Prepared Remarks of

theTradeDesk®

Third 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 third 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, Chris, and good afternoon, everyone. Thank you for joining us.

Our third-quarter revenue was approximately $736 million, meaningfully ahead of the outlook we provided in August. Those results were much better than we expected three months ago. It's approximately flat on a year-over-year basis. While these results are above what we expected for this quarter, this level of growth is of course well below the level of growth that we expect from ourselves in the future.

Last quarter, I talked about opportunities for improving our execution and the things we can directly influence to improve the trajectory of our business. Since then, we have been improving our operations at an increased pace across the company.

You can see that reflected in the way we are working with our customers, how quickly we are improving our platform, how we are allocating resources, and how we are operating as a company.

I'm encouraged by our progress, and I'm proud of our team. But I want to be very clear: we are not satisfied.

The questions that we are focused on every day are how we can build on that progress, how we can improve the underlying trajectory of the business, and create more value for our clients. We also believe that by helping the world's largest advertisers drive better decisions, use their data

more effectively, and more importantly, drive better business outcomes, we can continue to help move the industry, and the open internet forward.

We marked our 10-year anniversary as a publicly traded company in Q3. We've had tremendous growth since our founding and since our IPO, the complexity of the ecosystem has also grown, and the way we operate must evolve alongside it.

Given it was our 10-year anniversary, it is fitting to express my personal excitement to have my co-founder re-engage more deeply at The Trade Desk once again. Dave Pickles and I founded the company 17 years ago.

Dave has continued to support The Trade Desk as a long-term advisor since stepping down from his role as CTO in September 2023.

But we enter the next stage of our product innovation, I'm very pleased to share that Dave, the architect of the platform and a key driver of The Trade Desk's revenue has agreed to substantially expand his role once again.

Together in many cases, he and I led the growth of the programmatic space and the ad ecosystem that funds the open internet. I'm excited to work with him again and tackle new challenges. This is an area where we believe The Trade Desk is stronger than ever to make a bigger impact than we ever have. Bringing Dave's experience, technical judgment and deep understanding of our platform more directly into that work will help us shape what we believe is the next generation of advertising technology.

I'm extremely excited to have him more deeply engaged with the team as we move into this next chapter.

We spent the last year changing our company because the industry has changed and is continuing to change. However, our vision and our values remain the same as what Dave and I established at our company founding.

For years we have primarily served the largest agencies and the largest brands in the world. We have grown but so has our ecosystem. Programmatic advertising was once a line item on a media plan. Now it's the heart of the plan. With the growth of the ecosystem of programmatic and digital advertising, we've also seen decision making move inside of brands and agencies to different parts of the organization. Often the decision making has moved up, sometimes all the way to the C-suite of fortune 500 companies, but in other cases it's often also been distributed. But in all cases, there are more seats at the table.

Decisions about what advertising to buy that were once made primarily by hands-on-keyboard traders are increasingly being made by senior agency leaders, procurement groups at large brands, and senior executives. In many cases now, the CFOs, CEOs, and even CMOs are quickly learning the esoteric details of programmatic advertising and the marketplace of buying media.

Put simply, we must meet our customers where those decisions are being made, and decisions are made in a variety of levels of those organizations today.

That said, data-driven advertising is more important than ever because most of the fortune 500 are searching for new growth. In most cases, growth isn't possible without branding and

advertising. And as linear TV goes away and becomes less relevant, relative to streaming, brands will win or lose based on their ability to understand and use data-driven advertising.

This is an important moment for the advertising industry, but it is also an important moment for our company because we have spent the last year fine tuning our company. There is a massive TAM and huge opportunity for growth ahead. To capture that, we've had to refine our broader organization into one capable of greater scale than ever before. We have brought together perhaps the best team assembled in ad tech, which includes those who know the esoteric world of programmatic advertising and others who drive and operate at unprecedented scale.

The Trade Desk has always differentiated with greater operating discipline in how we build our products, how we go to market, how we align our interests with clients, and how we execute. We are setting clearer priorities in product development, developing more consistent sales and account planning processes, enforcing stronger accountability throughout our organization, and allocating resources more deliberately against our highest-return opportunities, which include agentic AI, CTV, and measurement.

