Prepared Remarks of

theTradeDesk®

Second Quarter 2026 Earnings Call
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Chris Toth, Vice President Investor Relations

Thank you, operator. Hello and good afternoon to everyone. Welcome to The Trade Desk second quarter 2026 earnings conference call. On the call today are CEO and Co-Founder, Jeff Green and our Chief Financial Officer, Nate Olmstead.

A copy of our earnings press release is available on our website in the Investor Relations section at thetradedesk.com. Please note that, aside from historical information, today's discussion and our responses during the Q&A may include forward-looking statements. These statements are subject to risks and uncertainties and reflect our views and assumptions as of the date such statements are made.

Actual results may vary significantly, and we expressly disclaim any obligations to update the forward-looking statements made today. If any of our beliefs or assumptions prove incorrect, actual financial results could differ materially from our projections or those implied by these forward-looking statements. For a detailed discussion of risks, please refer to the risk factors mentioned in our press release and our most recent SEC filings.

In addition to our GAAP financial results, we present supplemental non-GAAP financial data. A reconciliation of the GAAP to non-GAAP measures is available in our earnings press release and investor presentation. We believe that presenting these non-GAAP measures alongside our GAAP results offers a more comprehensive view of the company's operational performance.
With that, I'll now turn the call over to CEO and Co-Founder, Jeff Green. Jeff?

Jeff Green, Co-Founder and CEO

Thanks and good afternoon, everyone. Thank you for joining us.

I want to start by sharing some of the same perspectives that I've shared with our team over the past several weeks.

Next month we will celebrate 10 years as a public company. Over that time, we have grown revenue at roughly a 34% CAGR. Our annual net income has increased 20x and our team has grown from just over 400 people at the time of our IPO to thousands.

Over the last 16 years, The Trade Desk has made a number of industry changing accomplishments. Yet throughout that entire time, we have always tried to learn as much from our mistakes as we do from our successes. We spend a lot of time at The Trade Desk reviewing the pivotal decisions that we've made over the years, understanding what worked and what didn't, and how we can become a better company. As we continue to map out plans to grow our position and improve our revenue growth, we reflect on what we have learned from past quarters, and especially from this last one.

Our revenue growth is below our expectations and below the standard we hold ourselves to. These numbers are not a reflection of our company, or the long-term opportunity in front of us. We underperformed our own expectations for two main reasons. First, the macro conditions have made it more difficult for some of the world's largest brands to grow. Of course, this is bigger than advertising and bigger than our company. In this economic environment there are pressures on lower income consumers. As a result, some affected advertisers have become more focused on buying cheap media rather than the best media. Secondly, we didn't execute as well as we could have, which I'll elaborate on in a minute.

But first let's start with the macro. We continue to see a unique blend of macro pressures on several categories of advertising. Of course, our business is very unique among the large advertising-focused platforms. Our business is largely a sophisticated, buying platform for the biggest brands and advertisers. Almost all of the spend on our platform comes from large Fortune 500 companies and their brands. Over the long term, our focus on large advertisers is both a strength and a moat. We have partnered with the biggest, most resilient, and most loved brands in the world. Nevertheless, some of them are experiencing difficult times.

All of our customers are operating in a fundamentally different environment than they were even a year ago. CPGs and FMCGs are experiencing unique pressures. These categories were once the biggest in advertising. They are still one of the biggest.

P&G has described the environment as "volatile and challenging" and recently stated on their earnings call,

"We anticipate continued pressure from commodity and related costs to the crisis in the Middle East. If the conflict eases and oil comes down, trade lanes open up. That will help. If it goes the other way, it will hurt."

CPG and Autos are two of the sectors of the economy that are most overrepresented on our platform. Around 25% of our business is generated by those two categories alone.

Autos and CPG have both been set back by tariffs and oil prices. General Motors described a multi-billion-dollar impact from tariffs, in addition to plans to on-shore production to avoid future tariff risk.

