Good morning, everyone, and welcome to Criteo's Q3 2016 earnings call.

Eric Eichmann, CEO, and Benoit Fouilland, CFO, are with me today.

During 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 were provided in our earnings 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 that I am now turning the call to our Chief Executive Officer, Eric Eichmann.

Thank you, Edouard, and good morning everyone. I am pleased to report that we achieved another strong quarter of profitable growth and continued execution on our operating plans.

Before going through the quarterly earnings, I will say a few words about our recent investments and their strategic importance to Criteo.
The acquisition of HookLogic, which we anticipate will close shortly, and the launch of Criteo Predictive Search are two key milestones in the execution of our long-term strategy. With these two strategic initiatives, our performance marketing platform becomes an even more critical part of our advertisers’ marketing programs and success.

HookLogic allows brand manufacturers to advertise their products on a performance basis on the world’s largest ecommerce sites. With HookLogic, we will be able to capture a new source of advertising dollars from brand manufacturers while driving valuable site monetization for retailers. This new revenue stream for large retailers makes us more strategic to their business.

And the new Criteo Predictive Search product provides retailers with a sophisticated, end-to-end, automated solution that delivers significant performance improvement for their Google shopping campaigns. Predictive Search brings Criteo’s unique machine-learning approach to search, to drive systematic uplift in sales of up to 49%. Predictive Search opens up a large new market for Criteo, almost as big as our core business today. Since retailers use search as their largest marketing platform, Predictive Search makes Criteo’s solution even more relevant for them.

In addition to our core offering, the Hooklogic, search, and cross-device products provide retailers with a full set of solutions. This portfolio of products leverages the power of our network and large investments in technology to help retailers compete on equal terms with the largest ecommerce platforms. We bring large scale through our pooled assets across retailers and state-of-the-art technology that retailers could not develop on their own.

While we are not seeing significant changes in the competitive landscape, the addition of HookLogic and search will further differentiate Criteo in the marketplace. With these latest strategic initiatives, our journey to deliver relevant, accountable and seamless marketing to our customers continues, strengthening our ecosystem and providing large opportunities for future growth.

Turning to Q3 results. For the 12th consecutive quarter, we exceeded Revenue ex-TAC and Adjusted EBITDA guidance. At constant currency, we grew Revenue ex-TAC 30% to $177 million and Adjusted EBITDA 51% to $54 million. We continue to make solid progress toward our long-term operating targets, demonstrating the leverage in our model.
We performed well **across the entire business:**

- We delivered on our innovation roadmap.
- We further expanded our publisher relationships.
- And we added a record number of new clients globally.

**Technology innovation** drives more client sales every quarter. The same clients that were live in Q3 2015 and were still live in Q3 2016, generated 15% more Revenue ex-TAC at constant currency. The 75% of our business coming from uncapped budgets continues to drive this same-client growth.

I would like to highlight **four technology innovations:**

1. Our **Adaptive Revenue Optimization feature in the Criteo Engine** is now live and we’ve started deploying it across our client base. This new feature allows advertisers to bid on a cost-of-sales target, as opposed to a cost per click, or CPC. This makes the return on investment calculation and optimization much simpler for advertisers, and will be a key enabler in rolling out additional optimization models of the Engine, such as our Value Optimizer which maximizes gross margins for advertisers.

2. Our **Universal Match technology** continues to see strong client adoption, with users matched through this technology now representing 52% of Revenue ex-TAC. To help our advertisers with improving marketing measurement and consumer understanding, we have started sharing our granular cross-device data back into their analytics and attribution systems. We expect that this service will allow advertisers to better measure the impact of their marketing, and ultimately attribute more value to the cross-device conversions we drive. With this robust pooled asset, we believe we are in a unique position to help our clients gain better cross-device insights, a necessity for competing and winning in ecommerce.

3. We continued to invest in our **publisher-facing products**, taking advantage of recent shifts in the market such as **header bidding**. As we described at our Investor Day in September, we are making modifications to our bidding strategy to maximize yields for advertisers, such as
using our machine-learning technology to predict the prices of opponent bids. And we launched
a direct header bidder technology that allows us to be in the auction without going through the
traditional RTB platforms, reducing cost and capturing more data on the auction bids. While this
is still in progress, our smart approach allows us to embrace the changes in the publisher
landscape and take advantage of the opportunities that header bidding opens up for
sophisticated technology players like Criteo.

4. **Mobile in-app** commerce continues to enjoy strong momentum, with app advertising Revenue
ex-TAC growing over 300%, making it a meaningful part of our mobile business.

Moving to **publisher relationships**, we grew our publisher base to over 17,500 direct relationships.

- Starting with **Native**. We launched a partnership with **Outbrain**, a native advertising platform
  specialized in content discovery and sponsored links, and expect it to grow in Q4. Additionally,
close to 400 publishers are already live with the **direct native offering** that we launched in Q2.
  Overall, Revenue ex-TAC from native excluding Facebook grew over 80% quarter over quarter.
  And our flexible integration and dynamic creative capabilities remain strong advantages in
  native.

