Good morning and good afternoon to all of you, and welcome to Criteo's conference call on our financial results for the second quarter ended June 30, 2015.

The speakers on our call today are JB Rudelle, co-founder and CEO, and Benoit Fouilland, Chief Financial Officer. After our prepared remarks, Eric Eichmann, President & Chief Operating Officer, will participate in the Q&A session.

Please note that the earnings release issued before the opening of the US market today, along with a live webcast of our call are both available on our Investor Relations website at ir.criteo.com. A replay of the webcast will also be available later today on our Investor Relations website.

As usual, before we begin discussing our earnings, I would like to remind you that some of our discussions today will contain forward-looking statements. These may include projected financial results or operating metrics, business strategies, anticipated future products and services, anticipated investment and expansion plans, anticipated market demand or opportunities and other forward-looking statements. As always, these statements are subject to risk, uncertainties and assumptions.

Actual results and the timing of certain events may differ materially from the results or timing predicted or implied by such forward-looking statements. In addition, reported results should not be considered as an indication of future performance.

Also, I would like to remind you that we will discuss non-IFRS measures of our performance during the course of this call. Definitions of these metrics, and the reconciliations to the most directly comparable IFRS financial measures, are provided in the earnings press release and accompanying financial tables issued earlier today.

Last, unless otherwise stated, all growth comparisons made in the course of this call are against the same period in the prior year.

With this, let me now turn the call over to JB, Criteo's co-founder and Chief Executive Officer. JB, the line is yours!
Thank you Edouard. I'm very pleased to announce yet another strong quarter. As a matter of fact, for the seventh quarter in a row, we have exceeded the high end of our guidance on both Revenue ex-TAC and Adjusted EBITDA.

In Q2 2015, our Revenue ex-TAC increased 52% at constant currency to 110M€, while Adjusted EBITDA grew 60% at constant currency to 22M€.

This quarter, we continued to execute consistently with our growth plans. Our performance was mainly driven by three factors:

- First, the continued roll-out of our latest technology across all screens.
- Second, an all-time high number of net client additions.
- Third, the further expansion of our publisher relationships.

Starting with the first driver, technology. To increase the value we deliver to our clients, we continue to roll out new performance improvements across all screens.

One performance improvement we are particularly excited about is our new generation creative platform. As you know, we have always had advanced creative technology that builds ads in real time for each user. However, our latest release takes this to a whole new level. We are now able to optimize each individual creative component in all of our ads, such as font, color or size and position of pictures, and adjust them in an almost infinite number of combinations. This new capability is particularly promising for mobile and native ads. In June, already 11% of our Revenue ex-TAC was generated on this upgraded creative platform.

We continue to be pleased also with the traction of our multi-screen solution, which allows us to engage and convert users seamlessly across all devices, browsers and apps. In Q2, 85% of our clients were using our multi-screen solution, compared with 69% in the prior year period. At the same time we further strengthened our in-app solution and the mobile measurement program that we announced last quarter. In Q2, we certified five new mobile app partners and started to launch in-app campaigns through these partnerships.

As you know, the more our clients benefit from our technology improvements, the more sales they generate. And as a result, they tend to increase their spend with us. So clients that were live in
both Q2 last year and Q2 this year generated **25% more Revenue ex-TAC at constant currency** compared to the prior year period.

Now moving to the second growth driver. The second growth driver was **net client additions**. In Q2, we set an **all-time high** by adding **over 730** net clients, while maintaining our 90% retention rate. We ended the quarter with more than 8,500 clients. We added large clients in all regions and our strong growth in the midmarket segment continued to outpace our overall growth; a direct result of our investments in this area. We believe our penetration of midmarket clients is still in the single digits and we plan to further invest there.

The third growth driver was our **continued momentum in our publisher relationships**. In Q2, we grew our direct relationships to almost **11,000 publishers**, an increase of 42% compared with Q2 last year.