AI has produced a tremendous opportunity for us and our clients. Because of AI, The Trade Desk is able to refine its product faster than ever. AI is helping us operate, AI is helping us build product, and AI is in the product to help our clients manage their advertising.

We have been transforming our business and are starting to see the fruits of our labors. We've strengthened our leadership team and now have most of the key players onboard.

As a result, we have organized our go-to-market teams differently. We've added experienced leaders throughout our commercial organization, so we are better strategically serving our largest customers, bringing together product and commercial teams to address our clients' needs to find new growth.

That includes better measurement, more effective use of data and AI, and more strategic approaches to how we plan and grow together.

One of the clearest indicators of that progress is our Joint Business Plans, or JBPs.

Through the end of Q3, the number of JBPs was up more than 30% year-over-year, including growth of more than 20% in the third quarter, representing hundreds of agencies and brands. Most importantly, customers operating under JBPs continue to grow meaningfully faster than those under traditional MSAs.

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 JBPs, and client relationships that have JBPs, tend to grow faster because they are built around long-term alignment rather than individual campaigns. JBPs provide the framework to plan together, innovate together and measure success against shared business objectives, and as our engagement with our clients deepens, our JBPs continue to expand. We currently have more than 100 JBPs in the pipeline, which gives us additional confidence in the opportunity ahead.

One great example of where a clear JBP with bigger common goals than ever is driving growth is with one of our large financial services customers. Our team developed a deliberate strategy to engage more deeply with the leaders of individual business lines across the organization where we had not previously built relationships. Over several months, the team held dozens of conversations with business leaders, focused on demonstrating the value The Trade Desk could create against their specific business objectives. That engagement recently resulted in millions of dollars of incremental spend from one line of business alone. It is a good example of the opportunity we see when we move beyond simply being a platform that clients use to buy media and instead become a strategic partner they build with.

We're seeing encouraging indicators elsewhere in the business as well.

Outside the US, we are seeing strong growth from our APAC business, which is up approximately 30% year-over-year in the first nine months, led by China, which grew 45% year-over-year in Q3. We are also seeing strong momentum in EMEA, where growth is up more than 20% year-over-year in the first nine months.

We're also seeing encouraging progress from our Growth Team, which is focused on winning new brand clients, including large and middle-market clients, and re-engaging advertisers where we know we can create more value. Through the first three quarters of the year, the team has increased its client count by over 200% year-over-year, including 23 new clients in Q3 alone and this team is a meaningful contributor to our overall revenue.

Our success is led by people. However, we are a product-led company. Every product we ship aims to create greater returns for our customers, more value for The Trade Desk and our shareholders, and represent an improvement to the ecosystem overall.

Today I'll highlight some of the big products that we've been working on for the last year and half. We'll highlight some of the platform engagement we improved with our system upgrade, called Zuma. We'll share more about our most exciting product which is a measurement product and marketplace that will transform The Trade Desk, the open internet, and premium media. And lastly, we'll provide an update on the progress on Audience Unlimited, which represents another way for TTD and advertisers to unlock benefits of data and AI.

Let me start with measurement.

The advertising industry has a fundamental measurement problem.

Last-click and last-view measurement naturally favor advertising that occurs right before a transaction takes place. What last-click and last-view attribution do a poor job of is recognizing all the advertising that created awareness, preference, and the brand in the first place. Branding will always suffer and be underfunded when last touch attribution is the default because the heavy lifting of branding is done in the premium media. And the premium open internet is where The Trade Desk leads in demand aggregation and now where most premium media is consumed. Today, the heavy lifting of branding is done in CTV, in Sports, in movies, in news, and in music.

Great branding is almost always the process of associating a great brand with great media. As one client shared with me earlier this year: often the best and most effective ads are the most expensive.

Our Open Measurement framework is designed to more accurately assign value across the customer journey and give marketers greater confidence in where advertising is creating incremental business results, whether that influence happens near the top of the funnel or at the bottom of it. Unlike the walled gardens of Amazon and Google, and other user-generated content platforms, we are not grading our homework. We are not simply measuring our own success. We provide real sales data through real transactions.

