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LiveRamp Holdings, Inc. (RAMP)

Q1 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen, and welcome to LiveRamp's Fiscal 2021 First Quarter Earnings Call. At this time, all participants are in a listen-only mode. After the speaker's presentation, 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, Lauren Dillard, Chief Communications Officer.

Lauren Dillard
Chief Communications Officer, LiveRamp Holdings, Inc.

Thank you, operator. Good afternoon and welcome. Thank you for joining us to discuss our fiscal 2021 first quarter results. With me today are Scott Howe, our CEO; and Warren Jenson, President and CFO. Today's press release and this call may contain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially. For a detailed description of these risks, please read the Risk Factors section of our public filings and the press release. A copy of our press release and financial schedules including any reconciliation to non-GAAP financial measures is available at 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. We hope you and your loved ones are managing to stay safe and healthy during this extraordinary time. The last several months have presented considerable global challenges. Adversity is sometimes sadly unavoidable, but how we respond to adversity is a true measure of the strength of our resolve and the quality of our business. In recent months, our teams at LiveRamp have risen to the challenges of COVID and an unprecedented global recession. They've successfully transitioned to a work-from-home model, while maintaining strong top-line momentum have generated consistent margin growth by improving our processes and efficiencies, and above all, they've done an incredible job of delivering great results, products, and advice to our global customers and partners.

Amazing companies are always, always built on the foundation of amazing people, and I can't thank my exceptional LiveRamp colleagues enough for their leadership and contributions over the past six months. To all of you who may be listening, thank you. In reflecting on LiveRamp's strong performance during the quarter, three overarching themes have emerged, and I'll speak to each in turn during my prepared remarks. First, our SaaS model has proven itself to be durable, predictable, and profitable. Second, in a time of uncertainty, our customers and partners in the ecosystem are increasingly counting on LiveRamp for advice and results. And third, the investments we've made in recent years have prepared us for an even brighter future.

Theme number one, our SaaS model has proven itself to be predictable, durable, and profitable. The advantages of LiveRamp's SaaS model are seemingly on display during this unprecedented period. More specifically, three characteristics give us confidence in our model. One, durable and recurring revenue. Total revenue was $99 million, up 21% year-over-year. Subscription revenue, which comprises 80% of our total top-line was up 21%, driven by the continued adoption of a new and more advanced use cases such as measurement, advanced television, second-party data collaboration. Our marketplace and other business was up 16%, and significantly outperformed the overall US advertising market, which a recent ad exchanger forecast pegged to be down 4% to 8% overall for the year.

Across our businesses, we are fortunate to have a diverse customer base that is not overly weighted to any single industry vertical. That said, LiveRamp, along with most companies, is being impacted by the pandemic and the pockets of our business we expected to be pressured are behaving as we expected. While new logo bookings were light, we compensated for it through strong upsell to existing clients. The majority of our business is generated from large enterprise customers and we had really nice growth in our $1 million-plus customers during the quarter, 60 $1 million-plus customers, up from 53 last quarter. Two, strong network effects and marginal economics. Beneath the top-line, we again generated meaningful gross margin improvement and I am very excited to report our first profitable quarter. This was a milestone quarter for RAMP and a reflection of the incredible leverage in our model.

Many SaaS companies including LiveRamp talked about the rule of 40, the equivalent of a 400 batting average, to which SaaS companies all aspire, the calculation to the sum of the company's top-line growth and operating profit margin, and it forces discussion within great SaaS companies about the trade-offs between investing more in products to generate stronger top-line growth or optimizing for prudent cash flow. The good news, as LiveRamp matures, we can generate continued top-line growth and ongoing profitability improvement. Our business has initial fixed costs, but the marginal economics reflect favorable network and scale effects. This has been a recurring theme for us throughout recent quarters and gives us confidence in our long-term trajectory. As Warren will walk you through, we benefited from roughly 70% fall-through in our incremental revenue for the quarter compared to the prior year.

Three, a position of financial strength. Finally, we will continue to leverage our strong balance sheet and financial position to double down on key growth initiatives. Having financial flexibility allows us to make smart bets that are immediately accretive to our customers. The Comscore partnership and more recently, the [ph] Aqua hire (07:08) of the Acuity team are great examples of this. As we have always been, we will continue to be strategic and judicious in how we deploy our capital.

Theme number two, in a time of uncertainty, our clients and partners in the ecosystem are increasingly counting on LiveRamp for advice and results. On our last call, I mentioned that circumstances like these often bring opportunities. Across industries, the pace of digitization has accelerated dramatically. Even prior to COVID-19, digital transformation was likely a top priority for most management teams. However, what would have typically had a multi-year time horizon [ph] that can fit (07:59) is now being forced to happen in a matter of months.