In Q2, we also made further progress on our **dynamic product ads** partnership with Facebook. Our solution now allows our clients to seamlessly utilize Facebook’s new dynamic product ads to support performance advertising on Facebook’s mobile app inventory. We continue to work closely with Facebook to enhance the performance of this solution and intend to further roll it out to a large number of our clients in the second half of 2015.

While talking about inventory, I’d like to say a few words about **ad blocking**, a subject I’ve received questions about recently. Overall we do not view this as a huge threat to the industry. Generally speaking, users are happy to access free content in exchange for advertising. However, users also have clearly expressed their displeasure with intrusive non-relevant ads, such as pop-ups and non-skippable pre-roll videos. And indeed, industry studies and consumer feedback confirm again and again that poor user experience is by far the main motivation for ad blocking. As you know, our entire business at Criteo is focused on delivering non-intrusive relevant ads to generate genuine user engagement. We are therefore actively working with others in the industry to further develop user-friendly advertising experiences.

Moving now to our **performance by region**. We are once again pleased with our strong execution across all geos, in line with our plans. In Q2, our Revenue ex-TAC at constant currency grew 81% in the Americas, 37% in EMEA and 53% in Asia-Pacific. Midmarket growth momentum has been particularly strong, especially in the US.
Now let me switch to the future. During our Investor Day this last June, we shared three big trends that are shaping our roadmap and our product priorities:

- First, the consumer journey is **becoming more and more measurable in real time**.
- Secondly, **mobile commerce** is absolutely booming.
- Third, **cross-device** usage is now expanding very rapidly.

Let me explain how our technology platform is benefiting from these three major trends.

Talking first about the **consumer journey**. Overall, more and more of what we do—as consumers—is becoming digital. And digital means measurable. This growing ability to precisely measure the impact of ad spend at the granularity of each user has a profound impact on the overall advertising ecosystem. Probably the most visible impact is that all marketing activities are increasingly becoming focused on performance and therefore technology-driven. In other words, as ad spend becomes more measurable, clients tend to optimize ROI and performance, and increasingly make their decisions based on the strength of technology. As I’m sure you understand, this new world suits us particularly well.

**Technology-driven performance is at the core of everything we do**, as you know. We believe our continued rapid growth is the direct result of this laser-focus on technology that generates measurable sales for our clients.

And we are applying this philosophy to a growing number of strategic marketing channels for our clients. Our **multi-channel marketing solution** already covers display, native, social and email. And we are also exploring additional channels, in particular search engine marketing. For all of these channels, our approach is focused on performance and relies heavily on cutting-edge technology. We truly believe our ability to engage and convert users across all these marketing channels will make our solution even more valuable for our clients.

The second big trend I would like to discuss and share with you guys is **mobile commerce**. Mobile commerce is growing very quickly and is a huge opportunity. We recently released our Q2 ‘State of Mobile Commerce’ report. In this report, we showed that advertisers who make their mobile app a priority are generating conversion rates on apps that are three times as high as on mobile web, and even higher than on the desktop. Wow. Thanks to a series of unique technologies that rely on our scale across clients, our solution happens to be particularly strong on mobile. This is illustrated by our win rates on mobile inventory that are more than twice as high.
as on desktop on one very large US ad exchange. This is very promising. As our clients increasingly focus on mobile commerce, mobile could become a source of increasing competitive advantage for us.

The mobile publisher advertising landscape is also quickly transforming into a more ad-friendly experience. In this context, we are excited about our plans to roll out a series of new mobile-specific creative capabilities, both in app and in the browser.

Moving to our third major trend, cross-device. Our latest ‘State of Mobile Commerce’ report also shows that 40% of U.S. ecommerce transactions now involve at least two devices prior to purchase. This is a huge number and makes a cross-device solution absolutely critical for any digital marketing campaign. And today I’m excited to share that over 60% of our advertisers now participate in our new “Universal Match” cross-device initiative by contributing data points that enable the exact match of users. Furthermore, our solution nicely complements the cross-device solutions offered by partners like Google and Facebook. Given our extensive footprint both on the client and the publisher sides, we believe our universal cross-device solution could become a major asset for the company.

