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# LiveRamp Holdings, Inc. (RAMP)

Q3 2026 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good afternoon, ladies and gentlemen, and welcome to LiveRamp's Fiscal 2026 Third Quarter Earnings Call. All lines have been placed in mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] As a reminder, this conference call is being recorded.

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

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**Andrew M. Borst**

*Vice President-Investor Relations, LiveRamp Holdings, Inc.*

Thank you, operator. Good afternoon everyone, and thank you for joining our fiscal 2026 third quarter earnings call. With me today are our CEO, Scott Howe; and CFO, Lauren Dillard. Today's call and the earnings press release may contain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially. For a detailed description of these risks, please read the risk factors section of our public filings and the press release. A copy of our press release and financial schedules, including any reconciliation to non-GAAP financial measures is available at [investors.liveramp.com](http://investors.liveramp.com). Also, during the call today will be referring to the slide deck that is also available on our IR website.

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

## Scott E. Howe

*Chief Executive Officer & Director, LiveRamp Holdings, Inc.*

Thank you, Drew, and thanks to everyone joining us today. You'll hear a three main themes during my remarks today. First, our business continues to demonstrate durability, predictability, and scalability as evidenced by our solid performance in Q3. Second, AI is a tailwind for our business since we provide critical foundational infrastructure that allows our partners to utilize AI more effectively. And third, our focus on Rule of 40 is unwavering and we intend to achieve membership in this exclusive club in FY 2028.

Let's start with the quarter, yet another proof point of the durability, predictability, and scalability of our business. We delivered a solid third quarter with revenue and operating income exceeding our guidance for the 11th consecutive quarter. Overall, our team is executing well and we made notable progress with several key growth initiatives, including expanding our data marketplace to include AI models, agents, and applications, and strengthening our go-to-market by expanding our usage-based pricing model to reseller customers.

More on these a minute. First, let me hit the highlights from Q3. Q3 revenue growth was 9% inclusive of a 4 point acceleration in subscription revenue, also to 9%. ARR increased to \$11 million quarter-over-quarter and 7% year-over-year, driven by use cases for commerce media, CTV and cross platform measurement.

Total customer count increased by 15 quarter-over-quarter, the largest increase in more than 3.5 years, and our \$1 million plus customers increased by 8 to a high of 140. In Q3, we signed several million dollar plus upsell deals, including with the world's largest e-commerce retailer, a major social media platform, and a leading QSR. The deals were mostly for expansions for connectivity and clean room insights.

We had record quarterly operating margins on both a non-GAAP and GAAP basis, and record quarterly free cash flow. We continue using the bulk of our free cash flow for share repurchases. Clearly, there was much to like about the Q3 results and we'll provide additional details. While the quarter's performance highlighted our durability and predictability, I'm bullish on the future. In contrast to what Wall Street may believe about the software sector overall, we believe AI is a tailwind, a true force multiplier for our platform as the advertising ecosystem looks to adopt AI in a trusted, secure way.

While AI is capturing headlines, its real world impact in advertising depends on something far less visible, but absolutely essential. A trusted data network that allows AI to operate across partners, clouds and platforms while meeting rising privacy and regulatory expectations and this is where LiveRamp plays a critical role. We are starting from a position of strength with competitive advantages that become even more powerful in an AI driven world. Some of you will recall the four strategic moats we outlined at our Investor Day just last year. Each of these directly maps to what AI systems require to function effectively in marketing environments.

First, identity, we have the largest, most accurate consented identity graph in the industry, enabling a precise consumer view across channels, and this is foundational for AI-driven personalization, targeting and measurement. Second, interoperability, we operate the industry's only truly interoperable platform, connecting data from anywhere to everywhere across any cloud, and any partner. As AI workflows increasingly span platforms and data collaboration becomes the norm, this interoperability becomes even more critical.

Third, data governance. We provide enterprise grade data controls and protection, and we are a leader in privacy enhancing technologies, including clean rooms and advanced encryption. These capabilities are prerequisites for deploying AI responsibly in regulated environments. Finally, and most importantly, network scale. We operate the largest data collaboration network in the industry with thousands of interconnected customers and partners,

stretching from advertisers to publishers and commerce media networks, and all the major ad tech platforms in between.

Our network scale provides the data AI needs for relevance, reach, and compounding value. Each of these competitive moats is difficult to replace at the scale we have achieved, and even more so collectively. Enter AI, which is fundamentally resetting the advertising landscape. For LiveRamp, AI doesn't replace our platform. It amplifies it by increasing the velocity, frequency, and value of the data moving across our network. Simply put, our value proposition is increasingly differentiated in an AI-driven world.

Our customers and partners are focused on two major dimensions of AI adoption. First, on the consumer side, AI is creating new context-aware services that are reshaping how consumers discover, evaluate, and transact with brands, shifting the moments of awareness, consideration, intent, and conversion. Second, enterprises are adopting AI powered applications to run their marketing organizations more efficiently and more effectively, delivering faster execution, lower cost, and better outcomes.