Data is a key enabler of such change and data-driven experiences are critical to brand differentiation and retention during this time. As our customers pursue their own digital transformations with an unmistakable trend toward addressability and measurement, they are increasingly turning to LiveRamp as an important thought partner and critical tool to enable their omni-channel customer data strategies. For example, a few months ago, we met with a leading global beauty and cosmetics company, a company everyone on this call would know, and their Chief Digital Officer mentioned to our team that while they significantly reduced their overall marketing budget last quarter, they were using [indiscernible] (08:53) as an opportunity to reset and ensure 100% of their marketing spend is addressable upon reengaging.

As client budgets continue to shift from above the line to below the line, the role we play in helping our customers generate real results has only become more important than our recent bookings trends reflect us. We closed another strong bookings quarter in Q1, with total growth booking up more than 50% compared to the prior year driven by a strong upsell performance. Exiting ARR also grew nicely and was up 28% year-over-year.

Let me describe a few notable wins from the quarter. Early in the COVID cycle, we meaningfully expanded our relationship with one of the world's largest restaurant chains. This company was looking to upgrade their existing identity infrastructure to better understand how their media and television investments were driving people to their restaurants and ready their data-driven marketing efforts for a fast restart. It was all about digital transformation for this customer. One of my favorite reflections from the last quarter comes from our main contact there. He said his company had a three- to five-year digital transformation plan that is being forced to happen in three months and LiveRamp is a key partner in enabling this transformation.

Another great digital transformation example is a recent win with a US-based specialty retailer whose business model was disrupted overnight as the country moved into a shelter-in-place mode. Historically, most of this customer's sales occurred in-store and they were forced to quickly scale their e-commerce presence and strategies. They turned to LiveRamp to help integrate different data sets, to better understand what digital marketing tactics would drive the results and ultimately build and transform their digital marketing engine.

A final win I'll mention was a new logo deal with GSK, a multinational pharmaceutical company, to help power and future proof their first-party data strategy. GSK is leveraging Safe Haven technology as core infrastructure inside its internal data environment to support the understanding and segmentation of its first-party data for activation and measurement use cases. We are helping GSK activate audience segments across a wide variety of digital and social platforms and then perform cross-channel measurement on the back-end. The global nature of our business and our ongoing commitment to data privacy and security were key reasons GSK chose to partner with LiveRamp and it is really nice to see our continued traction in the health care vertical.

Theme three, the investments we've made in recent years have prepared us for an even brighter future. At LiveRamp, we're big believers that we must constantly invest in our product to seed an even brighter future. In recent years, we've explored numerous concepts and planted a number of seeds. Not all of them will flower and we know that, but we are forward in our thinking and methodical in our approach. Let me share just a few of my reasons for optimism as I look to the future. First, LiveRamp is essential addressability infrastructure. The Authenticated Traffic Solution or ATS continues to be embraced by the global ecosystem as the neutral and agnostic standard.

ATS is people-based and inoperable and puts the consumer first. We currently have more than 20 SSPs live with or implemented an ATS, including four of the five largest platforms. And on the demand side, there are now 40 DSPs bidding on IDL or in the process of implementing. Importantly, global publishers also continue to embrace ATS and we more than tripled our publisher coverage in Q1. We are now working with more than 125 publishers, including 60% of the Comscore top 20 and 50% of the Comscore of the top 50. From a publisher's perspective, ATS not only future proofs against business model disruption, but can also be leveraged to unlock incremental revenue and deliver better results.

Today, as the pandemic forces publishers to do more with less at a time with content consumption is at an all-time high, this is a big opportunity. We recently completed a case study with Fitbit, a leading health and fitness technology brand that demonstrates the power and value of advertising without cookies. Fitbit working with their media agency ran a major campaign targeting high-value customers. The incremental business outcomes Fitbit was able to generate were pretty incredible. Fitbit saw a two times higher return on ad spend, a 34% decrease in cost per page view and a 13% increase in average order value when leveraging LiveRamp's identity infrastructure versus the control group run using cookie targeting.

Let me be clear on what I'm telling you. ATS works better than cookies. It is getting a great reception from the industry and we're committed to working with the industry to expand its impact. More details on the Fitbit case study are available in the appendix of our slide deck. Second, LiveRamp is catalyzing data collaboration across the world's largest companies. As COVID-19 continues to turbocharge the pace of change in data-driven innovation, companies are looking to bolster their competitive advantage with data. Nowhere is this more apparent than our Safe Haven offering, which we formally launched earlier this year and now has over ten primary tenants, dozens of instances live and a pipeline of promising opportunities, numbering in the tens of millions of dollars. Warren will provide an update on our Safe Haven progress during his remarks. So, I'll keep going. But I'm very confident about our trajectory here.

Third, LiveRamp is transforming traditional industries through data utilization. Over time, we believe digital transformation will touch every tactic in the marketing toolkit. Some of this transformation is already underway. For example, we continue to believe that television represents a massive opportunity for LiveRamp over the next three to five years. And I also believe that the pandemic has pushed advanced television and alternative measurement to its inflection point. Television is a $70 billion market in the US alone. Yet in 2019, only a small fraction of it was data-enabled, less than 15%. Over time, we expect the industry will migrate to what can be made addressable and measurable and the pandemic is accelerating the shift away from traditional planning and measurement to cross-platform strategies that include connected television and other data-driven tactics.

