Prepared Remarks of

Second Quarter 2022 Earnings Call

August 9, 2022

Chris Toth, Vice President Investor Relations

Thank you, Operator. Hello and good afternoon to everyone. Welcome to The Trade Desk second quarter 2022 earnings conference call. On the call today are our Founder and CEO Jeff Green, and Chief Financial Officer Blake Grayson.

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, some of the discussion and our responses in Q&A may contain forward-looking statements which are dependent upon certain risks and uncertainties. In particular, our expectations around any macroeconomic deceleration, potential impact of the Covid-19 pandemic in various regions where we operate, in addition to potential supply chain disruptions that could disrupt advertising spend on our platform are all subject to change. Should any of these risks materialize, or should our assumptions prove to be incorrect, actual financial results could differ materially from our projections or those implied by these forward-looking statements. I encourage you to refer to the risk factors referenced in our press release and included 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 that providing non-GAAP measures combined with our GAAP results provides a more meaningful representation of the Company's operational performance.

Lastly, I would like to highlight that we are planning to hold an analyst day on Tuesday October 4, 2022, in New York City. This event will be webcast and available on our Investor Relations website. I will now turn the call over to Founder and CEO Jeff Green.

Jeff Green, Founder and CEO

Thanks Chris, and thank you all for joining us today.

As you've seen from the press release, we had a very strong performance in the 2nd quarter. We grew revenue 35% compared with last year, and we outpaced our competitors and continued to gain market share, despite some macroeconomic uncertainty. In the first half of the year, marketers shifted to decisioned, data-driven advertising on the open internet more rapidly than ever. And as a result, The Trade Desk has become increasingly indispensable as the default DSP for the open internet and Connected TV.

Perhaps the most encouraging aspect of our business through the first half of this year has been the rate at which we signed new and expanded joint business plans, or JBPs, with our clients. I haven't spent a lot of time on this dynamic in the past, but I'd like to today, because I think this trend says a lot about how we are winning in the market, and why that gives us optimism for the future, and confidence that we can execute in any market environment.

Joint business plans, or JPBs, are long-term deals that we sign with leading brands, who aim to increase spend on our platform, often over a multi-year period. In many cases, these agreements are signed with the partnership and cooperation of the agencies that represent the brands. So, as we continue to move upstream and get more direct commitments from CMOs and brand marketers, it not at the expense of our valuable agency relationships.

In the second quarter, we signed new and expanded JBPs at a record rate, covering many verticals. For example, there were new agreements with some of the world's largest automakers and technology companies, along with significantly expanded deals with large global CPGs.

Many people looking at our results, including those in the advertising industry, are asking how we are winning and growing at this pace in the current environment. There are a few vectors and macro factors that are creating an amazing opportunity for us to grow into a much bigger company and win share regardless of the economic environment. I'd like to take a minute to identify those macro factors that are providing wind at our back.

First, there is a secular tailwind that continues to propel us forward – and that's the worldwide shift to advertising fueled, connected television. I don't know that we've ever experienced a secular tailwind like this before. CTV is evolving faster than anyone predicted and if we continue to execute, I believe we will benefit as much as any company in the world from this tailwind, just like we did in Q2 and through most of the pandemic.

The second macro factor that is helping us grab share is that walled gardens like Google's ad network are being downgraded in priority. For most of the last two decades, when dollars move over from off-line spending to online spending, they have gone first to Google and other walled gardens. One way to define a walled garden is to think about an internet publisher or a content destination that is so large and dominant in their content segment that they can be draconian to advertisers and still win business. Google's advertising products are a textbook example. Many have pointed out that Google does its own performance measurement, they have run marketplaces with questionable integrity and fairness, but they win advertising budgets because of their dominant position and their size and footprint around the world.

CTV has started to change this dynamic in our industry though. Because no one in CTV is big enough to be as dominant in TV as Google has been with Search, or with Chrome, or Double Click, their ad server that has been almost irreversibly integrated into the Google ad network machine. As a result, the marketplace for premium CTV is fair -- especially in relative terms -- and extremely competitive. Because of the efficacy of moving picture and sound coupled with these competitive market dynamics, for the first time ever some of the biggest brands in the world have a new place to spend their first dollar on the internet which is premium CTV. CTV is fast becoming a "must buy" and in some cases the highest stack-ranked part of the digital media plan for many brands. This trend is changing the makeup of the whole internet. And it is likely to change the role of wall gardens in our industry, especially the smaller walled gardens. So, the bottom-line on this second major macro trend: The draconian tactics of walled gardens are now being challenged because of the competitive nature of CTV, as advertisers increasingly prioritize premium CTV content.

