



## Why The Trade Desk Stock Has a Real Tailwind Behind It

### Description

When it comes to picking companies that can do great things for your portfolio, there are any number of criteria you can choose. Are they temporarily undervalued? Do they have a massive opportunity ahead? Are they Rule Breakers that are changing their industries, or the whole world?

Well, Motley Fool co-founder David Gardner takes many things into account when he weighs investments, but this week, he's picking a five-stock sampler of companies that are poised for gains because they are riding massive trends. (Special thanks to listener Paul Knaapen, who asked David to chose the five Rule Breakers with the strongest tailwinds.)

In this segment of the [Rule Breaker Investing](#) podcast, he talks about programmatic advertising specialist **The Trade Desk** ([NASDAQ: TTD](#)). If you're unfamiliar with what it does, that's OK, because the company is extremely familiar with what you do — which is how it puts digital ads in front of you that you have a better chance of being interested in.

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*This video was recorded on Sept. 4, 2019.*

**David Gardner:** Stock No. 4, one of our stellar, truly stellar performers over the last couple of years. If you like the performance you've heard from **Roku**, or from **Teladoc**, or even **NextEra Energy**, up 25% just this year, you're going to love The Trade Desk, ticker TTD. This is a stock I first picked on February 22nd, 2017. That's about two and a half years ago. It was at \$34.30 then. Today, it's risen from \$34 to \$236. It's up 617%. The market's been pretty good, up 30% since then, but we have absolutely destroyed the market, and on its own, it would have pulled any other group of four stocks up and beaten the market over that time. I'm really happy that not only did we recommend it to *Rule Breakers* members, but we then rerecommended it and added it, even though it was higher, and we're all doing pretty well in this company. But that was then. This is now. This is a company whose tailwind should continue to propel The Trade Desk forward for the foreseeable future. The stock, by the way, I

already mentioned, is \$236 as we record. That's a market cap of about \$11.25 billion.

So, what's the tailwind behind The Trade Desk? Well, in a way, it's an industry that you and I can recognize even if we don't know that much about it. It's the advertising industry. Specifically, it's the growth of digital advertising. Earlier, I thanked NetSuite, our sponsor. Somebody placed that ad. Now, we are a seller in this buyer and seller marketplace here at The Motley Fool *Rule Breaker Investing* or *Motley Fool Money*, our various podcasts. We're sellers. We have content. You come for it. We hope as many people will come as possible. Tell your friends about Motley Fool podcasts. Thank you very much! The buyers are the people who want to pay dollars to be featured. The buyer in this case is NetSuite. Now, in an earlier era of technology here in America, probably your country, too, wherever you live, the world of advertising was simpler. A ton of print, some TV and radio. You probably would hire an ad agency if you were a bigger scale thing. So, you'd have a middleman who was working with you to place you in the right magazine or the right Super Bowl ad, or whatever it is. It was a simpler world. These days, the world has gotten a lot more complicated. You might have noticed there's this thing called the internets. The internets has a lot of ad space. There is huge complexity to figuring out which page should have an ad, who's reading that page, and what the ad should be. If you're trying to manage ad campaigns these days, it's incredibly complex to figure out where you should place your ads. Should it be right there in a **Facebook** page? Or should it be a bus wrap in Buffalo? Or both? Well, what I really appreciate about The Trade Desk is, it has a leadership position creating a platform where buyers meet sellers more directly, as opposed to traditionally just going through an ad firm.

These days, every day, even as I speak, people are bidding for ad placements using this online platform. It's a brilliant business model. Started by two co-founders, the CTO and the CEO, a wonderful partnership, the CEO being Jeff Green today, 10 years ago. And here they are with an \$11 billion market cap and a big, winning stock. But as I look forward, I see that they're beautifully positioned for more and more advertising to happen in more and more places all around the internet and offline, too, and for people in some cases to make it cheaper, cut out the middleman, and bid directly for ads. By the way, that platform really helps buyers, the advertisers, reduce their costs by making suggestions and helping them make smarter decisions for their ad campaigns. No surprise then, that in its most recent quarter, The Trade Desk had top line growth of 43%. By the way, the company has \$200 billion of cash and no debt. And for 23 straight quarters, it's announced its customer retention rate at 95% or higher. They don't lose customers who are using this platform. A very evident tailwind and another one of those companies — we find them here at *Rule Breaker Investing* and *Motley Fool Rule Breakers*, we're focused on finding the top dogs and first movers in important emerging industries. That's trait No. 1 of our approach that we've practiced for 20-plus years now. Trade Desk is just the most recent great example of that.

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1. NASDAQ:TTD (The Trade Desk)

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