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**Q3 FY14 Earnings Conference Call Script
January 29, 2014**

Moderator: (reads usual statement, introduces Jay McCrary)

Jay McCrary, Treasurer:

Thanks, operator. Good afternoon and welcome. Thank you for joining us to discuss our fiscal 2014 third quarter results. With me today are Scott Howe, our CEO and Warren Jenson, our CFO.

Today's press release and this call may contain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from the forward looking statements. For a detailed description of these risks, please read the risk factors sections of our public filings and the press release. Acxiom undertakes no obligation to release publicly any revisions to any of our forward-looking statements.

A copy of our press release and financial schedules, including any reconciliation of non-GAAP financial measures, is available at acxiom.com. Also, during the call today, we will be referring to the slide deck posted on our web site. A link is also included in today's press release.

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

Scott Howe, CEO:

Thank you Jay and good afternoon – thanks for joining us today.

I always enjoy our conference calls, as they are a chance to measure our progress against the plans we have shared. For much of the past two years, we've been outlining our strategies, investments and plans for the future. That future has now arrived, and it's exciting to see us make demonstrable progress against our strategic blueprint. New products have been released to the market, clients are responding favorably and the world is starting to take notice. While we continue to be humbled by how much work remains to be done, we are increasingly energized at the progress we are now starting to achieve.

In late September of 2013, we released the Acxiom Audience Operating System™, or AOS™. While we will never be completely satisfied, I can tell you that we are thrilled with our progress in the marketplace. I am also very excited about our pace of development and steady stream of innovation. Just Monday, we announced our most recent product release.

Given the SaaS nature of our platform, the processing and technical power of AOS will just keep getting better. Perhaps even more importantly, we believe the ecosystem we are enabling generates a strong network effect as we gain traction. More data and stronger connections lead to better decisions. Better decisions lead to more advertisers. More advertisers lead to more publishers and, finally, taken together, more software applications. I'll talk more about this in a few minutes.

I've organized my remarks today into three distinct areas.

- First, I'll update you on AOS – both from a market and product perspective;

- Next, I'll revisit the overarching marketing ecosystem, how Acxiom competes and our strategic differentiation;
- Finally, I will highlight a few of our more notable accomplishments this quarter before handing it off to Warren.

Let me start with an update on AOS. You'll recall that our Audience Operating System is predicated on the belief that decision making in advertising, marketing and commerce is flawed today. Acxiom's AOS can transform the industry by helping industry participants ingest a holistic set of online and offline data and transform that data into compelling insights that can be catalyzed into actionable tactics. By creating an industry solution, we broaden our potential utility and customer base to include our traditional marketing clients, their agencies, major publishers across all media channels and virtually any application that can generate better performance through the ingestion and analysis of data.

While there is more work to be done, we are pleased with our initial traction.

- We have made strong progress with marketers:
 - We are now engaged with more than 30 major marketing clients that are implementing or testing one or more aspects of AOS.
 - We have now completed 10 agreements with several large customers.
 - Some of the customers we have signed to date include Gerber Life Insurance and American Family Insurance, along with other major institutions in several key industries.
 - Our wins are not just in the U.S. We have already signed up clients in both Asia and Australia and have several prospects in Europe, too.
 - Our AOS pipeline continues to grow and remains strong at over \$45M.
- Agencies represent a new type of partner for Acxiom, but one that we believe can unlock tremendous value through AOS.
 - Last quarter, we announced a partnership with Starcom MediaVest Group by which SMG becomes the first agency to license Acxiom's Audience Operating System and bring it to market.
 - Additionally, SMG and Acxiom will co-develop applications for SMG and its clients.
- In addition, we continue to expand our AOS premium publisher partner network.
 - We are pleased to announce that we have reached agreements with eBay, PayPal Media Network and Twitter.
 - In our first full quarter post launch, we kicked off with more than \$20 million dollars of gross media spend enabled by the AOS Data Safe Haven™.
- Finally, we continue to pursue broad partnering conversations with software developers and application providers.
 - To date, we have partnered with over 40 such companies.
 - That said, this is the one area in which I believe we have barely scratched the surface of our potential. AOS was created to make the applications designed by others work even more effectively. We emphatically do not consider companies such as Adobe, Salesforce, Oracle or IBM to be competitors, but rather, hope they will become some of our most enduring and closely integrated future partners. Our goal here is simple: we want to help others succeed spectacularly.

