Good morning everyone. Welcome to Criteo's first quarter 2016 earnings call.

With me today are CEO Eric Eichmann and CFO Benoit Fouilland.

During the course of this call, management will make 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. These statements are subject to various risks, 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. We do not undertake any obligation to update any forward-looking statements contained herein, except as required by law. In addition, reported results should not be considered as an indication of future performance.

Also, we will discuss non-GAAP measures of our performance. Definitions of these metrics and the reconciliations to the most directly comparable GAAP financial measures, are provided in the earnings press release 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, I will now turn the call over to our Chief Executive Officer, Eric Eichmann.
Eric Eichmann – CEO

Thank you Edouard. Good morning everyone. I am happy to report another strong quarter of profitable growth for Q1 2016, my first quarter as CEO.

Before going into the quarterly results, let me take a few moments to explain Criteo’s vision in a fast changing advertising landscape.

We believe that **data-driven, people-centric marketing that is held accountable to performance metrics** is the way all advertising will be done in the future. The era of not knowing which half of a marketer’s advertising spend is working will be a thing of the past.

Three big trends are helping accelerate this transition:

1. The continued digitization of offline activities, making offline intent data available and offline sales trackable
2. The increase in one-to-one marketing at scale based on accountable metrics and
3. Marketers’ demand for optimization and coordination of marketing activities across channels and devices

We are well positioned to help marketers make this transition and finally make all advertising work. Through our products, consumers experience more relevant ads across channels and devices. Clients get unmatched performance. And with continued investments in core technology, mobile and cross-device, we are driving higher value for clients every quarter.

Turning now to Q1 - our performance exceeded the guidance for the 10th consecutive quarter. We grew Revenue ex-TAC 41% at constant currency to $162M and Adjusted EBITDA 56% at constant currency to $49M.

We performed well across all aspects of our business:
- We rolled out technology innovations across devices and platforms
- We added our second highest quarterly number of clients across regions
- And we saw continued momentum in expanding publisher relationships

**Technology innovations** drive more client sales. Q1 2015 clients generated 21% more Revenue ex-TAC at constant currency in 2016, consistent with prior quarters. A key contributor
to this growth is the fact that more than 75% of our business comes from uncapped budgets.

Three elements here are worth mentioning:

1. **Mobile** commerce is playing a major role in driving more sales and now represents 38% of our clients’ total ecommerce transactions. Mobile generates over 50% of Revenue ex-TAC as virtually all clients are using our complete multi-screen solution. This positions us well to take advantage of the huge growth in mobile commerce. Within mobile, in-application, or in-app commerce continues to enjoy strong momentum. Advertisers who make their app a priority drive conversion rates close to 2x of those on desktop. Our in-app business is accelerating fast, growing more than 450% year-over-year, and now represents a meaningful driver of mobile growth.

2. Consumer spend is increasingly fragmented across devices and cross-device commerce now represents over 40% of all ecommerce. Client adoption of our **Universal Match** technology is strong – about 60% of clients are sharing anonymized CRM data, helping us build a large-scale device graph. This graph, coupled with our scale, allows us to understand each shopper’s journey across channels and devices to drive the highest performing and most relevant ads. Matched users are particularly valuable. We generated 40% of Revenue ex-TAC from such matched users, a significant increase from 25% in the prior quarter.

3. **Creating compelling ads** is also an important element in driving sales. We now have completed the roll-out of our first-generation dynamic creative optimization platform to close to 100% of clients. This improved performance through more engaging ads. We’re excited about additional uplift opportunities as the next generation of this creative platform is being developed and deployed over the next few quarters. We just completed the transition to HTML5 and, as such, are no longer running any dynamic ads in Flash. This is a key advantage when working with browsers and devices that only support HTML5.

Moving to **client additions** - we added over 760 net new clients, ending the quarter with 11,000 clients while maintaining client retention at 90%.
As in prior quarters, we signed both large and midmarket clients across all regions. With current global penetration still below 15% of addressable clients, we believe **midmarket is a huge opportunity**. We are making good progress in rolling out automation tools to accelerate the launch of campaigns. For example, the automation tagging module went live in Q1 and already half of new midmarket clients used this tool. Revenue ex-TAC from midmarket clients continued to grow over 80% in Q1 and now represents over 25% of our business. Average Revenue ex-TAC per client continues to grow, a significant achievement as we continue to add many clients in the midmarket. This is another proof point of the scalability of the midmarket model.

Turning now to **publisher relationships**. We added a record 2,300 publishers in the quarter, largely coming from our publisher marketplace, bringing us to over 16,000 publisher relationships. Our publisher reach is leading the industry, providing a strong advantage.

