



What Does The Trade Desk Do and Where is it Going?

Description

One of the more complicated sectors in the stock market involves cloud-based technology. Growing in popularity from 2006, cloud technology has slowly become omnipresent in business computing, simplifying processes, cutting costs, and increasing efficiency. Within this technology, there is a hidden gem known as programmatic advertising — a revolutionary medium within the advertising segment.

Unpacking the technology

To understand programmatic advertising, let's start with the traditional model of advertising for marketers. Once limited to a few options of television, newspapers, and magazines, marketers that wanted to reach a broad audience would work under contract to display the ads, reaching most audiences from a “mud on the wall” approach. As media channels are now fragmented into many platforms, it's difficult for marketers to achieve similar results. Just as stock traders that used the open outcry system — yelling at each other in trading pits — had to transition to digital trading with the invention of digital exchanges, marketers must follow suit with programmatic advertising. Marketers must become highly strategic about where to put ads because of media fragmentation. This is the problem **The Trade Desk** ([NASDAQ: TTD](#)) solves.

The advertising exchange developed by The Trade Desk allows marketers to choose the specific audience from several metrics, allowing for a maximized return on investment (ROI). Selling advertisement impression availability — fancy language for selling ads — to marketers on an open exchange. This technology gives marketers control as to when, where, and how many times an ad will be displayed across several media channels by bidding for specific opportunities.

Solid results

Trade Desk delivered second-quarter revenue in 2019 of \$159.9 million, a year-over-year increase of 42%. Earnings per share increased 37% year over year; the company has beaten estimates on every quarter for over two years. What separates The Trade Desk from many competitors is within the financials. Positive cash flow over the trailing twelve months of \$59.7 million and a net income margin

of 17% in the recent quarter gives The Trade Desk an ability to grow without relying upon debt.

Omnichannel — a buzzword for connecting sales channels — spending was up 47% between in-app, video, and web advertising — video and in-app taking most of the growth at 50% and 63% respectively. Two of the most promising channels for The Trade Desk were connected TV and audio, both up over 200% from 2018. After raising guidance on both revenue and earnings per share for 2019, investors should be left with a warm feeling and confidence that growth will continue.

Just the beginning

As the advertising market is quickly converting from analog to programmatic, investors will regret missing an opportunity to capitalize on this industry shift. Growth in programmatic advertising in 2019 is expected to reach \$60 billion per a [report by eMarketer](#). By 2021, spending is expected to reach \$81 billion within the United States alone. The specific model of The Trade Desk is hard to beat. A highly effective proprietary software, strong fundamentals, and a 95% customer retention ratio in the last three years are building a solid foundation for the company to keep growing upon.

Over the long-term, there will be an increasing shift in how marketers will reach a growing audience using many platforms to view content. Having the ability to reach a specific audience will be key, and companies that can increase a company's return on investment will be highly rewarded. The Trade Desk is positioned to capitalize on the growing segment, fighting for market share from the competition, leading the revolution in advertising.

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