

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): February 21, 2019

THE TRADE DESK, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-37879
(Commission
File Number)

27-1887399
(I.R.S. Employer
Identification No.)

42 N. Chestnut Street
Ventura, CA 93001
(Address of principal executive offices) (Zip Code)

(805) 585-3434
(Registrant's telephone number, including area code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On February 21, 2019, The Trade Desk, Inc. (the “Registrant”) issued a press release announcing its financial results for the quarter and year ended December 31, 2018. A copy of the press release is being furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Current Report on Form 8-K and Exhibit 99.1 attached hereto is intended to be furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits

(d) The following exhibit is being filed herewith:

| Exhibit No. | Description |
|----------------------|-------------------------------------------------------------------------|
| 99.1 | Press release of the Registrant dated February 21, 2019 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE TRADE DESK, INC.
(Registrant)

Date: February 21, 2019

By: /s/ Paul E. Ross
Paul E. Ross
Chief Financial Officer
(Principal Financial and Accounting Officer)

The Trade Desk Reports Fourth Quarter and Fiscal Year 2018 Financial Results

LOS ANGELES--(BUSINESS WIRE)--February 21, 2019--Global advertising technology leader The Trade Desk (Nasdaq: TTD) today announced financial results for its fourth quarter and fiscal year ended December 31, 2018.

"2018 was a huge year for The Trade Desk. Revenue growth accelerated to 55% in 2018 from 52% in 2017. In 2018, we surpassed \$2.35 billion in gross spend on our platform resulting in \$477 million in revenue. Our fourth quarter revenue growth also accelerated, growing 56% to a record \$160.5 million," said Founder and CEO Jeff Green. "2018 was a foundational year. We launched the biggest product, called the Next Wave, in our history; Connected TV became a must-have on the media plan; we partnered with some of the largest internet companies in China; data usage on our platform accelerated; and our Unified ID initiative gained steam across the industry. Our vision is to change the way advertising is bought by enabling programmatic, data-driven decisions and 2018 marked another year of great strides toward that goal."

Fourth Quarter and Full Year 2018 Financial Highlights:

The following table summarizes our consolidated financial results for the quarters and fiscal years ended December 31, 2018 and 2017 (\$ in millions, except per share amounts):

| | Three Months Ended | | Year Ended | |
|------------------------------------|--------------------|----------|--------------|----------|
| | December 31, | | December 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| GAAP Results | | | | |
| Revenue | \$ 160.5 | \$ 102.6 | \$ 477.3 | \$ 308.2 |
| Increase in revenue year over year | 56% | 42% | 55% | 52% |
| Net Income | \$ 39.4 | \$ 16.8 | \$ 88.1 | \$ 50.8 |
| Diluted EPS | \$ 0.84 | \$ 0.38 | \$ 1.92 | \$ 1.15 |
| Non-GAAP Results | | | | |
| Adjusted EBITDA | \$ 67.1 | \$ 39.5 | \$ 159.4 | \$ 95.4 |
| Adjusted EBITDA Margin | 42% | 38% | 33% | 31% |
| Non-GAAP Net Income | \$ 51.1 | \$ 24.2 | \$ 123.8 | \$ 70.4 |
| Non-GAAP Diluted EPS | \$ 1.09 | \$ 0.54 | \$ 2.70 | \$ 1.60 |

Fourth Quarter and 2018 Business Highlights Include:

- **Continued Share Gain:** 2018 gross spend on the platform was over \$2.35 billion, a 51% increase from a year ago. According to Magna Global, total real-time-bidding programmatic was estimated to increase 22% in 2018.
- **Continued Omni-channel Growth:** Omni-channel solutions remain a strategic focus for The Trade Desk as the industry continues shifting toward transparency and programmatic buying. Specific channel spend highlights include:
 - Mobile (in-app, video and web) grew 69% from Q4 2017 to Q4 2018.
 - Connected TV grew over 525% from Q4 2017 to Q4 2018.
 - Connected TV grew over 9X from 2017 to 2018.
 - Audio grew over 230% from 2017 to 2018.
 - Mobile video grew over 130% from 2017 to 2018.
 - Mobile in-app grew over 90% from 2017 to 2018.
- **Strong Customer Retention:** Customer retention remained over 95% during the quarter, as it has for the previous 20 quarters.
- **New Products and Features:** On June 26, 2018, The Trade Desk launched a range of new products that helps advertisers use data-driven insights to plan, forecast, and buy digital media more effectively than ever before. Collectively referred to as the Next Wave, this release included three transformative products:
 - **Koa™** is powerful AI that improves advertisers' decisioning and accelerates campaign performance. Koa's robust and transparent forecasting engine is built on The Trade Desk's valuable data set – including about nine million queries every second – to help buyers extend audience reach and spend more efficiently.
 - **The Trade Desk Planner** is a data-driven media planning tool that delivers audience insights and informs ad strategies across channels and devices.
 - **Megagon™** is an intuitive new user interface that proactively surfaces tailored insights and offers Koa recommendations to help advertisers make real-time optimization decisions. Megagon™ helps buyers save time and advertising budget without sacrificing transparency and control.

Additionally, throughout 2018, The Trade Desk released many other new product features and enhancements to its platform including:

- A new suite of offline measurement tools to measure the effectiveness of digital campaigns. Partners include: Factual, AdSquare, Oracle, and Placed.
 - Better access to Nielsen On-Target-Percentage (OTP) data in the Campaign and Ad Group Dashboards in the UI.
 - Updates to Audience Predictor which enhance lookalike modeling tools to find and target undiscovered audiences based upon first-party data. Recent improvements include improved sampling rates, faster audience creations, inclusion of CPM segments, percent-of-media segments, and the ability to exclude audiences.
- **Global Footprint Expansion:** In 2018, The Trade Desk broadened its coverage with the opening of its Toronto office.
 - **Best Places to Work:** The Trade Desk was ranked #2 among the 100 Best Medium Workplaces 2018 by Fortune and was ranked as one of the best software companies to work for in 2018 according to Glassdoor.
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Full Year 2019 and First Quarter Outlook:

Mr. Green added, "We exited 2018 strong and are seeing that momentum continue into 2019. Marketers continue to adopt channels such as Mobile, Connected TV, and Audio as they move advertising spend to our platform. In 2019, we expect gross spend on our platform to be at least \$3.2 billion and revenue to be at least \$637 million. In the coming year, we will continue to make aggressive investments in high growth areas such as Connected TV, data, and global expansion, including in China. Our focus is on grabbing programmatic market share and deepening our engagement and strategic importance with our customers. We expect our adjusted EBITDA to be \$182 million, or about 29% of revenue. We believe investing in our core growth opportunities will maximize profitability over the long-term."

The Trade Desk is providing its financial targets for the fiscal year 2019 and first quarter of 2019. The Company's financial targets are as follows:

Full Year 2019:

- Total Gross Spend of at least \$3.2 billion
- Revenue of at least \$637 million
- Adjusted EBITDA of \$182 million or about 29% of revenue

First Quarter 2019

- Revenue of \$116 million
- Adjusted EBITDA of \$18.3 million

We have not provided outlook for GAAP Net income or reconciliation of adjusted EBITDA guidance to net income, the closest corresponding U.S. GAAP measure, because net income outlook is not available without unreasonable efforts on a forward-looking basis due to the variability and complexity with respect to the charges excluded from these non-GAAP measures; in particular, the measures and effects of our stock-based compensation expense that are directly impacted by unpredictable fluctuations in our share price. We expect the variability of the above charges could have a significant and potentially unpredictable, impact on our future U.S. GAAP financial results.

