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+++ presentation

Operator^ Good morning and welcome to the Criteo Q4 and Fiscal Year 2017 Results Conference Call. (Operator Instructions)

Please note this event is being recorded.

I would now like to turn the conference over to Edouard Lassalle, Vice President of Investor Relations. Please go ahead.

Edouard Lassalle^ Thank you, Andrew. Good morning, everyone, and welcome to Criteo's Q4 and Fiscal Year 2017 Earnings Call. With us 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 expansion plans, anticipated market demand or opportunities and other forward-looking statements. These statements re 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 such metrics and the reconciliations to the most directly comparable GAAP financial measures were provided in the earnings release published 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.

I will now turn the call over to Eric Eichmann, CEO of Criteo.

Eric Eichmann^ Thank you, Edouard. Good morning, everyone. I am happy to report another record quarter for Criteo. We continue to deliver high profitable growth while expanding our product portfolio.

Let me start by restating our vision of building the highest performing and open commerce marketing ecosystem. We deliver measurable results at scale to the retailers and brands who participate in our open and trusted data collectives. The commerce marketing ecosystem represents a large opportunity for our clients and for us.

Today, retailers and brands are sitting on very large amounts of data, and Criteo's expertise is to successfully activate these large data sets in real time to drive sales and profits. To do this, we help marketers gather and structure granular shopper data in real time, online and offline, and on a large scale. And through state-of-the-art predictive technology and the ability to reach consumers across devices and environments, we generate more sales for them.

Our commerce marketing ecosystem continues to be positively received by chief marketing officers around the globe. As a result, we are making good strides with the adoption of our new products: Criteo Sponsored Products, Criteo Customer Acquisition and Criteo Audience Match. These products rely on our unique data collectives and our powerful predictive technology.

Turning to earnings, we delivered better results than expected, led by strong holiday sales momentum, particularly in the U.S. At constant currency, we grew revenue ex-TAC 20% and adjusted EBITDA 36% in Q4. In fiscal year 2017, we increased revenue ex-TAC 29% and adjusted EBITDA 35% at constant currency. Including all products, same-clients revenue ex-TAC grew over 6% at constant currency in Q4, thanks to better technology, broader inventory and more products. This additional revenue came mainly from clients who have uncapped their marketing spend with us.

We performed well across all areas of the business. We delivered strong innovation across our technology and product portfolio. We improved our access to inventory. And we added new clients across all regions and products.

Starting with innovation, I want to mention 3 areas: the Criteo Engine, the Criteo Shopper Graph and enhanced client reporting. Number one, in the engine we added new variables for improved predictive bidding within in-app inventory, which increased revenue ex-TAC by more than 3% in A/B testing environments. Improving performance for in-app is critical, given the growing mobile app usage of consumers.

Number two, Criteo Shopper Graph made up of our 3 data collectives: Identity Graph, Interest Graph and Measurement Network, increased in size and efficiency. Our world-class global Identity Graph links users across devices and environments. It continued to see good traction, with close to 80% client participation. We now have one of the largest user graphs in the market, with an estimated 1.2 billion individual users matched, with an average of 3 matches each. Over 90% of our revenue ex-TAC is now generated from users matched in the graph. And what's more, our Identity Graph shows a 19% uplift in post-click conversions across devices, helping our clients see more sales driven by Criteo.

Our Interest Map organizes anonymized shopping data intent and purchasing data across retailers in our ecosystem. We are seeing great momentum as clients who give us permission to share shopping data on an aggregated basis within the Interest Map represented already 43% of revenue ex-TAC in Q4.

And our Measurements Network, which allows brands to measure sales on retailer sites, continued to grow.

We are pleased with our progress in growing the Criteo Shopper Graph, a foundational and differentiated asset to develop new products for our commerce marketing ecosystem.

Number three, moving on to enhanced client reporting. Clients can now download standard reports showing detailed impression-level information for our core business through the Criteo API. These reports include publisher domains where client ads are shown, time stamps of displayed ads and the value of each impression. They will soon include encrypted user IDs, allowing for reach and frequency calculations. More transparency increases our clients' confidence in our platform and further strengthens our relationship.

Switching to the supply side of the business, we continued to deploy Criteo Direct Bidder, our proprietary header-bidding technology, adding 500 premium publishers worldwide to a total of about 1,500. Recent partner additions include Orange and Viber. Criteo Direct Bidder drives additional monetization for publishers of 20% to 40%. We made improvements to this technology by reducing the latency; enabling usage on mobile sites leveraging accelerated mobile pages technology; and by strengthening biding strategies for first-price auction environments.