While we believe AOS is unique in the market, we also recognize we must continue to innovate and improve the product and its many features. In fact, earlier this week we announced our latest wave of enhancements. Much of what we introduced is foundational and will help power faster processing, greater automation and more frequent data refresh cycles. But we also launched some notable new features, including:

- **Industry insights** – This new application quickly shows how to reach consumers of a specific demographic, propensity for a product, and affinity with a brand. Based on feedback from customers, what we have done here is simplified our ease of use, and ability to target through high-level industry-specific models. Currently we have five industry verticals within this offering and we plan to add more.
- **Email integration** – We’ve made our email marketing solution, Digital Impact, more useful. Now, audience segments defined within Digital Impact can be automatically sent to AOS. This allows marketers to retarget audiences by reaching out to them on digital channels. For example, email non-responders can be sent advertising offers through premium social and media sites.
- **AbiliTag™ Features** – When we launched AbiliTag with the announcement of AOS, it allowed website owners to really understand who was visiting their sites. We’ve now enhanced this with live site visitor data streams, so not only can you get more real-time analysis, you can now use this information immediately to change site content in real-time and interact with your audiences while they’re still browsing your site. In short, instead of telling you what happened, we can now immediately help you do something about it. Additionally, we’ve also made AbiliTag available in a SaaS-based Hadoop environment.

Product innovation is an ongoing quest. Everything we’ve built can and will be further improved. Rest assured we are just getting going.

Next, I would like to spend a few minutes and talk about how we see the marketing ecosystem, where we fit in and what we view as our competitive differentiation.

In theory, marketing is a simple process. A marketer determines how it wants to communicate to its customers, and then contracts with a publisher to ensure that this message is delivered.

In reality, marketing and advertising have never been more complex.

- Many marketers work with advertising agencies, who steward creative and placement planning.
- A new group of technologies, called DSPs and DMPs, hope to use device, cookie data and technology to help advertisers be more effective.
- Ad exchanges and ad networks help the advertisers and publishers to efficiently transact and place their ads using mostly real-time bidding.
- And more recently, supply-side platforms, or SSPs, have emerged. They do what the DSPs do for Advertisers. It’s just that they do it for publishers. In effect working to make the publishers’ inventory more valuable.
- Of course, publishers still play a critical and necessary role, but the publisher isn’t necessarily the last stop.
- There are still a whole host of ad verification and measurement activities that take place after an ad is delivered.

The complexity is overwhelming, compounded by the fact that many of these industry participants aren’t well connected and use different data sets. Thus, at every step along the way, value is lost. It’s possible that pieces of this puzzle may be integrated over time. But it’s inarguable that every participant in this process can benefit from using a more common and connected data set. We believe this is one of the most important roles Acxiom’s AOS can play: providing a common view of the customer and permission-enabled data so that everyone in the industry, absolutely everyone, can deliver better experiences and results.

And I'd like to clarify, this complexity extends to all channels – online, mobile, social, TV, email, direct mail and the list goes on.

In the marketing wars, we believe a Switzerland must emerge. The industry needs a neutral, agnostic catalyst for the common good of advertisers, publishers, software developers and, importantly, the people to whom they message.

Over the weekend, Joe Mandese from MediaPost wrote, "One neutral player is emerging in an attempt to help marketers and publishers organize the data objectively and scientifically. If there is a Switzerland in this war, it's Arkansas based big data organizer Acxiom. In fact, that neutrality is the fundamental basis of the so-called Audience Operating System it unveiled last fall during Advertising week, and was the primary reason MediaPost's *Media* magazine named Acxiom its "Supplier of the Year."