Even prior to COVID, there were variety of large forces at work pushing television advertising to a wall. The data prowess and advanced targeting capabilities the walled gardens were placing enormous pressure on traditional television advertising. In addition, the rapid rise of streaming platforms and connected television devices made reaching eyeballs harder through linear television advertising alone. And finally, the emergence of new and more complete television viewing datasets made it easier for the reach and frequency of all forms of television to be measured regardless of the delivery path to the consumer. These three factors coupled with the new financial pressure placed on the television industry will drive even more television advertisers to just transact on data-driven audiences, improving ROI will be critical. LiveRamp is perfectly positioned across all areas of advanced TV to support both the sell and buy sells as these trends accelerate.

In the quarter, television was again up strong double digits fueled by the continued adoption of outcome-based television measurement, and an acceleration in CPV growth which was up triple digits. During the quarter, we expanded our existing partnership with Ampersand, the sales and technology consortium owned by Comcast, Cox and Charter to help power the planning and execution of cross-platform and national addressable buys through their AND platform. As eyeballs continue to splinter, we are also partnering more closely with television programmers to enable them to unify, package and sell against audience segments across connected television platforms and SSPs. Disney, Discovery, ViacomCBS and FreeWheel are among the first to implement these new capabilities. Today, advanced television represents roughly 10% of our revenue and will remain a key growth driver as this continued television revolution plays out.

Fourth, LiveRamp's products are applicable to an even broader set of marketing industries. Finally, but importantly, we're seeing the potential for LiveRamp, an entirely new marketing industry. For example, we've signed multiple top ten ATS publishers in several major markets like Japan, China, Australia, and New York. And these collaborations will accelerate our international capabilities and allow us to better serve our many global clients. We're seeing a similar kind for our Safe Haven offering where the global companies with whom we're working want to launch these collaborations in dozens of countries. In addition, we're also seeing initial success expanded on capabilities to new industries such as health care. The health care market has characteristics with which we're well familiar. Complex regulation, fragmented data sets, transformative insights through data and sophisticated clients. Together, these opportunities give us even stronger conviction about the future.

In summary, as we look ahead to the remainder of FY 2021, we are optimistic about our capabilities, plans, and market potential. Our SaaS model has proven itself to be durable, predictable, and profitable. And I believe we're well positioned for decades of top-line growth and increasing profitability. In a time of uncertainty, our customers and partners in the ecosystem are looking to LiveRamp for advice and results and the investments we've made in recent years have prepared us for an even brighter future. While progress and results were never completely linear, we've got a strong track record of operational management, optimization and business improvement, and the quality of our team and customers continues to be one of my greatest sources of optimism for the future. With that, thanks again for joining us today and a huge 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, and thanks for joining us. Before jumping in, I too would like to thank our associates for their work over the past few months. We represent a critical technology as our customers navigate this crisis and implement their business transformation. I feel fortunate to work with such great people. I also hope that all is well for each of you and your families. Today I'd like to focus my remarks on four areas: first, talk about Q1, highlighting the strength of our SaaS driven performance and the durability of our revenue; next, update you on our business trends what we have seen since our last call; provide a few high level observations about FY 2021; and finally, our Q2 guidance.

Q1 results, please turn to slide 4. Well, in short, we are durable SaaS and our position of neutrality is paying off. Despite the challenges of the global economic environment, we had a strong growth quarter. Total and subscription revenue were up 21%. The usage portion of subscription revenue was approximately 8%.

Marketplace was up 16%. As we expected, customer accounts were pressured and were flat sequentially. That said, given upsell strength, we had another strong bookings quarter. Bookings increased by more than 50%. On a trailing 12-month basis, bookings were also up roughly 50%. Current RPO for our next 12-month backlog was up 33%. ARR ended the quarter up 28% and net retention was 109%, while platform net retention was 111%. Our Safe Haven and TV products are setting the pace for innovation and are powering many of our customers' business transformation strategies. LiveRamp's Safe Haven.

This fiscal year, we have already added more than five new Safe Haven logos. Safe Haven revenue, bookings, and ARR were all up triple digits. Our pipeline is now in excess of $35 million, and interestingly, over 40% of the pipeline is outside the US. In short, the combination of ATS plus Safe Haven is a winning global hand. TV also had a stand-out quarter. TV-related revenues were again up over 50%, maybe even more importantly, we are exactly where we want to be in connected TV. Our CTV revenue was up over 100%. Operationally, it was also a great quarter as our gross margin was 71%, up 9 points year-over-year. Productivity was principally driven by hosting and identity graph optimizations. In the US, our gross margin was 73%, which is very close to our long-term model commitment. And while we are far from declaring victory, we were profitable on a non-GAAP basis and operating leverage was striking.