Regarding client expansion, we added 820 net new clients in Q4 across regions, products and categories and maintained client retention at close to 90% for all products. This net addition was lower than in prior quarters, mostly due to our focus on larger, mid-market clients at the expense of smaller mid-market clients. As a matter of fact, revenue ex-TAC per new client grew 14% versus Q3 and 9% versus Q4 2016. We expect this trend to continue in 2018 until we implement our fully scalable self-service platform to manage smaller mid-market clients more efficiently.

We closed 2017 with more than 18,000 commerce and brand clients, an increase of over 3,600 net clients, or 25% for the year. New brand clients include Activision brands such as Call of Duty, Destiny and Overwatch, Marshall Headphones, Urban Ears and STX Entertainment. And what's more, we are successfully upselling our new products, resulting in the number of live clients using at least 2 products quadrupling from less than 150 in Q3 to over 600 in Q4.

Looking now at our performance per region, the Americas revenue ex-TAC grew 22% at constant currency, thanks to a particularly strong holiday season. New business contribution in the U.S. was the strongest ever, as 5 new clients signed in 2017 entered our top 15 client list, including several retailers from Hudson Bay's Company. In addition, we displaced competitive solutions in several large commerce companies.

Also, Criteo Sponsored Products grew more than twice as fast as the core business in the quarter, as brands continue to trust us with their performance marketing spend.

EMEA revenue ex-TAC increased 16% at constant currency, largely driven by solid growth in Germany and emerging markets. We signed several large clients, including DeutscheBahn and eMAG, a very large etailer in Eastern Europe. The travel vertical was particularly strong, with our largest client growing 80% in the region.

Finally, APAC revenue ex-TAC grew 25% at constant currency, driven by existing large clients along with fast growth in mid-market in Japan. Southeast Asia and India also supported the growth, as well as strong in-App revenues across the entire region.

Building and deploying new products that rely on our data collectives is core to realizing our vision of the commerce marketing ecosystem, and we are pleased with our strong progress in this area. Criteo Sponsored Products had a strong quarter, as 6 of our top 20 brand clients in the U.S. grew their spend with us by more than 5x. Apparel increased over 200% and remains a vertical with large potential. We also had good traction in Europe thanks to the addition of 5 large retailers and the good growth of existing ones.

Over all, Criteo Sponsored Products represented over 5% of our revenue ex-TAC in 2017. We are confident that the strong Q4 momentum positions Criteo Sponsor Products well for continued growth in 2018, even after the recent disposal of the travel brand business.

Criteo Customer Acquisition and Criteo Audience Match are 2 beta products launched in early Q4 generated $3 million of revenue ex-TAC in Q4. Together with dynamic retargeting, these products helped our commerce clients cover the entire shopping journey, from new customer acquisition to reengagement. Early results for these 2 products are very promising. About 6% of clients have adopted Criteo Audience Match to reengage their existing customers, generating on average 15% more revenue ex-TAC compared to retargeting only.

And Criteo Customer Acquisition was adopted by 26% of fashion clients in the U.S., France, Germany and the U.K. Those clients drove on average 10% more revenue ex-TAC compared to retargeting only. In Q1, we are introducing the product to all retail clients beyond fashion, a 2x market opportunity, and plan to launch it in 6 additional markets.

We are encouraged by the potential of both products based on these initial results.

In mid-November, we also introduced a beta version of the Criteo Reseller Program to enable online marketplaces to offer Criteo Dynamic Retargeting to their own sellers. This offer applies to all marketplaces, ranging from retail to classifieds and travel, and was already deployed with several large clients, including Yahoo Japan. For marketplaces, this program brings additional sales, new services to their partners and increased gross merchandise value. For us, this means new ways to drive sales from users we would otherwise not reach inside a marketplace.

Over all, we are excited about the momentum and reception of our new products and we'll continue to improve them to drive even more sales across the shopping journey.

Let me now say a few words about user coverage with regards to data tracking. Personalized data-driven advertising benefits publishers, advertisers and consumers alike, and we believe it is here to stay. Facebook, Google, Amazon - all rely on the ability to drive advertising through data.

Over the years, we have developed privacy-friendly solutions to reach users everywhere, irrespective of browsers and environments, and we'll continue to do this as a matter of normal business operations. Our technology road map is focused on increasing our independence from third-party browsers to access data. We believe that privacy decisions should be in the hand of consumers, not intermediaries, and we will continue to work to empower consumers to make their own decision. We are confident in our ability to sustainably reach users in all environments over time.