AI is streamlining, if not eliminating manual workflows, accelerating the iterative advertising cycle, plan, activate, optimize, measure. Plan, activate, optimize, measure, rinse and repeat. AI enables this loop to run faster, more frequently, and with increasing precision. Both dynamics directly benefit LiveRamp because they result in more data moving across our network and our revenue scales with this data activity without a proportional increase in cost.

Our revenue model is not seat based, it never has been, and we're taking steps to embrace even more usage based pricing. AI surfaces applications and agents become new nodes in our network. AI powered workflows are sending far more data, more quickly, more frequently, and delivering better marketing outcomes. At the impression level, every exposure can be more personalized and context-aware.

At the portfolio level, entire media plans can be continuously optimized and budgets dynamically allocated and reallocated based on real world outcomes such as reach and frequency, conversions, and that is actual sales and customer lifetime value. In short, AI improves outcomes, better outcomes drive spend, increased spend drives more data across our network, and that drives our revenue, a real flywheel.

Our platform with our four competitive advantages is exceptionally well positioned to serve as the core data network for AI powered marketing. While still developing, we are making steady progress. We have enhanced our architecture, so AI applications and agents can securely access our network alongside humans and APIs. Expanding our network to new advertising surfaces is something we've always done, like we did with social media, retail media, and CTV helping emerging advertising platforms scale their advertising businesses more quickly and responsibly.

We are actively partnering with the AI ecosystem, having signed over 20 AI partners to date. Now this group includes AI natives, where a representative example would be the startup Scout, which offers AI tools to optimize advertising in major walled gardens. It also features established incumbents such as Google, where we are connecting brand loyalty data to deliver a better consumer experience in its AI shopping mode.

Right now, no one truly knows who the winners and losers in AI will be, but like we've done throughout our history, we're taking a portfolio approach, partnering with a broad array of companies, so we help power, whichever emerges as the winning use cases and AI providers. Our value proposition is strong and it's differentiated. AI tools depend on scaled, trusted data to deliver impactful results making us a desirable partner for innovators. We have a robust pipeline of additional AI partners that we expect to bring onto our network in the coming quarters.

We've also expanded our data marketplace to support data licensing for AI training, as well as licensing third-party AI models, applications and agents. This transforms our data marketplace into a centralized hub for AI-powered marketing, helping our customers quickly and easily deploy AI. For example, we work with a gaming company that is licensing data to build AI models that predict gamer behavior and deliver a more personalized experience. Another example is Chalice, a nascent data company that will be on stage at our RampUp conference next month. They're licensing AI models to help brands build higher performing audience segments for customer acquisition and other marketing outcomes.

To better capitalize on greater data volume, we continue our pivot towards a usage-based pricing model to unlock incremental revenue growth. We are in the final quarters of a year-long pilot with our brand direct customers, and we are seeing benefits to both our land and expand sales motions. The new model enhances our land motion with a lower cost of entry and a more flexible usage based structure, which is, of particular, interest to midsize brands. It also accelerates our expand motion by utilizing fungible usage tokens that can be seamlessly applied across all of our platform capabilities and are valid across the entire 12 month contract period rather than being limited monthly.

Given the positive customer feedback from the pilot, we're excited to deploy this usage-based pricing model more broadly in FY 2027. We are also implementing usage-based pricing with our reseller customers such as ad agencies and ad tech platforms. Our recently expanded partnership with Publicis exemplifies this shift. This new agreement is a significant expansion functionally and financially covering all of our platform capabilities, moving beyond just connectivity. Since it came up on the recent Publicis' earnings call, I'll highlight a few key points that really reflect how we're thinking about industry partnerships more broadly.

First, our subscription usage revenue will now be more directly linked to the growing use of our platform by the partners and customers. Consequently, we are now economically neutral on whether a customer uses LiveRamp directly or indirectly. Second, we're encouraging partners to innovate using our foundational technology. For instance, the Publicis partnership integrates their AI model library with our measurement solutions to deliver off-the-shelf cross-platform measurement and optimization solutions. This is potentially a really nice benefit for their clients and one that should stimulate incremental demand for our clean room products.

Perhaps most importantly, as we've upgraded our capabilities in recent years, we're able to work more flexibly across all partners, agencies, ad tech platforms, data platforms, where we provide the foundational components of identity clean room in a scaled network, while each partner brings their own unique capabilities and services to differentiate their offering to customers. Another example of this partnership model is Uber Advertising, who also mentioned us in their earnings call this week. Our technology underpins its new Uber Intelligence platform, a new planning tool that allows brands to close the loop with data-driven audience insights. We are in active talks with a handful of other resellers about implementing this expanded usage-based model. It will take some time to negotiate and integrate these deals, but we believe this will both unlock greater value for clients and also accelerate our future growth.

So let me end my prepared remarks by returning to our Rule of 40 ambitions, where our focus is unwavering. Let me reiterate, our target is to achieve Rule of 40 by FY 2028 consisting of revenue growth of 10% to 15% and a non-GAAP operating margin of 25% to 30%. Our operating plan and goals are almost maniacally focused on accelerating revenue growth and improving long-term operating margins. With one quarter remaining in this fiscal year, we expect to achieve Rule of 31 in FY 2026 with 9% revenue growth and a 22% operating margin.

