

# Buy The Trade Desk

Tom Gardner | November 7, 2019 | [Buy Recommendation](#)

CURRENT PRICE: [TTD](#) \$ 417.06 ↑ \$ 14.26 (3.5%) Čekáte na výběr. Více informací o akci.

**The Trade Desk** ([NASDAQ: TTD](#)) has achieved a lot in a short time — since its 2009 founding, sure, but also since I first recommended it to *Stock Advisor* members in October 2017. If you bought shares then, your investment has more than tripled as the company has pressed its formidable advantage in programmatic advertising.

But I think there's a lot more in store. The Trade Desk has set itself apart not only for the strength of its product and its business, but also for its opportunity — even now, it's still a small player in a huge industry. I think it has years of growth ahead of it, which is one reason I don't mind recommending it today just hours before its latest quarterly report (more on that below). We preach adding to your winners, and that's exactly what The Trade Desk is.

## Look How Far The Trade Desk Has Come

The Trade Desk's cloud-based platform lets advertising agencies see real-time inventory of ad space available on the internet in social media, mobile apps, video and audio — you name it. The agencies can then tailor their ad purchases in order to target a particular audience. Once the ads are up, the platform provides detailed analysis. This is the essence of programmatic advertising — bringing you the most relevant ads in whatever digital channel you're using at a given moment.

One thing that distinguished The Trade Desk from some of its peers two years ago was that rather than charge a markup for the ad inventory it sold, the company passed through the actual cost of the ads to its clients. By collecting revenue on a percentage of ad spend, The Trade Desk essentially acts as an agent. And because it's transparent about what its services cost, it was able to attract some of the most influential ad agencies in the world.

## THE TRADE DESK IN 1 MINUTE

### What It Does

The Trade Desk's cloud-based platform allows ad agencies to buy and manage programmatic advertising campaigns around the world. With a wide range of different channels, formats, and devices on which to offer ads, The Trade Desk is a one-stop shop for advertisers looking to customize their campaigns for maximum effectiveness.

### Why You Should Buy

- Programmatic advertising has come into its own, demonstrating its competitive advantages over more traditional advertising, and The Trade Desk has been the first-moving leader.
- The Trade Desk has continued to innovate, bringing together multiple channels for reaching audiences that include the internet, social media, mobile apps, audio, and video.
- The addressable market for advertising globally is more than 100 times larger than what The Trade Desk has tapped into thus far, and there's still plenty of room for the company to grow even within the market niche for programmatic ads.

### Buyer's Guide

- **Industry:** Application Software
- **Size:** Mid-Cap
- **Region:** U.S.
- **Nov. 6 Price:** \$194.42

Fast-forward to today, and The Trade Desk's financials tell a compelling story about how much progress the company has made. As of the quarter that ended June 30, The Trade Desk had seen revenue climb 120% since the second quarter of 2017 and net income jumped by nearly half. Year-over-year sales growth actually accelerated from 41% in the first quarter of 2019 to 42% in the second quarter.

# Where The Trade Desk Has Room to Run

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See how you can tell if this investment is going right — or wrong.

Yet The Trade Desk is just getting started. Founder and CEO Jeff Green is seeing more major global advertisers commit increasing amounts of marketing spend to the company's programmatic advertising model as they gain trust with the platform -- and as they see its powerful results. Customer retention has exceeded 95% for 23 straight quarters.

The Trade Desk has been particularly adept at keeping up with the rapidly changing landscape for reaching audiences, and its strategic approach has balanced using well-established advertising channels with capturing new opportunities. In its core omnichannel solutions business, ad spending on mobile video space has jumped 50% over the past year, and in-app ad spending on mobile devices has climbed at an even faster rate: 63%. However, The Trade Desk has identified connected television as well as audio as major new potential growth drivers. In just the past 12 months, the company saw spending on connected TV grow more than 2.5 times, and ad spend on audio is up 270% over the same period.

Green is particularly excited about a big new opportunity. The Trade Desk recently joined forces with **Amazon.com**'s ([NASDAQ: AMZN](#)) Amazon Publisher Services to connect third-party premium TV content providers on the site with The Trade Desk's platform. Green believes that television advertising is going through a revolutionary transformation, and The Trade Desk is in a great position to work with advertisers and give them the data-backed insights they need.

Even with all the progress it's made, The Trade Desk is still a tiny player in a massive global advertising industry. With an estimated \$725 billion spent on advertising around the world in 2018, The Trade Desk's piece of the total global ad pie amounted to just a fraction of 1 percent. Even focusing solely on programmatic advertising, ad spending in the U.S. alone could top \$80 billion by 2021, and The Trade Desk is in a great position to capture an ever-increasing share of that market.

- **Allocation:** We don't recommend buying too much of any stock. Many Fools choose to fill out their positions incrementally, starting with a small amount — 2% of their portfolio's overall value, for instance — and adding a little at a time.

## Key Data

- **Headquarters:** Ventura, California
  - **Website:** [The Trade Desk investor relations](https://www.thetradedesk.com/investor-relations)
  - **Market Cap:** \$8.7 billion
  - **Cash/Debt:** \$231.1 million / \$88.5 million
  - **Revenue (TTM):** \$560.2 million
  - **Earnings (TTM):** \$97.7 million
  - **Revenue (2017/'18):** \$308.2 million / \$477.3 million
  - **Earnings (2017/'18):** \$50.8 million / \$88.1 million

Add TTD to Your Favorites

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## Risks and When We'd Sell

- The health of the global economy is vital to growth in the advertising industry, and concerns about economic slowdowns in many parts of the world have grown recently. If consumers become less willing to spend, then advertisers may follow suit. The Trade Desk's business model leaves it directly exposed to tightening ad budgets, so we'll monitor business conditions closely.
- I highly respect Green's leadership, and he remains a key part of our investing thesis. With a 94% employee approval rating on Glassdoor, Green has the confidence of his workforce. The founder also retained 60% voting control of The Trade Desk as of its most recent proxy statement, and between a 9% stake worth almost \$790 million held in his own name and separate positions held in trust, Green also has his financial interest squarely aligned with shareholders. If anything were to happen to Green, we'd be losing a major asset.
- While we're excited about The Trade Desk's long-term outlook, you'll need some patience to ride out short-term volatility. Since reaching highs of almost \$290 per share in August, the stock has fallen more than 30%. That's a big move in less than three months, but it's something that every investor in this company has to anticipate and be prepared to ride out.

## The Foolish Bottom Line

Read that last point again, because we could be in store for another big share-price move when the company releases third-quarter financials only a few hours after we publish. We'll never pressure you to buy shares immediately after we make a recommendation, and we understand if you want to wait until you've seen the freshest earnings results.

That said, you should take my recommendation before those earnings as a sign of how much I believe in The Trade Desk and its opportunity. With a growing addressable market, a committed founder/CEO, the prospect of new collaborations to grow its business even further, and a significant pullback to take advantage of, The Trade Desk is a long-term winner I'm happy to add to right now.

*Dan Caplinger contributed to this report.*

**TOM CALLED IT AGAIN:** Do you agree that The Trade Desk will beat the market over the next 3-5 years? (After voting, buy shares to invest right away or add TTD to your Favorites for alerts later.)

YES

NO

NOT SURE

*John Mackey, CEO of Whole Foods Market, an Amazon subsidiary, is a member of The Motley Fool's board of directors. [David Gardner](#) owns shares of Amazon. [Tom Gardner](#) owns shares of The Trade Desk. The Motley Fool owns shares of Amazon and The Trade Desk. The Motley Fool has a [disclosure policy](#).*

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