Lastly, I'd like to talk briefly about the third macro force that is changing the landscape before I come back to us, The Trade Desk, and what we're doing and how we're taking advantage of these trends. The third macro trend that is creating market opportunity for us is the world-wide pressure on Google. There has been a great deal of regulatory scrutiny of Google over the past couple of years. We seen the reports of investigations and complaints from the Department of Justice and the States Attorneys General concerning various forms of alleged anti-trust violations in Google's ads business. But it's not just here in the Unites States, it's also in various other countries around the world. Recently the UK's Competitive Market Authority (CMA) announced it is investigating whether Google has broken the law by restricting competition in digital advertising in the UK.

As the CMA Chief Executive, Andrea Coscelli said, and I quote:

> "We're worried that Google may be using its position in ad tech to favor its own services to the detriment of its rivals, of its customers and ultimately of consumers…Weakening competition in this area could reduce the ad revenues of publishers, who may be forced to compromise the quality of their content to cut costs… It may also be raising costs for advertisers which are passed on through higher prices for advertised goods and services."

So let me be very clear about this point, The Trade Desk stands to gain share no matter the outcome of these investigations or lawsuits. I believe Google's biggest obstacle to compete in programmatic and in CTV is their lack of objectivity. By contrast, we don't own any inventory and we can partner with everyone in CTV. That gives us a level of objectivity that Google can't overcome as long as it owns YouTube and its search engine, its core assets, and continues to operate on both the buy side and the sell side.

Advertisers are increasingly aware of the very concerns that the CMA is raising. Especially the large brand advertisers and their agencies that today constitute the majority of spend on our platform. As a result, I'm confident we will do well regardless of Google's moves in programmatic and with DV360, their demand side platform or DSP.

In addition to thinking about The Trade Desk and how we gain share, I'm often asked to speak about the open internet more broadly. When I put that hat on, and speak on behalf of the open internet, I do get concerned about what Google has done to make it much harder for companies smaller than The Trade Desk to compete in the open internet. I'm concerned that the press and regulators are too focused on what assets Google owns or should own, and instead should apply more scrutiny to Google's behaviors, their incentives, their structure and their tactics.

But that's for another day. I believe so long as we execute, The Trade Desk is going to do well regardless of what tactics Google deploys. Even when Google plays unfairly, as some regulators have alleged, it tends to move advertisers and agencies to us. This is one of the reasons we are reporting such a good quarter today and why we're so optimistic about our future.

So, with that, let's shift gears to discuss our strategy, our tactics, and how we're executing.

So, let's discuss what's happening inside of The Trade Desk.

Across the company we're very clear on our mission and we're extremely focused on helping agencies and advertisers. As we always have been, we are focused on the buy-side. Our goals are clear:

- To be the objective, open-internet alternative to walled gardens.
- To pioneer a new approach to decisioned TV ad buying.
- To help build the new identity fabric of the internet to create a better open internet for everyone, including us.
- To enable brands to safely and easily deploy their first party data.
- And to add more value by creating a more efficient supply chain.

It's because of these factors that more and more of the world's leading advertisers are embracing our platform compared to our competitors. It's also why you saw a string of key partnership announcements forged in the second quarter. Whether it's Disney partnering with us as they race to ensure that the majority of their ad impressions are automated. Or Amazon's AWS ensuring that the many brands who use their marketing data services can now transact on UID2.

The same with Experian who is using UID2 as a common currency. Or Albertsons becoming the latest retail media partner on our platform to improve measurement and insight for brands selling products at Albertsons. And of course, Albertsons has committed to using UID2 to do this.

I also want to talk about Netflix' recent moves. I believe they are in a very strong position to be a leader in AVOD and hybrid pricing models, similar to how they have led the way for more than a decade in SVOD. We have a great relationship with Netflix. We also have a great relationship with Microsoft. We've had many constructive conversations with Netflix over the last few months. I personally am very impressed with how quickly they are diving into advertising.

The Netflix partnership with Microsoft is very positive news for the open internet. The fact that Netflix didn't chose Google is very telling. We believe it is another strong indication that more industry leaders recognize the opportunity of the open internet compared to the dangers and limitations of walled gardens.

By partnering with Microsoft on the supply side of the digital advertising equation, Netflix controls its own destiny. They chose a partner that can represent their interests, not one with a conflict of interest. Xandr is a strong sell-side partner and has been a great partner of ours for years. In fact, almost 12 years ago I initiated the partnership between Microsoft and Appnexus -- the company they now own that has been renamed Xandr.

