

## Small Talk – The Trade Desk, Inc.



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Presented by  
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Rocky Mountain  
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## Poll Question

▶ Have you taken a look at The Trade Desk?

- YES
- NO



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## TTD Facts



- ▶ Incorporated in 2009
- ▶ HQ is in Ventura, CA
- ▶ 20 offices worldwide, including Japan, Korea, Hong Kong, Germany and most recently, Shanghai
- ▶ IPO: September 2016 @\$18/share
  - 2 Secondary offerings for shareholders in 2017
- ▶ Symbol: TTD (Nasdaq)
- ▶ Sector/Industry (M\*): Technology/Software – Application

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## Global Offices

The Trade Desk is global.



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## The BIG Difference Between Traditional and Digital Media



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## In Digital, Content and Advertising Travel Separately



- ▶ The content comes first and then
- ▶ 3/10's of a second later; ads show up

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## You Are Much Much MORE Than Your Media Choice



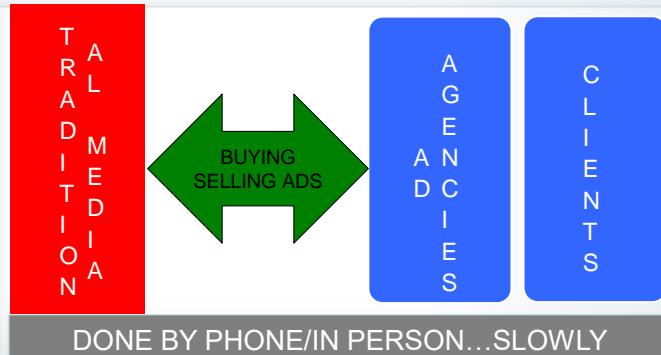
- ▶ Where you have been on the web
- ▶ Things you have purchased
- ▶ Similarities between you and others
- ▶ Where you are physically

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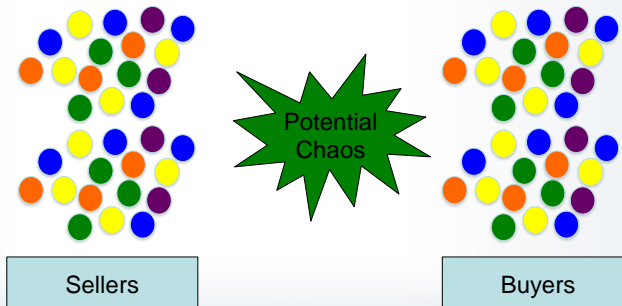
## Finally, in Traditional Media Buying and Selling



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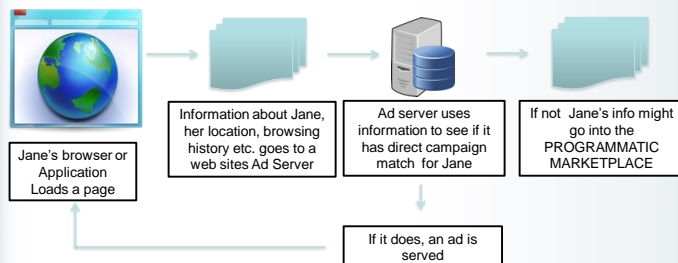
## But With Umpteen Web Sites, Clients and Profiles?



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## How Digital Ads Are Targeted

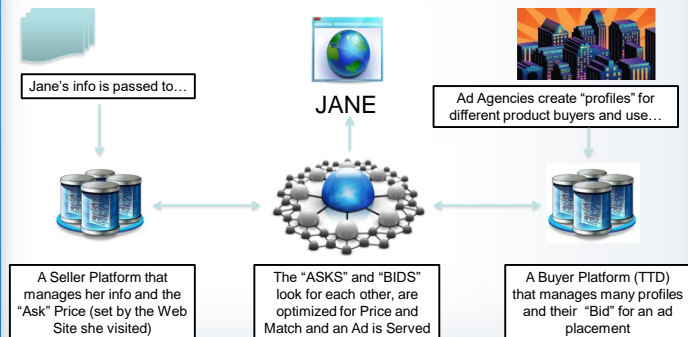


- ▶ These are higher price / lower frequency "direct" ads
- ▶ The majority of ads are NOT "served" this way