Use of Non-GAAP Financial Information

Included within this press release are the non-GAAP financial measures of Adjusted EBITDA, Non-GAAP net income and Non-GAAP diluted EPS that supplement the Consolidated Statements of Operations of The Trade Desk, Inc. (the Company) prepared under generally accepted accounting principles (GAAP). Adjusted EBITDA is earnings before depreciation and amortization, stock-based compensation, interest expense, interest income, secondary offering costs and provision for income taxes. Non-GAAP net income excludes charges and the related income tax effects for stock-based compensation and secondary offering costs. Tax rates on the tax-deductible portions of the stock-based compensation expense approximating 30% and 40% have been used in the computation of non-GAAP net income and non-GAAP diluted EPS for the 2018 and 2017 periods, respectively. Reconciliations of GAAP to non-GAAP amounts for the periods presented herein are provided in schedules accompanying this release and should be considered together with the Consolidated Statements of Operations. These non-GAAP measures are not meant as a substitute for GAAP, but are included solely for informational and comparative purposes. The Company's management believes that this information can assist investors in evaluating the Company's operational trends, financial performance, and cash generating capacity. Management believes these non-GAAP measures allow investors to evaluate the Company's financial performance using some of the same measures as management. However, the non-GAAP financial measures should not be regarded as a replacement for or superior to corresponding, similarly captioned, GAAP measures and may be different from non-GAAP financial measures used by other companies.

Fourth Quarter and Fiscal Year 2018 Results Webcast and Conference Call Details

- **When:** February 21, 2019 at 2:00 P.M. Pacific Time (5:00 P.M. Eastern Time).
- **Webcast:** A live webcast of the call can be accessed from the Investor Relations section of The Trade Desk's website at <http://investors.thetradedesk.com/>. Following the call, a replay will be available on the company's website.
- **Dial-in:** To access the call via telephone in North America, please dial 877-407-0782. For callers outside the United States, please dial 1-201-689-8567. Participants should reference the conference call ID "The Trade Desk Call" after dialing in.
- **Audio replay:** An audio replay of the call will be available beginning about two hours after the call. To listen to the replay in the United States, please dial 877-481-4010 (replay code: 43124). Outside the United States, please dial 1-919-882-2331 (replay code: 43124). The audio replay will be available via telephone until February 28, 2019.

The Trade Desk, Inc. uses its Investor Relations website (<http://investors.thetradedesk.com/investor-overview>), its Twitter feed (@TheTradeDesk), LinkedIn page (<https://www.linkedin.com/company/the-trade-desk/>), and Facebook page (<https://www.facebook.com/TheTradeDesk/>), and Jeff Green's Twitter feed (@jeffgreen) and LinkedIn profile (<https://www.linkedin.com/in/jeffgreen/>) as a means of disclosing information about the company and for complying with its disclosure obligations under Regulation FD. The information that is posted through these channels may be deemed material. Accordingly, investors should monitor these channels in addition to The Trade Desk's press releases, SEC filings, public conference calls and webcasts.

About The Trade Desk

The Trade Desk™ is a technology company that empowers buyers of advertising. Through its self-service, cloud-based platform, ad buyers can create, manage, and optimize digital advertising campaigns across ad formats and devices. Integrations with major data, inventory, and publisher partners ensure maximum reach and decisioning capabilities, and enterprise APIs enable custom development on top of the platform. Headquartered in Ventura, CA, The Trade Desk has offices across North America, Europe, and Asia Pacific. To learn more, visit thetradedesk.com or follow us on Facebook, Twitter, LinkedIn and YouTube.

Forward-Looking Statements

This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to expectations concerning matters that (a) are not historical facts, (b) predict or forecast future events or results, or (c) embody assumptions that may prove to have been inaccurate, including statements relating to the industry and market trends, and the Company’s financial targets such as revenue and Adjusted EBITDA. When words such as “believe,” “expect,” “anticipate,” “will,” “outlook” or similar expressions are used, the Company is making forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it cannot give readers any assurance that such expectations will prove correct. These forward-looking statements involve risks, uncertainties and assumptions, including those related to the Company’s limited operating history, which makes it difficult to evaluate the Company’s business and prospects, the market for programmatic advertising developing slower or differently than the Company’s expectations, the demands and expectations of clients and the ability to attract and retain clients. The actual results may differ materially from those anticipated in the forward-looking statements as a result of numerous factors, many of which are beyond the control of the Company. These are disclosed in the Company’s reports filed from time to time with the Securities and Exchange Commission, including its most recent Form 10-K and any subsequent filings on Forms 10-Q or 8-K, available at www.sec.gov. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. The Company does not intend to update any forward-looking statement contained in this press release to reflect events or circumstances arising after the date hereof.

