Good morning everyone, and welcome to Criteo’s first quarter 2018 earnings call.

With us today are co-founder, chairman & CEO JB Rudelle 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. Such 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 such metrics and the reconciliations to the most directly comparable GAAP financial measures were provided in the earnings release published earlier today.

Finally, 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 will now turn the call over to JB Rudelle, CEO of Criteo. JB…
JB Rudelle – Co-founder, Chairman & CEO

Thank you, Ed, and good morning everyone. I am glad to be here after having been away from the day to day operations of the business for more than two years. As you know, the board of directors has asked me to lead again the company I love, as CEO. I’d like to take this opportunity to thank Eric Eichmann for his great commitment and contribution in growing our business over the last years. Eric will assist me in this transition as my special advisor.

Given the many changes that are happening in the industry, there is a lot that needs to be done to prepare Criteo for its next chapter of growth. I must say I’m super excited with this challenge. This said, I also recognize that we have not always done a good job in the past explaining why we strongly believe Criteo has so much potential to create value for shareholders. With Benoit, Edouard and the rest of the team, our task will be to regain the trust of our investors and to convince them of our ability to reaccelerate our growth in the coming years.

This said, I’d like to stress the fact that Criteo is, today, in a healthy state. Despite the significant headwinds we are facing with respect to user coverage, I’m happy to report a pretty solid first quarter, delivering positive growth, while significantly expanding our profitability and cash flow. At constant currency, we grew our Revenue ex-TAC 8% and Adjusted EBITDA 22%. I believe those better-than-expected results somehow illustrate the resilience of our business when dealing with external shocks.

Looking at our results by region, in the Americas, we grew Revenue ex-TAC 3% at constant currency. The U.S. market grew 7%, driven by our dynamic business with large clients, in particular those we added in 2017. Offsetting this, difficult market conditions in Latin America, particularly in Brazil, continued to negatively impact the region.

Revenue ex-TAC in EMEA grew 11% at constant currency, largely driven by solid performance in Germany, Middle East and Africa.

In APAC, we increased Revenue ex-TAC 10% at constant currency, driven by healthy growth across large and midmarket clients in Japan.

Built on our unique data collectives and technology assets, our suite of products is well received by our clients and partners all around the globe. We drove stable growth in same-client Revenue ex-TAC despite, as you know, some user coverage limitations, reflecting the strength of our underlying business.
One key driver of the business is our **Criteo Shopper Graph**, which includes our proprietary Identity Graph, our Interest Map and our Measurement Network.

With all three data collectives, we have made meaningful progress during the quarter, increasing their scale and efficiency and I’d like to provide some more details on these.

- **First, our Identity Graph.** This graph creates a unique anonymized identifier across devices, browsers, apps and offline worlds. With about 1.4 billion individual users worldwide in our graph, we already operate one of the largest user graphs in the industry. This massive scale allows us to offer our clients a comprehensive coverage of consumers globally. We are also making promising progress in developing technologies to **improve our user coverage in all environments**. This is a key area for us and, we believe, a source of long-term sustainable competitive advantage. And as a result, this is a significant area of focus allocating R&D resources.

- **Secondly, our Interest Map.** Our interest map organizes anonymized shopping intent and purchasing data across participating retailers. Based on making highly relevant product recommendations, our technology focuses on maximizing the likelihood to create consumer engagement. We do this through anonymized IDs. By the way, I’d like to remind that, as opposed to some other players, we **do not collect, store or process sensitive personal data**, such as age, gender, political views or friends. Clients who give us permission to process shopping data on an aggregated basis within our Interest Map already represent nearly half of our Revenue ex-TAC.

- **Thirdly, our Measurement Network.** This allows brands to measure sales across retailer sites, continues to grow as we expand our retailer network. This permission-based sales attribution is typically not available to brands in the offline world and we believe differentiates our offer from traditional solutions.

Overall, building and deploying new capabilities based on our Shopper Graph is really core to our vision.

In **mobile** now, I’m pleased to report that new improvements in bidding and increased flexibility with ad design and layouts allowed us to grow our **app Revenue ex-TAC** by over 60%. Overall, we believe there is a lot more growth potential to unlock down the road for value-added advertisement in the app environment. As a result, this is one of the key areas where we plan to invest in the future. And I will come back to that. This in-app inventory is growing very quickly and we want to be in the best possible position to take advantage of this exciting trend.
Regarding Criteo Sponsored Products, we are making nice progress in signing more brands and more retailers onto our marketplace. As you might recall, the foundation of this Sponsored Products was the acquisition of Hooklogic 18 months ago. This business is now a growing part of our overall revenue mix and this diversification is an important component for the long-term sustainability of our business. Furthermore, I’d like to say that the success of this integration is encouraging us to pursue our strategy to complement our organic growth with the acquisition of high quality assets, that will expand our business into exciting new markets.

In parallel, we are pleased with the results of our beta products, named Customer Acquisition and Audience Match.

- **Audience Match** helps our clients to re-engage with their existing customers, typically through uploading customer contact lists. Thanks to our – as we said – powerful Identity Graph, we are proud to offer one of the best match rates in the market to allow our clients to reconnect online with their customers. I believe this best-in-class match rate will be key to generate good client adoption in the future.

- Second beta product, **Customer Acquisition** leverages our Interest Map to help our clients acquire entirely new customers. This, as you know, is a huge market and we are getting significant interest from clients seeking to expand their customer footprint. The beta program is now live in 10 countries and we are planning to expand it to more countries in the coming quarters.

