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CORPORATE PARTICIPANTS

Chris Vanderhook *Viant Technology Inc. - Co-Founder, COO & Director*
Lawrence J. Madden *Viant Technology Inc. - CFO*
Tim Vanderhook *Viant Technology Inc. - Co-Founder, Chairman & CEO*

CONFERENCE CALL PARTICIPANTS

Andrew Jordan Marok *Raymond James & Associates, Inc., Research Division - Analyst*
Andrew M. Boone *JMP Securities LLC, Research Division - Director & Equity Research Analyst*
Laura Anne Martin *Needham & Company, LLC, Research Division - Senior Research Analyst*
Maria Ripps *Canaccord Genuity Corp., Research Division - Analyst*
Nicole Borsje *The Blueshirt Group, LLC - MD of IR*

PRESENTATION

Operator

Okay. Hello, everyone, and welcome to Viant's First Quarter 2022 Earnings Call. My name is David, and I will be your operator today. Before I hand the call over to the Viant leadership team, I'd like to just go over a few housekeeping notes for the program. As a reminder, this webinar is being recorded. (Operator Instructions) Thank you for your attendance today.

I would now like to turn the call over to Nicole Borsje with The Blueshirt Group.

Nicole Borsje ***The Blueshirt Group, LLC - MD of IR***

Thank you, David. Good afternoon, and welcome to Viant Technologies' first quarter 2022 financial results conference call. On the call today are Tim Vanderhook, Co-Founder and Chief Executive Officer; Chris Vanderhook, Co-Founder and Chief Operating Officer; and Larry Madden, Chief Financial Officer.

I'd like to remind you that we will make forward-looking statements on our call today that are based on assumptions and subject to future events, risks and uncertainties that could cause actual results to differ materially from those projected. We undertake no obligation to update these statements, except as required by law. For more information about factors that may cause actual results to differ materially from forward-looking statements and our entire safe harbor statement, please refer to the press release issued today as well as the risks and uncertainties described in our Form 10-K and other filings with the SEC.

During today's call, we will also present both GAAP and non-GAAP financial results. Additional disclosures regarding these non-GAAP measures, including a reconcile of GAAP to non-GAAP measures are included in the press release we issued today in our filings with the SEC and in the supplemental financial slides posted to our Investor Relations website to accompany today's presentation.

I would now like to turn the call over to Tim Vanderhook, Chief Executive Officer of Viant. Tim?

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, Chairman & CEO***

Thank you, everyone, for joining us for our first quarter earnings call. Our team continued to execute very well in the first quarter, and we had a successful start to the year. Our first quarter results were highlighted by accelerating growth in active customers, which increased 23% year-over-year as we continue to gain share across the programmatic advertising market. Larry will cover the financials in detail in a minute, but we again met our revenue and EBITDA guidance for the first quarter.

Our people-based advertising platform is becoming more strategic for larger advertisers, and we are fostering deeper relationships across advertiser and agency customers. These customers see an opportunity to allocate more of their budgets to programmatic advertising through our Adelphic software and they value its ability to offer personalized advertising in cookie-less environments. We are excited about the progress we are having with our customers, coupled with the robust growth we are seeing in total customer count and we continue to believe that Adelphic is gaining market share as the industry's leading people-based DSP.

With that said, let me move on to some highlights from the first quarter and our latest thoughts on the industry landscape as a whole.

Digital advertising has been and continues to be one of the most exciting and dynamic industries to work in. The momentum driving advertisers to spend across programmatic advertising have never been stronger. And at the same time, there has never been as much scrutiny on privacy and the sharing of personal data as there is today.

Our people-based ad platform, Adelphic, which is powered by our household ID technology is squarely positioned to help advertisers successfully navigate these 2 major dynamics and drive better ROI on their ad dollars. The explosive growth in connected TV continues to be one of the biggest drivers of programmatic ad spend across the industry, and we have continued to see strong growth in CTV spend on our platform.