THE TRADE DESK, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share amounts)

(Unaudited)

| | Three Months Ended | | Year Ended | |
|--------------------------------------|--------------------|------------|--------------|------------|
| | December 31, | | December 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Revenue | \$ 160,468 | \$ 102,648 | \$ 477,294 | \$ 308,217 |
| Operating expenses: | | | | |
| Platform operations | 35,256 | 21,133 | 114,098 | 66,230 |
| Sales and marketing | 27,064 | 18,537 | 87,071 | 61,379 |
| Technology and development | 24,086 | 17,029 | 83,892 | 52,806 |
| General and administrative | 25,094 | 16,631 | 84,910 | 58,446 |
| Total operating expenses | 111,500 | 73,330 | 369,971 | 238,861 |
| Income from operations | 48,968 | 29,318 | 107,323 | 69,356 |
| Total other expense (income), net | (336) | 1,282 | 1,586 | 5,731 |
| Income before income taxes | 49,304 | 28,036 | 105,737 | 63,625 |
| Provision for income taxes | 9,869 | 11,225 | 17,597 | 12,827 |
| Net income | \$ 39,435 | \$ 16,811 | \$ 88,140 | \$ 50,798 |
| Earnings per share: | | | | |
| Basic | \$ 0.91 | \$ 0.41 | \$ 2.08 | \$ 1.26 |
| Diluted | \$ 0.84 | \$ 0.38 | \$ 1.92 | \$ 1.15 |
| Weighted average shares outstanding: | | | | |
| Basic | 43,223 | 41,108 | 42,442 | 40,262 |
| Diluted | 46,777 | 44,464 | 45,793 | 44,056 |

STOCK-BASED COMPENSATION EXPENSE

(Amounts in thousands)

(Unaudited)

| | Three Months Ended | | Year Ended | |
|----------------------------|--------------------|----------|--------------|-----------|
| | December 31, | | December 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Platform operations | \$ 1,326 | \$ 1,131 | \$ 4,463 | \$ 2,674 |
| Sales and marketing | 3,549 | 2,984 | 11,306 | 6,261 |
| Technology and development | 4,950 | 2,680 | 13,855 | 6,661 |
| General and administrative | 4,427 | 2,116 | 12,586 | 5,721 |
| Total | \$ 14,252 | \$ 8,911 | \$ 42,210 | \$ 21,317 |

THE TRADE DESK, INC.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

(Unaudited)

| | As of December 31, 2018 | As of December 31, 2017 |
|------------------------------------------------|-------------------------------|-------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 207,232 | \$ 155,950 |
| Accounts receivable, net | 834,764 | 599,565 |
| Prepaid expenses and other current assets | 14,527 | 10,298 |
| Total current assets | <u>1,056,523</u> | <u>765,813</u> |
| Property and equipment, net | 33,046 | 17,405 |
| Deferred income taxes | 8,460 | 3,359 |
| Other assets, non-current | 19,843 | 10,587 |
| Total assets | <u>\$ 1,117,872</u> | <u>\$ 797,164</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 669,147 | \$ 490,377 |
| Accrued expenses and other current liabilities | 44,844 | 28,155 |
| Total current liabilities | <u>713,991</u> | <u>518,532</u> |
| Debt, net | — | 27,000 |
| Other liabilities, non-current | 9,314 | 6,049 |
| Total liabilities | <u>723,305</u> | <u>551,581</u> |
| Stockholders' equity: | | |
| Preferred stock | — | — |
| Common stock | — | — |
| Additional paid-in capital | 270,447 | 209,603 |
| Retained earnings | 124,120 | 35,980 |
| Total stockholders' equity | <u>394,567</u> | <u>245,583</u> |
| Total liabilities and stockholders' equity | <u>\$ 1,117,872</u> | <u>\$ 797,164</u> |