On **Facebook**, we rolled out dynamic product ads to many new clients in Q1. Today, close to 5,000 advertisers are live on DPA on both mobile and desktop. Performance has significantly improved over the past few quarters and DPA is now a mainstream product for our clients.

**Native** ads also continued to show very positive traction, now representing over 16% of Revenue ex-TAC. Native formats are a major trend for publishers. Thanks to their immersive format, native ads drive high engagement and performance. They require custom integration and dynamic creative capabilities, both Criteo advantages. Our Taboola partnership ramped up fast, growing over 50% quarter over quarter. We also signed several direct publisher deals in native.

We are making good progress in connecting to **app inventory**, in particular in mobile-first and app-heavy markets like Indonesia and Korea. We are excited to be live with Kakao, Korea's star multi-purpose portal reaching an impressive number of users. We signed and integrated several new RTB platforms in the quarter, including three in China.

Moving to **regional performance**. We had consistent execution across all geographies.

**The Americas** grew Revenue ex-TAC 48% at constant currency and remained the main contributor to the year-over-year growth of the business. We saw solid growth from large
existing clients and signed several large clients in Retail and Travel in the U.S., which we expect to ramp up nicely over the next few quarters. Midmarket continued its strong momentum across the Americas, growing close to 100% year over year.

We are pleased with higher than expected growth in EMEA of 30% at constant currency. This was partly driven by strong performance with Travel clients. Our established markets continued to grow fast. All our growth levers performed well: large and midmarket clients as well as new and existing clients.

In APAC, Revenue ex-TAC increased 52% at constant currency. New business was strong in Japan and South-East Asia, an area that continues to show triple-digit growth. Our Chinese export business accelerated, contributing to growth outside of APAC. We hired an executive with strong industry experience as Managing Directo for India as we launch operations in that critical market.

Looking to the remainder of 2016, we remain focused on a clear set of priorities:

- First, **innovate on our core products**. With our Universal Match solution, we are building a large-scale user graph and the infrastructure to leverage it within the core platform. We believe this user graph is becoming a strategic asset for Criteo. In the coming quarters, cross-device sales information will be made available to clients, which, we believe, will drive them to spend more with us.

- Second, **expand into great sources of inventory**. Social remains a growth opportunity for the coming quarters. In mobile, we expect to increase direct access to app inventory, in particular in China and South-East Asia. In native, we are expanding our partnerships with existing platforms and intend to work with additional large partners.

- Third, **strengthen our APAC position**. We are investing in South-East Asia to address the massive opportunities we see for midmarket and large clients. We are on track to set up our Indian entity in Q2, which will open a promising market for us. And in China, we continue to work on scaling the domestic business.
Finally, fourth, **develop disruptive new products**. We are investing and making progress on disruptive new product opportunities. We continue to be very excited with search and are building the roadmap of what we hope will be an exciting product in the future.

In closing, I’m pleased with our strong Q1 performance, delivering both high growth and increased profitability. 2016 has started well and I’m confident it will be another successful year for Criteo. We have exciting new products in the pipeline and continue to execute on our growth plans. And, as advertising evolves to become people-centric and performance-based, we believe Criteo is in an ideal position to drive this change in the years to come.

With that, let me turn the call over to Benoit, our CFO.

**Benoit Fouilland – Chief Financial Officer**

Thank you Eric and good morning everyone. I am equally pleased with our strong performance in Q1, in particular with our growing profitability. I believe high growth and expanding profitability remain unique features of our business model.

I will walk you through our quarterly financial performance as well as our guidance for Q2 and the full year.

**Q1 Revenue** came in at $401 million, up 36% or 39% at constant currency.

**Revenue ex-TAC**, the key metric we use to monitor our business performance, grew 37% or 41% at constant currency to $162 million. This was driven by a healthy growth in existing clients’ spend as well as the impact of adding the second largest quarterly number of new clients in our history. Revenue ex-TAC margin was 40.5%, consistent with prior quarters.

We are growing midmarket clients very fast and are pleased with this momentum. With the growing share of midmarket, our client mix continues to evolve. We saw strong dynamics in the **average Revenue ex-TAC per live client** across Tier-1 and mid-market categories, with high single-digit to double-digit year-over-year growth.
Compared with the assumptions for our Q1 guidance, changes in forex had a negligible positive impact of $0.1 million on reported Revenue ex-TAC. However, compared with Q1 2015, forex represented a headwind of over 300 basis points to reported growth in Revenue ex-TAC.