We are in the pole position here because we operate objectively on the buy side.

We don't own media that we're trying to sell. Our aim is to help advertisers understand what decisions are actually working and actually driving growth allocate their next dollar accordingly.

We are trying to be their partner and actually help them grow and find incremental growth, not just take credit for the growth that would happen anyway.

Open Measurement is designed to bring more sophisticated measurement directly into the platform. For advertisers with first-party data, that means more granular attribution. For advertisers that do not have access to sophisticated measurement today, we intend to make attribution available more broadly. Our goal is to evolve measurement beyond last-click and last-view toward a more complete understanding of the customer journey.

In our product design, incrementality can help marketers better understand which investments are creating additional business results, including the value being generated across the open internet. I'm excited to share more and we will, when we formally launch this Open Measurement product later this quarter.

The second product area I want to discuss is Zuma.

We launched Zuma during the third quarter as an important evolution of our product. Zuma upgraded Kokai.

Zuma improves navigation, workflows, and troubleshooting. It brings more AI directly into the user experience and improves the dialogue between human and machine. Increasingly, we want Koa and our agentic workflows to handle more of the repetitive and operational work, freeing clients to focus on strategy, creativity, and business outcomes.

We are already seeing early indicators of progress toward this vision. Clients are moving faster: Median active time to complete core setup workflows has declined, including 9% for campaign creation, 15% for ad group creation, and 9% for uploading creatives.

Koa is doing more of the work: Koa Optimizations are now enabled on 22% more strategies than before.

Results are improving: In A/B tests across 62 campaigns, the upgraded Koa CPA model improved CPA by a median of 21% versus the prior model, with no additional setup changes required.

And we are only beginning to see what agentic workflows can make possible.

Take campaign creation. In early testing, our campaign creation agent read a client's media plan and set up the campaign structure, ad groups, budgets and flights in a matter of minutes, automating work that has traditionally been done manually and can take hours. Early adopters highlight meaningful time savings, and more clients are asking to use it. We are still in beta and there is more work to do, but it is a good example of where the platform is heading.

We are applying the same agentic approach to audiences and extending it across our partner ecosystem. Using MCP, an open standard adapter that allows AI systems to communicate with one another, Koa can share an advertiser's audience objectives with participating data providers. Then their AI systems can respond with custom segments designed for that campaign. Koa can then evaluate those options and use a segment only when it believes it is likely to improve performance.

That creates an open-agentic ecosystem in which our agents and our partners' agents can work together on behalf of advertisers.

We are also beginning to work more closely with some of the world's leading agencies to co-develop agentic workflows. Previously, we highlighted our partnership with Stagwell. Today, we have extended that collaboration model, incorporating agentic workflows into the planning, activation, and optimization processes that power campaigns for many of the world's largest brands and their agencies.

We are still in the early stages, but these collaborations are important because our goal is to build agentic capabilities alongside the agencies and advertisers that will use them. Our partners operate the most sophisticated marketing organizations in the world, so we aim to create technology that solves real workflow problems, creating more value for brands.

Over time, we believe agentic workflows can materially change the productivity of advertising teams. Work that has historically required many people and significant manual effort can increasingly be assisted or executed by agents, allowing leaner teams to operate even more sophisticated programs while keeping people focused on the decisions where judgment, creativity, and strategy matter most.

Put simply, Zuma is making the platform easier to use, accelerating the adoption of agentic AI, and helping drive better outcomes for advertisers.

We have a lot more work ahead of us. But the initial response reinforces our belief that we can preserve the sophistication that makes our platform valuable while making it more intuitive, more efficient, and increasingly powered by agentic AI.

And Zuma is not a one-time release.

It represents the pace at which we intend to improve the platform and expand the capabilities of our agentic offering for advertisers and agencies.

We are also seeing encouraging early traction with Audience Unlimited. More than 100 advertisers have now tested the product, and several hundred campaigns are live.

The idea behind Audience Unlimited is simple: make high-quality third-party data easier and more predictable to use, while leveraging AI to help advertisers identify the audiences most likely to drive performance. And the early results are promising. In recent campaigns, advertisers have improved CPA by more than 30% and simultaneously reduced CPMs by approximately 14%. Multiple advertisers have also used Audience Unlimited successfully in direct competitive tests.