Given the strong momentum in ARR, growing tailwinds from AI and our pivot to usage-based pricing, we are confident that we can get back to 10 plus percent revenue growth. With that level of revenue growth, our operating margins should naturally expand because our costs are highly fixed. Plus, we have ongoing cost efficiencies from our offshoring initiative. We have a strong track record of driving operating margin under a range of top line conditions. Over the trailing five years inclusive of FY 2026, our operating margin is expanded annually by an average of 3 points. In the current fiscal year, we are on track to deliver 4 points of margin expansion, while still prudently investing in key growth initiatives to support future top line growth.

In summary, we remain firmly on track to reach our Rule of 40 target by FY 2028. So in closing, let me reiterate my key takeaways. First, amid seeming market anxiety about everything we're doing, what we've always done, we tune out the noise, we focus on the performance of our clients and partners, and we just keep grinding away. Our business is durable, it's predictable, and it's scalable. And our Q3 is just another proof point. We posted strong customer growth, meaningful net new ARR for a second consecutive quarter, record quarterly operating margin and free cash flow while continuing to prudently invest to support future revenue growth.

Second, as Wall Street works to decipher the winners and losers in an AI world, we like our position. AI is a tailwind for our business, creating new nodes for our network and accelerating data volume growth. To better capture this, we continue our evolution to usage-based pricing models with brand direct customers, as well as with reseller customers such as agencies, ad tech, and data platforms. Finally, we're not satisfied, not even remotely satisfied. We're unwavering in our commitment to achieve our Rule of 40 goal by FY 2028, an increase from Rule of 31 this year, fueled by incremental revenue growth from AI and ongoing cost efficiencies.

Before turning the call over to Lauren, let me mention two last points. First, I would like to personally invite all of you to attend our annual customer and partner conference RampUp taking place in San Francisco on March 3rd through 5th. This is a perfect opportunity for our investors to see LiveRamp and so many marquee advertisers, publishers, and partners throughout the marketing ecosystem who benefit from using LiveRamp's data collaboration network. Please reach out to Drew if you are interested in attending.

Second, I just came back from the IABs annual convention. It's a gathering of thousands of clients and partners in the advertising industry. While there, the IAB gave me some really nice recognition, a Lifetime Commitment Award for impact to the advertising industry. To me, it's really an acknowledgement of the impact LiveRamp has made on the ecosystem we serve, and all of our achievements are simply the result of the company we keep. So many thanks to our exceptional customers, partners, and all of my colleagues here at LiveRamp. We only succeed by making the industry around us successful.

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

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## Lauren Russi Dillard

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

Thanks, Scott, and thank you all for joining us. Today, I'll review our Q3 financial results and then discuss our updated outlook for FY 2026 and Q4. Unless otherwise indicated, my remarks pertain to non-GAAP results and growth is relative to the year ago period. I will be referring to the earnings slide deck posted to our IR website.

Starting with Q3, in summary, we delivered strong results exceeding our expectations on the top and bottom line, reflecting strong execution by the team and continued sales momentum. Revenue increased by 9% and was \$1 million above the midpoint of our guide. Non-GAAP operating income increased by 36% and was \$6 million above our midpoint. GAAP operating income more than doubled. For a second consecutive quarter, net new ARR was

\$11 million plus. And finally, we had strong growth in total subscription customers as well as \$1 million plus customers.

Let me provide some additional details. Please turn to slide 6. Total revenue was \$212 million, up 9%. Subscription revenue was \$158 million, also up 9%. Within subscription revenue, fixed grew 8% accelerating by 2 points and solidly in the high-single-digit range, and usage increased by 13% year-over-year. ARR increased by \$11 million quarter-over-quarter and 7% on a year-over-year basis. Our \$1 million plus subscription customers increased by 8 quarter-on-quarter to a new high of 140. Total customers increased by 15, the best performance in the past 12 quarters. This improvement was driven by both lower customer churn and higher gross ads.

Next, subscription net retention was 101%, in line with our 100% to 105% near-term expectation. Total RPO or contracted backlog was up 23% to \$710 million, and current RPO was up 9% to \$471 million. RPO and CRPO increased nicely sequentially, consistent with the historical pattern driven by seasonality and contract renewals, which skew to our fiscal second half.

Turning to the selling environment, we delivered a strong quarter overall with healthy demand across the business. While performance naturally varied by product and sales channel, we saw notable strength in our reseller channel, including the Publicis' upsell, Scott highlighted, and continued momentum in our clean room insights offering, which is increasingly supporting commerce, media and measurement use cases.

Customer churn remains a bright spot reflecting the durability of our relationship, and we maintained stable average deal cycles and conversion rates sequentially. Underscoring consistency and execution, marketplace and other revenue increased 8% to \$54 million landing modestly below our expectation due to timing-related dynamics, including slower data marketplace growth early in the quarter, and the sequencing of certain services projects.