Moving to expenses, other cost of revenue, comprised of hosting and data costs, was $18 million or $10 million on a Non-GAAP basis, growing 45%. This remained mainly driven by increased hosting capacity across our data centers.

Operating expenses were $116 million or $104 million on a Non-GAAP basis, growing 30%. As in prior quarters, headcount-related expenses represented 75% of Non-GAAP opex. We added over 130 net new employees, closing the quarter with over 1,970 employees, a 30% increase compared to March 2015.

Looking at Non-GAAP opex by function:

- **R&D** expenses grew 50% to $23 million, largely driven by the 48% increase in headcount to 440 employees.
- **Sales & Operations** expenses grew 22% to $59 million, also largely driven by the 23% increase in headcount to 1,190 employees. Quota-carrying headcount grew 26% to 540, with over 60% of the growth in midmarket.
- **G&A** expenses increased 37% to $22 million, while headcount grew 35% to 340 employees.

Adjusted EBITDA grew 54% or 56% at constant currency to $49 million. 60% of the over-performance in Adjusted EBITDA, or approximately $4.5 million, came from our strong Revenue ex-TAC, while 40%, or approximately $3 million relate to lower than anticipated expenses, primarily in hosting and data, as well as various other operating expenses. Approximately $1 million of such lower expenses represented savings, the remaining expenses are expected to be postponed. Adjusted EBITDA margin for the quarter was 12.2% of revenue, a 140 basis point improvement compared with Q1 2015, including approximately 60 basis points resulting from delayed spending. Our growing profitability for Q1 is well in line with expectations for 2016 once adjusted for postponed expenses.
Financial income was a $1.3 million loss. This was driven by a $1.2 million forex loss, primarily related to hedging costs for Brazilian intragroup positions. We have taken measures to remove earnings volatility and cash hedging costs related to intragroup positions with Brazil.

Net income increased 36% to $19 million, as the strong growth in income from operations was partly offset by the quarterly financial loss. The effective tax rate was 30%, based on our estimated annual effective tax rate, which includes the recognition of deferred tax assets in the U.S.

Cash flow from operations was $19 million, significantly impacted by a negative change in working capital and increased income taxes paid. The working capital pattern that we saw in Q1 2015, specifically on the payables side, was quite unusual and has since normalized.

Capex was $12M, mainly driven by new data center equipment. This represented 3% of revenue, slightly below our initial plan for the quarter, due to some delayed server investments.

Free cash flow was $7 million, negatively impacted by the change in working capital. As working capital patterns normalize this year, we expect to see a positive impact on the cadence of our quarterly free cash flow generation in comparison with last year.

Finally, total cash and cash equivalents were $386 million at the end of March, up $33 million compared with December 31, 2015.

Before closing, I will now talk about our guidance. The following forward-looking statements reflect our expectations as of today, May 4, 2016.

We expect Q2 2016 Revenue ex-TAC to be between $158 million and $162 million. At the midpoint of the range, this would imply growth at constant currency of approximately 31%. We do not expect changes in forex to materially impact our reported growth in Q2.

And we expect Q2 2016 Adjusted EBITDA to be between $32 million and $36 million.
From a business seasonality standpoint, Q2 is typically the lowest quarter in the year. In addition, we expect a sequential increase in expenses of approximately $12 million in Q2 due to A/ one-time expenses related to Criteo’s Global Employee Summit, B/ a catch-up in hosting and data costs that did not materialize in Q1 and C/ the continued growth in headcount.

Forex assumptions underlying our Q2 2016 guidance are included in the earnings release we published earlier today.

For the full year, as I’ve said in our Q4 earnings call, we have taken a new approach to guidance. We now provide a growth range at constant currency for Revenue ex-TAC and an operating leverage improvement range for Adjusted EBITDA margin. This compares to absolute dollar ranges provided for both metrics previously. We believe our new approach provides a more stable guidance framework, helping investors better assess our operating performance against the mid to long-term outlook for our business.

As a result of this approach, we reiterate our financial outlook for fiscal year 2016, as provided on February 10, 2016:

We expect Revenue ex-TAC for fiscal 2016 to grow between 30% and 34% at constant currency. We anticipate changes in forex to have a negative impact of approximately 100 basis points on our reported growth for the full year.

And we expect fiscal 2016 Adjusted EBITDA margin as a percentage of revenue to improve between 60 basis points and 100 basis points compared with fiscal 2015.

As indicated in our last earnings call, we expect capex for fiscal 2016 to represent approximately 5% of revenue.

In closing, I am pleased with our continued solid performance in the first quarter, combining high growth with expanding profitability and I am excited about our outlook for the full year.

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