Revenue increased by $17 million and our operating income improved by $24 million. Normalizing for both transition-related spending and COVID savings, we estimate our top-line fall-through was over 70%. And finally, our EBITDA was $4 million in the quarter. A few additional specifics worth noting, in the quarter, we further strengthened our bad debt reserves. Client-related concessions were very manageable. And in fact, we are tracking below our original estimate of $4 million. COVID-related savings were approximately $4 million principally related to T&E and facilities.

As part of our non-GAAP adjustments, we recorded $3.6 million of third-party spend associated with the execution of our restructuring activities and long-term planning. And finally, stock-based comp was roughly $16 million. In the quarter, we reversed approximately $5 million of previously accrued costs, associated with select long-term performance awards. And lastly, our balance sheet continues to be in great shape. Our cash balance ended at $650 million and we have no debt. Our receivables exposure is appropriately reserved. And finally, as I mentioned on our last call, in the absence of any further buyback activity for acquisitions, we expect our Q1 cash balance to be close to our low watermark for FY 2021.

In summary, we're in a great position. We are SaaS and our revenues are demonstrating the durability of our business model. We are in the middle of a powerful secular growth curve and have a great set of customers, employees, and products. We are powering some of our clients' most important transformational initiatives. We have an incredibly strong balance sheet. And finally, the strength of our business performance is a reflection of who we are as a company. ATS and our other products are succeeding because we are neutral. We are Switzerland. We don't compete with others in the ecosystem. We do not buy, sell or arbitrage media. We are an agnostic identity infrastructure provider.

For the next few minutes, I'd like to provide an update on the current operating environment; in other words, share with you what we're seeing and experiencing. Please turn to slide 10, we've updated the same chart we've presented on our last call. A few takeaways, first, our products are in fact benefiting from a secular trend toward addressability and measurement. This is clearly evident in our revenue performance and bookings. And I'll repeat something I alluded to a moment ago. In May, ATS, CTV and Safe Haven, all had strong global momentum. Today that momentum is even stronger.

Next, all that said, we would also like to highlight that the challenges and negatives are real, and we expect these pressures to continue. Just as we said last quarter, deal cycles are extending and the current economic environment will continue to impact our bookings, ARR growth, customer accounts and retention metrics. But when you add it all up, things feel stronger today than three months ago. And as a result, we will reiterate that FY 2021 will be a solid growth year, and our path toward profitability is even more clear. As always and especially in this environment, we ask that you be conservative in your expectations.

I'd now like to close by providing Q2 guidance and sharing a few thoughts for FY 2021. Please turn to slide 12. For Q2, we expect revenue of up to $100 million and a non-GAAP operating loss of up to $7 million. Please keep in mind this guidance excludes intangibles, stock-based comp and restructuring and related charges. A few other callouts for Q2. In Q2, we expect marketplace to be flat to slightly down. This pressure is principally being driven by a strong quarterly comp in the prior year and to a lesser degree, reduced linear TV-related transactional revenue. We expect gross margin to be approximately 69% given incremental investments in security and select product certifications. We expect between $1 million and $3 million of restructuring and related spend, and approximately $1 million of CapEx.

While we do not intend to provide formal full year guidance, a few high-level thoughts on the full year. As I mentioned, we expect FY 2021 will be a growth year. In fact, we expect growth in both subscription and in marketplace. That said, we would remind you that the challenges and pressures highlighted on slide 10 are real and will over time negatively impact our metrics. And finally, we continue to expect considerable operating leverage in a meaningful year-over-year margin improvement. Our projected expense phasing is highlighted on slide 13. Other full-year guidance items have also been included and you'll see them on slide 14. As always, we ask that you be conservative in your expectations and in particular in your top-line expectations as we are in a very uncertain environment.

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 SaaS and our model is demonstrating its durability and leverage, and finally, we are Switzerland, neutral and agnostic. We sit at the center of a strong secular trend and our role in the ecosystem has never been more important.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instruction] Your first question comes from Brian Fitzgerald from Wells Fargo.

Brian Fitzgerald
Analyst, Wells Fargo Securities LLC

Q

Thanks, guys. The quarter was better than your original guidance. What was your biggest surprise [ph] was it – mine is (32:45) coming back under the platform as active customers quicker? Was it higher volumes among the customers who remained active? Was it because you had strong performance in TV? Anything there you would hang a hat on? Any sense of what was better for worse and then in your original thoughts?

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

A

Hey, Brian it's Scott. As I think about that, I really think it's what I teed up in my prepared remarks that we were really pleased to hear from so many of our clients and I shared a couple anecdotes that they were looking at us as critical infrastructure during the recession and beyond. And so, as a result, our upsell continued to hit on all cylinders, we won some really nice new opportunities in areas like Safe Haven and CTV, and we saw our usage continue at a robust pace as well. So, I really think there is no single thing rather it was clients continuing to do a lot of things with us.

