Chris

Thank you, Operator,

Hello and good afternoon. Welcome to The Trade Desk Third Quarter 2017 earnings conference call. On the call today are Founder and CEO Jeff Green, Chief Operating Officer, Rob Perdue and Chief Financial Officer, Paul Ross.

A copy of our earnings press release can be found on our website at thetradedesk.com in the investor relations section. Before we begin, I would like to remind you that, except for historical information, the matters that we will be describing will be forward-looking statements that are dependent upon certain risks and uncertainties. I encourage you to refer to the risk factors included in our press release and in our most recent SEC filings. In addition to reporting our GAAP financial results, we present supplemental non-GAAP financial data. A reconciliation of the GAAP to non-GAAP measures can be found in our earnings press release. We believe providing non-GAAP measures combined with our GAAP results provides a more meaningful representation regarding the Company's operational performance.

Lastly, I would like to highlight our participation in the following investor relations event:

- On Wednesday December 6, we will be at the Raymond James Technology Conference in NY.

I will now turn the call over to founder and CEO Jeff Green. Jeff.

Jeff Green

Thanks, Chris.

Good afternoon and thanks to everyone joining us today.

Q3 was a great quarter for The Trade Desk. We exceeded our own expectations for both Revenue and adjusted EBITDA. Revenue was $79.4 million, which was an increase of 50% compared to the prior year, and we posted an adjusted EBITDA margin of 31%. We are also excited to see the shift in dollars and percentage points move to more effective channels. One of the most exciting data points from the quarter was that for the first time, mobile — which includes in-app, mobile video, and mobile web — was 40% of total spend. Given that four years ago, mobile represented less than 10% of our spend, this channel represents the fastest-growing scaled channel we've ever seen. Mobile video spend is up 140% compared with a year ago. Mobile advertising remains a big opportunity for us globally and we expect it to continue to grow around the world.

As it has been at The Trade Desk, most of the surprises in our business are to the upside. Most of the unforeseen events of Q3 were customers spending more. Or giving us new budgets. This happened in a range of companies across various categories —beauty, food and beverage, automotive, and ecommerce.

We continue to gain market share in programmatic advertising. We continue to grow faster than any scaled player in programmatic advertising. Year over year, our international operations grew over two times as fast as those of the United States. Finally, all our new channels continue to grow rapidly, including connected TV which grew 159%, audio which grew 21x, and native which grew 13x all from the same quarter a year ago.

The nearly $700 billion advertising pie expected in 2018 is growing about 4% a year and digital advertising is growing by 15%, according to IDC. Of course, digital is taking share from traditional channels—which typically don't have much targeting or data attached to the advertising. The programmatic advertising space is growing by about 22% according to Magna Global. By comparison, over the last three years The Trade Desk has had a compound annual revenue growth rate (CAGR) of 126%. We have measurably been taking market share.

While programmatic may be the fastest growing segment of advertising, we are still growing exponentially faster. We grew 128% faster this quarter than programmatic advertising is growing, according to Magna Global.

We think digital advertising is better than it's ever been. We think programmatic is better than it's ever been. However, advertising is not without its challenges. All the large publicly traded agencies reported less-than-stellar growth in Q3 and all highlighted various headwinds as the advertising industry transforms itself into the digital world. One of the brands advertising on our platform, Toys "R" Us, declared bankruptcy and is fading. While the impact of that one advertiser is small compared to the 18,000-plus others, there is a bigger trend to watch. Advertisers are spending more deliberately. They are trying new things because they have to. And that is good for us. However, some companies in CPG and retail are reducing their advertising budgets as their margins are under pressure. Over the long term, any move to deliberate choices in advertising or data-driven choices in media buying should help our business. But in the short-term, we are working harder to help our clients and brands transition to the digital, data-driven world.

Because of the effectiveness of our technology and data-driven advertising, we're confident we will power the brands and agencies that win market share during this transition. However, the reality is that not everyone we power will be winners.

Now, I'd like to talk about how we are progressing on some of the long-term goals that we discussed at our recent investor day and talk a little bit about next year.