These early results increase our confidence that Audience Unlimited can drive better advertiser outcomes while significantly simplifying the way data is used on our platform. As we continue to innovate, I expect Audience Unlimited to be huge beneficiary of agentic AI as well.

Measurement, Zuma, Audience Unlimited, agentic workflows, and the work we're doing across our commercial organization, all connect to the same objective: helping the world's largest advertisers make better decisions and generate better business outcomes.

When I look toward 2027, we have more opportunity in front of us than ever. The TAM is growing. AI is fueling change and disruption, but our AI joined with the trust and partnership we've built over many years make it especially valuable to The Trade Desk.

Over the last couple of years, we have been upgrading our business.

As I mentioned previously, we have strengthened the leadership team and continue to solidify that team. We've evolved our commercial model, and we've been more deliberate about where we allocate resources. We've continued to invest in the platform, AI, measurement, and data. And we're creating systems and processes that allow us to operate at a scale.

We have learned a lot along the way.

We have made mistakes. When we do, we try to correct them quickly.

The organization we have today is the organization we need for the next chapter of The Trade Desk. And the opportunity in front of us remains enormous.

Our market share represents only a small fraction of a roughly $1 trillion-dollar global advertising market. Digital advertising continues to gain share and connected TV continues to reshape the largest media market in the world. More of the world's premium content is becoming digitally addressable. Retail and commerce data are becoming increasingly valuable in an AI world. And AI is creating more data, more choices, and more complexity.

All of those trends increase the importance of objective decisioning and the role of The Trade Desk.

The supply of the advertising opportunities continues to expand dramatically faster than demand. In a world where supply significantly exceeds demand, advertisers have extraordinary choice. But with a finite amount of ad dollars, more choices make decisioning even more valuable and more important. And objectivity also becomes more important. Access to inventory is increasingly commoditized. The value of decisioning comes from the use of data and AI to evaluate those opportunities and determine which ones are actually the right opportunities for advertisers.

The ability to evaluate millions of opportunities and determine which are right for a particular advertiser is what matters.

And increasingly, the data required to make those decisions belongs to our customers.

In an AI-driven world, proprietary data becomes even more valuable. Partners that help you protect your data become better partners. The world's largest brands need partners they can trust with that data, partners whose incentives are aligned with theirs, and partners who are not using their data to their competitors' advantage.

Our independence and objectivity have always mattered, and I believe they matter more today than ever before.

As most of you know, the United States just wrapped up its midterm elections. We are proud of the role we play in the elections. We aim to provide all political parties equal access to our platform so that they can enable their ideas to compete fairly in the marketplace of ideas. I consider it a great achievement of our company to have two parties with competing ideas, both use our platform at the same time in hopes of swaying voters and winning elections. This election was our biggest yet. Given this was a mid-term, and not a presidential election, we see this as a strong indicator of the role we can play in the future as we continue to focus on building and maintaining trust of all our clients, including the political clients.

So let me wrap up with a few thoughts about the future.

As we head toward 2027, our priorities are clear.

- One, to continue improving how we serve the world's largest brands and agencies.
- Two, to make the power of our platform easier to access while preserving the sophistication that differentiates it.
- Three, to change how advertising is measured so that marketers can better understand what drives growth.
- Fourth, to continue putting AI to work in ways that make marketers more productive, and their advertising spend more effective.
- And five, to operate The Trade Desk with greater agility, focus, ownership, and speed.

Q3 represented progress, but we are measuring ourselves against where we believe this company can go, not simply against the expectations we set three months ago.

We have more work to do. At the same time, I believe the actions we've taken, the team we've assembled, and the products we're bringing to market this quarter and in 2027 and beyond, position The Trade Desk to lead the open internet and the advertising that funds it at higher levels than ever before.

We've spent much of the last decade building the leading independent buying platform for the open internet. Our focus is now turning that into the next phase of durable growth.

With that, I'll turn the call over to Nate.