Netflix is a prime example of how changes across the industry continue to drive momentum for programmatic spend growth. While Netflix has been steadfast in their vision of monetizing users solely through subscriptions, their recent announcement around launching an ad-supported option will open a massive new opportunity for CTV spend. Whether or not this strategy materializes for them, the CTV industry as a whole continues to expand and continues to shift dollars, add inventory and mind share to programmatic advertising on CTV over the longer term.

Looking at spending trends of advertisers across our customer base, we are seeing a very strong appetite from an increasingly diverse mix of consumer-facing businesses to reach customers through programmatic ads. This includes everything from crypto and online gaming to the rise of retail media networks and direct-to-consumer businesses. Advertisers are focused on not only driving online engagement and measuring attribution, but also connecting attribution between online and offline channels. Our Adelphic software is uniquely suited to help advertisers achieve this.

One of the most interesting trends we have seen with advertisers across Adelphic is their growing interest in our measurement and advanced reporting tools. As advertisers are finding it more challenging to quantify their return on ad spend from certain digital channels, they are turning to our Adelphic platform and seeing better performance from our household ID technology. Our customers' willingness to spend more for our measurement and advanced reporting tools is an indication of the clear value we are providing to our customers. Chris will elaborate further on some of the updates to our platform that are driving better ROI for our customers.

I want to reiterate my confidence in our ability to continue gaining market share in the very large and growing market for programmatic advertising. The spending trends we are seeing across our business, coupled with the strong new customer growth we are experiencing and the increasingly strategic conversations we are having with large customers are all highly encouraging trends that reinforce this confidence. We are excited by these micro and macro trends, and we'll continue to innovate and invest in expanding our infrastructure and technology to take advantage of this enormous opportunity.

I'll now turn things over to Chris to discuss some key strategic updates across our customers and technology platform.

Chris Vanderhook ***Viant Technology Inc. - Co-Founder, COO & Director***

Thanks, Tim. We believe our software is best-in-class and offers immense value to our clients. The virtuous cycle we're seeing play out with our customers begins with Viant creating best-in-class software that also has some of the lowest infrastructure costs in the industry. This combination allows us to offer compelling pricing options to our customers that save them money, which in turn allows them to consolidate more of their ad spending with Viant.

Our steady stream of innovation keeps this cycle in play. Last year, our mediator technology brought us more than 4x the cost efficiency of handling millions of ad requests every second. More recently, we released new features that enable our clients to strike direct deals with large content owners like Fox, NBC, Hulu, Paramount and countless others, all with the goal of consolidating even more of their spending in Adelphic.

Once a client starts consolidating spending across all channels, our software becomes ingrained within their organization and makes us very sticky. In Q1, we achieved 44% growth in advertiser spend, which is nearly twice the market growth rate. What does this mean? We are winning more new customers, we are consolidating even more ad spend with existing customers and we are now attracting much larger customers who have the ability to spend a lot more.

We are undoubtedly increasing our share of the market. In Q1, we signed 27 new customers, surpassing our forecasts. Impressively, more than 60% of them went straight to our MSA process and adopted our percent of spend pricing option, completely bypassing the need to test us on a fixed price basis. This is a testament to the increasing momentum our software has gained with brands and their agencies. For the same period last year, it was reversed. 65% of our new customer wins came through our fixed price option. This means that we are shortening the sales cycle for customers to scale their spending in Adelphic.

As a further example of this shift in client behavior, Nestle Waters under agency became a significant customer in their first quarter on the platform under our percent of spend pricing option. They did not start as a fixed price customer. Instead, they capitalized on our platform's omnichannel capabilities as well as advanced reporting and measurement capabilities to drive a significant return on ad spend, which gave our client confidence to then double their planned spend in the first quarter. This is just one example of a customer adopting our software on a shortened sales cycle and continuing to consolidate more spending on our platform. This shift to our percent of spend pricing option is extremely encouraging for the future, and here's why.