I also want to bring some clarification around the European Union's General Data Protection Regulation, or GDPR, which comes into place on May 25. There is still a lot of misconception and confusion in the marketplace about the consequences of GDPR for consumers and businesses.

GDPR is a big change in the area of protecting the integrity and security of personal data.

However, the text also clarifies applicable rules for the collection of data based on the level of sensitivity and risk for the privacy of individuals. When it comes to using browsing data to drive personal advertising, there is little change in the law. For non-sensitive data like cookies, the law requires unambiguous consumer consent, something that Criteo has already been doing in Europe for years. Unambiguous consent is about providing consumers transparency and choice, but does not require explicit opt-in. GDPR states that explicit opt-in is only required for personal sensitive data. Several data protection authorities in Europe have published guidance and recommendations that are aligned with our views. While Criteo is already abiding today by the principles of GDPR for personalized advertising, we are working with our clients to make sure this is clearly understood.

Looking ahead to 2018, we are focused on three key priorities. First, grow our core business. In addition to innovating on our world-class Engine, we are undertaking a significant transformation of our go-to-market approach. This new approach will help maximize the commercial opportunity while becoming more strategic to our large clients and allow us to scale the mid-market more profitably. Specifically, we will focus on a multi-product sales approach, refine service levels based on client size and potential, and build self-service capabilities for the mid-market.

Second, grow Criteo Shopper Graph. We will continue to build our three data collectives, Identity Graph, Interest Map and Measurement Network, to further strengthen our product portfolio.

And third, develop and scale new products for commerce and brand clients. We will continue to improve and deploy Criteo Customer Acquisition and Criteo Audience Match in additional verticals and markets. In addition, we are building an audience platform to enable new commerce marketing products such as look-alikes, and other capabilities for marketers willing to leverage flexible audience targeting for new marketing scenarios. We plan to run a first test of our look-alike product with a select number of clients in the first half of the year.

Building on the success of Criteo Sponsored Products, we also plan to roll out other new products for consumer brands in 2018.

In closing, I am pleased with our execution and results in Q4 and 2017. The fundamentals of our business are sound and we are seeing strong momentum worldwide, especially in the U.S. We are building highly differentiated assets and innovative products to drive more sales and profits for commerce companies and brands. I'm confident our expanding commerce marketing ecosystem positions us well for future growth in 2018 and beyond.

Benoit will now take you through our results and guidance in detail.

Benoit Fouilland^ Thank you, Eric, and good morning, everyone.

I am equally pleased with our strong performance. We delivered another year of high growth, increased profitability and cash flow while investing for the future. In mid-December, we had indicated our confidence in the business for Q4 and saw a strong finish for the year for both Revenue ex-TAC and profitability. Our productivity initiatives and effective investment approach drove higher profitability, which positions us well for 2018. The attractive combination of high growth, increasing profitability and strong cash flow continues to be a key differentiator for our model.

I will walk you through the quarterly and annual performance and share our guidance for Q1 and 2018.

Revenue was $674 million in Q4, up 16% at constant currency, and $2.3 billion in 2017, up 27%. Revenue ex-TAC, our key metric to monitor performance, grew 20% at constant currency to $277 million in Q4, and 29% to $941 million in 2017. This was driven by continued growth in same-client revenue ex-TAC throughout the year and the addition of over 3,600 net new clients in 2017 across regions, sizes and products.

Revenue ex-TAC margin was 41% in both Q4 and the year, in line with expectations and prior year levels.

Compared with our Q4 guidance, changes in ForEx had a positive impact of approximately $1 million on revenue ex-TAC, thanks to the stronger Japanese yen and euro. Compared with the prior year, ForEx changes represented a tailwind of about 300 basis points to revenue ex-TAC growth in Q4 and only about 40 basis points in 2017.

Switching to expenses, other cost of revenue, comprised of hosting and data costs, grew 31% in Q4, and 43% in 2017. In both periods, this was driven by a higher number of servers to increase our hosting and computing capacity worldwide, as well as additional third-party data to complement the Identity Graph.

Operating expenses grew 18% to $175 million in Q4, and 30% to $682 million in 2017. Headcount-related expenses represented 73% of GAAP OpEx in Q4 and 75% in the year. Headcount grew 10%, ending 2017 with close to 2,800 employees.

