



# The Trade Desk

## What it does

The Trade Desk (TTD) operates a cloud-based platform used to buy digital advertising across multiple formats (display, audio, video and social) and devices (mobile, connected TV and desktop). It is a demand side platform that operates across the open internet, helping advertisers show targeted ads to the most relevant consumers, at the best price and optimal time.

## Why we own it

- The advertising market is full of long-standing inefficiencies and TTD is a company that offers a meaningfully better way of doing things.
- TTD's platform is superior, it broadens the range of worthwhile digital advertising options, aiding navigation across the multiple available channels for reaching a relevant audience. It does so while providing advertisers with a degree of transparency and agency that is not available from the walled gardens (Facebook and Google) who have dominated digital advertising thus far.
- Jeff Green is a visionary founder who is committed to enabling fair competition in the online advertising market for the benefit of advertisers, small publishers, and internet users alike.
- The digital advertising market remains poised to grow strongly, with much of this growth likely to come from brand advertising, in particular across connected TV (CTV) where TTD has a dominant position.

## How it could be worth many times more

- 5x return could be achieved if TTD captures even only 1 to 2% of the \$1 trillion advertising market and margins climb to 30%.
- Further upside could come from:
  - A favourable shift in advertising budgets channelled towards the open internet.
  - Growth in overseas revenues, with China becoming the largest market.
  - Uninhibited share gains in CTV where no walled gardens exist.

## Where we might be wrong

- The walled gardens consume even more ad spend, stunting both growth and margins for TTD.
- Fierce competition in the fragmented ad-tech space threatens market share and take rates.
- Brand advertising becomes a thing of the past, causing disappointing growth in connected TV.

## Short 10 questions

Can sales double in the next five years? **1**

Yes, as more money is spent on digital media. TTD expands its footprint within existing customers and pulls in new ones.

Ten years and beyond? **2**

Connected TV and video will become the largest channel and China will become one of the largest markets.

Competitive advantage? **3**

TTD has the largest market share among all ad-buying platforms, and there are material scale advantages in bidding for inventory across the open internet. This allows delivery of superior ROIs to advertisers.

Is the business culture different? **4**

Run by a highly principled founder; building a global workforce that has a high retention rate in what is normally a cut-throat industry.

Customers like you? Contribute to society? **5**

TTD is existential to enabling fair monetisation for independent publishers across the internet and building ad-targeting solutions that are friendlier to user-privacy.

Are returns worthwhile? **6**

An asset-light model with low marginal costs and operating leverage allows for very healthy returns.

Will they rise or fall? **7**

Returns can rise moderately from their already worthwhile levels if the company keeps growing.

How is capital allocated? **8**

Product improvement and growth (including geographical expansion).

Could it be worth 5x as much? **9**

Yes, the opportunity is huge and TTD is very well positioned to succeed.

What doesn't the market understand? **10**

The complexities and subtleties of the advertising market make it difficult to recognise the competitive strengths of TTD and the period in which they may play out.

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## **Registered Office:**

**Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland**

**Telephone +44 (0)131 275 2000 [bailliegifford.com](http://bailliegifford.com)**

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**BGI Principal Office: Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland.**

**Telephone: +44 (0)131 275 2000**

**780 Third Avenue, 43rd Floor, New York, NY 10017.**

**Telephone: (212) 319 4633**

**BGE Head Office: 4/5 School House Lane East, Dublin 2 D02 N279, Ireland.**

**Telephone: +35 315 294 150**

**BGE Frankfurt Branch: WINX Tower, Neue Mainzer Str. 6-10, 60311 Frankfurt, Germany**

**BGE Amsterdam Branch: Atrium Building, Strawinskylaan 3051, 4th Floor,  
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