Joe has it exactly right. We intend to be the place advertisers, publishers and agencies can go to connect audiences at scale and with precision across all channels and devices. You can call it Switzerland. We've trademarked it the Acxiom Data Safe Haven. And we are not just there for one participant in the ecosystem, we will be there to help everyone simplify this equation.

To further our progress, we continue to invest in, and extend, several critical areas of differentiation:

- **First – our scale and experience make us better on the basics of data management**, including our privacy awareness and safeguards, our ability to anonymize information and, most importantly, our unique capability for entity resolution. Let me touch on this for a moment as this is a big deal. We don't resolve identity to the device or cookie level, we resolve to the individual. This is a big differentiator in a world in which the average person has multiple device IDs and scores of cookies. By using Acxiom to resolve to an individual level, across both online and offline, our clients and partners can deliver better insights, results and experiences. After all, devices and cookies don't buy things, people do.
- **Second – we start with the data that really matters and then make it better.** Make no mistake that what is proprietary to a retailer, an automotive manufacturer or to any client is not third party digital intender data, not anonymous cookies, rather they want to start with their own propriety data and marry it with other useful information. That is what we do. By partnering with Acxiom, clients and partners can protect what's rightfully their own but enhance it with secure, permissible data from other advertisers, publishers and partners. They get the best of all worlds.
- **Third – ours is an open and neutral platform, the Switzerland of data enablement.** We intend to make our technology and know-how available to everyone in the eco system, period. Ours is intended to be an open and universal standard. As more participants connect to AOS, the value that accrues to each only further increases. One of the key reasons we have been able to secure partnerships with so many of the publishers and our clients is the relationship of trust we have built over many years. We keep things anonymous. We keep what's private, private and we wake up every day thinking about how to better secure our environments. That will never change.
- **Finally – it works.** For far too long, marketers, publishers and developers have been hamstrung by poor data and ineffective tools. While having a paintbrush and canvas doesn't imply that a masterful work of art will be created, the lack of these, however, ensures it won't. AOS is an enabler, and clients are now starting to see some strong results. For example, I met with a client last week who shared their early results from an AOS test campaign. Against their best existing tactic, remessaging, they were able to design a more targeted campaign that generated ten times the results for only three times the unit cost. We need more such success stories, but I am optimistic that they are emerging as AOS adoption accelerates. Like Microsoft did for business, Google for search or Walmart for retail, we believe Acxiom can help transform an entire industry.

Again, we still have much to do. But I'm excited about our future and can now see more tangible signs of progress. Before I turn the call over to Warren, I would like to touch on a few other achievements during the quarter.

- As previously mentioned, we were named "supplier of the year" by *Media* magazine for our contributions to the marketing industry through our recent launches of both AOS and AboutTheData.com™.
- Also, while I've talked extensively about AOS, our U.S. database business generated significant new wins at Affinion Group, Pep Boys and a top five credit card issuer.
- And we also continue to make progress on the ITO front. I'm pleased to share that in December, we signed a deal valued at more than \$50 million over five years with a large U.S. corporation. This is a great win for both the team and Acxiom.

In summary, we are off to a great start with AOS. And we had some nice wins in Marketing and Data Services and ITO. Our platform will only grow in value as we add new features and expand our network of advertisers, publishers, agencies and application developers. We are building a virtuous cycle that we believe will change the industry forever.

Now, I will turn the call over to Warren.

Warren Jenson, CFO:

Thanks Scott and good afternoon.

First, would like to update you again on the status of our initiatives.

Running a better business – during our last call we outlined steps to improve the overall operating leverage of our business and at the same time transform the way we work.

Last quarter we estimated that in the next 6 to 12 months we could reduce our annual cost base by \$20 to \$30 million.

- Today, we feel quite confident that we are on track to meet this commitment.
- Specifically, during the third quarter we took actions that will positively impact our expense run rate by over \$15 million.