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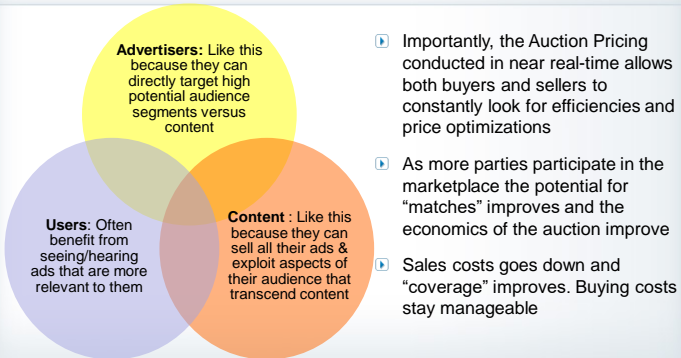
## The Programmatic Marketplace – TTD Core Market



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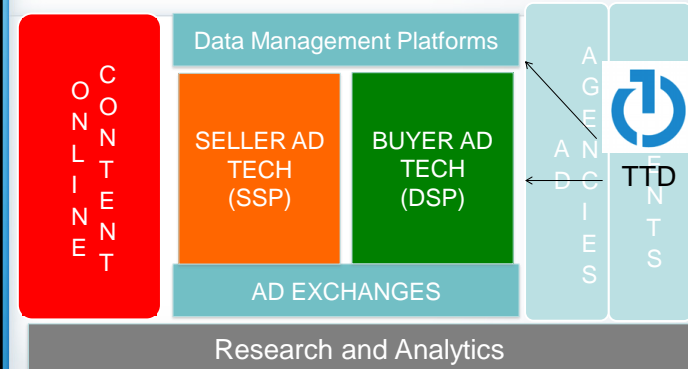
## Why is this good? (and such a fast growing market?)



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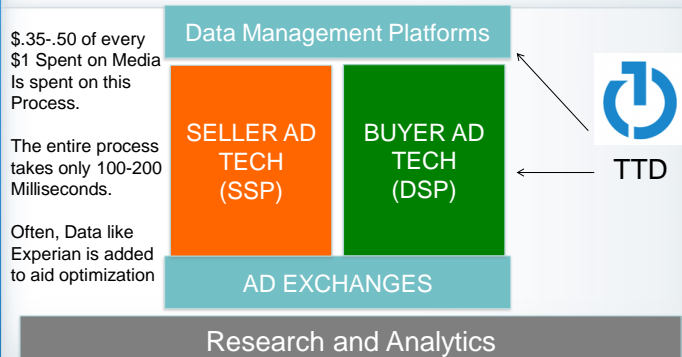
## Market Size: Participants and Dynamics



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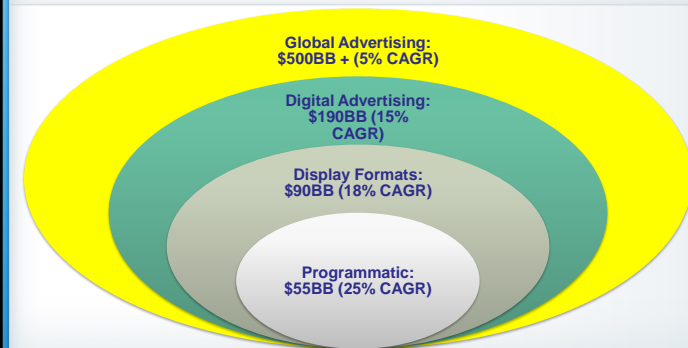
## Market Size: Participants and Dynamics



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## How Big is The Market?

