



Digital Advertising

Preparing for Life After Cookies



How the Advertising Industry is Preparing for Life After Cookies

A profound and abrupt shift is coming for everyone who uses the internet. By 2022, regulations designed to protect consumer privacy—particularly the California Consumer Privacy Act—and major technology companies will require users' explicit permission to share and use data generated from digital interactions.

If you've spent any time on the internet over the past two years, you've almost certainly encountered website pop-ups asking you to accept "cookies." And you've probably asked yourself, what exactly is a cookie?

A cookie is a tiny piece of software code that gets installed on your web browser when you visit a website. Cookies help the website identify you and recognize you on subsequent visits.

For example, your favorite retailer puts a cookie on your web browser when you visit the store's website (a so-called "first-party cookie"). That allows the retailer to recognize your account so you don't have to sign in every time you visit. But there are also third-party cookies, which are created by companies other than the website the user is visiting, such as advertising companies.

Cookies are an archaic technology. They were first developed in 1994 when inventors at Netscape realized that, without a technology such as cookies, websites were essentially blind and deaf, and therefore not well suited for commercial activities, such as selling stuff.

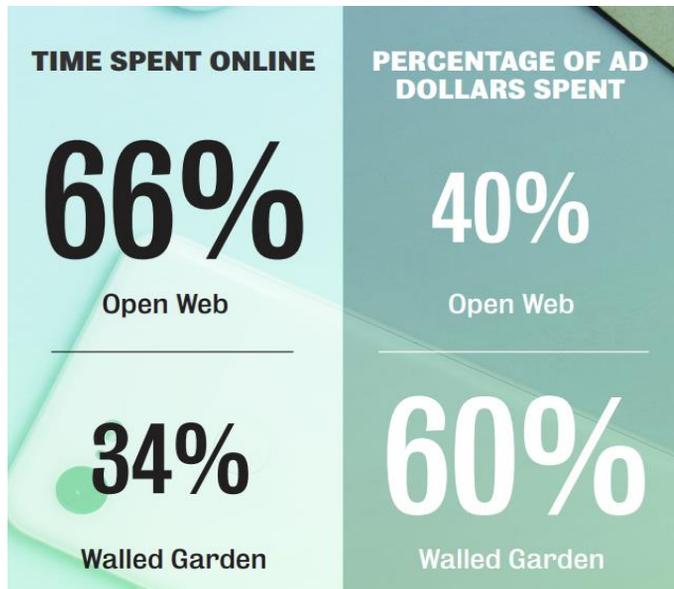
However, we've come a long way since 1994. For one thing, the internet is everywhere, not just on your desktop. More and more internet usage now occurs in mobile apps and connected TV devices, where cookies are largely irrelevant and new identifying technologies have been developed.

The simple answer is that the industry needs a better alternative to cookies: One that works across all digital channels; one that better explains its value to consumers, as well as providing the consumer with greater control. As such, several companies have started to adapt to the changes in an attempt to provide alternative solutions to the soon-to-be obsolete cookies.

One such company is The Trade Desk (TTD), which started to develop identity solutions like Unified ID 2.0, an upgrade to cookies that preserves the essential value exchange of relevant advertising while improving consumer controls.

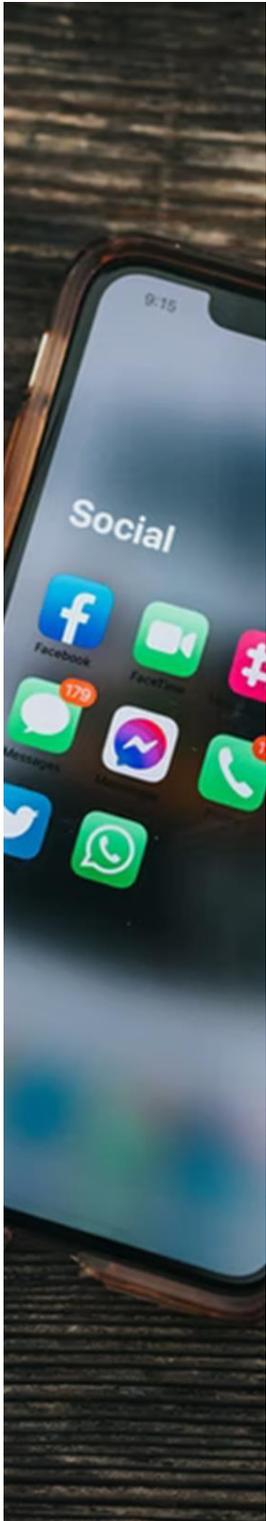
Case Study: The Trade Desk

TTD operates a cloud-based platform used to buy digital advertising inventory across multiple formats (display, audio, video and social) and devices (mobile, connected TV and desktop). It is a demand side platform that operates across the open internet, helping advertisers show targeted ads to the most relevant consumers, at the best price and optimal time.