So, first, I'd like to share for the first time publicly some of our strategy in data. Second, the progress on China. Third, our guidance for the rest of the year. And finally, fourth, the tea leaves of 2018.

So, let me outline a portion of our data strategy—managing the anonymized identity for the same user across multiple devices. The thing that makes programmatic advertising so promising is that advertisers and brands can use technology like ours to deploy data in every single advertising decision they make. In the past, they couldn't do that. It was spray and pray. It was guessing. Advertising is at the top of its game because of data and choice.

Our value proposition is unique because we can buy media in all digital channels, in all major media markets in the world, and do it objectively. However, to have a common understanding of the user across the entire internet and all geographies, we have to create a richer offering for our clients. Consumers and their households have more devices than ever and we are confident we can make unified marketing across all those devices possible.

That fact is, advertisers are often spending billions and inadvertently annoying consumers. They need our help to connect one device to another and serve the right message on the right device at the right time. While we are doing that well today, we can make it better. We think we can create the best cross device offering in advertising by executing on a three-part strategy: one, leveraging our data; two, building our own identity product; three, building a marketplace.

Concerning our own data, we believe that we are sitting on one of the greatest data assets on the internet. As we speak, we receive over nine million ad requests per second. We get to listen to most of the websites in the world and learn millions of things every second. We learn things about users by just doing our job, every day. In fact, our machines are learning 24/7. Because of those numbers, we estimate that we've served ads to almost every internet user in all the markets we've invested in—which is over 100 countries in the world. But to date, we've only had a few resources mining this data.

We have only scratched the surface of using this data.   We think we can use it exponentially more than we do today. We can use it for targeting, for insights, and also as a basis to tie together activity for the same user on multiple devices. With the over nine million touches every second across the internet, we have the fabric. Now, we need to sew it together.

To capitalize on this massive data asset, we've made two additional investments. First, we've invested millions of dollars in 2017 getting access to hundreds of millions of anonymized user IDs. This provides a bridge to connect devices to the same user. Because when they log in to multiple devices we now have a way to sew together the data from two different devices for the same user. This also serves as a truth set for probabilistic methodologies, which leads to the second investment.

A few weeks ago, we acquired the assets of a small company, Adbrain, and hired most of its 20 employees. This is the first acquisition we have ever made as a company. Adbrain is a cross-device technology that stiches together activities of the same user from all their devices. This acquisition will help our customers better reach a user with unified messaging across all devices a user is using, whether it be a mobile phone, desktop web browser, connected TV, or any other identifiable device. Financially, it is about breakeven from an EBITDA perspective and is expected to be accretive sometime next year. The company did not have much revenue. But, we acquired Adbrain for the technology and the people, not the revenue. Adbrain's value is much higher to us than it was as a standalone company. This will not have a noticeable impact (in either a positive or negative direction) in Q4. We expect it to start paying dividends the second half of next year after we improve the technology and integrate it into our business in the first half of next year.

We acquired Adbrain for a few reasons, but the primary one was to make sure our data marketplace has a vibrant offering in identity to connect devices.

We believe no one in advertising (including the walled gardens) has a cross-device identity solution that is sufficiently scaled and sufficiently accurate. This is a problem. As a result, we have a third part to our strategy—a data marketplace.

This cross-device identity problem is not likely to be solved by one company. We think this is a "it takes a village" sort of problem. So we provide a marketplace where other companies can sell their data. I recently spoke with management of these other cross-device vendors, such as Tapad, Oracle, Drawbridge, and Liveramp/Axciom. My main message is that this transaction should not make it so that we do less business together, but more business together. All of us need to better understand a user's anonymized identity (in a privacy safe way for the consumer) and work together if we want the solution to be scaled globally and always accurate.

Now moving on to our global expansion opportunity.

I recently spoke at an RTB China event in Shanghai. I was surprised to learn how well known our company is in China. I was also excited to learn how much companies want to partner with us. The China and U.S. media and advertising markets are more similar to each other than any two markets in the world. Both are very fragmented and both heavily rely on markets to optimally monetize.