Importantly, data marketplace demand reaccelerated meaningfully in mid-November, returning to a double-digit growth territory that has persisted through December and into January, reinforcing our confidence in the underlying demand environment. In addition, we expect services revenue to show strong growth this quarter based on the projects coming online.

Moving beyond revenue, gross margin was 74%, a few ticks higher than expected due to the timing of customer migrations to our upgraded backend platform. Operating expenses were \$95 million down 6% year-on-year and lower than expected due mostly to the timing of project related spending. Operating income was \$62 million, up 36%, and our operating margin expanded by 6 points year-over-year to a record of 29%.

Staff operating income was \$40 million, up from \$15 million a year ago, and the margin expanded by 11 points to 19%, driven in part by a more disciplined approach to stock comp. Free cash flow was a record \$67 million of which \$39 million was used for share repurchases in the quarter. Fiscal year-to-date, we've repurchased \$119 million in stock compared to \$108 million in free cash flow. We have \$137 million remaining under the authorization that expires on December 31 of this year. Our balance sheet remains in a very strong position with cash and short-term investments of approximately \$403 million, and we have zero debt.

In summary, Q3 was solid, coming in ahead of our guidance on the top line, and especially on the bottom line. Record operating margin and free cash flow, a second consecutive quarter of strong net new ARR, strong growth in subscription customers and ongoing returns to shareholders through our buyback.

Let me now turn to our financial outlook for FY 2026 and Q4. Please turn to slide 12. Please keep in mind our non-GAAP guidance excludes intangible amortization, stock comp and restructuring and related charges. Starting with the full year, we're increasing our FY 2026 revenue guidance by \$1 million at the midpoint, passing through the Q3 beat. With just one quarter remaining in the fiscal year, we've narrowed the range, mostly by lifting the low end. We now expect revenue of between \$810 million and \$814 million, which equates to roughly 9% growth.

We expect gross margin to be in the 72% to 73% range down 1 to 2 points as we complete the final phases of our backend platform upgrade in Q4. We expect non-GAAP operating income to be approximately \$180 million, unchanged from the midpoint of our prior guide, reflecting the pushout of some project spending from Q3 to Q4. Operating income is growing 33% this year, and the margin is expanding by 5 points to 22%.

The combination of offshoring and general cost discipline continues to afford us the ability to invest in key growth areas while at the same time driving significant margin. Stock comp is now expected to be approximately \$81 million, a 25% decline year-on-year. Again, reflecting a more disciplined approach to stock-based comps. We now expect the GAAP operating income to be approximately \$84 million equating to a record margin of 10%, up 10 points year-over-year.

Lastly, we continue to expect free cash flow to be up slightly this year with savings from the new federal tax legislation offsetting a normalization in working capital compared to Q4 of last year. Our EBITDA conversion rate is expected to be above our 75% target rate. We will deploy a substantial portion of this year's free cash flow towards share repurchases consistent with our recent practice, and as always, we will be opportunistic depending on market conditions. Like last year, our repurchases will more than offset the shares issued for SBC, driving a reduction in our share count.

Now moving to Q4, we expect total revenue to be between \$203 million and \$207 million. Non-GAAP operating income of approximately \$38 million, and an operating margin of approximately 18%. A few other call-outs for Q4, we expect subscription revenue to be up high-single digits. Marketplace and other revenue is expected to be up in the low double digits, reflecting the growth rebound in the trailing two months. And finally, we expect gross margin to be approximately 72% as we complete our platform upgrade and customer migration efforts.

Let me wrap up before Q&A. In summary, we delivered a strong quarter, exceeding our expectations, posting record margins and free cash flow, strong ARR, and notable growth in customer counts. We are seeing strong and broad based sales momentum driven by a value proposition that is increasingly differentiated in an AI driven world, and by continued improvement in our go-to-market execution.

Beyond product market fit, initiatives like our new pricing model are helping us sell more effectively and consistently giving us clear visibility into 10% plus growth next year if current execution holds. Finally, we're on track for 33% operating income growth this year, and 4 points of margin expansion. We continue to balance margin with investing in growth initiatives like our new pricing model and platform upgrades to support future top line growth.

The strong OI growth is resulting in strong free cash flow, which will be primarily used for share repurchases, underscoring both our competence in the business and our commitment to long-term shareholder value. Thanks again for joining us. We're excited for what's ahead and grateful to the customers and teammates who make it possible.

Operator, we will now open the call to questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] Our first question comes from the line of Jason Kreyer with Craig-Hallum. Please go ahead.

**Jason Michael Kreyer**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Great. Nice quarter guys. Good to see the growth in customer count. Scott, I wanted to double click on your comments on Publicis. Maybe if you can just talk about what key features or functionality that LiveRamp brings to the table. That was kind of the reason why they selected to work with you guys?