So, we are off to a good start. We are more than half way through our delayering effort. Once that is completed we are all about further simplification and standardization of our work-flows.

Next – the separation of our business units. Our separate audited financial statements are nearly complete as are physical asset inventories. In addition, intercompany operating agreements and business plans are drafted. Dennis Self and his team have also implemented a work plan to separate the Marketing and Data Services network from that of ITO.

Finally – we are embarking on a Company-wide process to eradicate duplication and redundancy. Dennis and Mike Lloyd are leading this effort with the support of Phil, Nada and me.

Think about this in two dimensions:

- **First – it's about how we work.** For example, our financial and HR systems. Historically, Acxiom has been all about customization. This coming year we will implement a cloud based approach for both Finance and HR. We have also retooled our data model. We expect several benefits:
 - ✓ A standard SaaS / cloud based approach,
 - ✓ A much more sophisticated reporting and management environment,

- ✓ The elimination of more than 70 customized reporting applications and
 - ✓ A very positive ROI.
- **Next it's about how we deliver our products and customer service.** Our traditional approach has again been one-off. Everything is custom and not repeatable. Tomorrow we see standard products with customizable configurations. We believe this will be a huge advantage for our customers and also for Acxiom.

Both of these two efforts are multi-year projects. That's the bad news. The good news is that we see a steady stream of opportunities to both better serve our customers, and at the same time, improve our efficiency and margins.

Finally – we are carefully looking at how we do business globally. In several parts of the world Acxiom has acquired and focused its business model on non-scalable analog data acquisition and re-sale. This quarter we are carefully looking at these businesses. While we are not done with our evaluation, going forward we will build an international business which is focused on three things:

- Our marketing and data services business
- AOS, and
- Data Insights.

In summary, looking ahead, we see a dramatically simplified Acxiom and a Company that will be in a materially stronger strategic position. Specifically, we will be:

- A cleaned up and simplified Acxiom, with distinct operating units,
- Within our portfolio our marketing and data services business will be a pure play and capable of being the consolidator and not simply the consolidated,
- We will also have a simplified and focused approach to globalization,
- We will be a reinvigorated technology company, and an organization that has a
- Set of opportunities to drive top-line growth as a result of our investments in the Audience Operating System, coupled with a stream of initiatives to improve customer satisfaction and at the same time drive margin expansion.

Make no mistake, we still have a lot to do. But we like our hand and feel we are on the right track.

Now, on to a few highlights for the third quarter.

- Marketing and Data Services revenue was up six percent year over year. In the quarter, both the U.S. and International grew. Total revenue, given the declines in ITO, increased two percent.
- For the quarter, 16 out of our top 20 customers in U.S. Marketing and Data Services showed year-over-year growth.
- Marketing and Data Services margins improved to 10.9 percent versus 9.3 percent a year ago.
- In the quarter we are off to a great start with the Acxiom Data Safe Haven. In our first quarter post launch, we kicked off with more than \$20 million of gross media spend enabled by our platform.

- On a non-GAAP basis, diluted earnings per share increased \$.06 to \$.25 for the quarter compared to \$.19 in the prior year. Earnings per share for the current quarter benefitted from a \$3.1 million tax-related adjustment resulting in a \$.04 improvement.
- We repurchased \$14 million of stock in the quarter. Since inception, we have acquired approximately \$193 million in stock out of our \$250 million program. To date, we have retired approximately 15 percent of our outstanding common shares.

Now, we will discuss our quarterly results in more detail.

I will be referring to the slide deck which was posted on our web site. A link was also included in our press release.

Starting with slide 3 and our summary financial results.