There are some differences though. Regarding programmatic advertising, the China market is more nascent than the US. It will take several years to catch up in terms of scale. However, China is also the only media market in the world that is both larger and more fragmented than the US media market. Since most Chinese ad tech and digital media companies of all sizes have had something of a go-it-alone strategy regarding digital monetization, market consolidation and competition has made every digital player much more open to partnership.

The OTT, video, and the connected TV markets in China are also exciting for us—because this is where all our biggest initiatives for growth intersect—connected TV, mobile, and International. The ad funded OTT market is much more mature in China than in the US. And most media people in China believe linear TV has even fewer years of life left in China than in the US. This represents a huge opportunity for us in China given that we represent so many multi-national companies. Because the US market has been built on Netflix and Amazon primarily, the ad funded apps are behind in adoption to ad-free subscriptions but they are experiencing explosive growth because the consumers are now preferring ads to paying more to get rid of them—which is the way it has always been in China. Because most consumers are more price sensitive in China, the explosive growth of ad funded OTT has already happened but publishers are looking for better ways to monetize and fund more premium content. Interestingly, in both US and China markets programmatic advertising provides the ad variety, the CPMs, the user experience, and the cost of sales that are critical parts of the growth of connected TV and video. In our view, programmatic is inevitable as the primary method of monetizing the future of TV in both markets.

We think we have the potential to become the best global partner of many Chinese media companies. Because China is one of the two largest media markets in the world, it is important to note that we're one of the few companies that objectively buy media for global brands from around the world.

The overall market opportunity in China is amazing. According to GroupM's *China Media Industry 2017 Forecast*, ad spending in China is expected to hit $81 billion this year, up nearly 4% from 2016. China currently has 731 million internet users, more than half of China's population, according to official Chinese figures. That's a huge number; more than twice the entire population of the United States.

And mobile there is going strong. In smartphone-addicted China, mobile internet has become the main engine propelling internet advertising spending into the future, according to the GroupM report. An astounding 95% of all Chinese internet users went online through mobile devices at the end of 2016, according to official data from China's government.

But to make the most of this opportunity, we have a lot of work to do. It starts with building out the team on the ground in Shanghai and Hong Kong and focusing on inventory and data integrations before we can aggressively go after the largest demand in the world. We do expect some incremental demand next year but 2018 will be all about integrating inventory and data and building trust with the agencies in China.

We approach the China market the same way we have entered all our major media markets around the world. We invest ahead, we build trust, we demonstrate our value-add, and then we see those investments start to pay dividends over time, as the market adopts programmatic. It has worked in the US and in every other worldwide location. We expect it to work in China too. We are off to a great start. We are already partnered with Baidu and we continue to have good dialogue with other major publishers in China. We expect that we will have many important partners there early in 2018.

As we continue to expand globally, we've been watching carefully what impact Apple's Intelligent Tracking is having on our business. Since its launch in September, we have seen no impact in our mobile spend as a result of Apple's Intelligent Tracking Prevention. In fact, although it has always been a very small portion of spend on our platform, we actually saw desktop Safari INCREASE during the month of October, the first full month of ITP implementation.

Finally, I will take a minute to talk about the rest of the year and then give some thoughts on the things we're excited about as we enter 2018. As I have stated many times before, we believe our business model is exceptional, benefitting from faster revenue growth than the programmatic industry at large, strong profitability, and strong operating leverage. We expect to continue to see this for the foreseeable future. In Q3, our financial performance, both in terms of revenue growth and our adjusted EBITDA, was better than what we estimated.

In Q3, the US business had its biggest quarter ever, growing multiples faster than the industry. For Q3, we continued to have some of our international markets break out. Keep in mind that two-thirds of the global advertising pie comes from outside the US, and breakouts internationally represent land grabs in market share. For Q3, Hamburg grew 131%, UK grew 82% and S.E. Asia grew 123% year over year. You may recall we are now doing business in France and Spain, opening offices there earlier this year. Those investments are already paying dividends as France grew over 600% compared with last year.