Netflix and Xandr have a lot of ground to cover. Once they've done the work on the supply side, driving as much demand as possible toward those ad impressions will come next. Over time, Netflix is very well positioned to open their ad inventory on the demand side to the open internet. That would enable demand side players to compete in an open, objective and decisioned market, driving high CPMs, and maximizing the value for both the advertiser and the publisher, in this case Netflix. They will need to figure out how to do what Disney and their properties like Hulu are doing so well right now—which is creating a personalized TV and ad experience that respects consumer privacy. Disney is setting the pace on this today which sets a model for what

technologically savvy media companies like Netflix and NBCU and Paramount (and so many others) are likely to pursue very quickly as well.

As you know, I predicted publicly and repeatedly many years ago that Netflix and other subscription CTV leaders would eventually offer some kind of ad-supported option. The economics of the market demand it. And so many streaming providers have proved how attractive CTV is to advertisers. We work with almost all of them. For example, one of our early CTV partners, NBC, continues to go from strength to strength on our platform, with fully biddable inventory now available across its entire portfolio, including Peacock, which is driving significant interest and growth from our advertisers. The same is true of other premium CTV pioneers including Discovery+ and HBO Max which went live recently as well.

As a result of our work with the world's leading CTV pioneers, The Trade Desk is now the largest demand source for decisioned, premium CTV advertising.

And CTV is now reaching the kind of scale where it is forcing change across the advertising ecosystem.

- CTV leaders will help forge the future of identity.
- It's where we will dislodge the bricks of the Walled Gardens most rapidly.
- It's where advertisers now have a globally scaled, premium content alternatives to user-generated content.
- And because CTV has a massive, authenticated, logged-in user-base, it's where advertisers and publishers will innovate new ways to create personalized experiences, while also improving consumer privacy and better explaining the quid pro quo of the internet.

There is arguably no company on the planet that cares more about consumer privacy than Disney. They have spent decades building a brand based on intentional, personalized experiences across all their channels. But as they do that, they also want to ensure that their consumers' privacy is highly protected.

As you've all seen, Disney recently announced an expanded global partnership with The Trade Desk. As a key part of that partnership, Disney will become interoperable with UID2 across all channels. As you know, Disney engages consumers in many different ways, all of which are incorporated into their audience graph, which is now interoperable with UID2.

Aaron LaBerge, the president and CTO of Disney Media and Entertainment Distribution perhaps said it best, and I quote:

> "The growth of our relationship with The Trade Desk is a milestone in addressability and automated buying at scale, and the latest step as we use technology to enable advertisers to buy once to deliver everywhere across Disney."

I want to spend a moment on why UID2 is so important. A couple of weeks ago Google announced that they are delaying the demise of third-party cookies in Chrome until at least the second half of 2024. If you've been paying attention to anything we've said over the last couple of years at The Trade Desk, you'll understand how completely predictable this announcement was.

I've said I'm not sure it is ever in Google's best interest to get rid of third-party cookies, but it ultimately doesn't really matter that much. The uncertainty around Google's decision-making is only hardening the resolve of the rest of the industry to develop new approaches to identity. It is short-sighted to think about this work as simply a replacement for cookies. That doesn't really capture the scope of what's going on. And Disney is a great example of this. Disney wants to pioneer new ways to create highly personal experiences that protect consumer privacy, across

all channels. In most of those channels, cookies are not even present. It's much bigger than cookies. CTV does not rely on cookies. Successful consumer-oriented companies are taking a holistic approach to the consumer across all experiences and designing something new. Marketers understand that key marketing objectives such as reach, frequency, data usage and privacy can be managed in a much more deliberate, decisioned, and holistic manner.

Part of the reason that Disney can act with confidence here is because we've already done the hard work of activating UID2 across the data infrastructure that's something of the central nervous system of digital advertising.

AWS is a great illustration of this. AWS recently announced that they will enable their customers to deploy UID2 to help liberate the customer data stored on their platform, and AWS is one of the largest aggregators of marketing data in the world. If an advertiser uses AWS already, they can use UID2 to create an identifier that helps put that data to work without any of the data ever leaving AWS. AWS is just the latest infrastructure leader to deploy UID2. They are joining other leaders including Oracle, Adobe, Salesforce and Snowflake to help build the new identity fabric of the internet.

The latest major data player to join this movement is Experian. Experian Marketing Services is one of the leading suppliers of marketing data and insights to advertisers, and they are now using UID2 for their third-party data sets.

