside the US. I think we've signed double-digit international publishers in the last quarter as an example. And in certain markets, particularly in Europe and much of Asia, this is the only solution for publishers and then they have even more stringent privacy regulations that they need to navigate. And so, it's just so important that they go out and rather than rely on someone else to sit as the intermediary and potentially disintermediate them, that they collect their own authentications, their own consents.

Any publisher who has compelling content is already offering a value exchange and it's just making it from being an implicit value exchange to explicit. And as soon as they do that, as soon as they collect those consents and literally upload a [indiscernible] (01:00:08) code on their page to benefit from ATS, then they could start to generate significant advantages and monetization.

Our initial tests have suggested that could be 20% or more. And obviously, in markets that have the most adoption of Safari and Firefox or the most exposure to Chrome, the yield is going to be even greater and the urgency to adopt something like ATS will increase.

So as a result, a lot of traction. I think the biggest challenge for us is how to evangelize that without getting on airplanes. But our team has done a really great job hosting vid-con sessions, webinars and we have a lot of content on our site if you're interested in learning more.

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

A

Kyle, let me add a couple of things to what Scott said that really excites us from an international and global perspective. I just remind everybody that ATS is not a US thing, it's a global thing. So, it is truly a global product offering for LiveRamp. An when you think about our acceleration and recovery this really globalize our company much, much more quickly. We have momentum with ATS in Japan. We have momentum with ATS in Australia. We have momentum in Italy and Germany, France, UK and keep going, in Spain. So, this is a global phenomenon, and it is a global phenomenon with brands.

Many of the largest advertisers in the world again are not simply US companies, they're global companies. And they want uniform addressability in every single market in which they operate and that's a very, very positive thing for us.

The second thing that I'd note for everybody that has had time to sit down and work with us and hear about what we're doing with our Safe Haven platform, ATS and Safe Haven are very natural partners and they're natural partners for brands, and they're natural partners for publishers, which again accelerates our opportunity. And again, when you think about Safe Haven it just revolutionizes how companies collaborate and it was also built in a privacy first way. It was built for GDPR. So, the combination of those two things really, we believe speak and in fact the results are showing it bode well for us globally over not only the near term but also very much so as the world moves on from this crisis.

Kyle Evans
Analyst, Stephens, Inc.

Q

Great. Thank you.

Operator: And that is all the time that we have for questions. I turn the call back to Warren Jenson for any closing remarks.

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

Great. Well, thank you, operator, and again a huge thank you to everyone for joining us today, and most importantly I'd like to repeat something I said in my prepared remarks. Just a huge thank you to our customers and our employees. It's you who make this this company great.

I'd like to conclude with, I guess, just a few thoughts as you think about the year ahead and what we've talked about today. We will grow in FY 2021, and our subscription revenue will grow in FY 2021. When we think about momentum in the near term and we think about momentum and recovery, our products are winning, whether it's TV, whether it's Safe Haven, whether it's ATS. We believe we've given you guidance that you can take to the bank, with profitability improvement, and that is always for everyone. Just as we've done this past year, we will be highly strategic with our capital. And let me put it this way. In the near term and on anything discretionary, we will be very stingy, but also, we intend to be very strategic.

So, with that, thank you all very much for joining us. We look forward to talking – speaking with you over the coming days. Thank you.

Operator: This concludes today's conference call. You may now disconnect.