Non-GAAP operating expenses grew 10% to $141 million in Q4, and 23% to $566 million in 2017. On a non-GAAP basis by function, R&D expenses grew 15% in Q4 and 33% in 2017, in line with investment plans and largely driven by the 16% increase in headcount to over 700 employees in R&D and Product. Sales and operations OpEx grew 13% in Q4 and 27% in 2017, also in line with plans. This was driven by a 7% increase in employee headcount to 1,600, in particular quota-carrying, which grew 16% to 750, with over two-thirds of the growth coming from mid-market. And G&A expenses decreased 6% in Q4 but grew 4% in 2017, despite a 14% increase in headcount to 470 employees.

In light of our positive momentum and strong finish of the year, we funded a higher percentage of the target variable compensation than previously anticipated. In addition, the trend in Q4 expense growth demonstrates our effective OpEx management, our targeted investment approach and the success of our initiatives to drive productivity across the entire company.

This effective investment management shows up well in our profitability. Q4 adjusted EBITDA grew 36% at constant currency to $120 million, driven by revenue ex-TAC growth and sustained operating leverage across the organization. This drove a 640-basis point improvement in the adjusted EBITDA margin to 43%, a record level.

Adjusted EBITDA for fiscal 2017 grew 35% at constant currency to $310 million. This translated into a 210-basis point improvement in adjusted EBITDA margin to 33%, or close to 100 basis points above the high end of our guidance. Our increasing margin highlights our scalability and remains on track with our long-term operating model.

Equity awards compensation expense increased 55% in Q4, and 67% in 2017. The one-time equity grant we did in November 2016 in connection with the HookLogic acquisition represented about $3 million in Q4 and $12 million of expenses in 2017, or 18% and 34% of the growth respectively. Excluding this one-time grant, equity awards compensation grew 52% in Q4 and 46% in 2017, representing approximately 6% of revenue ex-TAC for the year.

Depreciation and amortization expense increased 52% in Q4, and 60% in 2017. Amortization of intangible assets relating to the purchase price accounting of HookLogic, represented about $4 million in Q4 and $16 million in 2017, or 47% and 46% of the growth, respectively.

Financial expense was $2 million in Q4, and $10 million in 2017, primarily driven by ForEx hedging costs and interest expense related to the funding of the HookLogic acquisition. To put things in perspective, the $6 million hedging costs we incurred in 2017 on a $250 million intragroup loan to our U.S. subsidiary generated approximately $25 million of net positive impact on our cash position thanks to our effective ForEx hedging strategy.

The reported effective tax rate after discrete items was 23% in Q4, and 25% for 2017. The U.S. tax reform drove a 130 basis-point increase in the 2017 effective tax rate, primarily due to the limited impact on deferred tax assets and deferred tax liabilities. Despite this, our 2017 effective tax rate was down 3 points compared with 2016, and was in line with our projected tax rate of 30% before discrete items like tax deductibility on stock-option exercises.

As a result, net income increased 29% to $52 million in Q4, and 11% to $97 million in 2017. Excluding non-cash accounting impacts from the HookLogic acquisition, namely equity awards compensation and amortization of intangibles, net income increased 35% to $57 million in Q4 and 31% in 2017 to $117 million.

Adjusted net income per diluted share increased 44% to $1.21 in Q4, and 30% to $2.70 in 2017.

Cash flow from operations grew 10% to $79 million in Q4, and 60% to $245 million in 2017. This was driven by strong operating growth and profitability, and offset by negative changes in working capital. The transformation of adjusted EBITDA into cash flow from operations was 66% in Q4 and 79% in 2017, above our expectations.

CapEx increased 11% in Q4 and 40% in 2017. In both periods, we invested in additional servers to equip data centers, leasehold improvements in our offices and new IT software and tools to improve productivity across the business. Total CapEx of $109 million for 2017 represented just under 5% of revenue, a slight increase compared with 2016, and in line with our plans.

As a result, free cash flow increased 10% to $54 million in Q4, and 80% to $137 million in 2017, a record level.

Finally, cash and cash equivalents increased by $144 million in 2017 to $414 million.

I will now provide our guidance for the first quarter and the fiscal year 2018. The following forward-looking statements reflect our expectations as of today, February 14, 2018, and incorporate our updated understanding and best assumptions around user coverage.

We expect Q1 2018 revenue ex-TAC to be between $230 million and $235 million. This implies constant currency growth of 3% to 5%. We assume that year-over-year ForEx changes will have a positive impact of approximately 640 basis points on the reported growth in Q1.

And we expect Q1 2018 Adjusted EBITDA to be between $60 million and $65 million.

For fiscal year 2018, we expect revenue ex-TAC to grow between 3% and 8% at constant currency. We assume that ForEx changes will have a positive impact of approximately 120 basis points on our reported growth for fiscal year 2018.