In 2020, year 1 percent of spend customers spent twice the amount compared to year 1 fixed price customers. In 2021, year 1 percent of spend customers are now spending 4x that of year 1 fixed price customers. Although, we make a lower percentage per dollar of ad spend in this pricing option in the short term, our long-term goal of consolidating all of their ad spend is being achieved as these customers spend dramatically more. I talked about how we are attracting larger customers.

We also recently signed updated agreements with 3 advertising holding companies. These agreements and others are bringing us much larger brands like Disney, Amazon and Papa John's. With more customers, more ad spending, all happening in our percent of spend pricing option, this means that we are accelerating our market penetration. It also means that we are becoming a go-to platform for not only CTV, but across all channels as evidenced by the broad-based spending growth we're seeing in desktop and mobile, which is up 67%, audio up 60% and digital out-of-home up 346%.

In closing, our market share gains are very exciting. Our clients' needs are only increasing as we introduce new capabilities into our software. Updates on our data marketplace, identity resolution, advanced measurement and our updated household ID offering are resulting in heavy momentum with clients that we believe will further improve our revenue growth rates in the second half of the year.

Let me now turn things over to our CFO, Larry Madden, to discuss our financials and offer more detail on some of the spending trends we're seeing. Larry?

Lawrence J. Madden ***Viant Technology Inc. - CFO***

Thanks, Chris, and thank you, everyone, for joining us today. Before I begin, I'd like to remind everyone that we have posted supplemental financial slides to our Investor Relations website to accompany today's presentation. As Tim and Chris both mentioned, we are extremely pleased with the market share gains we achieved in Q1. Advertisers spend on the platform increased 44% over the prior year period, which represented our second highest quarterly growth rate since 2019. Such growth also represented a significant acceleration from full year 2021 levels where advertiser spend grew 29%. Marketers and their agencies are allocating more of their advertising budgets to our platform and we are winning new customers at an accelerating rate, which makes us more bullish than ever that our solution is resonating with customers.

Revenue growth for the quarter was in line with our expectations and adjusted EBITDA was slightly better than expected. As we indicated in March, growth across our percent of spend pricing model is far outpacing growth across fixed price and we expect this trend to continue going forward. This is coming from both new and existing customers. Our easy-to-use self-serve software is driving increased adoption and more dollars are moving to our platform. While this mix shift between pricing models will impact revenue growth rates near term, we do expect the relationship between growth and advertiser spend and growth in revenue to improve as we move through the year and beyond.

This afternoon, I will be discussing some of the highlights of our Q1 performance as well as some of the key financial and operational drivers during the quarter, and I will also be reviewing our current expectations for Q2 and the full year 2022. In terms of top line metrics for the first quarter, as I said, advertisers spend across our platform increased 44% over the prior year period, accelerating from 26% growth in Q4. Revenue was $42.6 million, an increase of 6% over the prior year period. And contribution ex-TAC was $27.5 million, an increase of 3% over the prior year period.

Advertiser spend on the platform in Q1 grew well in excess of the overall growth rates expected for the U.S. programmatic market. And as we previously indicated, we expect that trend to continue going forward. The lifetime value of a customer using our percentage spend pricing option is significantly greater than that of a fixed price customer, as a percent of spend customers ramp spend more significantly over time and have higher retention rates. Increasing customer adoption of our percent of spend pricing option has always been our goal because we believe it better positions us for more consistent, predictable, long-term value creation.

During the quarter, we saw solid growth in advertiser spend across all key digital channels as customers are increasingly using the full omnichannel capabilities of our platform. CTV continues to be a big driver of our growth and continues to represent our largest channel based on advertiser spend. Additionally, mobile, desktop, streaming audio and digital out-of-home all had strong increases in advertiser spend for the quarter. From a customer vertical perspective, during the quarter, we saw broad-based strength across all key customer verticals outside of automotive, with automotive continuing to be negatively impacted by supply chain issues.