Both of these categories of advertisers almost unanimously have described a change in the macro where the consumer wealth bifurcation is creating a squeeze on their customers that is highly uneven consumer behavior—where the high-income consumers are doing well and the lower-income consumers are not. For CPGs this is causing change across everything from packaging, to advertising allocation, promotion strategy, and go to market.

This uneven consumer pressure is impacting autos remarkably. Both Ford and General Motors highlighted in recent earnings reports the growing dependence of auto sales on affluent consumers, and industry research from Oxford Economics shows earners in the top 20% of households currently represent more than 50% of new vehicle sales.

Both categories are having to create new approaches to advertising. In some cases, budgets have been temporarily reduced as they formulate new plans to go to market. In other cases, some brands are falling prey to low-cost, low-decisioning methods like programmatic guaranteed and fixed price. Doing so essentially means buyers will give away their decisioning in a great buyers' market to the sellers, in exchange for lower costs of transactions. This approach is often deliberately short-sighted. Still, we continue to see the growing market leaders in every category optimize for business outcomes, not simply the lowest cost buying platform or lowest cost media.

It is important not to overstate the impact of these dynamics on our business. While these are affecting some of our largest categories and clients, most of our clients are performing well and growing.

In fact, many categories are experiencing secular tailwinds. Financial services, technology, and pharma are growing well and thriving, and we are seeing many of the leading brands in those categories deepen their partnership with us.

One of the leading indicators we watch most closely is our Joint Business Plans, or JBPs. We had JBPs with 217 clients as of Q2, representing 38% growth year over year. Most importantly, revenue under JBPs grew at a rate 6 times higher than overall revenue.

JBPs are much more than commercial agreements. They create a structured framework for brands, their agencies, and The Trade Desk to plan, innovate and measure success together. These partnerships grow faster than the rest of our business because they're built on long-term alignment rather than individual campaigns.

Additionally, the majority of our top 100 accounts are growing double digits y/y. Outside of our top 500 advertisers, the remainder are growing over 50% year over year, year to date —which represent green shoots from smaller, up and coming, and challenger brands. Our EMEA and APAC regions both have grown almost 30% year to date, China is growing over 100% year to date.

Some of our clients are experiencing headwinds, but the majority are growing. Even in CPGs and autos, about half of them are growing very well with us, even if they are all experiencing cyclical pressures.

While there are unique macro pressures, we are very focused on the things that we can control. We continue to grow our customer base including high growth among midsize businesses and agencies.

Starting with our product, I am extremely excited about our roadmap and the innovations we are building to make media buying better. We say all the time that every product we ship has to be better for our clients, better for us and our shareholders, and better for the ecosystem. Through that lens, let me share a few of our plans, starting with the products that we are pointing at what might be the biggest problem in our industry: measurement.

Real brand building, which is required for categories like autos and CPGs, cannot thrive while measurement standards are broken. As long as last click and last view are the standard of measurement, brands will struggle to understand what drives their growth, and the most premium parts of the open internet will always look expensive and ineffective.

Our new measurement framework, which is currently in alpha, is designed to more fairly assign value across the entire customer journey, giving marketers greater confidence in where their advertising is creating incremental business results, whether that's in the top of the funnel or the bottom. This is not a problem we can tackle alone, which is why we're working in close partnership with some of the largest media companies, measurement companies, and data companies to bring it to life.

Secondly, we are ramping up Audience Unlimited. Audience Unlimited dramatically simplifies how marketers discover and activate third-party data. Instead of navigating millions of segments and manually analyzing potential impact, marketers leverage AI models with their own proprietary data to select data. Our new pricing approach with this product, makes is so that price becomes a non-issue. We are essentially doing to data what Spotify has done to music. We are creating an all-you-can-eat system that makes it easier to apply more data for a simple subscription percentage.