Brian Fitzgerald
Analyst, Wells Fargo Securities LLC

Q

And then maybe a quick follow-up, if you had to say, it was around – was it more so the Safe Haven to ATS like in both of them strengthened connected TV anyways you would parse out which product line is in strength?

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

A

It was really across the board because all of those things impact our subscription as clients start to embrace ATS. It's still early for that. It improves the value they're getting from the subscription. As they embrace Safe Haven, the subscription is a critical piece of that. And so, I think what it demonstrates is the power of our model where through our initial platform, we have the ability to stack additional product offerings and increase the value that we're delivering to our clients and partners.

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

A

Hey, Brian, I might just add a couple of things on that point. It's pretty interesting, I would say, our clients are clearly looking to us to help them future proof their environments, so all of the things that you've talked about are all very much linked together. And I just repeat a little bit what I said in the prepared remarks, if you look at relative contribution, I mean obviously the revenue dollars are different, but CTV was up over 100% in the quarter. Safe Haven, whether you look at ARR, look at bookings and/or revenue, all three of those metrics were up over 100% year-over-year. So, strong performance across the board.

Brian Fitzgerald
Analyst, Wells Fargo Securities LLC

Q

Thanks, Scott. Thanks, Warren. Appreciate it.

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

A

You got it.

Operator: Your next question comes from Stan Zlotsky from Morgan Stanley.

Melissa Dunn
Analyst, Morgan Stanley & Co. LLC

Q

Hi, guys. This is Melissa Dunn on for Stan. Thanks so much for taking the questions. So, I wanted to ask a little bit more on the TV business. So, we continue to hear a lot more about connected TV and you mentioned a lot of good statistics around this area. So, hoping to get a little bit more color on how connected TV might be benefiting from the current environment and how customer conversations have been trending segment versus earlier in the calendar year?

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

A

Yeah, Melissa, it's Scott. We continue to think television is at an interesting inflection point. We also believe that we're really well-positioned with our Data Plus Math assets, and also, what we're doing in a connected television space on the sell side. As viewing increasingly shifts to time shifted and mobile devices, the whole concept of connected television becomes increasingly important and we really have benefited on both sides. So, on the advertiser side, what we're seeing, as a function of the recessionary environment is a real drive for advertisers to make everything accountable, everything measurable. And so, our connected television efforts and in particular Data Plus Math allow the same kind of robust targeting to a current television that many advertisers have previously deployed in the programmatic space.

Moreover, instead of just measuring on reach and frequency, they can actually drive to specific outcomes. So, how many products did they sell? How often did people come to the website? For recession-pressured clients that kind of measurement really matters a lot. On the sell side, they're reacting to the advertiser demands for more precision, more accountability, more visibility into who's seeing the ads and how they're reacting. And so, I mentioned Ampersand and their AND platform for instance, well that's a really terrific piece of technology that they're introducing that gives their clients a lot more precision in how they plan and activate campaigns. So, one of the reasons, again, I'll come back to why I'm optimistic is that this isn't one side or the other, it's both the buy and the sell side acting in concert together.

Melissa Dunn
Analyst, Morgan Stanley & Co. LLC

Q

Got it. That makes a lot of sense and is really helpful. One more for me, so, the marketplace revenue continues to do really well and is above our expectations. Is there anything you'd call out on the durability of that business? And I know you gave some color on how you're thinking about Q2, but any other color you can offer on how you're thinking about that piece of the revenue throughout the rest of the year would be helpful. And that's all...

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

A

Yeah...

Melissa Dunn
Analyst, Morgan Stanley & Co. LLC

Q

...from me. Thank you, guys.

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

A

Great. Well, thank you, Melissa. I'll take this one, I'd say the headline is marketplace is benefiting from the same secular trend that Scott just talked about toward performance-based buying, no question about it. And secondly, when we think about our marketplace, we think all about quality. So, there is a 100% flight to quality. In terms of the long term for the year, as I mentioned again in the prepared remarks, big picture, top-line, we said solid growth year for LiveRamp. And we added something this quarter and that we expect both subscription and marketplace to be up through the year. Now, I would qualify the one thing in Q2, given the strong comp that we had in Marketplace and the fact that we expect some pressure in linear TV related transaction revenue, we said that Marketplace would be flat to maybe slightly down. We think that's a Q2 thing and again for the year, we are expecting growth in Marketplace.

Melissa Dunn
Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you.

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

A

Thank you.

Operator: Your next question comes from Shyam Patil from Susquehanna.

Shyam Patil
Analyst, Susquehanna Financial Group LLLP

Q

Hey, guys. Congrats on the great quarter. I had a couple of questions. The first one, Scott, is on ATS, it seems like the industry has really picked up adoption of that over the past few months. But that's really – there's really been uptick there. I was just curious to get your take on. Where do you think adoption needs to be in the next 12 to 18 months for the solution to be as effective as you'd want it to be assuming that Google does end up deprecating cookies in a year-and-a-half from now?