And we expect our adjusted EBITDA margin for 2018 to be between 28% and 30% of revenue ex-TAC.

In terms of seasonality, we currently anticipate that the second half of 2018 should be a bit more weighted than in 2017, and represent between 54% and 56% of our revenue ex-TAC for the year, and between 65% and 67% of adjusted EBITDA for the year.

I want to highlight that our guidance for 2018 reflects the good momentum of our business, the expected ramp up of our new products throughout the year and the effectiveness of our efforts to increase user coverage. As usual, the ForEx assumptions underlying our guidance for the first quarter and 2018 are included in the earnings release that we published earlier today.

In addition, at this early stage, we currently expect the U.S. tax reform, in particular the BEAT tax, to drive an increase of approximately 7 points to our 2018 projected effective tax rate before discrete items. We also expect equity awards compensation in 2018 to represent between 6% and 7% of revenue ex-TAC, and our CapEx program to stand at approximately 5% of revenue for 2018.

Beyond 2018, we are confident in our future growth prospects. The fundamentals of our business are strong and we have compelling opportunities ahead of us, both in the core business and our new products enabled by the Commerce Marketing Ecosystem. As we exit 2018, we believe these opportunities will translate into double-digit growth for Criteo.

In closing, I am pleased with our strong performance in Q4 and 2017, which delivered sustained high growth, increasing profitability and strong cash flow. These results highlight the strengths and scalability of our business. We remain highly focused on executing our plans. And I'm confident our positive momentum and expansion along our Commerce Marketing Ecosystem will feed continued growth in 2018 and beyond.

With that, we'll now take your questions.

+++ q-and-a

Operator^ (Operator Instructions) The first question comes from Tim Nollen, of Macquarie.

Timothy Wilson Nollen^ A couple of things, if I may. First, you gave some expectations on the impact of the ITP situation in December, and it seems now like perhaps the performance in Q4 and the outlook for 2018 is a little bit better than what you implied there. I wonder if you have any comment on that.

And secondly, on GDPR, appreciate your comments throughout the quarter and today. I just wonder, there is a lot of confusion about this time amongst investors. I just wonder what you could tell us about what customers, advertisers are saying and thinking about this. Is there any sort of hesitation to spend? Or is it business as usual?

Eric Eichmann^ On the first question regarding user coverage on Safari environments, back in December we gave I think what was a worst-case scenario of what the full potential impact of the limitations of the Safari environment were. And what we've done obviously in our guidance is provide an implicitly set of assumptions around user coverage.

Let me maybe just make a couple of comments about user coverage, because this is not a new issue for Criteo. I think we have a long history of trying to maximize user coverage on all environments. Ad blocking is a great example of a user coverage issue that we dealt with successfully.

We have said previously, we are working and will continue to work, have worked on making sure that we maximize the user coverage. And our expectation is that over time we'll get to a place where we get good coverage of users across all environments.

A couple of other things around the worst-case scenario that we gave in December. And I think through looking at the data and all of that, we've also realized that some of the Safari environments also have Â-- or, if you will, the iOS user coverage also includes certain apps in certain environments where there is no limitation, such as the Chrome browser, Facebook, the Google search app, et cetera. And so that in itself is a third to a fourth of that exposure. And so that's implicit also in our guidance.

But over all, we feel quite good about our ability over time to deal with these challenges. We've done it for a while.

The second question, on GDPR, I think one of the things we've been quite vocal about and that is that GDPR is obviously a change for retailers and it's one that requires them to, in particular in the area of protection of sensitive data, requires them to do quite a bit of things to make sure they limit the exposure. In regards to the relationship that we have with retailers and the browsing data, there's really no change or no significant change versus what we've done in the past.

And so our conversations with retailers and our clients lead us to believe that there's not a big risk here and it's going to be more business as usual. Not to say that there's no conversations that need to happen and clarification about what this means, but, in general, we feel quite good about our ability to continue to provide services to them, even as GDPR happens.

Operator^ The next question comes from Lloyd Walmsley, of Deutsche Bank.

Lloyd Wharton Walmsley^ Looking at the guidance, I think you're calling for about 11% growth in rev ex-TAC in 1Q and the full year guidance implies about 4% for the balance of the year. So wondering if you can give us a sense of how much of that is a function of just increasing uptake around the new Apple and iOS OSs, versus GDPR conservatism, or just general conservatism. Any color you can give us on the implied slower growth after 1Q would be helpful.