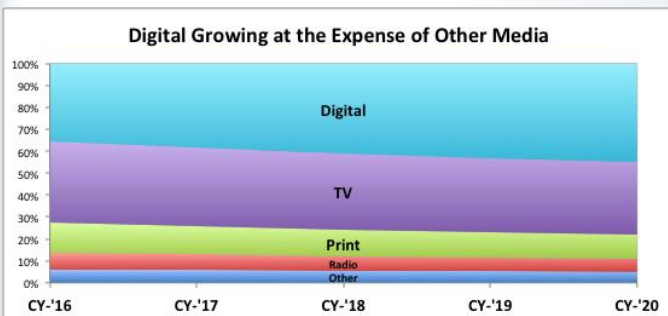


Source: MAGNA, eMarketer, IDC

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## And Digital Is “Stealing Share”



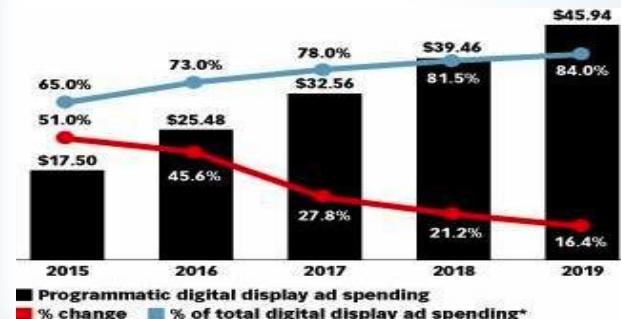
Source: PwC

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## And Programmatic is “Stealing More Share”



Source: eMarketer

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## And Programmatic is “Stealing More Share”

- ▶ A growing global media market
- ▶ With Digital growing faster than any other media
- ▶ And, Display Digital (banners, video, audio ) growing faster than Search or any other part of Digital
- ▶ And, with Programmatic growing much faster than the rest of the market
- ▶ The Trade Desk is right in the middle of that...

Source: eMarketer

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## Why Is TTD Growing Even Faster Than Programmatic?

- ▶ Despite the Company's claims, they do NOT have a strongly differentiated CORE technology
  - Nor is the ability to function across platforms (PC, Mobile, OTT) unique
- ▶ TTD made a business decision to work only with Ad Agencies
  - Competitors tended to go direct to marketers creating conflicts with agencies and slower adoption
  - Agencies LOVE the full transparency TTD offers on price and data
- ▶ TTD leveraged that decision (and the result) in two key ways
  - TTD is “buy-side only” meaning that they do not have any monetary relationship with publishers (and no conflict of interest – they do not arbitrage)
  - TTD works extra hard on their user-interface and experience to enable agencies in a way competitors do not.

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## The Result?

- ▶ Faster than market adoption and...
- ▶ Customers tend to sign a higher percentage of Master Services Agreements than competition. Which leads to...
- ▶ Greater consistent-use by customers than competing platforms and...
- ▶ Less fee negotiation and...
- ▶ Atypical revenue visibility for this sector. All creating...
- ▶ Superior financial results and...
- ▶ Well positioned to continue growth both domestically and internationally and in audio, mobile and someday TV.

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## Morningstar – TTD: Sector: Technology Industry: Software - Application

### Key Stats TTD

More...

	Stock	Ind Avg	Relative to Industry
Price/Earnings TTM	55.4	115.2	<div style="width: 48%;"></div>
Price/Book	10.6	6.9	<div style="width: 155%;"></div>
Price/Sales TTM	8.3	5.6	<div style="width: 148%;"></div>
Rev Growth (3 Yr Avg)	—	11.3	
Net Income Growth (3 Yr Avg)	—	1.2	
Operating Margin % TTM	24.1	8.4	<div style="width: 287%;"></div>
Net Margin % TTM	15.0	5.2	<div style="width: 288%;"></div>
ROA TTM	9.0	3.0	<div style="width: 300%;"></div>
ROE TTM	28.9	6.3	<div style="width: 459%;"></div>
Debt/Equity	0.1	0.5	<div style="width: 20%;"></div>

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## TTD Competitors

- ▶ Google and Facebook: Buy-side and sell-side, 1 stop shopping for all needs
- ▶ Sizmek: large independent buy-side advertising platform (70 countries) – not public; just acquired Rocket Fuel (FUEL) @ \$2.60/sh
- ▶ Rubicon Project (RUBI): buy and sell-side (recent quote: \$4.10/sh)
- ▶ Telaria (TLRA)(fka Tremor Video): programmatic sell-side platform for video (recent quote: \$3.77)