THE TRADE DESK, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

| | Year Ended December 31, | |
|-----------------------------------------------------------------------------------|-------------------------|-------------------|
| | 2018 | 2017 |
| OPERATING ACTIVITIES: | | |
| Net income | \$ 88,140 | \$ 50,798 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 11,822 | 7,209 |
| Stock-based compensation | 42,210 | 21,317 |
| Deferred income taxes | (5,101) | (1,581) |
| Bad debt expense | 2,115 | 4,289 |
| Other | 2,905 | (1,303) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (239,901) | (224,636) |
| Prepaid expenses and other assets | (10,551) | (5,033) |
| Accounts payable | 177,675 | 171,793 |
| Accrued expenses and other liabilities | 17,289 | 8,371 |
| Net cash provided by operating activities | <u>86,603</u> | <u>31,224</u> |
| INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (19,795) | (10,110) |
| Capitalized software development costs | (5,396) | (2,954) |
| Business acquisition | — | (3,000) |
| Net cash used in investing activities | <u>(25,191)</u> | <u>(16,064)</u> |
| FINANCING ACTIVITIES: | | |
| Repayment on line of credit | (27,000) | — |
| Payment of debt financing costs | (279) | (154) |
| Payment of financing obligations | — | (1,001) |
| Proceeds from exercise of stock options | 10,021 | 2,565 |
| Proceeds from employee stock purchase plan | 13,805 | 6,997 |
| Taxes paid related to net settlement of restricted stock awards | (6,677) | (1,017) |
| Net cash provided by (used in) financing activities | <u>(10,130)</u> | <u>7,390</u> |
| Increase in cash and cash equivalents | 51,282 | 22,550 |
| Cash and cash equivalents—Beginning of period | 155,950 | 133,400 |
| Cash and cash equivalents—End of period | <u>\$ 207,232</u> | <u>\$ 155,950</u> |

Non-GAAP Financial Metrics

(Amounts in thousands, except per share amounts)

The following tables show the Company's GAAP financial metrics reconciled to non-GAAP financial metrics included in this release.

| | Three Months Ended | | Year Ended | |
|---------------------------------------|--------------------|-----------|--------------|-----------|
| | December 31, | | December 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$ 39,435 | \$ 16,811 | \$ 88,140 | \$ 50,798 |
| Add back: | | | | |
| Depreciation and amortization expense | 3,715 | 2,052 | 11,822 | 7,209 |
| Stock-based compensation expense | 14,252 | 8,911 | 42,210 | 21,317 |
| Interest expense | 601 | 501 | 1,550 | 1,791 |
| Interest income | (821) | (47) | (1,883) | (93) |
| Secondary offering costs | — | — | — | 1,523 |
| Provision for income taxes | 9,869 | 11,225 | 17,597 | 12,827 |
| Adjusted EBITDA | \$ 67,051 | \$ 39,453 | \$ 159,436 | \$ 95,372 |

| | Three Months Ended | | Year Ended | |
|---------------------------------------------|--------------------|-----------|--------------|-----------|
| | December 31, | | December 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| GAAP net income | \$ 39,435 | \$ 16,811 | \$ 88,140 | \$ 50,798 |
| Add back (deduct): | | | | |
| Stock-based compensation expense | 14,252 | 8,911 | 42,210 | 21,317 |
| Secondary offering costs | — | — | — | 1,523 |
| Adjustment for income taxes | (2,585) | (1,502) | (6,503) | (3,274) |
| Non-GAAP net income | \$ 51,102 | \$ 24,220 | \$ 123,847 | \$ 70,364 |
| GAAP diluted EPS | \$ 0.84 | \$ 0.38 | \$ 1.92 | \$ 1.15 |
| Non-GAAP diluted EPS | \$ 1.09 | \$ 0.54 | \$ 2.70 | \$ 1.60 |
| Weighted average shares outstanding—diluted | 46,777 | 44,464 | 45,793 | 44,056 |

CONTACT:

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