Advertiser spend increased 53% across all customer verticals excluding automotive and 68% across 3 of our largest customer verticals; retail, healthcare and entertainment. Further investment in our sales, marketing and technology teams is also paying dividends as evidenced by the significant increase in the number of active customers. At the end of Q1, we had 327 active customers versus 266 in the prior year period, representing a net increase of 61 customers over the past 12 months or an increase of 23% year-over-year. Sequentially, the number of active customers increased by 18 compared to Q4, exceeding our expectations and representing a quarter-over-quarter increase of 6%.

One last point on revenue as it relates to geographic mix. As we mentioned in the past, virtually all of our revenue is generated in the United States. We have been intentional with this strategy and have little exposure to international advertising budgets at this time. We recognize that geopolitical and macro uncertainty is causing some concern over advertising spend in international markets, but given our limited exposure to international markets, we believe we have minimal risk associated with these events.

Turning now to operating expenses. Non-GAAP operating expenses, which represent the difference between contribution ex-TAC and adjusted EBITDA totaled $31.4 million in the quarter, representing a year-over-year increase of 44%. The year-over-year increase is primarily attributable to the planned investments we've made over the past 12 months across the organization to further accelerate growth in advertiser spend and drive market share gains. Adjusted EBITDA for the quarter was negative $3.9 million, slightly better than our expectations. For the quarter, our non-GAAP net loss, which excludes stock-based compensation, totaled negative $6.8 million and non-GAAP loss per diluted share of Class A common stock was negative $0.09 for the quarter.

From a cash flow perspective, we generated $11.6 million of net cash from operating activities in Q1 and ended the quarter with $248 million in cash or just over $4 per share outstanding as of March 31, 2022. We also ended the year with a modest amount of debt totaling $17.5 million and significant availability under our line of credit. We believe that our growth profile and healthy balance sheet position us extremely well to take advantage of the rapidly growing market opportunity in front of us. Before moving on to discussing our forward guidance, I'd like to briefly cover a couple of housekeeping items for modeling purposes.

In terms of share count, we ended the quarter with 14.1 million Class A common shares outstanding and 61.2 million total shares outstanding. By the end of 2022, we expect the Class A common share count to increase to approximately 15.2 million and total shares outstanding to increase to approximately 62.2 million. The expected increases are primarily the result of vesting activity under our long-term incentive plan. With respect to stock-based compensation, we recorded $6.4 million of SBC in the first quarter and expect SBC to be approximately $8 million per quarter for the balance of 2022.

And with that, I'll now turn to our guidance for Q2 and for the full year 2022. For the second quarter of 2022, we expect advertiser spend across our platform to continue to outpace expected market growth rates with expected growth of at least 35%. We expect revenue in the range of $52.5 million to $55 million, which represents year-over-year growth of approximately 4% to 9% and adjusted EBITDA in the range of negative $3 million to $5 million, reflecting continuing investments in our growth initiatives. For the full year, we are reaffirming our previously issued guidance and expect advertiser spend across our platform to grow at least 35%. We expect revenue in the range of $260 million to $270 million, which represents year-over-year growth of approximately 16% to 20% and adjusted EBITDA in the range of $25 million to $35 million.

As we indicated in March, we intend to continue investing in critical areas of our business in 2022 to further accelerate growth in advertiser spend across our platform. We believe these incremental investments, although impacting EBITDA in the short term will further accelerate our growth and market share gains going forward. Our goal is to deliver outside growth in advertisers spend on the platform for many years to come. And as a percentage of spend is expected to be the main driver of such growth, we believe our revenue and contribution ex-TAC growth rates will significantly improve over time as such growth rates move closer to the overall growth in advertiser spend on the platform.