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## SWOT Analysis



**Strengths** – Internal factors that may positively influence company performance

**Weaknesses** – Internal factors that may negatively influence company performance

**Opportunities** – External factors that may positively influence company performance

**Threats** – External factors that may negatively influence company performance

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## Strengths

- ▶ Big BET on agencies versus marketers is paying off
  - Relatively high customer retention with increasing spend
  - Very fast growth with 566 customers
- ▶ Very customer friendly and great customer care
  - Platform has a great UI (User Interface)
  - Plenty of customer-touch tutorials, programs etc.
- ▶ Built in Data Management Platform makes it easy for customers to improve their targeting
- ▶ Strong DSO and DPO leading to favorable cash position

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## Weaknesses

- ▶ No significant barrier against new competition and no switch cost for customers
- ▶ Limited ways to expand gross margins without losing focus or changing model (e.g., add sell side activities, go direct creative services)
- ▶ No presence in India (Yet)
- ▶ Limited operating history with no experience in downturned advertising markets.
- ▶ Emerging Growth Company (reduced SEC reporting requirements)

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## Opportunities

- ▶ \$500B+ global advertising industry which still has a lot of "Headroom" for programmatic (sources: PwC, eMarketer)
  - Including mobile, audio, mobile video
- ▶ Capture larger % of dollars as advertisers move a greater % of advertising budgets to programmatic channels
- ▶ Failing competitors
- ▶ International operations growing 3X as fast as US operations
- ▶ China: massive publishers in industry and tons of potential growth
- ▶ Connected TV (Smart TV) for the long term

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## Threats

- ▶ Facebook/Google further dominating the display market – 50% of entire digital display advertising market goes to Facebook and Google (source: eMarketer)
  - Could hamper growth or decrease margin
- ▶ Market for programmatic advertising, which is relatively new and evolving, develops slower or differently than TTD expects
- ▶ Ad business is changing so quickly – hard to predict twists and turns in the future
- ▶ Subscription TV grows faster than free TV in the long term depleting TV advertising opportunity

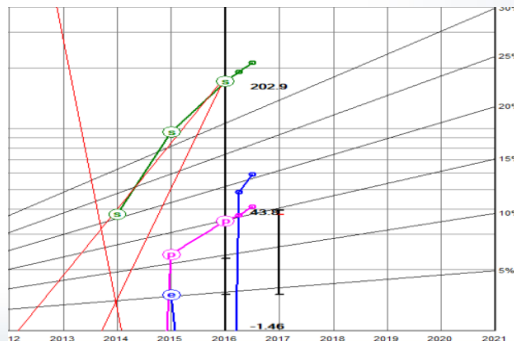
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### SSG: Is TTD a Quality Company?



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### Adding Judgment – Sales (%)

- ▶ 20.0 Toolkit ACE est.
- ▶ 26.7 Yahoo 2018
- ▶ 50.0 Yahoo 2017
- ▶ 54.3 2Q16 to 2Q17
- ▶ 113.0 Three years historical

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### Adding Judgment – EPS (%)

- ▶ 10.0 Zacks 2018 est.
- ▶ 13.6 Zacks industry 2017 est. (Internet Services)
- ▶ 94.5 Zacks 2017 est.

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### Adding Judgment - High P/E

- ▶ 25.3 Current P/E
- ▶ 26.5 52 week High P/E
- ▶ 30.0 Better Investing High P/E

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### Adding Judgment – Low P/E

- ▶ 9.3 52-week Low P/E
- ▶ 25.3 Current P/E

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### Adding Judgment – Low Price (\$)

- ▶ \_\_\_\_ Forecasted Low Price
- ▶ 22.00 Low price since IPO (2016)
- ▶ 47.90 80% of current price

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### After this Study, What Are Your Thoughts?

- ▶ Yes - TTD has the ability to keep growing
- ▶ Maybe – TTD's customers like its platform
- ▶ No – TTD is too young/speculative
- ▶ No – TTD doesn't fit my portfolio
- ▶ Will put on a watch list

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### Next Small Talk

October 24, 2017

7 PM (MDT)

Register at [rmchapter.org](http://rmchapter.org)

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