Nate Olmstead, Chief Financial Officer

Thank you, Jeff, and good afternoon everyone.

Let me start with our third-quarter results. In Q3, we delivered revenue of $736 million, down 0.5% year-over-year and meaningfully ahead of the outlook we provided in August. We saw particular demand strength in Medical Health and our political election business which continued to grow cycle-on-cycle as expected.

In addition, our Q3 results included a benefit to revenue totaling approximately three percentage points, from business with a strategic partner that we do not expect to recur.

Importantly, even excluding that one-time benefit, the underlying business still performed meaningfully better than we anticipated entering the quarter.

We generated $266 million of adjusted EBITDA during the quarter, representing a 36% margin, also meaningfully ahead of our expectations.

In terms of our channel mix, Video, which includes CTV, represented a low-50s percent share of our business in Q3. 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 posted much stronger year-over-year growth than any other channel.

In our verticals, Medical Health, Personal Finance, Travel, and of course Political, related to the US midterm elections, posted the strongest year-over-year growth during the quarter.

Now, turning to expenses.

Q3 operating expenses were $643 million. The quarter included $44 million of restructuring charges primarily related to severance and other employee benefits associated with the organizational actions we announced in September.

Excluding stock-based compensation and restructuring charges, Q3 operating expenses were $504 million.

Income tax expense was $68 million in the third quarter, driven primarily by our pre-tax profitability and the impact of stock-based awards.

Platform operations expense increased 23% year-over-year in Q3. There are three important factors driving the increase. First, we continue to invest in the infrastructure required to support the increasing scale and sophistication of our platform, including higher query volumes and greater use of AI and machine learning. Second, we are investing to optimize the mix between owned data-center capacity and third-party hosting. Some of the costs associated with that transition are occurring ahead of the efficiencies we expect the infrastructure to generate over time. And third, as our platform and value-added services and data evolve, certain costs that historically were recognized as a reduction to revenue are now being recognized as a cost within platform operations expense. That affects the year-over-year OPEX comparison even though it does not represent a comparable increase in the underlying economic cost of operating the platform.

We expect platform operations expense to remain an important area of investment, but we are intensely focused on improving the efficiency of that investment and generating improved operating leverage as the business scales.

During the third quarter, we also took an important step toward creating a more focused and efficient operating model.

As previously announced, we reduced our global workforce by approximately 15%. The actions resulted in approximately $44 million of restructuring expense in Q3.

We currently expect these workforce actions to generate more than $100 million of gross savings in 2027.

I do want to be clear about how we are thinking about those savings. Our objective is not simply to maximize near-term margins. We are building a more efficient operating model that allows us to continue investing aggressively in the areas where we see the greatest opportunity, which includes our platform, AI, measurement, data and our most important customer relationships, while significantly improving the returns on those investments.

Net income for the quarter was $38 million or $0.08 per diluted share. Adjusted net income for the quarter was $155 million or $0.33 per diluted share.

Net cash provided by operating activities was $258 million and free cash flow was $153 million in Q3.

We ended the quarter with a strong cash and liquidity position. Our balance sheet had about $1.6 billion in cash, cash equivalents and short-term investments at the end of the quarter.

We did not repurchase shares of our Class A common stock during Q3. We ended the quarter with $269 million remaining on our program authorization. As you saw in our press release, we announced an additional authorization under the program, bringing the total authorization available for future repurchases to $1 billion. We will continue to evaluate capital allocation opportunities with a focus on long-term shareholder returns, including offsetting dilution over time.

Turning to our outlook for the fourth quarter.

For Q4 we expect revenue to be at least $755 million. We estimate adjusted EBITDA for Q4 to be at least $280 million.

Before I wrap up, I want to provide some additional context on how we are currently thinking about 2027. Given the actions we have taken and are currently evaluating, we estimate a meaningful moderation in our expense growth compared with 2026. We believe the changes we are making to our structure create a significantly better foundation for operating leverage as revenue growth improves. Our objective is to demonstrate that The Trade Desk can continue investing aggressively in innovation and growth while also translating incremental revenue into significantly greater incremental profitability over time.

I look forward to sharing more details on our 2027 operating plan when we report in February.

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