In closing, we have the utmost confidence that we will achieve our long-term targets of at least $500 million in revenue and 35% adjusted EBITDA margins by 2025, if not sooner. Our conviction is centered around how marketers and agencies are responding to our solution today as evidenced by the acceleration in both advertiser spend and new customer wins that we are currently seeing across the platform. Our total addressable market is massive and we firmly believe our solution uniquely and effectively addresses many of the challenges that marketers are facing in today's dynamic digital landscape.

That concludes our prepared remarks today. And with that, I will now turn it back over to the operator to open the line to questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And it looks like our first question is from Maria Ripps with Canaccord.

Maria Ripps ***Canaccord Genuity Corp., Research Division - Analyst***

All right. Can you hear me? Perfect. So first, your revenue guidance implies approximately 25% growth for the second half of the year. Can you maybe just talk about what's embedded in your guidance in terms of sort of continued mix shift towards a percent of spent model? Do you extend that -- do you expect that mix to sort of moderate, and is there a way to quantify that? And then any thoughts you can share on the linearity of revenue growth in the second half of the year?

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, Chairman & CEO***

Yes. Larry, do you want to take that?

Lawrence J. Madden ***Viant Technology Inc. - CFO***

Maria, thanks for the question. In terms of the second half, yes, those numbers kind of mid to high 20s, we're very confident that we'll be able to achieve them. We do, as we've said, expect the percentage of spend pricing options to continue to drive that growth. But one of the factors in terms of the growth rates in revenue and ex-TAC, that we're expecting that to improve in the second half is, if you look back at the first half of 2021, we had a significant amount of testing on the platform on fixed price, that now is on percentage of spend. So the first half in terms of 2022, the growth rates in revenue and the growth rates in ex-TAC are quite a bit lower than the growth rates in spend. We expect that to improve significantly in the second half. So spend will continue to grow significantly, but revenue and ex-TAC will begin to catch up in the second half.

Maria Ripps ***Canaccord Genuity Corp., Research Division - Analyst***

Got it. And then my second question is sort of also related to this topic. So with increasing mix shift towards percent of spend, can you maybe give us some color on the relative take rates between your different pricing models -- and maybe you can talk about sort of how those take rates have been trending over the past several quarters. So I guess, just any numbers you can share with us to bridge the gap between the platform usage and revenue growth here in the near term, that would be helpful?

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, Chairman & CEO***

Yes. I think it's less of the of the take rate per se. We do make less, as I said earlier. We do make less than a percentage of spend per dollar that's spent, but the dollars are bigger, as I highlighted, when someone's on percentage of spend. When someone is on fixed price, yes, you're making -- you are making more per dollar, but you certainly don't have the spendability that you get out of the percent of spend type customers. I think it really is, though, if you listened to what Larry said around in his remarks around gross accounting or fixed price, that's really the -- that's the other piece that is the larger factor. But because we had a higher mix of fixed price testing last year, and now so many of those have moved over percentage spend and so many of our new customers from a percentage of spend, we expect the back half, really the growth rates and revenue to really increase, to where our full year guide will end up at.

Lawrence J. Madden ***Viant Technology Inc. - CFO***

And I would add, over time, post 2022, because we believe the percentage of spend will continue to be the driver, you will see the growth rates in revenue and ex-TAC get closer and closer to the growth rates in percentage of -- in terms of advertiser spend, as the fixed price component becomes a smaller and smaller piece of the total spend.

Operator

Our next question comes from Laura Martin with Needham.

Laura Anne Martin ***Needham & Company, LLC, Research Division - Senior Research Analyst***

Can you hear me okay? Great. I'm going to start on some -- you guys brought up Netflix in your prepared remarks. And so I'm very interested in your thinking, as Disney+ brings in an ad-driven tier this year and Netflix, we assume next year. It feels like that's bad for you or maybe it's not, but that's my question, because it feels like suddenly there's going to be this enormous supply hitting the market of CTV ad units, and that will hurt CPMs in the near term, when you guys get paid as a percent of total ad spend. So since you just said the largest category -- the largest channel for you is CTV, isn't that bad for you, as they bring ad-driven tiers into the market?