**Scott E. Howe**

*Chief Executive Officer & Director, LiveRamp Holdings, Inc.*

A

Yeah. Well, first, Craig (sic) [Jason] (00:33:30), thank you. And I would tell you that this is probably a few years in the making, not with Publicis, but just our readiness for really expanding our partnerships with all potential resellers. If you recall over the last few years, I've talked a lot about our efforts in terms of modernizing our platform, and then more recently over the last year, we've been rolling out changes to our pricing model. And the combination of those two things really makes us ready to work in a different way with these reseller partners and not have any fear of cannibalizing ourselves.

And in particular, Craig (sic) [Jason] (00:34:14), if you remember the old Intel Inside campaigns from, I don't know what, 15, 20 years ago. I mean, we kind of have a similar philosophy here at LiveRamp. We want every major platform and agency to use our modular composable platform and innovate on top of it. And so I talked about how they are – how they're working with us in a really different way that's going to add value to their clients. And Jason, I think that there's an opportunity to do this with dozens of these kinds of partners, each of whom are already competing in their own unique way. But by building on top of LiveRamp, by building, using LiveRamp pieces they can deliver better products to their customers.

**Jason Michael Kreyer**

*Analyst, Craig-Hallum Capital Group LLC*

Q

That's great. Thank you. Maybe a Lauren question here. So we're solid at the end of the back half of your fiscal year. We know that you've got a lot more customer renewals in the back half of the fiscal year. Maybe you can just give us a little bit more on what kind of the upsell, cross-sell conversations, how those progress? And again, what kind of capabilities like Cross-Media Intelligence or what kind of capabilities customers are looking for? Thank you.

**Lauren Russi Dillard**

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

A

Yeah. Happy to, and maybe just to re-highlight something I mentioned in my prepared remarks, Q3 was a very strong sales quarter for the business. In fact, our bookings were up in the quarter strong double digits, and this was mostly driven by expansion with existing customers, and specifically to your question, the cross-sell of our clean room to support things like Cross-Media Intelligence, but also just to support broader commerce media use cases, as well as other measurement use cases. So we continue to see clean room be a catalyst for expanding with existing customers upon renewal.

**Jason Michael Kreyer**

*Analyst, Craig-Hallum Capital Group LLC*

Great, thank you.



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

**Shyam Patil**

*Analyst, Susquehanna Financial Group LLLP*

Hey guys, congrats on the results, and really appreciate all of your commentary on AI. I wanted to focus my question there. Scott, with all of the AI partnerships that you guys have and just kind of how you talked about the importance of it and being a tailwind. Can you just talk about your approach to prioritizing these different opportunities, especially given kind of how large and dynamic the market is?



**Scott E. Howe**

*Chief Executive Officer & Director, LiveRamp Holdings, Inc.*

Yeah, Shyam. On this, we are remarkably consistent because we have always been all about client and partner-led innovation. And so in this case, we already know what we need to do, and that's ask our clients and partners what use cases they find most important. And so we prioritize that, not surprisingly, as a result, if you look at the 20 or I guess 21 different live partnerships that we have active, the majority of them, call it, two-thirds are kind of legacy companies that you've heard of that have built AI. And so there's just an opportunity when you're talking about, Google is the example I gave in the prepared remarks. Our clients are already working with companies like that. They're spending a lot of money there. And so naturally those are the first priorities in terms of AI adoption.



But at the same time, we're also making a real effort to prioritize some of the native use cases. And so those count for about a third of the partnerships that we've signed. And we have a lot more of those in the hopper. Those are things that either our clients tell us are important or we believe are going to grow in importance as they roll out their advertising models. And so we think – you have to have a portfolio approach here, because across the incumbents versus the new startups, I don't think anybody in the market is evidenced by the chaos on Wall Street this week, knows who the winners and losers are going to be. The good news is, we're betting on all of them. And so we know that we will be affiliated with the folks who emerge as the winners.

**Shyam Patil**

*Analyst, Susquehanna Financial Group LLLP*

Great. Thank you, guys. Thank you, Scott.



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

**Lucas Cerisola**

*Analyst, Morgan Stanley & Co. LLC*

Hey, Scott, Lauren. This is Lucas on for Elizabeth Porter. Thanks for taking my questions here. So the first is, as you expand commerce media with new partners like Uber and PayPal and which other verticals are you seeing the most growth? And then could you talk about the revenue opportunity from these non-retail commerce networks compared to the traditional ones? Thanks.



**Scott E. Howe**

*Chief Executive Officer & Director, LiveRamp Holdings, Inc.*

A

Yeah, I think these are going to grow very fast because they're coming off a smaller base right now. And we're seeing it in a few areas. So travel nearly every major airline has launched a commerce media network. It just makes sense because they already have their travel partnerships in place. They have a captive audience when you're flying with the seat backs. So that's one. A second would be kind of the food delivery, the Uber's door dashes of the world. Once again, they have a captive audience sometimes when you're traveling, where you're looking at the back of a screen or you're looking at your phone and maybe potentially ordering food. So there's a lot they can do there. And then finance is a really nice one for us. Now in each case, it exposes us to very different type clients that we've historically worked with.