- Total revenue was \$278 million, up 2% from \$273 million last year. Marketing and Data Service revenue was up six percent for the quarter. IT Infrastructure Management revenue was down as expected approximately 11 percent.
- OPEX for the quarter was \$258 million, compared to \$246 million in the prior period. Excluding unusual items, operating expense increased slightly for the quarter. This was primarily attributable to lower IT related expense offsetting an increase in AOS related spending.
- Unusual items netted to \$7 million.
 - ✓ \$5 million of which related to third-party business separation costs.
 - ✓ We incurred an additional \$5 million dollars of charges associated with restructuring and legal accruals.
 - ✓ These charges were offset by a \$3 million gain on the sale of a facility.
 - ✓ Please note that the business separation costs are included in SG&A and the gain on sale is reflected in Other Income.
- GAAP diluted earnings per share were \$.19 in the quarter, flat compared to the prior year. Excluding unusual items, diluted earnings per share were \$.25 compared to \$.19 in the prior-year quarter. Both the GAAP and non-GAAP EPS amounts include a tax-related benefit of approximately \$.04.
- **Slide 4** – U.S. Marketing and Data Services revenue was up approximately six percent for the quarter. And, as I mentioned, IT Infrastructure Management revenue was down.
- International Marketing and Data Services revenue was up six percent to \$32 million – up \$2 million year over year. International Other Services revenue of \$9.1 million increased approximately 22 percent year over year.
- There was no material FX impact in the quarter.
- **Slide 5** – For the quarter, our operating margin, excluding items, was 10.6 percent as compared to 9.8 percent in the prior year. The margin improvement was largely due to improvements in International Marketing and Data Services which were partially offset by declines in ITO.
- In the U.S., Marketing and Data Services margin was 11.5 percent, slightly down compared to 12 percent last year. The decrease in margin is largely associated with our investment in AOS.
- IT Infrastructure Management margin decreased to 10.2 percent compared to 13.8 percent last year. This decrease was due in large part to the impact of lost customers.

- Operating margin for International Marketing and Data Services improved to 7.8 percent compared to a negative 5.3 percent. This is mostly due to performance improvements in both Europe and Australia.

Now to a few comments on slides 6 and 7.

For the quarter, free cash flow to equity was \$47 million, compared to \$14 million for the prior period. This increase was mostly related to working capital improvements. On a trailing 12 month basis, free cash flow to equity was up 136 percent to \$103 million compared to \$44 million for the same period a year ago. Free cash flow to equity for the prior trailing twelve-month period excludes \$73 million in proceeds from the sale of the background screening business.

Capitalized software costs of \$5 million remained flat as compared to the prior year and are mostly AOS related. Total capital spending decreased \$5 million in the quarter to \$14 million.

Now on to guidance.

Before jumping into numbers, as is our practice, we do not intend to discuss our FY15 guidance on this earnings call. That said, as we have done in the past, we will provide our annual guidance on our next call.

A few items:

- Tuck-in acquisitions are a possibility. Given these acquisitions may not come with revenue or earnings, they could be dilutive to our guidance.
- Our guidance excludes any unusual items and separation related costs that may be incurred during the fiscal year.
- As always, we ask you to be conservative in your estimates, as we launched AOS just one quarter ago and businesses take time to develop.

With that said, for fiscal 2014:

- We continue to expect revenue to be slightly down for the year.
- We now however expect diluted earnings per share, excluding unusual items, to be as much as \$.82. This is an increase from our previous guidance of flat for the year.

Finally, I would like to welcome Lauren Russi as our new Director of Investor Relations. Lauren will report to Chris Garber, our head of FP&A, but obviously will work closely with me. She joins us from Addo Communications where she managed Investor Relations consulting for public and private clients in several sectors including technology and media. Prior to that, Lauren worked at Silver Springs Networks including providing support for both Investor Relations and their IPO preparation.

I would also like say thanks to Jay McCrary for his work on investor relations over the past several years, as he has been a great resource and support. He will be helping transition the IR role to Lauren over the next couple of months, as he focuses on his responsibilities as Acxiom's Treasurer.

Thanks for joining us today. We look forward to updating you throughout this year on our continued progress.

With that operator – we are ready for questions.