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

A

Well, I'm not sure I can give you the exact number, but I would tell you whatever it is we're pretty close. And so, one of the stats that I don't think I shared in my prepared remarks is that given the 125-plus publishers that we've already signed, we believe that we can reach 90% of addressable US audiences already. And so, that is exactly what advertisers want. And then it's really a question of how much volume can we deliver.

And so, we're – I think there's an opportunity still as we made a lot of inroads with the largest publishers and that was naturally the place to start, but there's also still some misinformation in the market. And for many smaller kind of mid torso or longer tail publishers, they're going to need a solution, and they're the content that drives the open Internet. So, we want to make sure that we evangelize, connect with them and introduce them to the solution as well.

Shyam Patil
Analyst, Susquehanna Financial Group LLLP Q

That's very helpful. And just my follow-up question for Warren. Warren, you guys put up really strong growth in the June quarter, up 21%. And you mentioned that bookings were up 50%, the exiting ARR was up 28%. And then the September quarter guidance looks like it's about 11% growth. I was just wondering if you could talk about that? Is that conservatism around the macro? Just wondering if you talk about a little bit about that and if you're able to maybe talk about July trends and what you've seen in August so far?

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

Yeah. Let me just start with the back – with July and then talk about our numbers. We have seen a continuation of the same things that we saw in the June quarter in July, so we saw no deterioration in our overall trends. That said, relative to the guide, the pressure on revenue growth is all about Marketplace and the things that I mentioned. Most specifically, we had a really strong comp last year. And then two, we are expecting some pressure on linear TV-related transaction revenue even though we expect CTV to be up very, very strongly.

So overall, we continue to see strength and durability in our SaaS numbers. And for the full year in Marketplace we expect it to be a growth year. So again, we feel very fortunate to be in a business that's benefiting from the secular growth trend, to be SaaS. And then when we add it all up, then we feel very fortunate that we're projecting FY 2021 to be a solid growth year for the company.

Shyam Patil
Analyst, Susquehanna Financial Group LLLP Q

Thank you, guys. That's very helpful.

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

Thank you.

Operator: Your next question comes from Kyle Evans from Stephens.

Kyle Evans
Analyst, Stephens, Inc. Q

Hi. Thanks. Scott, Jeff Green spent roughly a quarter of his prepared remarks on their second quarter call talking about identity and their unique ID 2.0 efforts. On the one hand, that came across to me as maybe the most ringing endorsement for your solutions that I've ever heard.

On the other hand, I had some investors that expressed some concern that that was a potentially existential threat to LiveRamp. Could you just give us your high-level view of his commentary and then maybe provide some specifics on why that UID isn't a threat to your business? And I have some follow-ups.

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

Sure. Well, Kyle, I will tell you that all of us at LiveRamp are firmly in the first camp. We think that whenever anyone in the industry talks about identity and addressability as being important, that evangelism is good for the entire industry. Our biggest challenge is just educating the industry as to why they need to move faster and so, we're so pleased that many of our clients, partners, have started to vocalize the same things.

That said, I think it's also really important to reinforce that Trade Desk is one of our important partners. And they of course, like many other companies, will have their own identity that is utilized to power their own decision-making algorithms on their media platform. I mean remember, they're in the media business. And so, we'll be interoperable with them.

We think it's important for clients as they think across all the things that they need from an identity solution to really think holistically. And more specifically, the checklist of things that I think are most important, number one, it's got to be people based. Because if it's people based, then you can get people's permission, you can give them visibility, you can gain their consent and then that actually serves across all of the different touch points across which you interact with people.

Second, it's got to have permission and security at the center. And that's something that we started thinking about several years ago. So, not only have we inoculated the digital advertising industry, but also increasingly the mobile application providers as well. The vast majority of the 125 publishers that I talked about are using ATS for both digital and the mobile application space.

So, they've already inoculated themselves against changes in IDFA. It's got to be so important. It's got to be neutral and that's so important that that someone doesn't have a bias towards another business in their decision making. We work with everyone and anyone who's ethical in the space, we pledge to be interoperable and so, as a result, we're going to work with Trade Desk, we're going to work with Facebook, we're going to work with Google; we're going to work with Amazon. We already do and that is part of the reason that our partners and clients find our solution pretty attractive.

Kyle Evans
Analyst, Stephens, Inc.

Q

Great. That's super helpful. Could you maybe take a second and elaborate on the linear transaction pressure – the linear TV transaction pressure that your – that's been highlighted in the 2Q guide? Just want to make sure I understand exactly what that is.

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

A

And just think about this Kyle as linear TV and trends in the industry, so it's nothing more or less than what is going on overall in the TV industry in traditional linear TV. You've got a powerful secular move toward connected TV and some pressure in linear TV, and are transaction related revenue associated with linear TV like the rest of the industry are feeling some pressure.