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, Chairman & CEO***

I wouldn't say that at all. I'd say definitely the opposite. I think everybody reacted and our industry reacted similarly which was wow. I would probably pick Netflix, but if you put them out there today in terms of CTV, if they were to be ad-supported, they're likely #2 compared to YouTube, which is massive and marketers are going to need access to that. They're also -- if you're seeing the trend is that, a lot of these companies, they need the independent ad tech infrastructure to pull off an advertising business.

I think about Netflix opening up has so many benefits. One, it's going to enable all of linear television to shift. We need the growth in CTV and consumption and more content to be ad supported. So I think that's a huge benefit, number one. Because we still have another half of videos over on linear TV. And then the second part is, this is yet another example of yet another company and customer type building in ads business. And they just keep exploding. Last year, all the talk around retail media networks, I mean I can't tell you how many conversations we're having with different types of companies, content owners included, looking for key ad technology, namely a DSP to help power that business. So I think it's positive in tons of different directions.

Laura Anne Martin ***Needham & Company, LLC, Research Division - Senior Research Analyst***

Super helpful. And then my second one is for Larry. I understand that you guys are saying you're going to -- you're ramping up sales and technology and all these things and that's going to turn into revenue, more revenue in the second half. But when I actually look at the expenses year-over-year, I show sales and marketing down 3% and tech and development down 15%. So it looks like most of the cost increases were up at platform operations. So can you explain why those are going down, when I thought that the primary margin compression you cited, was you're building up sales and marketing?

Lawrence J. Madden ***Viant Technology Inc. - CFO***

That is on a GAAP basis. You have to remember, our GAAP figures include quite a significant amount of stock-based comp. Last year, it was over $17 million in the quarter. This year, it was over $6 million in the quarter. We do have slides on our Investor Relations website that show basically taking the GAAP OpEx, backing out these non-cash items like D&A and SBC. And with that perspective, you can see the increase. And the increase this year, and particularly in Q1 is larger than the increase will be for the full year, because a lot of the increase is coming from the annualization of the investments we made last year, and most of the investments we made last year were post Q1.

So Q1 this year, in particular, has a higher increase in percentage -- percentage increase in OpEx, and that will go down over the course of the year. But you have to look at it without stock-based comp, without TAC and without DNA, all of those 3 numbers are included in the GAAP operating expenses.

Operator

Our next question comes from Andrew Boone with JMP.

Andrew M. Boone ***JMP Securities LLC, Research Division - Director & Equity Research Analyst***

I wanted to hit first on privacy. Just given all the conversations that we continue to have with investors in terms of the changing privacy landscape, can you parse out just the risks to the business? Like how do we think about the potential for IP deprecation for you guys as well as the tailwinds, right? So as Google Ad ID goes away likely over the next 2 years, as cookies go away in 2023, can you just update us overall in terms of the tailwinds and the headwinds, as we think about the business, as it relates to privacy?

Chris Vanderhook ***Viant Technology Inc. - Co-Founder, COO & Director***

Yes. Let me start and you can fill in on the [other half]. When I think about -- look, if we rewind -- one year ago, this was a lot of what we talked about during our -- during the IPO, that these identifiers and these risks of these other businesses with IDs going away, and a heightened kind of awareness around privacy, this is really what our platform was built around. And for us, the long-term view, it's not a silver bullet strategy of one ID that works versus the others, it really is a framework. We talk about it, as our people-based framework, but really what does that truly end up meaning, where do we see where the kind of North Star is, these IDs that are supplied by big techs somewhat deprecate, go away, evolve, definitely get water down like they have been. But in the end, we think that addressable experiences only increase over time, because they're going to be a benefit for consumers. And what we're seeing right now is a huge trend, where content owners who have direct relationships with consumers and marketers who have direct relationships with consumers, need a platform in the middle to connect both sets of first-party data. That's really what is happening. That's number one.