We have said all along, the success of UID2 will never hinge on ringing 10,000 doorbells. First and foremost, it's about gaining traction with the infrastructure of the ad tech industry. With that infrastructure in place, it's much easier for advertisers and publishers to activate, because UID2 is already embedded in the tools they rely on.

In a world with better identity solutions, like UID2 instead of cookies, publishers will make more money per ad. Advertisers will need fewer, more relevant ads to make an impact and sell product. Consumers will have more privacy and more control over their privacy.

And that's why I'm confident that almost all of our customers will be transacting on UID2 by the end of this year.

As I said at the beginning of my remarks, we are highly encouraged by our performance and optimistic about our ability to outpace the market moving forward. The combination of macro trends and our own innovation enables us to deliver differentiated value to our clients.

Of course, we understand many of our customers are dealing with uncertainty. But even with that uncertainty, we remain focused and confident. Programmatic advertising first came of age during the global financial crisis between 2007 and 2009. We launched The Trade Desk right in the heart of the uncertainty in 2009. While we are not immune to macroeconomic weakness, we gained share coming out of the uncertainty during the early months of the COVID pandemic. And it's because in times of uncertainly and volatility, when marketers have to make the most of every advertising dollar, that we have an opportunity to demonstrate our value. Our customers recognize that efficient and decisioned advertising can play a critical role in differentiating their brands to specific audiences and specific times. And there's no better platform on which to do that than The Trade Desk.

Throughout the first half of 2022 and particularly in the second quarter I believe we have gained more market share, grabbed more land, than at any period in our history. And in large part, that's because as marketers become more deliberate with their budgets, they are prioritizing advertising that delivers the highest return. And CTV has moved up the priority list.

So while we can't control the macroeconomic environment, the pace at which we're signing new and expanded customer agreements indicates that we are becoming an indispensable partner in their business growth and we anticipate grabbing land regardless of the macroeconomic environment.

We will never rest on our laurels. As one of the few high growth tech companies that consistently generates strong adjusted EBITDA and free cash flow, we have the financial flexibility to invest so we can innovate for our customers.

Last year on 7/7 we launched our biggest platform upgrade in our company's history. A year later, 100% of our customers are now using our Solimar platform, with all the data, measurement and decisioning benefits that Solimar brings them. This is perhaps our greatest engineering achievement yet. Within Solimar, our data marketplace continues to expand rapidly. Many leading retailers are now integrated with our platform, including Walgreens, Albertsons, and Target, and we continue to see utilization growth from both endemic and nonendemic advertisers.

We continue to innovate to help build the new identity fabric of the internet. Whether it's the data infrastructure work that's already proving so successful in North America, or the early work around EUID in Europe, which is already gaining very encouraging traction.

We continue to see success from brands working with the Walmart DSP, with significant quarter-over-quarter growth and the strongest quarter yet.

And in CTV, we are already beta testing our forward market product. We're working with select streaming platforms and advertisers to bring this new approach to CTV decisioning in advance of next year's upfronts. And early results are very positive. A strong forward market should replace

the Upfront market and provide a better TV experience for the whole ecosystem. Our early adopter advertisers are seeing excellent win rates and they want to commit larger budgets to it. And publishers are gaining confidence that this should become an essential component of monetizing their inventory.

As I said at the outset, the transformational impact of CTV, the revolutionary approaches to identity, and growing instability in some of our walled garden competition will only accelerate our ability to deliver value and to continue to gain share. I could not be more excited about the work ahead of us in the second half of this year and the years ahead.

And with that, I'll pass the baton to Blake, who will give you more color on the quarter.

Blake Grayson, CFO

Thank you Jeff, and good afternoon everyone.

As you have seen in our results, Q2 was a very strong quarter. Revenue was $377 million, representing an increase of 35 percent year over year. Our top line growth of 35 percent is especially impressive given we are comparing against a prior year growth rate of over 100% in Q2 of 2021. While the macro environment has created some uncertainty and we are not immune to it, we continue to gain share as more and more advertisers seek efficiency and measurable results in their ad spend, particularly in CTV. We also benefit from the diversity of our business model - including not only the breadth of advertisers and verticals we represent, but also the

range of inventory we have access to across the open internet – which provides a long-term durability we are proud of.

During the quarter, we benefitted from a digital advertising environment that is shifting increasingly towards data-driven buying and measurable results. Growth was broad-based across channels and verticals this quarter. We saw continued strength from CTV, which again led our growth from a scaled channel perspective. We've successfully completed a full transition to Solimar, and our customers continue to see positive results as they utilize our platform to sharpen campaign goals, activate our industry leading AI, and leverage more data elements per impression.