Kyle Evans
Analyst, Stephens, Inc.

Q

Great. And then lastly, maybe some commentary around the overage. I think you said 8 points of the revenue was overage, was that above expectation and how do you expect that to look as we phase into the rest of the fiscal year? Thanks.

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

A

We would say – look this is an area where everybody should be cautious because it's one of the things that could move depending upon what happens in the macroenvironment. It was 8% obviously in Q1. I would say July was right in line with the 8%. So again, we saw no deterioration and in fact, saw a very solid July. We – looking ahead to future quarters, we would tell you just be cautious. There still is a lot of uncertainty in the market but at least so far that trend has been pretty stable.

Kyle Evans
Analyst, Stephens, Inc.

Q

Thank you.

Operator: Your next question comes from Tim Nollen from Macquarie.

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

Q

Oh, great. Hi. I have another question about TV. Just to double check some numbers from the quarter. I believe early in the prepared remarks, you said that TV was up 3 times year-over-year, and later you said CTV was up double. Just want to make sure I heard that right.

And then if you could help us understand what are you doing in the two? Because they're not the same thing, we often use CTV very broadly to talk about targeted TV, but it's quite different. And you mentioned Disney, ViacomCBS, Discovery, et cetera by name. Just if you could help us understand what you're doing in terms of linear addressable versus what you're doing in terms of CTV? Thanks.

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

A

Why don't I clarify, Tim, the first part, then I'm sure Scott will weigh in on that second. TV in total, which includes both elements that you had just described, both CTV and linear was up over 50%. CTV, obviously the fast growing – fastest growing part of the business was up over 100%.

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

Q

Okay. I heard it wrong then. Thanks.

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

A

And, in terms of how we work with the various constituencies, remember our television business described it before as, in a sense, we're riding every horse in the race, because we work with everybody. And so on the one hand from an advertiser, an agency perspective, typically they're working with us through Data Plus Math and buying accountable outcomes and more granular targeting based on their existing audience segments.

On the addressable – on the linear addressability perspective, the work we do is really with the MVPDs where we power addressable targeting on linear TV, so just more granular targeting than the typical gross ratings or TRPs that gender or demos that have historically been the norm.

And then on CTV, that really looks like many of our existing platform kind of relationships where we're actually powering the targeting, the engine that's driving a lot of their efforts. So, I mentioned Ampersand in the call and their AND platform, we're a really important supplier to that build in terms of powering some of the measurement and addressability underneath that. So, we're actually a part of the product they're creating.

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

Q

Thanks a lot.

Operator: Your next question comes from Jack Andrews from Needham.

Jack Andrews
Analyst, Needham & Co. LLC

Q

Good afternoon, thanks for taking my question. I was wondering if you could drill down a bit more on the relationship between ATS and Safe Haven. I'm just wondering how symbiotic those really are because you talked about the significant ramp in pipe for Safe Haven. I'm just wondering – I mean how much of that might be driven specifically from the capabilities of ATS in conjunction with what's happening with Safe Haven?

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

A

Thanks, Jack. I mean, it's a great question and I'll tell you what we found globally is, no surprise to anybody is that clients want a global solution. So, if you're a global CPG and you're operating in 60, 70, 80-plus countries in the world, is you want global consistency and you want a solution to global privacy. And one of the things that I think is – we think it's just been really important for LiveRamp over the past, call it, a year to 18 months, is with the introduction of ATS and Safe Haven, is you really have an incredibly powerful global combination and that Safe Haven and addressability can be consistently applied across any market where you want the platform to be.

So, what we've seen is that we've seen an incredibly strong reception to both Safe Haven and ATS. So when Scott talked about adoption across the top publishers and all the markets where we operate, we've had a terrific reception, whether it's [ph] Bird in Germany, Prisma in France, The Seven (54:20) in Australia, a very strong reception.

To Safe Haven, we've had a very strong reception. Just in the past several months, if you think about carwow in the UK, leboncoin in France, a couple of global CPGs. MiQ in China, something that we really haven't talked about is we also signed one of the largest European – an additional large European retailer this past quarter. So, very symbiotic, very beneficial. Two words that are almost ubiquitous in our customer's strategic plans are the words: digital transformation and future-proof. And at the end of the day, what we're seeing is that both ATS and Safe Haven are an important part of helping our customers achieve that strategy.

Jack Andrews
Analyst, Needham & Co. LLC

Q

Thanks. Really appreciate the color on that. If I can just sneak in a quick follow-up, when you think about the regulatory environment around privacy these days, is there anything on your radar that could really impact your outlook one way or the other in terms of just customer adoption and things like that?

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

A

Well, I've long said that we think regulation is a real tailwind for us, particularly today's regulatory climate, it's really hard for most of our advertisers and partners to navigate the complex web of changing regulations at a state level, potentially at the federal level, and then globally as well.