- As mentioned, we launched an early version of our **own header bidder** in Q3, which connects
directly to publishers’ ad servers. The broader deployment of our header bidder is scheduled
for Q1 2017.

- Around 7,000 advertisers are now live on **dynamic ads** on Facebook and the Facebook
  Audience Network, both on mobile and desktop, and a similar number is live on Instagram. We
  launched our app-to-app solution for dynamic ads. We are now able to track sales on the same
device and are working in partnership with the Facebook team to make this feature available to
our clients.

- And we further broadened our **mobile reach** by expanding our partnership with Inneractive
globally, and by adding MoPub and InMobi as new partners in China.

Moving to **client additions**. With over 1,000 net new clients, we set a new record and ended Q3
with close to 13,000 clients, while maintaining client retention at 90% for 21 consecutive quarters.

We signed up large and midmarket clients across all regions. Midmarket continued to grow fast
worldwide, bringing in over 80% of new clients. Midmarket now represents 26% of Revenue ex-TAC and remains a significant opportunity for us. To launch new campaigns even faster, we continue to roll out a set of automation tools. Following the Q2 rollout of the product feed module, we just rolled out the creative module in Q4, which automates the production and online validation of creative templates in line with advertisers’ branding guidelines. The complete range of these self-service tools, from registration and tagging, to product feed, creative and payment, will be available by early 2017.

Turning to regional performance. We executed well across all geographies, in line with our plans. The Americas grew Revenue ex-TAC 31% at constant currency and remained the largest contributor to our growth. Our granular cross-device data service is increasingly a strong differentiator in our discussions with large U.S. prospects.

In EMEA, Revenue ex-TAC growth accelerated to 27% at constant currency. Established markets continue to post solid double-digit growth, especially Germany, where client additions were particularly strong. We signed several new large clients including Idealo, Germany’s largest price comparison website. Travel clients further expanded their business with us across several European markets.

Finally, APAC Revenue ex-TAC grew 34% at constant currency. Momentum remains solid across key large markets. Japan once again delivered strong performance, especially with existing large strategic clients. Our partnership with Kakao is quickly ramping up and now represents close to 20% of Korea’s Revenue ex-TAC. Business in Taiwan was strong and we saw growth accelerate across the Pacific markets.

Looking to Q4, we remain focused on a clear set of operating priorities:

1. **Execute flawlessly** during the upcoming Holiday season, particularly in the U.S.
2. **Drive successful adoption of Criteo Predictive Search** in the U.S. before rolling it out in additional markets next year.
3. **Start the integration of HookLogic** once the acquisition is closed.
In closing, I’m pleased with our strong Q3 performance. We continued to deliver high growth while significantly improving our profitability. We executed in line with our plans, made a strategic acquisition and launched an exciting new product in search. The acquisition of Hooklogic, our new search product and our cross-device graph will make us more strategic to advertisers, increases the overall stickiness of our solution and provides large growth opportunities. I look forward to updating you on the progress of these initiatives in the coming quarters.

With that, I now turn the call over to Benoit, our Chief Financial Officer.

Benoit Fouilland – Chief Financial Officer

Thank you Eric, and good morning everyone. Just like Eric, I am pleased with our strong performance in Q3. Rapid growth and expanding profitability remain key attributes of our model.

I will walk you through the quarterly performance and provide you with our guidance for Q4 and 2016.

Revenue was $424 million, up 27% or 25% at constant currency.

Revenue ex-TAC, the key metric we use to monitor our business performance, grew 32% or 30% at constant currency to $177 million. This was driven by our largest quarterly addition of clients to date as well as the continued growth of our business with existing clients.

Compared with guidance assumptions, changes in forex had a positive impact of approximately $2.5 million on reported Revenue ex-TAC, mostly driven by the stronger Japanese yen and the euro. Compared with Q3 2015, forex represented a tailwind of approximately 200 basis points to reported growth in Revenue ex-TAC, also largely driven by a stronger yen and partially offset by a weaker British pound.

Now a quick word about our Traffic Acquisitions Costs, or TAC. At constant currency, our average CPM, or cost per thousand impressions, decreased 4% year-over-year in the quarter, while our average click-through rate improved 11% over the same period.
Revenue ex-TAC margin was 41.7%, slightly above prior quarters and in line with our expectations. Our dynamic margin management approach allows us to optimize margins across regions, with the single objective of maximizing absolute Revenue ex-TAC at both the local and global levels. As a result of this approach, the margin differentiation between markets has increased and the margin in EMEA trended higher than historical patterns this quarter.

Shifting to expenses. Other cost of revenue, comprised of hosting and data costs, was approximately $22 million, mainly driven by increased hosting capacity across data centers. This was approximately $1 million below expectations, driven in equal parts by hosting and data costs.