66% of online time is spent on the open web but it accounts for only 40% of online ad spend.

TTD's platform is superior, as it broadens the range of worthwhile digital advertising options, aiding navigation across the multiple available channels for reaching a relevant audience and doing so while providing advertisers with a degree of transparency and agency that is not available from the walled gardens (Facebook and Google) who have dominated digital advertising thus far. Jeff Green is the visionary founder who is committed to enabling fair competition in the online advertising market for the benefit of advertisers, small publishers, and internet users alike. The digital advertising market remains poised to grow strongly, with much of this growth likely to come from brand advertising, in particular across connected TV (CTV) where TTD has a dominant position.

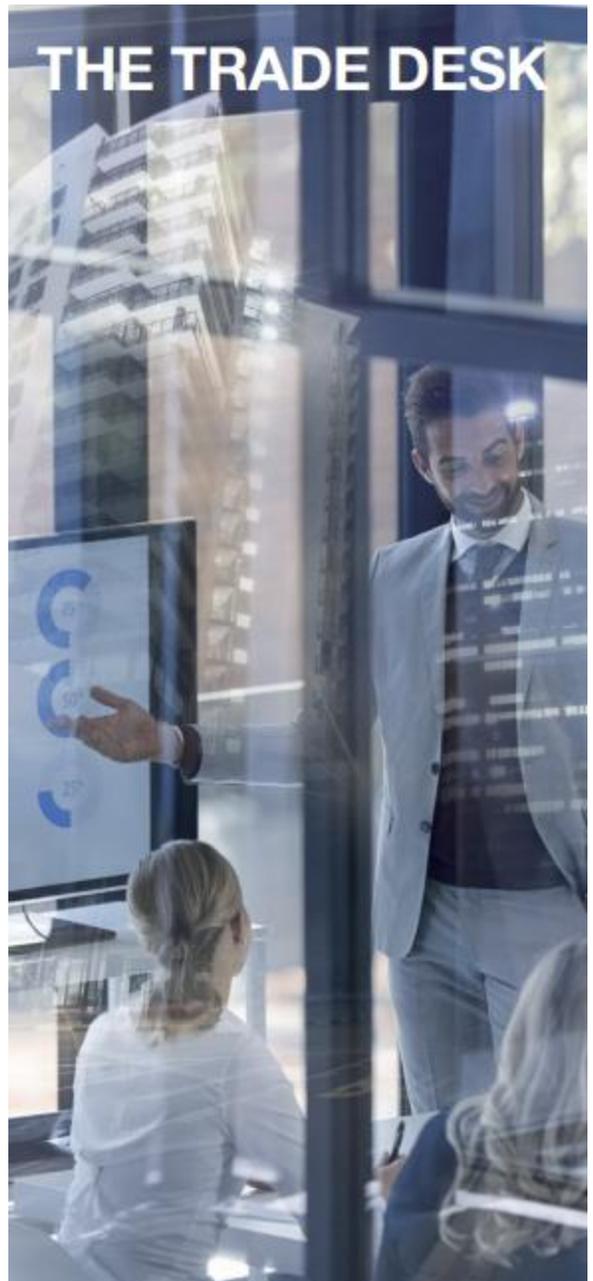


Case Study: Trade Desk (Cont'd)

Significant returns could be achieved if TTD captures 1–2% of the \$1 trillion advertising market and margins climb to 30%, on an implied PE of 50x, which is not unreasonable for a company we would expect to be growing revenues at 40%.

Further upside could come from:

- A favourable shift in advertising budgets channeled towards the open internet.
- Growth in overseas revenues, with China becoming the largest market.
- Uninhibited share gains in CTV where no walled gardens exist.



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