For 2017, we are raising our revenue guidance and adjusted EBITDA guidance for the year. We expect our Q4 to be about $101 million and our revenue for the year to be about $306 million. We expect our Q4 adjusted EBITDA to be about $34 million or 34% and adjusted EBITDA for the year to be about $90 million or 29%.

As a result, we expect 2017 to finish with over 50% growth compared with 2016. We believe the slowdown in spending we are seeing from some large advertisers is transitory. These sophisticated marketers are becoming more deliberate about the way that they spend and that is a good thing. Large advertisers recognize using a data-driven approach with both first- and third-party data is the way to deliver the most effective advertising programs and so are becoming more invested in programmatic and The Trade Desk.

As we exit Q4 and enter 2018, we are focused on seven areas that make us extremely positive for the future.

First, brands and agencies are being forced to make more data-driven choices to stay competitive. This is good for us. In the long run, all moves to data-driven choices lead people to global, omnichannel platforms like ours.

Second, we carefully monitor which global advertisers are the biggest spenders of the $700 billion advertising pie. Two out of the top four biggest ad-spending brands just started spending with us in 2017. In fact, six of the top nine have only begun spending with us in the last 24 months. We think 2017 has mostly been a year of winning trust with these big advertisers. Perhaps the most bullish stat I can share from this quarter about our hope for 2018 is that in Q3 we added three large global brands that collectively spent over $3 billion in the US on ad spending last year according to Adage, and of course, they've only just begun. We view most of their current spend as small tests relative to what we expect to do with them in 2018.

The third area for 2018 is connected TV. 2017 has been a year of adding supply. We expect the spend in CTV to increase by well over 100% in 2018.

Fourth, global expansion – most notably in China. We expect international growth to be at least double the US business again next year.

Fifth, we expect the amount of third-party data usage to increase in 2018. We think our partnerships with companies like Oracle, Axciom, Lotame, and others will experience outsized growth next year. The total dollars will increase. The amount of data per impression will increase significantly. Our percentage of revenue coming from data will also increase. 2018 will be a great year for data. Additionally, we will progress the cross-device segment fueling a competitive marketplace with multiple partners and enriching the Adbrain assets we've acquired.

Sixth, we spent about one-third of our development resources in 2017 on media planning products and improved customer experiences that have just barely entered a private beta. We've significantly improved our product and it will leave beta and be available to all of our clients in the first half of 2018. We anticipate We will see those dividends start paying off in Q2 of 2018.

Finally, seventh, we expect to maintain the client retention and client expansion that has fueled this business since inception. We expect to continue to offer the best scaled, objective media buying platform in the world.

Now I am going to turn the call over to Rob to discuss our quarter in more detail.

Rob Perdue

Thanks, Jeff, and good afternoon everyone.

Our business continues to deliver outstanding results, and we delivered another all-time record in the September quarter with $79.4 million in revenue. Nearly every office outside the US set records in Q3, led by Seoul which grew 260% year-over-year, Hamburg at 131% and Singapore which grew by 123%. Overall, during the quarter, our international business grew more than 2x faster than our North American business.

From a channel perspective, our growth was again driven in part by our mobile video channel, which grew 140% on a year-over-year basis, and connected TV which grew 159%. Our Native spend was also very strong in Q3, surpassing all 2016 native spend on our platform. Recall that Native was launched in Q2 2016. As Jeff mentioned previously, mobile reached 40% of total spend in the quarter for the first time, while display remained at less than 40% of spend as media continues to fragment and our omnichannel strategy continues to drive spend growth.

Also in Q3 and even early into Q4, we have won a significant amount of new business and brought large global brands onto our platform. These wins come from a diverse group of verticals including brands in the health and beauty sector, food and beverages, automotive, and several large, high-traffic ecommerce companies. These wins came a little later in the year than we have seen in the past, and while we did see some incremental spend in Q3 and into Q4, we expect **all** of these brands to be much bigger contributors in 2018 than in 2017 as they ramp up on the platform.