And this is what gets us back to why – the pricing model we talked about super important for the resellers. It's also really important for all these commerce media networks who we look at, as potential reseller partners as well. Because so often they have smaller SMB type clients with food delivery. It might be the local or chain restaurants. And travel, it could be any number of different hotels or travel partners. And in payments, it's anything, any vendor that a – merchant that a user spends money with. So all of those become potential clients.

Historically, we couldn't have served those clients because our product didn't have enough self-serve capabilities, nor did we have the pricing model. But the things that we've done over the last couple years, we feel have positioned us to really take advantage of this. And so I think those three areas will be really interesting for us in the next couple years.

**Lucas Cerisola**

*Analyst, Morgan Stanley & Co. LLC*

Q

Great. That's super helpful. And then I was hoping you guys could talk a little bit more about CTV with the Netflix integration, gaining strong momentum over the past couple quarters, it'd be great if you could share more about how many brands are leveraging the integration, the typical spend levels, and then how it compares to other CTV platforms in the network?

**Lauren Russi Dillard**

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

A

Sure. I'm happy to take that. And I would just note that CTV continues to be a very strong growing component of both our data marketplace and then just traditional activation network. We talked about Netflix earlier in the year, as well as a handful of other new CTV integrations. They continue to perform very well for us, scaling nicely, albeit off small bases today. With respect to our data marketplace, we continue to expect CTV data purchased off our marketplace to outpace the growth of overall data marketplace growth.

And of course, this is just one of many areas where CTV is benefiting – is benefiting our business. As an example, across our activation or connectivity network, about 70% of our largest – our 50 largest integrations today are either pure play CTV providers or ad tech or media platforms enabled to buy CTV. And then a final point I would just make is, it continues to also be a catalyst for clean room adoption, especially for measurement use cases. So taken together, it's a nice tailwind for our business this year, and one we expect to continue in FY 2027 and beyond.

**Lucas Cerisola**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thanks, guys.

**Operator:** Our next question comes from the line of Timothy Nollen with SSR. Please go ahead.

**Tim Nollen**

*Analyst, SSR LLC*

Hi everyone. Sorry for the background noise. Lauren, I hope you can hear me okay?

Q

**Scott E. Howe**

*Chief Executive Officer & Director, LiveRamp Holdings, Inc.*

Yeah, Tim,

A

**Lauren Russi Dillard**

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

We can, Tim.

A

**Tim Nollen**

*Analyst, SSR LLC*

Okay, great. Thanks. I've got a couple, if I could. One is a follow up on the AI topic. Again, appreciate you addressing it head on, Scott. I'm curious one of the concerns I guess is that AI will disrupt the software subscription business model. If that's maybe a very general statement. And I just wonder if you could maybe give us some assurance that your customers are doing well, everything is going well, spending looks intact. Is there any comments you could make as to that concern, to help maybe ease some of the worries that are out there? And actually indeed, maybe if you could talk to any acceleration that you may be able to see in your business to respond to that?

Q

My second question is to come back on the topic of agentic AI and the Universal Context Protocol, if I remember the name right, UCP that you've developed and made available to organizations like the IAB. Can you just talk if there's any progress toward commercialization of these and what the status of those efforts might be? Because I think it's very important for the future of ad transactions? Thanks.

**Scott E. Howe**

*Chief Executive Officer & Director, LiveRamp Holdings, Inc.*

Yeah. Yeah, Tim, we agree. So handling your questions in turn, first off, on AI, I think judges by our track record and there we just continue to grind and that should be what gives everybody a lot of confidence that we just constantly are improving revenue and improving margin. And if you think through what I was saying in terms of Rule of 40 and what our targets are, I am very firmly committed to getting back to double-digit growth. I think AI helps us do that because after all even if AI does disrupt elements of software, for AI to perform, you need to have data in the marketing space. And if all you're doing is using models that are based on the world's publicly available information then you're going to be accessing the same model that everyone else is. And there will be no competitive advantage.

A

The advantage comes from every client's ability to bring their own first-party data, but to bring your own first-party data, you better be darn sure that you have control and visibility over it. And that is what we do. And so you should think about us as an enabler of AI. We are essential for safe AI usage. And so as these AI use cases expand, we think that is really good for our business.

Now in your second question, you get to, what are the conditions of more widespread adoption of AI in the marketing space? And that is standards, control and visibility. We developed something that we gave to the IAB, which has continued to commercialize it. They talked about that a lot in their annual meeting this week that I was at. In addition, there's another standard out there called AdCP that one of my board members has developed, Brian O'Kelley. I will tell you, we don't care, which standard is adopted. It is good for the industry to have common standards about how data is going to be organized, such that it can be ingested by large models. And so yeah, again, there are at least two, there may be more. We don't care as long as one standard emerges. And the fact that we have line of sight to two of them suggest that one of those, if not a combination of them is ultimately going to emerge as the standard of choice.

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**Lauren Russi Dillard**

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

A

And Tim, I might just provide a little bit of quantitative color against your first question, which is around whether or not we're seeing AI impact demand for our products. The short answer is, we're not. As I mentioned in my prepared remarks, we had a remarkably strong sales quarter in the third quarter. Conversion rates, deal cycle length, consistent sequentially, our average deal size was up double digits, individual rep productivity up as well. And so we're not – we're simply not seeing that dynamic right now.

