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The Trade Desk (TTD)

Industry: Technology/Advertising

Recommendation: Hold

Changing the way advertising is bought and sold through its industry-leading technology platform

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The Company

The Trade Desk is an advertising technology company that offers online advertising platforms that manages display, social, mobile, and video advertising campaigns. TTD uses a cloud-based platform that allows ad agencies to create, manage, and optimize more data driven digital advertisements.

Where they operate: Based in Ventura California

Key Clients: Omnicom, Adobe, AT&T

Firm strategy: TTD approaches their business with a data-driven, client first mentality that has resulted in significant success since their IPO. A large part of their growth in recent years is attributed to innovation in technology, with advances in mobile and television advertisements.

Current Price: \$207.00

Market Cap: \$9.14 billion

12-Month Price Target: \$220

YTD Performance: 78%

Q4 EPS (GAAP) 2017/2018: \$0.38/\$0.84

Analyst Recommendations: 10 buys, 4 holds, 1 sell

Total Debt: \$102 million

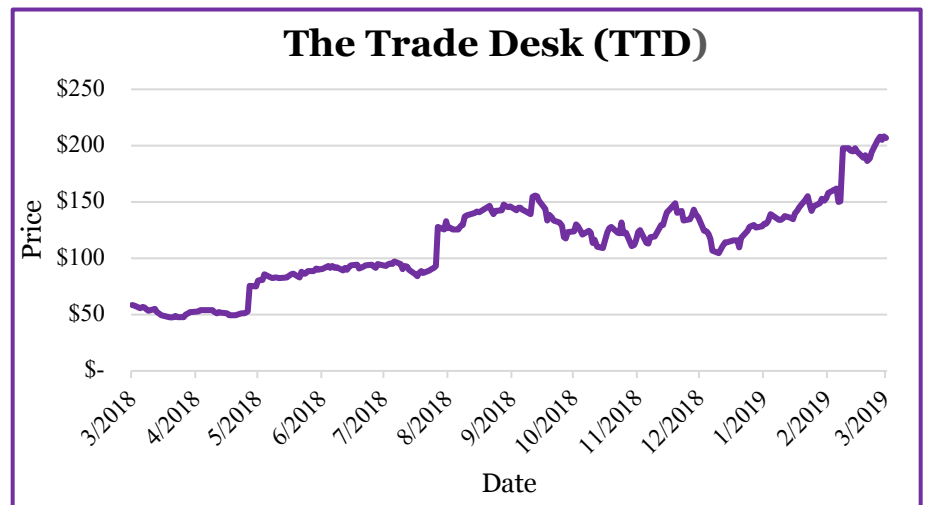
Operating Margin: 22%

TTD Industry Strengths

- Advances in technology have made media significantly more digital
 - Data can be processed in a much more efficient manner
- 5G has promising potential as it will introduce significantly faster data transfer speeds, and an improved user experience
- TTD's client base is extremely loyal with the company boasting a retention rate of over 95%

Investment Thesis

TTD has seen remarkable growth in all aspects of its business since 2014. Revenues have increased significantly year over year since 2014 as the company continues to find new ways to expand their client base and diversify their platform. TTD operates in an industry that is poised to grow significantly, with spending on digital advertisements projected to increase by 10.9% through 2022. Spending on mobile advertisements, which account for over 70% of TTD's revenues, is expected to outpace the rest of the digital media market almost two-fold, with yearly growth estimates of just over 20% through 2020. TTD main strengths come from the fact that it operates in a niche market with few true competitors, and high barriers to entry. In February, TTD's share price skyrocketed 33% when the company announced revenues increased 55% from 2017 to 2018. This jump significantly altered its financial ratios, increasing P/E to 78.76x and EV/EBITDA to 75.37x, both of which are well above the industry and market average. While TTD has promising growth potential, and an impressive track record I am recommending a hold with a re-entry price of \$170-180.





Catalysts/ Key Drivers

1. Expanding Client Base
 - TTD's current Clients are expected to increase digital advertising spending
 - Development of international markets will give TTD the opportunity to grow on a global scale
 - International growth is expected to outpace domestic growth
2. Commitment to R&D
 - Increased spending to support the innovation of new technologies
 - Streamline their current platform with data processors that are more efficient
 - Developments will allow their platform to expand their advertising and data inventory suppliers, which will drive an increase in volume of spending
3. Industry Growth
 - The digital advertising industry is experiencing a high level of growth
 - Data driven digital advertisements are becoming more relevant for companies that seek to target specific audiences
4. Emergence of Connected TVs
 - Connected TVS allow for the convergence of the internet and television programming
 - Allows more video content to be delivered over the internet
 - Worldwide rollout of 5G for wireless technologies will bring significantly faster data transfer speeds
 - Increase demand for connected TVs
5. Increase Share of Client's Digital Advertising Spending

Market View

- TTD has significantly outperformed its sector, industry, and market this year as investors have realized how important of a role TTD plays within the digital advertising industry
 - YTD: 78%
 - 1-Year: 336%
 - 3-year: 1051%

Risks

1. Global economic growth slowing
 - As with all industries, there is the risk that the global economy may slow as the economic expansion since the financial crisis has been strong for a number of years
 - With a global economy slowing, consumer spend on pieces of technology that use semiconductors will fall, leaving AMAT with reduced earnings
2. Shrinking demand for smartphones
 - With recent pushes by technologies companies such as Apple Samsung, Google, and Amazon to expand their market share into Emerging Markets, such as China and India, the the market has focused on the potential for growth in these regions. The failure to expand into these regions by technology companies will directly impact semiconductor revenues, spreading the impact to Applied Materials.

Competitors:

Selected Financial Data

2018 10-K Results:

Revenue: \$477.3 million, up 55% 2016

GAAP EPS: \$0.84, up 124% from \$0.38 the year earlier

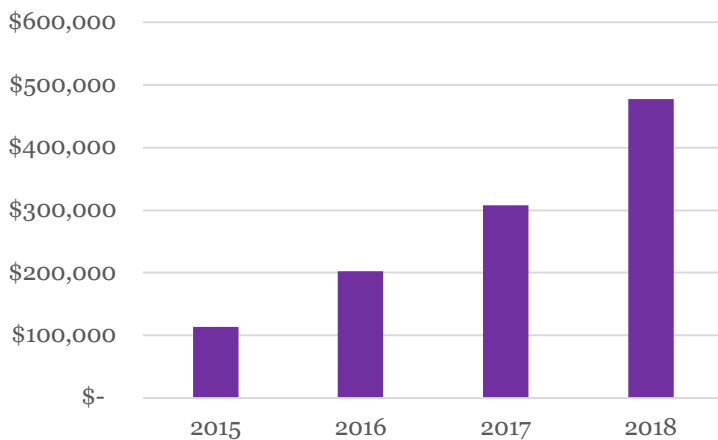
Cash: \$207.23 million

Debt (total): \$143 million

Cash flow from operations: \$88.1 million

Revenue Growth:

Revenues (in thousands)



EPS Growth:

EPS