As Audience Unlimited moves to Open Beta, we are seeing encouraging results. In a recent campaign, a global advertiser used Audience Unlimited to reach incremental households more efficiently. Compared with a prior campaign, the advertiser reduced its cost per unique household and also reduced its data CPM. Both reductions were more than 25%, demonstrating the potential of AU to improve efficiency as we roll this out to new customers.

Lastly, on the product front, later this month we will launch a significant upgrade focused on platform usability. We’re calling this version Zuma. We are enhancing navigation, streamlining workflows and troubleshooting, and delivering a more intuitive user experience from end-to-end. This upgrade improves workflow efficiency, leverages even more AI, enhances design, and improves the dialogue between human and machine. We are listening to our clients and responding with innovative upgrades at a faster pace than we have been in years.

Ultimately, with success in measurement and Audience Unlimited, and Zuma's upgrades, it will be easier to demonstrate the value of decisioned buying which directly drives revenue growth. And furthermore, we will win more hearts and minds among CMOs and the upper ranks of the largest advertisers and agencies. This is how we help create universal understanding at every level of our client's company about the difference between buying based on price and buying based on value.

Some of our competitors, big and small, have been focused on producing products for Programmatic Guaranteed, Fixed Price transactions, and simple deals with approaches that do not leverage buyer-decisioning. Some are even wrapping these in agentic technologies. They argue that their cheap fee will compensate for their lack of objectivity and their decisions that favor publishers, rather than the buyer who is footing the bill. These approaches look more like ad networks of 2006, than reflect the progress our industry has made in the last 20 years.

Decisioned buying and Programmatic Guaranteed are fundamentally different products. Programmatic Guaranteed can solve for certainty, simplicity, and upfront price. Decisioned buying optimizes for the highest business outcomes utilizing data, measurement, and real-time optimization. We are focused on the latter.

The encouraging part is that periods like these create opportunities for change. The world's most sophisticated marketers don't simply look for lower prices. They become more deliberate. They ask better questions. They demand better measurement. They focus on outcomes rather than inputs. And when marketers become more data-driven, The Trade Desk creates even more value for our customers—the biggest brands and biggest agencies in the world.

The success of our platform is in our control, and we're in the lead. We have the most premium and sophisticated buying platform in the space. Our goal isn't simply to support media execution. It's to continue being a strategic business partner to the world's leading marketers.

Lastly, we've brought in a number of new leaders to help take this company to the next level. Leaders like Vivek Kundra, our COO; Nate Olmstead, our CFO; Kristi Argyilan, our Chief Commercial Officer; Ron Lambrecht, our Chief Business Development Officer; Sarah Gavin, our CMO or Vinny Rinaldi, our VP of Client Strategy and Growth. We've also added some amazing industry leaders to our board. We have enhanced dramatically our company's leadership in the last few quarters, especially this last one.

These leaders have built and scaled organizations much larger than ours. They bring operational discipline, fresh perspectives, and deep experience partnering with senior business leaders around the world. Just as importantly, they bring a willingness to challenge assumptions, including my own.

But building a better company doesn't stop with our executive team. Over the past year, we have also invested heavily in strengthening the leaders throughout our commercial organization. We've recruited hundreds of experienced General Managers, Vice Presidents, and customer-facing leaders who know how to build strategic relationships with the world's largest brands and agencies.

That reflects an important evolution in how we go to market. As marketing decisions increasingly move higher up in the organizations, at times into the C-suite and executive ranks of global advertisers, of course we have to meet our customers where those decisions are being made.

Before I conclude, I want to spend a minute talking about why I remain so excited about the opportunity in front of us. Today, we estimate the global advertising market approaches one trillion dollars annually. Even after everything we've accomplished, we believe we participate in only about one percent of that opportunity. But what excites me most isn't simply the size of the market or the TAM that remains. It's how the market itself is changing.

For years, search has largely been defined by a single dominant platform. That is beginning to change. As LLMs reshape how consumers discover information, we expect a much more competitive landscape to emerge. Just as Connected TV expanded opportunity by creating more premium inventory and more choice, AI has the potential to expand the addressable market for digital advertising by creating entirely new surfaces for marketers to engage consumers and give more competition to market share that was once locked in traditional search marketing.