And then I guess a second one, on the GDPR side, I guess it sounds like you feel like you're not going to really have to change your existing opt-out. But wondering are there other key data sets at risk perhaps that you get from other third parties associated with this new regulation that would impact spend, or anything else that we should just keep in mind around GDPR as we get closer to that.

Eric Eichmann^ All right. Let me take the second question, and then I'll pass it on to Benoit to answer your first question. But on GDPR, no, like a majority -- the answer is, no, we're not concerned about other key data sets. All of the information we collect is non-PII information; so, non-sensitive by nature. And it's really browsing behavior-based data. So from that perspective, we don't see any impact from GDPR in other data sets.

Benoit Fouilland^ Just on the guidance, just to make sure that (inaudible) we are talking about, our guidance for Q1 calls for 3% to 5% rev ex-TAC growth for Q1 and for the -- in constant currency, obviously, as always. And with respect to full year '18, the growth implied -- the growth within the guidance is 3% to 8% for the full year.

Now, with respect to what is underlying this guidance, there are a few important factors. First, the good momentum of the business that we've seen across regions continuing in Q4, which give us confidence for the year, particularly with the level of activities we've seen in the U.S.

The second aspect that we've incorporated in our guidance is the expected ramp-up of our new products in 2018 on the back of some of the promising start that we've seen in Q4. And we have all our assumptions around user coverage in all environments, which includes Safari, but which include also our better understanding of the environments that do not limit the data tracking.

So this needs to be put into the context of all of those assumptions versus obviously what we shared with you in December, which was a worst-case scenario.

Eric Eichmann^ And Lloyd, if I can add one quick thing is obviously we are, as we mentioned in the script, we are more seasonal as a company. And so you have more weighing towards the end of the year. And so that's what creates also a bit of the high growth, if you will, later on.

Lloyd Wharton Walmsley^ Got it. Okay. I guess I need to check my math. Maybe some FX impact. Sorry for any confusion there.

Operator^ The next question comes from Douglas Anmuth, of J.P. Morgan.

Douglas Till Anmuth^ First, just wanted to talk about the new go-to-market approach. Can you guys just talk about what's changing here in terms of the sales force now that you're going to go multi-product and also talk a little bit more about the self-serve opportunity, especially on the long tail? And then can you also address the same-client spend growth at 6% and how you expect that to trend as you go through the year, how you can potentially accelerate it?

Eric Eichmann^ So the new go-to-market approach is something that we've been working on now for at least conceptually and thinking and now we're in full implementation mode since last year. And the idea really here is to make sure that we're set up to have one, a salesforce that can sell multiple products to our clients; two, that we align our service levels with the potential of clients; and three, importantly, and this is one thing as we dig deeper into the mid-market and there's still huge potential that we're very clear on which clients we go after from a people perspective versus having an approach that a platform. Our expectation is that we will be building this platform throughout the year and we'll start seeing some of the benefits of that coming next year. And we think that that will be one that will open up new opportunities.

So that's on the go-to-market approach.

On the same-client spend growth, that was 6% for Q4. And if you take it on a user coverage basis that is comparable to what we had done, what the user coverage we had in Q3, that's an acceleration. It's going from 14% in Q3 to about 17% in Q4. So that's very positive. There's a number of factors that go into it that we discussed on the call. For example, our better access to inventories. One of them improvements to the Engine is another one. The underlying growth of ecommerce in our clients is another one.

As we have done in the past, it's hard for us to provide any guidance on how we expect this to trend. But I think you can look at what has happened in all the quarters in Q4 and you'll see that we've been hovering around 15% and with -- on an equal user coverage basis. And so I think that's a good way for you guys to think about that, knowing that in Q4 obviously that was 6% on absolute terms.

Operator^ The next question comes from Rocco Strauss, of Arete Research.

Rocco Strauss^ 2 questions for me, please. Just a follow-up on ITP-related issues, I guess. Google has made several changes to Chrome over time. Do you see any risk of Google taking a similar approach around third-parties tracking data on Chrome, especially with the recent changes?

And secondly, how has attribution improved over the last years to insulate Criteo’s solution against kind of false positives at retailers and travel companies? I mean, generating incremental sales rather than claiming sales that would have anyhow happened.

Eric Eichmann^ so our expectations, the landscape in digital advertising changes over time. We had things like ad blocking, et cetera. We believe that environments like Chrome will continue to be environments where there are not going to be limitations in terms of data tracking, in particular because of the parent company that produces that product being very much a company that's committed to targeted advertising based on data.