Well, that's our business. We think about it all the time and we design privacy, security, permission configurations into all of our products, recognizing that there's no one-size-fits-all. We have to design configurable products to adjust to the different markets that we serve, and the different needs our clients have both in terms of staying compliant with current regulations and in many cases, adjusting for the heightened demands of particular businesses like financial services or healthcare or their most sensitive data. And so all this to say is, we think this is one of our core advantages and it's certainly an area that our clients and partners are looking to us for leadership.

Jack Andrews
Analyst, Needham & Co. LLC

Q

Great. Thanks for that and congratulations on the results.

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

A

Great. Thank you.

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

A

Thank you.

Operator: Your next question comes from Dan Salmon from BMO Capital Markets.

Daniel Salmon
Analyst, BMO Capital Markets Corp.

Q

Hi. Okay. Good afternoon, everyone. So, Scott, thanks for the updated thoughts in your prepared remarks on the secular shift with regard to cookies, and I appreciate how – when folks like Trade Desk speak to ID solutions, there's a certain level of evangelism that helps float all boats. And I also appreciate the point earlier about wanting to be compatible with everybody's solutions and the [indiscernible] (57:31) as well.

At the same time, it also seems like there are more sort of independent providers emerging, sort of proper startups, so to speak, not big brand names, public equities that everybody on this call is familiar with necessarily, but smaller companies are merging and they do see more of them to have some type of deterministic or a first party angle.

How has that changed the dialogue for your sales force? Is there – is that purely rising tide floating all boats or does it create at least a little bit of noise for your sales seem to cut through, I don't know if James is on and can add some color to that, but I'd just love to hear a little bit more about that in particular.

And then Warren, I guess a follow-up for you. I'd love to hear any specific thoughts on competition on the international front as well, but since that falls under your purview, what I wanted to ask you about a little bit more was just an update about efforts to build out the breadth of the basic identity link graph across the global Internet audience more, it would be nice to hear an update about that as well. Thanks.

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

A

Okay. Well, Dan first off, we're no strangers to competition as you know. For the better part of the last decade, we've licensed our graph to some of our competitors to make their products better. It's part of our pledge of being neutral and interoperable. And so, we welcome competition. It makes our products better and it forces us to innovate even faster. We even more so welcome evangelization.

I think the biggest challenge that we've had over the last decade as the category creator is educating the industry about the advantages of our technology, addressability and also the pitfalls of data security, privacy management, things like configurable privacy and permission setting, and so to the extent that there are more people out there talking about it, we think disproportionally will benefit us because a smarter ecosystem is going to come back to us.

We think that the breadth of our offerings is quite frankly second to none, but there are a lot of niche players out there that do one thing well. But we work with everyone, and our advantages and our neutrality not only in terms of who we work with but where we operate. So, it's not just programmatic. It's not just e-mail. It's not just direct mail. It's not just television. It's not just point of sale. It's all of those things. And so, if a client is looking for all of those things and we believe that the top several thousand clients in the world are sophisticated enough that they value all those things, it's going to lead them to us.

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

A

And then Dan, I guess kind of reiterate a little bit about – a little bit of what Scott just said relative to international. When we think about competition, we actually love it. It makes us better and we think about alternatives for even making our product and opportunities even that much larger and that much more sophisticated. I would remind everybody that we benefited by being a global company, Safe Haven and much of our approach was born out of GDPR and working with some really big, really sophisticated global customers in order to meet their global needs.

When we think about global progress, I mentioned some of the progress that we've made on ATS and in fact, our progress has been around the world and very global in terms of the adoption that we've had with some pretty big publishers and also support. The one thing though that I would add, that I didn't mention or Scott didn't mention in his prepared remarks or I didn't think was mentioned is that increasingly, because of the breadth and sophistication of our approach, many of our large multinational companies are actually coming to us saying, come work with us and our first-party data in new and additional global markets, combining Safe Haven with ATS in order to allow us to expand that much more efficiently global or globally. So we're expanding globally, working with our clients and also using the strength and the sophistication of ATS in order to do it.

Daniel Salmon
Analyst, BMO Capital Markets Corp.

Q

Thank you, both. That was very helpful.

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

A

Thank you.

Operator: That was our last question. At this time, I will turn the call over to Warren Jenson for closing remarks.

Warren C. Jenson

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

Great. Well, thank you, operator and to all of you on the call. We're really appreciative of you taking a few minutes with us today. Let me again just close with a few final thoughts. First, a huge thank you to our customers and to our employees, it is you who just truly make this company great and get us excited every day when we come to work.

Next, hopefully, you've seen in our results and the things that we've delivered not only in this quarter but over the last several quarters and years in fact that we are SaaS, and our model is demonstrating its durability and leverage. And then finally to build on what Scott said around being neutral and being Switzerland. We are Switzerland. We are neutral and agnostic. We sit at the center of a strong global secular trend and our role in the ecosystem truly has never been more important.

Thank you again for joining us. We look forward to speaking with you in the coming days.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.