Now as I have described before, from an operational perspective we have three core priorities that we focus on:

- One – remaining the objective and independent partner for our clients
- Two – growing our omnichannel presence, and
- Three – expanding our international footprint

I regularly highlight how we work hard to win new business, train our clients on the platform and become their trusted independent partner and this is why we have maintained a 95% client retention rate for now 15 quarters in a row. An example is one of the large brands we recently won on our platform in Q3. It started with persistence and getting our foot in the door to run a small test campaign and prove our value head-to head with a competitor through performance and service. Our team delivered and, working closely with the agency, we not only won, but launched a fully omnichannel campaign with a very fast turnaround. It will take some time to fully ramp up but we expect this advertiser to be a meaningful revenue contributor in 2018.

As many of you had seen in person or on the webcast at our investor day last month, we hosted a client panel that included Barry Lowenthal, president of The Media Kitchen and Gabe Cohen, who is now running the team on many large brands inside of Starcom, a large global agency. When responding to what differentiates The Trade Desk, they each talked about our global footprint, our agility, and our technology. However, they both very **emphatically** stressed that our service is what makes The Trade Desk special because we had helped enable their teams to scale and their teams to become experts in the programmatic space. This is exactly how we build trust and add value in the eyes of these agency executives – by empowering their teams and helping them to deliver better marketing outcomes for their brands. We grow our business by helping our clients shine.

Next, I want to focus on growing our omnichannel presence. The strong growth we have seen in mobile and video has enabled our clients to have a higher level of coordination and consolidation of their marketing spend across the whole marketing funnel -- from brand awareness to consideration to purchase. But now, we have also added connected TV into the mix.

In Q3, we released our Connected TV audience targeting, and measurement products which gives our clients the same functionality as the other channels in our platform. Advertisers can now seamlessly launch targeted TV buys through internet-connected TVs, including Smart TVs and streaming devices, to reach their desired audiences on the biggest screen in the home. Our CTV product enables media buyers to target viewers using both first- and third-party data. They can also measure the impact of CTV advertising using both digital and traditional TV metrics including video completion rate, gross ratings points, and attributing view-through conversions. We also provide the ability to retarget households that viewed CTV commercials across other devices – which makes our omnichannel approach even more compelling for advertisers.

Our client facing teams have been working closely with agency trading teams to incorporate more CTV buying into their clients' overall programmatic strategy. There is a lot of trust to build on this new channel, but our team is delivering and we are winning significant tests with major brands in CTV across many verticals that we believe will really pay off in the years to come.

One last area I want to touch on in our channel mix is both Native and audio. Our Native channel again saw robust growth as media buyers continued to use more native ad formats on our platform. Native in many ways is replacing desktop display and is proving to be a much more effective format to engage consumers. We continue to focus on training media buyers at agencies on how to incorporate Native into their advertising campaign strategies and we have only scratched the surface of what eMarketer estimates to be a $22 billion Native market.

The same is true in audio. This is a large and upcoming market as well, $3 billion according to PwC Digital Radio estimates, and, in terms of pure percentage growth, it continues to be one of our fastest-growing channels. We continue to integrate new sources of audio inventory and expect to see broader adoption of this channel by advertisers in 2018, as audio regularly delivers very high-performance metrics. For example, an international digital agency added audio campaigns to their omnichannel approach for a large automotive client and they were able to extend the scale and reach of their campaigns and also achieve a near-100% completion rate across all audio impressions that we served.

The final priority we are focused on is extending our geographic footprint and we are continuing to break new ground. In Q3, International growth was over 100% and grew over 2x faster than the US. Last quarter, we talked about how our German office broke through to win more significant spend with the larger agencies and that momentum has continued in Q3 to show results as Hamburg grew by 131% compared with a year ago.

In Asia, all our offices are posting very strong growth numbers and our client teams are regularly testing and winning new business with large global brands. One recent example comes from the Philippines, where we recently won spend from a major global restaurant business that has been in our pipeline for awhile now.