We are also seeing progress in our shopper marketing business. We have brought new partners into the platform over the past few months, and we are pleased to see increasing interest and adoption from advertisers utilizing shopper data in their campaigns. Although it is still very early days for us, spend that utilizes our expanding shopper data lineup continues to ramp very well.

With the continued strong top-line performance in Q2, we generated $139 million in adjusted EBITDA, or about 37 percent of revenue. When we outperform on the top-line, we often see that outperformance drop down to EBITDA, as it did again in Q2. I'm proud of our sustained efforts to consistently generate meaningfully positive EBITDA while continuing to invest in the critical areas of our business that can drive our future growth. This was particularly true in Q2, as items such as our first live company-wide event in over three years resumed, and travel also continued to ramp up.

From a channel perspective, CTV, by a wide margin, led our growth again during the quarter. Exiting Q2, Video, which includes CTV, represented a low 40's percentage share of our business and continues to grow rapidly as a percentage of our mix. Mobile represented a high 30's

percentage share of spend during the quarter. And Display and Audio continued to represent about 15 percent and 5 percent of our business respectively.

Geographically, North America represented about 90 percent of spend and International represented about 10 percent of spend. Spend in North America maintained its resiliency as we continue to win new business and gain share. In particular, our Chicago office - which is our 2nd largest office behind New York - grew spend faster on a year-over-year basis than any other office in the world that represents at least 1% of our spend. Fantastic results by that team as we continue to expand our reach. Our International spend grew both sequentially and year-over-year but dropped slightly as a percent of overall mix. Historically our growth has been driven by the strong position we have in CTV, particularly in North America, as was the case again in Q2. However, our CTV business internationally continues to grab share. CTV spend in Europe again more than doubled year over year.

Despite a challenging macro environment, particularly in Europe, we are focused on making the long-term investments that will position us to be stronger when conditions improve. As we have proven in the past, as our customers become more deliberate and data-driven with their ad spend, much like they did in late 2020, The Trade Desk is in a great position to help customers achieve better ROI and win more of their budget.

In terms of the verticals that represent at least 1 percent of our spend, nearly all of them grew in the double digits during the quarter. Both Travel and Pets more than doubled compared with a year ago. Food & Drink and Technology were also very strong, with Food & Drink accelerating on a year-over-year basis every month during the quarter. Home & Garden and Automotive grew slower than the average, however, both verticals grew faster than the average in July. Additionally, Automotive still grew in the double digits in Q2, and accelerated in growth from Q1.

We continue to believe there is still the potential for share gain and improvement in most of our verticals.

Turning now to expenses.

Q2 operating expenses excluding stock-based compensation were $250 million, up 45% year-over-year. Growth in operating expenses is influenced by investments in our team, particularly in areas like sales & marketing and technology & development as we continue to build the platform for long-term growth, as well as the return of in-person events.

Income tax was $21 million for the second quarter. The higher amount of tax relative to prior quarters was driven primarily by lower benefits from stock-based awards, the timing of which are variable.

Adjusted Net income was $99 million or $0.20 per fully diluted share. Net cash provided by operating activities was $92 million for Q2 and free cash flow was $86 million. DSOs exiting the quarter were 91 days, up 9 days from a year ago. DPOs were 73 days, up 6 days from a year ago. We exited Q2 with a strong cash and liquidity position. Cash, cash equivalents and short-term investments ended the quarter at $1.2 billion. We have no debt on the balance sheet. Turning to our outlook for the second quarter. We estimate Q3 revenue to be at least $385 million which would represent growth of 28 percent on a year-over-year basis. In Q3 we anticipate US political midterm election spend to represent a low-single digit share as a percent of our business. We estimate adjusted EBITDA to be approximately $140 million in Q3.

While there is continued uncertainty about the macroeconomic environment, we continue to feel confident in our ability to execute and take share. Given the large available market in front of us, we see significant opportunities to invest in our business. In more uncertain times, this enables us

to widen the distance between ourselves and our competition in areas such as technology, identity, supply chain optimization and customer service.

In closing, we are extremely pleased with our strong performance in the quarter. With significant growth drivers including CTV, retail media, our international business, Solimar, as well as the US midterm election cycle, we remain highly optimistic about our future prospects. We continue to generate strong annual free cash flow and the strength of our business model and balance sheet have positioned us well as we enter the second half of the year.

That concludes our prepared remarks. And with that, operator, let's open up the call for questions.