And so we don't expect any changes there. What we expect from Google and that has happened over time is that they set standards around advertising that generally are standards around speed, quality of ads, et cetera. And AMP, Accelerated Mobile Pages, is a good example of Google going in that direction. And we abide by those standards.

And so we feel very comfortable. We have very strong relationship with Google and we believe that that's an area that you described is very unlikely.

So in terms of attribution, great question. We haven't talked about this in a while. But interestingly enough, I think what you have in the market is still a big part of the market that's thinking about last-click attribution. Sophisticated clients now for a while -this is not a new trend- for a while have asked and generally looked at incremental sales, comparing two random data sets and seeing what the incrementality is.

And so I think this is something we've been working in many cases with clients if they have a different attribution than post-click 30 days, we end up ingesting their data and looking at what conversions are happening on their site and optimizing around that. So we feel that that's going to be a continuous area of change with the cautionary note that it basically continues to be by and large a post-click, last-click type of environment.

Operator^ The next question comes from Matthew Thornton, of SunTrust.

Matthew Corey Thornton^ Eric or Benoit, I was wondering if you'd be able to tease apart maybe how you're thinking about the different kind of product buckets growing through 2018. I know with Criteo Sponsored Products, you had initially given a timeline of some milestones when you acquired that company on what you thought revenue could be. Just wondering how you're thinking about CSP in 2018. Does that growth accelerate? And are those in 2019 type bogeys that you have put out still reasonable?

And then similarly with some of the new products, Audience Match, Customer Acquisition, I think you talked about $3 million contribution in the quarter. Is that a good kind of starting point to kind of ramp up slowly from there? Or are you expecting that bucket of new products to accelerate meaningfully in 2018? Just trying to get a sense as to some of he puts and takes into that 2018 guidance.

Eric Eichmann^ So on new products, on CSP, which is the product stemming from the HookLogic acquisition, from an integration perspective we feel quite good around what has happened in 2017. I think we met all the main milestones that we have set out to do.

And a big part of that obviously was integration of the technology. From a growth perspective, we mentioned that CSP grew at over twice the rate of the overall business in Q4, which was very encouraging. And we maintain I think we're very much in line with the guidance that we had given back in the day when we bought HookLogic.

Benoit Fouilland^ If you remember, the indication we had given at the time of the acquisition was an uplift of middle single digits. So, around 5% uplift on our call business. And in fact, if you look at what we've delivered this year we've delivered 5% of our business, which is of our total business rev ex-TAC from Sponsored Products. So we are in line with the indication we gave at the time of the acquisition.

And with respect to where we see Sponsored Products, we're confident in the momentum that we see. So I believe that what we shared at the time of the acquisition is still very much broadly in line with the current momentum.

Eric Eichmann^ And I have to say from a qualitative perspective as we go and talk to marketing departments what CSP has allowed us to do is not just open brands to come and work with us, but also expand our story and make the commerce marketing ecosystem story very credible.

And additionally, talk about other products that rely on our Commerce Marketing Ecosystem, and our data collectives. Customer Acquisition and Audience Match are 2 products that we mention are doing well. Customer Acquisition has seen a 10% uplift for clients where we have it installed. We are working only in Fashion right now as a vertical, and we intend to extend it to all verticals within Retail and also to many more markets in the 4 markets we're focused on right now.

And so you remember it's still a beta product. So we're being cautious to make sure that it sees significant potential.

And then Audience Match is only at 6% of the eligible clients. And so it's more about bringing -- our expectation is that we will see great momentum on these new products and they will start being meaningful in 2018, for sure.

Operator^ The next question comes from Tom Champion, of Cowen.

Thomas Steven Champion^ I was wondering if you could talk a little bit about customer retention. I know you said that it's close to 90%, but has there been any change there?

And not to beat a dead horse here, but just to revisit ITP. I think there were some preliminary indication of kind of a 9% to 13% headwind, and then you gave us the 22%. but I'm just curious if there's a number you could give us for what you assume your headwind will be of ITP in 2018.

Eric Eichmann^ So let me maybe take your second question first, regarding user coverage on Safari. We provided guidance for what we expected what user coverage limitation impact in Q4 to be and we came at the top of the range in Q4. We said during the call this is not a new issue for us. User coverage has been a challenge or an opportunity, depending on how you look at it, for us over time. And implicit in our guidance are assumptions about user coverage, and we feel quite comfortable that we will have sustainable solutions to reach consumers in all environments over time. So that's as much as I think we'll say on Safari user coverage.

And then on customer retention, maybe Benoit?