Beyond these three big trends that are shaping our product roadmap, we are also expanding our global presence. We continue to expect significant growth in major markets like the US and in our early-stage markets such as South-East Asia, China, Russia and Latin America. We also have recently opened legal entities in three greenfield markets: Dubai, Turkey and Canada.

Looking forward, we’re committed to our vision of becoming the preferred partner of our clients for performance marketing across all channels and screens.

In summary, I would say our investments in technology are paying off and our Q2 results continue to reflect our consistent execution on our growth plans.

Overall, we are confident 2015 will be another exciting year for Criteo.

We look forward to updating you on our growth plans as we progress through the year.

With that, let me turn the call over to Benoit, our CFO.
Benoit Fouilland, Chief Financial Officer

Thank you, JB. I am equally pleased about another strong quarter. As usual, I will walk you through our quarterly financial performance as well as our guidance for the third quarter and fiscal 2015. I will then open up the call to your questions.

I will start with our revenue. In Q2, our revenue grew 64%, or 51% at constant currency, to 271M€.

As you know, we use Revenue ex-TAC as the key financial metric to monitor our business performance. Revenue ex-TAC grew 65%, or 52% at constant currency, to 110M€. Our Revenue ex-TAC margin was 40.8%, in line with prior quarters.

Looking at our regional performance in the second quarter:

- I’ll start with the Americas, which continues to outperform all other regions. In Q2, Revenue ex-TAC grew 114% to 40M€. At constant currency, the Americas grew 81% compared with 78% in Q2 last year.
- Revenue ex-TAC in Europe, Middle East and Africa grew 38% to 49M€. At constant currency, EMEA grew 37%, which represented a slight acceleration from 34% in Q1.
- In Asia-Pacific, we continued to grow rapidly, with Q2 Revenue ex-TAC growing 66% to 22M€, or 53% at constant currency.

Changes in foreign exchange rates continued to be a significant tailwind in the second quarter and bolstered our Revenue ex-TAC reported growth by over 12 percentage points. The U.S. dollar contributed to three quarters of this tailwind.

Moving to the profitability of our operations, Q2 Adjusted EBITDA grew 64%, or 60% at constant currency, to 22M€. Our growth in Adjusted EBITDA was primarily driven by our Revenue ex-TAC performance. As indicated on our last earnings call, we anticipated a 10M€ sequential increase in expenses in the second quarter. In addition, we incurred slightly higher than expected operating expenses, primarily personnel-related costs in Sales & Operations.

Looking at our expenses for the quarter, our other costs of revenue, primarily made up of hosting and data costs, increased 55% to 13M€ in Q2. Excluding capex amortization, other costs of revenue grew 43% to 7M€ in Q2, driven by continued investments in servers and hosting equipment over the period.
Our operating expenses increased 68%, or 58% at constant currency, to 90M€ in Q2, as we further scaled the organization to support our growing business. In particular, we continued to expand our R&D and Sales & Operations teams over the period. On a “Non-IFRS basis”, operating expenses grew 67%, or 57% at constant currency, to 82M€ in the second quarter.

As in prior quarters, headcount-related expenses in Q2 represented over 75% of our operating expenses. We ended the second quarter with total headcount of 1,638, an increase of 47% compared with Q2 last year. Overall, we are in line with our 2015 hiring plan.

Looking now at our operating expenses by function. Non-IFRS research and development expenses grew 66% to 15M€ in Q2. This continued to be largely driven by headcount, which grew 42% to 320 employees at the end of June. For the remainder of 2015, we plan to further invest in R&D.

Moving to sales and operations. Non-IFRS operating expenses in Q2 increased 72% to 50M€. This was also largely driven by the 48% growth in headcount to 1,037 employees at the end of the quarter, in particular in our midmarket organization. In the second half, we plan to continue to scale our midmarket centers and to staff the Tier-1 teams in new geographies, including in our new Dubai, Istanbul and Toronto offices.