AI is creating exponentially more data, more choices, and more complexity. In the new AI world, our decisioning capabilities are better than ever. And objective decisioning even more valuable.

Brands don't need another platform trying to sell them media. They need a platform that can evaluate the millions of opportunities available every second on the internet and objectively help them make better decisions.

That's exactly what we've been building since the day we founded The Trade Desk.

Our objectivity also makes us a better partner. As more of our competitors prioritize their own owned-and-operated inventory, our independence becomes even more valuable to advertisers, publishers, retailers, and technology partners alike in the long term.

That's one of the reasons our partnerships continue to deepen. Today we work with many of the world's leading media companies, including Disney, Netflix, NBCUniversal, FOX, Paramount, Spotify, and News Corp. We also partner with the infrastructure of the open internet through companies like Snowflake, Databricks, LiveRamp, and Hightouch, helping brands activate their data wherever it creates the most value. For most of them we are among if not the largest programmatic partner. We got to this place by minimizing conflict of interests and creating clear, mutually beneficial partnerships.

The same is true in retail media. Participating retailers on our platform now represent more than 80% of U.S. retail sales. This includes our recently renewed partnership with Walmart, the largest retailer in the world. We believe our objectivity uniquely positions us to help retailers collaborate with brands in ways that vertically integrated competitors simply cannot.

We're also seeing this modernization play out globally. Our investments across Europe, Asia-Pacific, and other major international markets are creating new opportunities as global brands increasingly adopt data-driven, decisioned advertising.

Most importantly, our customers are telling us that this strategy is working.

General Mills is great example. They recently ran a campaign for its Nature Valley brand in the UK. They were interested in pairing retail-data with real-time optimizations to measure the impact on sales and ROAS. The campaign used retail data from Tesco, Sainsbury's and Ocado, as well as in-flight Koa AI optimizations, predictive clearing and cross-device targeting. Over four months, the campaign drove a 5x uplift in sales, a 92% lower CPM compared with the benchmark, and a 2x ROAS improvement versus without using retail data. This is a great example of a leading global brand, embracing AI and decisioning to drive more outcomes for their business.

When I think about everything we've discussed today, that's ultimately what gives me confidence. The market opportunity is expanding. Our competitive advantages are becoming more relevant. Our partnerships are becoming deeper. And our customers are increasingly choosing to build their brands for the long term using our platform. In a market with more pressures, objectivity matters more.

Let me conclude by saying this. While we have some near-term challenges, my conviction about The Trade Desk has never been stronger. Our team, our business model, and our partners—keep getting better for the opportunity ahead.

Digital advertising continues to gain share globally. Connected TV continues to shape the largest media market in the world. Retail media continues to mature and expand. AI will create entirely new ways for marketers to use data to drive growth. And as advertising becomes more measurable, more open, and more data-driven, the value we deliver becomes even greater.

None of that changes today's results, but it reinforces my confidence that we're focusing on the right opportunities and making the right long-term investments.

Over the rest of this year and into 2027, we're going to be more disciplined than ever about where we invest. We'll focus our resources on a small number of high-priority growth initiatives where we believe we can create the greatest long-term value for our clients and our shareholders.

That means some teams will continue to grow, while others will not. Every investment we make will be measured against a simple question: does it strengthen our ability to serve our customers and drive long-term growth? If the answer is yes, we'll invest aggressively. If not, we'll reduce those resources to higher-impact opportunities.

Over the coming quarters, you'll see these priorities reflected in how we execute. You'll see us continue to make our platform easier to use while expanding its capabilities through agentic workflows. You'll see Audience Unlimited and our measurement framework help advertisers connect more of their spending to business outcomes. And you will see our commercial strategy mature, as deeper relationships and Joint Business Plans with the world's largest brands and agencies translate into stronger, more durable growth.