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**Scott E. Howe**

*Chief Executive Officer & Director, LiveRamp Holdings, Inc.*

A

Yeah. And the last data point that might be useful, and this is a little squishy, there's a little squishy math I'll tell you. But we tried to look at all of our different activations and say, all right, what percentage of the activations are already going to things that we would consider AI? And if you look at either AI partnerships or AI enabled partnerships, because we don't always have visibility into what algorithmic logic is driving a decision at a partner. We think there's probably 10% of our activations already going to AI. And again, it's a little bit of a squishy number but we just wanted to get a sense of what that looks like and start to extrapolate what that looks like over time. Because I think it's going to be an important stat to share with Wall Street, something like that. Because we don't see a threat here. And we want to make sure our investors understand that this is a tailwind, not a headwind.

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**Tim Nollen**

*Analyst, SSR LLC*

Q

Okay, thank you both. It just seems like you could be a good gauge on this, health of the market here. And so to hear those comments from you is helpful.

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**Operator:** Our next question comes from the line of Mark Zgutowicz from Benchmark Company. Please go ahead.

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**Mark Zgutowicz**

*Analyst, The Benchmark Co. LLC*

Q

Thank you. Good evening. I wanted to maybe address the – just the pricing tests that you're doing, and maybe you could just get back up a second and just talk about sort of the go-to-market there. Like, how are you going after these clients? What's the – what are the – I guess, the challenges there in terms of finding those clients, acquiring those clients versus the pricing itself? And then if you think about next year ARR incrementality from SMB if you have something that you're targeting, or if there's a point in time where you think you might have better visibility on what kind of incrementality you expect from SMB. That'd be helpful. Thank you.

**Scott E. Howe**

*Chief Executive Officer & Director, LiveRamp Holdings, Inc.*

A

Yes. And I'll start here and then Lauren will, I'm sure come in with some analytical support. But I would tell you that since we launched the pilot, we've taken a very methodical approach to how we are communicating this. And more specifically, we're not going to clients who are under contract and re-trading their deals. Rather, our priority to date has been new logo opportunities and the new pricing has helped us land those new logos. What we found historically is one of the sticking point in a conversation has been the presence of a large fixed upfront commitment. And so to the extent that we can lower that and have more of the ultimate value be usage-based, then we win together and they can scale into the opportunity. Over time, we think that will improve our churn as well, because we're not going to be in the position where we're renegotiating with a client that signed up for a large fixed price contract and didn't grow into that.

This is particularly important as we approach those smaller type clients. And in fact, you see that in the numbers, like so far, like the average contract for someone on one of these new usage-based pricing is a lower ACV than a legacy contract. Well, that stands to reason because they tend to be smaller and they're newer, and we haven't grown them over time yet. Now based on what we've learned, it's going to be – it's going to put us in a position to again, be very methodical as how we roll this out with existing clients. So as clients come up for renewal in the coming year then we will introduce this as part of the renewal process to existing clients and we'll continue to use it as a – I think a really attractive feature for new clients.

**Lauren Russi Dillard**

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

A

And then just with respect to revenue incrementality, Mark, I would expect we'd have more to share on our May call. It's certainly going to take a few quarters for this to play out in our results, but we do expect some modest upside in the back half of next year as a result of this pricing initiative.

**Mark Zgutowicz**

*Analyst, The Benchmark Co. LLC*

Q

That's helpful. Thank you. And maybe just a couple quick follow up so I could, Lauren, your OpEx guide looks like upper teens sequentially. I'm just curious what may be driving that in this quarter specifically. And then if you can, or else we can take it offline. I'm just curious if you look at your SNR and adjust that for the two large clients that churned earlier in the year, what that might look like – might have looked like in the quarter? Thanks.

**Lauren Russi Dillard**

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

A

Yeah. Happy to. And you're right, sequentially, OpEx is growing about \$15 million quarter-on-quarter, and this is very consistent with the step up we've seen in prior years. So in FY 2025, that sequential increase was about \$12 million, in 2024 \$18 million. So as a reminder, Q4 is our seasonally high expense quarter due to events and conferences like RampUp, as well as just some compensation related step up. This accounts for the majority of the sequential increase.

In addition, and I noted this in my prepared remarks, we also had some project spend related to our growth initiatives that shifted from Q3 into Q4. All that said, we're still projecting very healthy year-over-year growth in [ph] OpInc (00:54:57), north of 50% in the fourth quarter, and a 6 point margin improvement year-on-year in the fourth quarter. And for the full year expect [ph] OpInc (00:55:06) to grow north of 30% and for a 4 point margin expansion. So rest assured, we're in a good position to deliver on our operating margin targets and continue to do so as we look ahead to FY 2027.

And then on SNR, I would expect if you normalized for the couple large contraction events in the early part of the year, SNR would be closer to the high end of our 100% to 105% near-term range.