In G&A, non-IFRS operating expenses increased 53% to 17M€ in Q2, while headcount grew 52% to 281 at the end of June. This continued also to be driven by the ramp-up in our Finance and HR teams, as well as the strengthening of our IT and facilities infrastructure. As a percentage of revenue, non-IFRS G&A expenses decreased 0.4 percentage point to 6.2% in Q2. To support our anticipated growth and in gearing up to become a U.S. domestic filer in 2016, we plan to continue to scale our G&A functions in the second half of 2015.

Overall, I want to reiterate our plans to continue to invest in the second half of 2015.

Moving on to our cash generation. Our cash flow from operating activities remained flat at 11M€ in Q2 compared with the prior year period. As explained during our first quarter earnings call, the change in working capital was exceptionally positive in Q1. This has partially reversed in the second quarter due to a catch up in trade payables and less favorable working capital seasonality as always. Separately, our income taxes paid increased significantly compared with
both the prior quarter and Q2 last year. For the first half, cash flow from operating activities grew 110%, compared with H1 2014, to 47M€.

Our capex for the quarter increased 58% to 17M€, primarily as a result of our investment in data center equipment. At the end of Q2, we opened a new Hadoop cluster close to Paris, which more than doubled our High-Performance Computing capacity. In line with our plans, we expect our capex program to grow to approximately 6% of revenue in the full year 2015 from less than 5% in the full year 2014. As indicated in the past, we plan to continue to build hosting capacity in all regions, including in mainland China, and to significantly increase our redundancy capacity to strengthen our global infrastructure. We also continue to ramp up our investments in internal IT and facilities in all regions.

Our Free Cash Flow decreased 6M€ to negative 6M€ in Q2. This is the result of the reversal in change in working capital that I just explained, combined with an accelerated capex program in the second quarter. For the first half, however, Free Cash Flow increased 133% to over 19M€. Over the last 12 months ending June 30, the conversion of Adjusted EBITDA into Free Cash Flow remains very high at 62%, and reflects the robustness and scalability of our financial model.

Lastly, our total cash and cash equivalents reached 287M€ at the end of June, a 3M€ decrease compared with December 31, 2014. This is primarily the result of our positive Free Cash Flow generation and proceeds from capital increases over the six months period, which was more than offset by the cash consideration paid for the acquisition of DataPop in February, a change in other non-current financial assets and the negative impact of foreign exchange on our cash position.

I will now wrap up with our guidance. The following forward-looking statements reflect our expectations as of today, August 4, 2015.

For the third quarter 2015, we expect Revenue ex-TAC to be between 116M€ and 118M€. We expect Adjusted EBITDA for the third quarter 2015 to be between 21M€ and 23M€.

For fiscal year 2015, we now expect Revenue ex-TAC to be between 470M€ and 475M€. At the midpoint, this represents a 15.5M€ increase on our prior guidance and would imply reported growth of 56% compared with 2014, or 46% at constant currency.
Also for fiscal 2015, we maintain our current outlook for Adjusted EBITDA and expect it to be between **120M€ and 127M€**. This assumes the continued re-investment of incremental Revenue ex-TAC into strategic initiatives to accelerate our growth.

I would like to clarify one point about the timing of our Adjusted EBITDA generation in the second half of the year. Our full year guidance assumes a similar seasonality for Adjusted EBITDA as last year, when over 40% of our Adjusted EBITDA was generated in the fourth quarter.

Our Q3 and fiscal 2015 guidance assumes the following exchange rates for our main currencies: a euro-U.S. dollar of 1.10, a euro-Japanese yen of 135, a euro-British pound of 0.70, and a euro-Brazilian real of 3.5. This guidance also assumes no additional acquisitions are completed during the third quarter or fiscal year 2015.

Through increased investments we continue to manage the company primarily to maximize our growth potential and are confident in the intrinsic operating leverage of our business model.

I look forward to updating you next quarter on our **growth story**.

With that, I will now turn back the call to the operator to take your questions.