Benoit Fouilland^ So customer retention was pretty much in line with prior quarters, just very close to 90%. So I would not spot any particular trend there. Obviously with Sponsored Products we are reaching different type of customer with brands, which might have over time slightly different pattern in terms of spending. But over all, if you look at the figures, very solid, very consistent with what we've seen in the past.

Eric Eichmann^ I think this is one of the things that's incredible about the business, and that is that we have a very, very consistent customer retention that we've had for many quarters. I think over 30 quarters now of customer retention at over 90%, which tells you that we are really a relied upon partner by our clients.

Operator^ The next question comes from Heath Terry, of Goldman Sachs.

Heath P. Terry^ I was wondering if you could just kind of disaggregate for us a little bit. Obviously, ecommerce growth was generally very strong in the fourth quarter, as we've seen from other companies report. Can you help us sort of separate how much of the outperformance in Q4 came from overall strength in the market versus ITP being less severe than you expected or maybe some other category like customer way? How should we weight those factors in looking at results?

And then beyond just ecommerce, can you just give us an update in terms of sort of where the relative growth is in your primary verticals, if there was anything worth calling out in the travel vertical or others that you're participating in?

Benoit Fouilland^ Maybe with the first part of the question with respect to the dynamics of the growth in Q4, as we said for user coverage, the impact that we've seen in Q4 was on the top end of the range that we had shared with you. And this is despite obviously the announcement that has been made in the middle of the quarter from with respect to new iOS.

So in other words, the strength in Q4 came from the underlying strength in our business, particularly in the U.S., where we've seen a very strong holiday season in the U.S. So that's not because of better impacts than we had expected with respect to user coverage. The strength comes entirely from the fundamental momentum.

Eric Eichmann^ And I think to your second question in terms of relative growth to the verticals, our mix hasn't really changed. If you look at Q4 2016 versus Q4 2017, about three-quarters of the business are Retail. Travel hovers around 10% and that hasn't changed. So I think region per region you have some distances. And so, for example, in EMEA we had very strong growth from Travel in Q4. But otherwise, as a global business, it's not really changing dramatically. Actually, not changing much.

Operator^ The next question comes from Sarah Simon, of Berenberg.

Sarah Simon^ Just 1 question, if I may. You've obviously given a better results in 2017 and a more optimistic outlook than your worst case in December. And your cash balance at the moment is obviously a pretty significant part of your market cap. So I'm just wondering now that you have a sort of clearer outlook as to the user coverage and so on how you're feeling about what the right level of cash is to hold within the business.

Eric Eichmann^ So I think obviously uses of cash are always a discussion and a lively one with the board and the management. We feel quite good about the results and our ability to deliver results in the future. And we think that ultimately that should be the one -- the main factor in the share price of the company and the valuation that the street will give us.

In terms of uses of cash, we still believe and we believe strongly the opportunities are quite big to continue to look for acquisitions and reinforce our Commerce Marketing Ecosystem story. And so from that perspective we're prioritizing this over any other use of cash. And so that's the current situation. I don't know if Benoit.

Benoit Fouilland^ That's pretty much the current situation. It doesn't mean that we would never look at different use of cash that would not restrict our ability to be ambitious with respect to M&A. But at the moment, the focus is to making sure that have the right firepower for seizing opportunities in the marketplace.

Sarah Simon^ And can I just follow up on that? Is there anything specific? I know you've got loads of things all the time, but is there anything sort of specific out there that you've got your eye on that is a more likely probability in terms of M&A than all the stuff you regularly examine?

Eric Eichmann^ I think one of the things that we've done over the last year is put in place a structure around corporate development that is different than what we've done in the past. The founder and chief executive of HookLogic has taken on that role about 6 months ago. And so there's a lot more activity I think that we're having a lot more ideas. Also the fact that we've put in place a Ecommerce Marketing Ecosystem vision, it incorporates a number of companies that we might not have looked in the past. So our expectation is we'll continue to be active in this area and hopefully over time we'll start seeing some results.

Benoit Fouilland^ maybe a conclusion. In terms of keeping flexibility with respect to cash balances, you have to understand as well that in an environment where our share price was pretty low I think it's very important in this environment as well in particular to keep the right flexibility of having cash available.

Edouard Lassalle^ Thank you, Benoit. This now concludes the Criteo call. We'd like to thank everyone for attending. The IR team is available for any follow-up questions. We wish you all a great Valentine's Day today. Thank you.

Eric Eichmann^ Thank you.

Benoit Fouilland^ Thank you.

Operator^ Again, the conference has now concluded. Thank you for attending today's presentation. You may now disconnect.