**Mark Zgutowicz**

*Analyst, The Benchmark Co. LLC*

Q

Perfect. Super helpful. Thank you, both.

**Operator:** Our next question comes from the line is Alec Brondolo with Wells Fargo. Please go ahead.

**Alec Brondolo**

*Analyst, Wells Fargo Securities LLC*

Q

Yeah. Hey, thanks so much for the question. I appreciate it. Trade Desk is implementing a new data pricing model. You white labeled their current data marketplace. I think both their model and the broader industry trend appears to be shifting from purchasing data on an à la carte basis to data and audiences automatically being appended to campaigns by AI. Could you help us what that trend means for the data marketplace business, either on kind of a Trade Desk specific basis or the broader industry trend? Thanks.

**Lauren Russi Dillard**

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

A

Yeah. And I think you're referring to some of the changes that Trade Desk announced in the fall of last year, which I believe were implemented in December. So not really a factor in Q3 and would likely take some time to scale. At a high level, we're aligned with Trade Desk on these initiatives to stimulate incremental demand from customers who didn't historically purchase data, either because it was too complicated or costly in their view. From our perspective, if the scales, it would represent incremental transaction volume above our base case and shouldn't change our take rate. So potential upside, but not anything we're seeing in our numbers today.

**Alec Brondolo**

*Analyst, Wells Fargo Securities LLC*

Q

Thank you.

**Operator:** Our next question comes from the line of Peter Burkly with Evercore ISI. Please go ahead.

**Peter Burkly**

*Analyst, Evercore Group LLC*

Q

Yeah, thanks guys. This is Peter Burkly on for Kirk Materne. Scott, maybe just start with you kind of on the topic of AI again. You've talked fairly explicitly in the past about not being an AI company, but rather being the pipelines and the plumbing that sort of enables your customers to have success with AI just given the increased volume and velocity of data that AI requires. So I'm curious if you could just give us any updated thoughts on that front, any change in your thinking there? Does that sort of continue to be the core strategy? And then Lauren, maybe for you, really nice solid accelerating ARR growth sounds like really continued strong bookings. Just curious with the CRPO growth sort of decelerating a little bit, and again, understanding that you're up against tougher [ph] compare in 3Q (00:58:01). So mechanically that's an impact, but I'm wondering if you had to help bridge that gap, maybe if it's – the mix shift towards the usage-based pricing that's not being captured in CRPO or if there's anything with timing of renewals or any duration changes that might be impacting that? Thanks.

**Scott E. Howe**

*Chief Executive Officer & Director, LiveRamp Holdings, Inc.*

A

Yeah. Boy, Peter, I hesitate to make the comparison I'm about to make, and you'll realize why when I talk about Apple. And when they launched the iPhone, you'll remember that they built an app store and you could access anything. And they enabled all kinds of functionality on top of the iPhone. But at the same time, what did they have, like seven or eight organic native apps that they built, and in part it was because they thought it was core or no one else was building them. And so I would tell you our philosophy is very similar that the vast majority of the AI functionality we think our clients are going to unlock is going to be through our partners. It's their business. And what we do is enable the data utilization of the signals that make the models better into those AI applications.

At the same time, don't for a second think that we don't talk about AI all the time internally in our own product builds. In fact, I am pulling up on my own computer screen, a slide that someone gave me yesterday right now of the 12 hack week projects that we have underway that our engineers are working on, and all of them are improving our core capabilities and allow our clients to extract better value from working with LiveRamp. Things like automated error signaling. So if someone like writes the wrong query, it immediately flags it and corrects it or I talked in my prepared remarks about building more AI models into data marketplace. So there's a lot we can do internally and I'll talk about that if it's interesting to people. But make no mistake, I don't want anybody to think that we're trying to out AI companies that specialize in AI. We're trying to accelerate their growth, we're trying to catalyze their success by connecting to them.

**Lauren Russi Dillard**

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

A

And then Peter, with respect to CRPO, as we've discussed in the past, our RPO metrics are very sensitive to the timing of renewals and the length of contracts, and you called those two factors out. Specifically this quarter, CRPO was impacted by the runoff of some large multi-year deals that are in their final year, ahead of their next renewal cycle. And we expect these deals will renew. Importantly though, I would point you to the strength of total RPO, which was up 23% in the quarter and reflects the recent sales momentum Scott and I talked about today.

**Peter Burkly**

*Analyst, Evercore Group LLC*

Q

Very helpful. Thank you both.

**Operator:** Thank you. At this time, we have no further questions. I will now turn the call back over to Lauren Dillard for closing remarks.

**Lauren Russi Dillard**

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

Great. Well, thanks again for joining us today. We're very pleased with the quarter we reported and with our building top line momentum. As Scott mentioned, investors and analysts are invited to join us at RampUp in San Francisco on March 3rd through the 5th, where we plan to host a Q&A session for analysts and investors. We'd love to have you. Please reach out to Drew for more information and to RSVP. So with that, appreciate your time today and look forward to catching up over the coming days and months. Thanks.

**Operator:** This concludes today's conference. You may now disconnect your lines.

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