Number two, where is that happening? It's not going to happen in the browser, it's not going to happen in Safari or across Android Live on their device, it's all going to happen server side between these entities and that really is going to allow for the privacy to take place, disclosure to consumers, but marketers in the end, get to offer a personalized advertising and see what they get for their money measurement.

So for us, this is exactly where we're positioned and it's a big increase. Big reason why we have such a large increase in our platform spend growing 44% this quarter. So that's our view on the privacy piece. It's going to continue, just like we said a year ago, but it is exactly where our platform is built.

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, Chairman & CEO***

And I'll just add to that. I mean, really, at a 50,000-foot view, what's happening in the privacy landscape, Cookies were an opt-out model. Consumers had to find them, delete them, figure out how to turn them off and keep doing that over and over. That privacy pendulum has shifted more towards an opt-in model, which is around the PII data associated with an e-mail address or the registration on an actual website. So I think what you're seeing at a high level, is the move from opt-out to opt in, and for us, that opt-in is usually on a people-based framework. And that's really where Chris mentioned, we bring in the data matching between the advertiser and the content owners, and that's what's been driving our growth. So we view digital identifiers being deleted as an absolute tailwind for our business. We've said it since we went public, and I think that will continue to be a tailwind for many years.

Andrew M. Boone ***JMP Securities LLC, Research Division - Director & Equity Research Analyst***

That's actually a nice segue to kind of my second question. As you guys brought up measurement last quarter in terms of the 100 plus partners. This quarter, you guys brought it up in the prepared remarks in terms of continued advancements there. Can you just double-click in terms of just the attribution and measurement side, and just talk about the progress that you've made there as well as just -- how do you think you compare against other DSPs that are out there and the differentiation between the platforms?

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, Chairman & CEO***

Yes, let me start on this one. I think the biggest differentiation from a measurement, that a people-based DSP offers versus our traditional large competitors, is that we can measure in-store sales or offline activity as well as online and e-commerce transactions that are happening. Everyone that's relying on a digital identifier, is only being able to measure or report back sales in these ID-based environments, which is primarily Google Chrome now. So the biggest advantage is right off the top, any business that operates in a physical retail space and in e-commerce online as a sales channel. We blend both of those back, and we're able to -- for them to understand what -- which ads are driving in-store sales, which ads are driving online sales and what that means for the total revenue of that organization. That is by far the #1 differentiator, when it comes to measurement.

Chris Vanderhook ***Viant Technology Inc. - Co-Founder, COO & Director***

I would say, too, just from our standpoint, we continue to -- we continue to roll out a ton of innovation around measurement. It's a huge reason why customers work with us. The value and the benefit of working with a people-based platform, is in the measurement. You get to truly see in the return on ad spend. And then you get to make clear decisions. This was taken for granted years ago, because big tech, whether [be it] a cookie or Apple giving you an IDFA, it was easy for everyone, it is the easy button for measurement. You knew that you showed an ad, did they show up in your website, download something, but easy.

But when you start to think about those going away, marketers have a huge challenge right now. And the big trend that we're seeing is them, really taking measurement in-house, and they're really having to do measurement on their own, in the cloud. They need partners to do that. When you think about us, that we -- like I said, how longstanding here, but we have our own Data Lake platform that connects in either customers use it on their own -- as their own clean room, or we connect into other third-party clean rooms like Snowflake.

So we have a huge lead here, and I think that you're going to see more innovation coming out of us. It's also going to be another big reason, why I think our revenue growth rates pick up in the back half of the year as well.

Operator

Our next question comes from Andrew Marok with Raymond James.

