NEW RISK ALERT: (ADBE)

New Threat to Adobe's Digital Advertising Business Hints at Potential Market Share Loss

New language in latest 10-K also suggests Adobe may soon become at least partially reliant on a new competitor's technology.

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This alert compares the language used in the company's latest filing with the period before. Research suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.

Adobe Warns of Emerging Digital Advertising Competitor

For years, Adobe has been at the forefront of the digital advertising transition. The company offers advertisers an end-to-end platform for managing ads across traditional TV and digital formats across channels and screens.

In its most recent 10-K, Adobe adds new language identifying its top competitors by.

> *"Our Advertising Cloud offerings face competition from other advertising platforms and networks, including **Google, Facebook and The Trade Desk**."*

It's no secret that Adobe competes for ad dollars with Google and Facebook. Of particular interest to investors is the mention of The Trade Desk. The Trade Desk is a demand-side platform(DSP) that enables programmatic advertising across channels and competes against Adobe's DSP.

Warning Raises Questions About Adobe's Market Share in Digital Advertising

The Trade Desk is already taking share from Google. Industry executives even suggest The Trade Desk's DSP is now larger than Adobe's. The Trade Desk is deepening its relationships with brands and ad agencies.

The mention in Adobe's 10-K is significant in that it's the first time the company has cited The Trade Desk by name. The new warning in Adobe's 10-K accompanies what appears to be a significant investment in sales and marketing to combat The Trade Desk's advance.

The Trade Desk Positions Itself to Surpass Adobe in a Post-Cookie World

The Trade Desk is developing a universal identifier so advertisers can continue targeting consumers across channels in the event Google phases out third-party cookies as it's considering. In its 2019 10-K, Adobe cites its reliance on third-party cookies as a risk:

> *"For example, some of our products rely on **third-party cookies**, which are placed on individual browsers when consumers visit websites that contain advertisements."*

With The Trade Desk's universal identification solution gaining traction, the threat to Adobe is growing. In its latest 10-K, Adobe seems to acknowledge as much, and adds language that references an unnamed solution like The Trade Desk's universal ID.

> *"For example, some of our products rely on third-party cookies **or other identifiers** where the permissions are managed through web browsers or mobile operating systems."*

If Adobe becomes reliant on The Trade Desk's universal ID solution as a third-party cookie alternative, the choice between Adobe and The Trade Desk's DSPs is likely to become even more pronounced for advertisers.