Even outside of Europe and Asia, we continue to look for opportunities to expand programmatic with our agency partners. As an example, a large global agency has awarded us spend in South Africa and Turkey starting in 2018. Those markets still need education on programmatic and we are helping to grow these markets by training local digital programmatic specialists from our existing offices in EMEA. It’s encouraging because they are fast growing emerging markets where programmatic is in the very early stages of adoption.

Overall, we feel great about what we accomplished in the third quarter and the momentum we have entering 2018. We have secured big wins with new advertisers this year, many later in the year than we have seen historically, and we are consistently gaining incremental spend from existing clients *and* regularly winning business head-to-head when we go up against other large DSPs. Despite some of the challenges the industry is facing which Jeff alluded to earlier, we are very confident in the trajectory of our business.

Now I am going to turn the call over to Paul to discuss our financials.

Paul Ross

Thanks, Rob, and good afternoon everyone.

As you have seen in the numbers, we had a terrific third quarter across all our key metrics. Q3 revenue was up 50% year over year, Adjusted EBITDA increased 47% year over year, and Adjusted Net Income was $15.3 million, a 63% increase from a year ago, all while investing aggressively back into our business in areas critical to our future growth.

Revenue for the third quarter was $79.4 million, which was above our expectations and reflects both the expansion of our share of spend by our existing customers plus the addition of new customers and advertisers. For the quarter, approximately 85% of our third-quarter gross spend came from existing customers, whom we define as existing customers that have been with us for over a year.

Our operating expenses scaled with the growth of our business to $61 million in Q3 of 2017 from $38 million during the same period in 2016. The increase in operating expenses was primarily due to A) our increased investments in personnel primarily in technology and development, B) an increase in platform operations expenses which reflects hosting costs to support the increasing use of our software platform and C) general and administrative expenses, which reflects public company costs which did not exist for most of Q3 a year ago.

Total other expense was $2.4 million net, and income tax was a $5.8 million expense in the quarter.

GAAP Net Income was $10.2 million for the third quarter of 2017 or $0.23 per fully-diluted share.

Our non-GAAP adjusted net income was $15.3 million for the third quarter or $0.35 per fully diluted share compared with non-GAAP adjusted net income of $9.4 million or $0.24 per share in the comparable period a year ago.

Adjusted EBITDA was $24.4 million with a corresponding margin of 31% of revenue during Q3 2017, as compared to adjusted EBITDA of $16.6 million or 31% of revenue during the same time last year. The increase in adjusted EBITDA dollars reflects growth of our top line and the leverage of our business model all while we continue to invest in product, people, and global expansion in addition to incurring public company expenses compared with a year ago.

Net cash provided by operating activities was $19 million for Q3 2017, driven primarily by changes in working capital. Over the past trailing twelve months, we generated $43.1 million and $28.3 million of operating cash flow and free cash flow, respectively.

Our DSOs at the end of Q3 were 102 days and our DPOs were 83 days. The delta of 19 days represents the smallest we've seen in some time and the improvement reflects our continuing efforts to match up our receivables and payables cycles as closely as possible. Our net cash position increased to $105.8 million dollars from $89 million dollars last quarter.

For Q4, we are expecting revenue of $101 million, and an Adjusted EBITDA of $34 million.

Updating full year 2017 expectations, we now expect revenue to be approximately $306 million and Adjusted EBITDA to be $90 million or 29 percent of revenue. Total other expense, net is expected to be approximately $6 million and our income tax rate for the full year is expected to be approximately 25%, reflecting the discrete benefits we received during the first half of the year.

With that, I will hand it back over to Jeff for final comments and of course Q&A.

Jeff Green – CLOSING REMARKS

Thanks Paul.

In closing, we have made significant progress throughout the year but are continuing to work hard to better enable media buying for both agencies and brands and empower a thriving marketplace within our platform.

The programmatic revolution that is fueled by data-driven decisioning continues to gain momentum in the market and The Trade Desk remains the clear independent industry leader as we move forward.

I have never been more bullish on programmatic and on the future opportunities for The Trade Desk, and I'm looking forward to the road ahead.

So with that, we look forward to your questions. Operator, let's begin?