Operating expenses were $131 million. Non-GAAP operating expenses grew 23% to $111 million. Headcount-related expenses represented slightly below 75% of Non-GAAP opex. We added 130 net new employees and closed the quarter with over 2,200 employees, a 27% increase compared with September 30 last year.

Opex came in approximately $5.5 million below our Q3 guidance assumptions, excluding forex impact. The HookLogic acquisition expenses, included in our guidance, account for approximately 30% of this variance. Since the transaction is now signed, acquisition-related costs have been excluded from Non-GAAP opex, in line with our definition of Adjusted EBITDA. About 30% of the variance relates to employee-related savings, primarily travel expenses and variable compensation, while the remaining 40% relates to conservative estimates on market conditions, including on employer contributions on RSUs and other items.

On a Non-GAAP basis by function, or excluding amortization, equity awards compensation expense, pension service costs, acquisition-related costs and deferred price consideration:

- **R&D** expenses grew 28% to $24 million, largely driven by the 32% growth in headcount to close to 480 employees.
- **Sales & Operations** expenses grew 15% to $61 million, also largely driven by the 25% increase in headcount to over 1,350 employees. As a percentage of revenue, Sales & Operations opex decreased by 160 basis points on a Non-GAAP basis. Quota-carrying headcount grew 27% to 640, with 75% of the growth still coming from the midmarket.
• G&A expenses increased 40% to $26 million, while headcount grew 26% to 380 employees. Excluding exceptional items and timing differences, primarily related to litigation expenses and employer contribution on stock-based compensation, G&A expenses grew only 28% to $23 million.

We grew Adjusted EBITDA 55% or 51% at constant currency to $54 million. Adjusted EBITDA margin for the quarter was 12.6% of revenue, or 30.3% of Revenue ex-TAC. This represents an improvement of 230 basis points of Revenue, or 450 basis points of Revenue ex-TAC, driven by our gross margin improvement and the continued operating leverage in Sales and Operations. In the first nine months of 2016, we increased profitability by 180 basis points of revenue, or 400 basis points of Revenue ex-TAC. This highlights the strong leverage of our model and our ability to drive Adjusted EBITDA expansion over the long term.

Speaking of our operating model, we do not expect the addition of HookLogic to materially impact our ability to reach our Adjusted EBITDA margin target of 40% of Revenue ex-TAC in the long term.

Financial income improved by $6 million. This increase was primarily driven by the much lower foreign exchange loss compared with last year, mainly as a result of the conversion of our intercompany position in Brazil from debt into equity in Q2 this year.

Net income increased 154% to $15 million, driven by the growth of our income from operations and the significant improvement in financial income over the period. The effective tax rate was 34% for the quarter and 30% for the first nine months of 2016. We now expect our effective tax rate for fiscal 2016 to be approximately 30%, slightly above our initial expectation. Adjusted EPS on a diluted basis for the quarter increased 173% to 48 cents.

Cash flow from operations grew 149% to $44 million, as a result of our increasing profitability and a positive change in working capital, in line with our expectations. This represents a conversion of Adjusted EBITDA into cash flow from operations of 82% in the quarter.
Capex decreased 17% to $20 million or approximately 5% of revenue. This compares to a peak quarter last year when we had spent a third of our annual capex program on a new Hadoop cluster, additional servers and fit out for new facilities.

Free Cash Flow increased by $30 million to $24 million and by 81% in the nine months of 2016. This translates into a 44% conversion of Adjusted EBITDA into Free Cash Flow for the quarter.

Finally, total cash and cash equivalents were $407 million at the end of September, up $54 million from December 31, 2015.

I will now discuss our guidance for Q4 and 2016. The following forward-looking statements reflect our expectations as of today, November 2, 2016. We expect the HookLogic transaction to close in the comings weeks. The contribution of HookLogic is not included in our Q4 and full-year guidance communicated today.

We expect Q4 2016 Revenue ex-TAC to be between $207 million and $210 million, excluding HookLogic. This would imply a growth at constant currency of 28% to 30% without HookLogic. We expect changes in forex to have a positive impact of approximately 160 basis points on our Q4 reported growth.

And, we expect Q4 2016 Adjusted EBITDA to be between $72 million and $75 million, excluding HookLogic.

Forex assumptions underlying the Q4 2016 guidance are included in the earnings release we published earlier today.

For fiscal 2016, we expect Revenue ex-TAC to grow between 33% and 34% at constant currency, excluding HookLogic. We expect changes in forex to have a positive impact of 70 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 by 120 to 140 basis points, excluding HookLogic**, up from our prior guidance of 60 to 100 basis points improvement excluding HookLogic.

In closing, I am pleased with our strong performance in Q3, combining rapid growth with continued leverage and increasing profitability. I am excited about the expected positive impact of HookLogic and the new search product on our future growth and I am confident about the outlook for our business.

With that, let me now turn the call back to the operator to take your questions.