With that, I'm very pleased to introduce our new CFO, Nate Olmstead. Nate joined us last month and brings with him extensive experience as a finance leader from his career at Penguin Solutions, Logitech, and Hewlett Packard Enterprise. I could not be more excited to have him on our team and for you all to get to know him. With that, over to Nate.

Nate Olmstead, Chief Financial Officer

Thank you, Jeff, and good afternoon everyone.

I'm excited to be joining The Trade Desk. While I'm still early in the process of learning the business, part of what attracted me to The Trade Desk was its large market opportunity, its reputation for innovation and its long track record of helping advertisers achieve better business outcomes. As CFO, my focus is straightforward: ensuring we invest behind our highest-priority opportunities, allocate capital with discipline, and build the operational rigor needed to scale effectively.

With that, on to our results. In Q2, we delivered revenue of $715 million, up 3% year-over-year. We generated $241 million of adjusted EBITDA during the quarter, representing a 34% margin.

CTV and audio exhibited double-digit growth once again in Q2. Video, which includes CTV, represented a low-50s percent share of our business in Q2. Mobile represented a high-20s percent share of the business during the quarter, while display represented a low double-digit share. Audio represented around 7% of the business and grew year-over-year at a higher rate than any other channel, as it has for the last 4 quarters.

Geographically, the United States represented approximately 83% of our revenue in Q2, and international represented approximately 17%. Our strong momentum in both EMEA and APAC reflects the investments made in these regions over the last several years, and we delivered over 50% CTV growth year over year in each region during Q2.

Among verticals that represent at least 1% of our business, we saw strong growth in Medical Health, Automotive, and Travel. We continue to see pressure in the Food & Drink and Home & Garden sectors as CPG brands navigate geopolitical uncertainty, consumer softness, and input cost inflation. Automotive remains an area of strength overall, though we believe this business could be growing faster absent the impact of increased tariffs on the industry. We also benefitted from political spending related to the US mid-term elections during Q2.

Q2 operating expenses were $613 million, up 6% from a year ago. Excluding stock-based compensation, Q2 operating expenses were $504 million, up 12% from a year ago. The increase in Q2 was driven primarily by platform operations, as we optimize platform infrastructure, implement more AI powered tools on our platform, and continue to evolve our various decisioning and data offerings. Over the past two years, we've transitioned critical workloads from third-party public cloud environments to owned data centers. This has strengthened our platform infrastructure, reduced our reliance on external cloud providers, and provides us with greater flexibility to support AI and machine learning workloads. While this transition creates an increase in platform operations expense in 2026, it positions us to benefit from greater efficiency and operating leverage over time.

Income tax expense was $49 million in the second quarter, driven primarily by our pre-tax profitability and the impact of stock-based awards.

Net income for the quarter was $64 million or $0.14 per diluted share or about 9% of revenue. Adjusted net income for the quarter was $158 million or $0.34 per diluted share. Net cash provided by operating activities was $154 million and free cash flow was $136 million in Q2.

We ended the quarter with a strong cash and liquidity position. Our balance sheet had about $1.5 billion in cash, cash equivalents and short-term investments at the end of the quarter.

In Q2, we used $78 million of cash to repurchase our Class A common stock via our share repurchase program. At the end of Q2, we had $269 million remaining on our program authorization.

Turning to our outlook for the third quarter.

For Q3 we expect revenue to be at least $650 million. We estimate adjusted EBITDA for Q3 to be approximately $160 million.

Before I wrap up, I'd like to provide additional context on how we're thinking about our investment priorities for the remainder of 2026.

Looking ahead, we'll continue investing with conviction in our highest-priority opportunities while building a more disciplined and scalable operating model. By improving how we operate, we can move faster, and create additional financial capacity to reinvest in those opportunities. We believe that combination of focused investment and improved execution will position The Trade Desk to deliver stronger, more durable growth and improved profitability.

We look forward to updating you on our progress.

That concludes our prepared remarks. Operator, please open up the call for questions.