Andrew Jordan Marok ***Raymond James & Associates, Inc., Research Division - Analyst***

One more swing at the percent of spend issue. So with 60% of new customers coming in at percent of spend and revenue kind of in line with guidance in 1Q, does that imply that the shift to percent of spend is kind of progressing in line with your expectations so far?

Chris Vanderhook ***Viant Technology Inc. - Co-Founder, COO & Director***

Yes. I mean what we don't control -- what I don't control is, when we go to market and a customer, let's say, like last year, they test us and fix price, I don't control when they make the move. A lot of that is an internal decision. They have to work through an MSA process, those can be lengthy. What we're seeing is, that we had great success last year with those customers, who tested our platform. They have shifted to percentage of spend. They're spending even more, and what we're not having to do, is prove ourselves at the start like we did, let's say, for the last couple of years.

Now the awareness level around buying in our Adelphic software has increased dramatically, and a lot of -- you see customers aren't holding us up saying, no, I'm not going to do the MSA with you yet. I want to test it on fixed price. They're going straight to an MSA, and they start spending. The benefit of that, I would say, is it's not that it was more than we expected per se. I think what we don't -- I know our retention rates increase in the percentage of spend, and they're spending even more. So really, it's fast-forwarding our progress in our sales cycle with these customers. And I think when we think about how much customers are spending with us, I think it fast-forwarded us in our long-term kind of projections, and it's actually really great to see. It does have a drag on the short term on the revenue growth. But again, we think that's going to subside in the back half.

Andrew Jordan Marok ***Raymond James & Associates, Inc., Research Division - Analyst***

Understood. And also, we saw some strong results in some of the emerging verticals like our emerging channels like audio and digital out-of-home. Why don't you [guys give] just a little bit of carte blanche to talk about how those channels are driving value for advertisers and your platform, and how big can those become for you over time?

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, Chairman & CEO***

Yes, definitely. I mean when we think of streaming audio, it's the next most exciting category behind Connected TV, has all of the targetability, all the measurability and the unique engagement with the end consumer, where they're listening with full attention to a podcast or music in their car. So to us, we look at streaming audio as another huge channel that can be unlocked in the future, and everything we're learning on connected television, is applicable to streaming audio as well, too.

Digital out-of-home obviously, this was a big grower prior to our IPO prior to the pandemic hitting, and we've started to see this emerge now as a pretty substantial category on many media plans that marketers are looking to reach. But I think overall, the strength in all those channels, really is a testament to our household ID technology. It's the ability to buy across all of those channels and then understand which ad within those channels actually drove the revenue for the customer. And that's where the measurement kicks in, leveraging this household ID, as the best way to actually plan, buy and measure omnichannel advertising in Adelphic.

So to us, we see huge tailwinds in streaming audio, enormous tailwinds, especially now that the pandemic has, for the most part, started to come to an end. I know COVID keeps flaring up. But I think society is kind of moving past this period and digital out-of-home we're seeing is on many, many plans.

Chris Vanderhook ***Viant Technology Inc. - Co-Founder, COO & Director***

Andrew, one other point just around this, and why it's important. When you have broad-based spending growth across all channels, it proves the point that the Adelphic software is extremely valuable to the customers. There's plenty of other companies that will have one-off growth shoots or within certain channels, but it really shows the value of our software. We've long said that the -- you could have a great ID, you could have great capabilities. But if your software doesn't make it super easy for them to buy and then understand what they got their money, they're not going to consolidate spend across your platform. They're just not the marketers I'm talking about.

So in the end, this is really yet another proof point, that our Adelphic software is really enterprise grade, and we're making incredible inroads out there, and now with even larger customers. So those are all incredible things to see.

Operator

Okay. At this time, I do not see any more questions. So I will turn it back over to you for closing remarks.

Tim Vanderhook ***Viant Technology Inc. - Co-Founder, Chairman & CEO***

All right. I'd like to thank everyone once again for joining our quarterly earnings call, and we'll see you next quarter. Bye. Thank you.