Overall, those two new beta products, though they still deliver modest revenues compared to the rest of the business, the first results continue to be encouraging.

On the supply side, Criteo Direct Bidder, our proprietary header-bidding technology, continues its rapid adoption. With less than a year in-market, our direct bidder is now already deployed with more than 2,000 premium publishers worldwide. In parallel, we are developing a direct bidder solution for mobile apps and are encouraged by its early results. And as I mentioned earlier, accelerating our growth in apps is one of our key priorities.

Moving now to the client side. We closed the quarter with over 18,500 clients, while maintaining client retention at close to 90% across all our products. This is an increase of 410 net clients, a lower level than in prior quarters. As previously announced, we are implementing specific plans
to **optimize our go-to-market strategy.** We are focusing now more on larger midmarket clients and developing a fully scalable self-service platform to manage smaller midmarket clients more efficiently. As we manage this transition, we expect our net new client additions to remain at fairly similar levels throughout 2018. However with the future roll-out of our self-service platform that will be targeting smaller clients, we hope to see a reacceleration of new client addition in the course of next year.

Before closing, let me say a few words about **data privacy.** As a matter of fact, where we really focus on when it comes to privacy is **consent management.** I’m fully aware that the upcoming GDPR is generating a lot of questions and concerns in the industry. As a European company, I believe we are likely in a better position than some of our U.S. counterparts to embrace this new regulation. Consent management is indeed something we have built a strong expertise in. I remember, back in 2009, we were one the first companies in the world to impose on all our clients to manage consent related to data collection and data usage by offering end-users an opt-out link directly embedded in every banner. At that time, I remember, many people thought we were crazy to do this as this would badly damage our business. Today I’m very proud to see that this feature has become a market standard. Because, you know, without consumer trust there is no sustainable business. Offering a user-friendly consent management system is a key element to build trust with consumers. And, without consumer trust, there is no sustainable business. In other words, giving more choices and control to the consumer is a massive historical trend and we believe it’s better to embrace this trend than to resist it. Specifically, we work very closely with the CNIL, the French data protection authority we rely on. And the CNIL is one of the most thoughtful and influential data protection agencies in the world. We are totally aligned with the CNIL on how to implement GDPR guidelines for consent management.

That said, other players in the ecosystem, in particular on the supply side, appear to not yet have solid plans in this field. As a result, they may decide to apply processes to manage user consent that could create friction for all stakeholders in the ecosystem, including end users. This transitory situation may not only create friction but also some interesting potential opportunities for us to leverage our consent management expertise to help our partners.

Looking now to the full year 2018, we have **three key priorities:**

- First, continue to invest in **Criteo Shopper Graph** to reinforce our leadership position in this area, with a particular focus on user coverage and consent management.
• Second, we want to bring more brands and retailers onto our Sponsored Products marketplace.

• Third, as I said, we want to expand our footprint in the fast growing mobile in-app market.

So in closing, I am pleased with the execution and our results in the first quarter, and I think this tracks quite well with our upcoming priorities for the year.

With this, Benoit will now take you through our financial results and guidance in detail.
Thank you, JB, and good morning everyone. I am pleased to see that we are off to a good start in 2018. We delivered another quarter of growth, increased profitability and strong cash flow, while investing for the future.

I will walk you through our Q1 performance and share our guidance for Q2 and 2018.

Revenue was $564 million.

Revenue ex-TAC, our key metric to monitor performance, grew 8% at constant currency, driven by new clients across regions and sizes, as well as expanding business with existing clients across our various solutions.

Revenue ex-TAC margin improved 200 basis points to 42.6%, largely driven by changes introduced by key supply partners in mobile apps that positively impact how we get charged for their inventory. We are working to have our engine adapt to these changes and, as a result, anticipate that our Revenue ex-TAC margin will normalize to prior levels over time.

Compared with Q1 2017, changes in forex, driven by the rising euro, represented a tailwind of about 680 basis points to Revenue ex-TAC growth, a slightly higher impact than anticipated.

Switching to expenses. The increase in other cost of revenue was mostly driven by a higher number of servers to increase our hosting and computing capacity worldwide.

Operating expenses grew 9%, largely driven by a 4% increase in headcount. We ended the quarter with close to 2,700 employees, and three drivers explain the slower headcount growth:

1. The sale of the Travel activity of HookLogic in January 2018, combined with the restructuring of Criteo Predictive Search, accounted for a reduction of about 50 employees.
2. The transformation of our go-to-market model comes with a reshuffling of resources.
3. We had some hiring delays, in particular in the midmarket.

Headcount-related expenses represented 77% of GAAP opex. And, Non-GAAP operating expenses grew 7% to $148 million.
On a Non-GAAP basis by function:

- **R&D** expenses grew 19%, in line with investment plans and largely driven by the 12% increase in headcount to over 670 employees in R&D and Product.

- **Sales & Operations** opex grew 5%, slightly below our plans. This was partly driven by a 1% decrease in employee headcount to over 1,500, including 700 quota-carrying employees after the sale of the HookLogic Travel business and the restructuring of search.

- And **G&A** expenses were flat despite an 8% increase in headcount to 470 employees. Excluding a gain from the disposal of the HookLogic Travel business of approximately $1 million, G&A expenses grew 4%.

While the trend in expense growth continues to demonstrate our targeted investment and effective expense management, we did incur about **$4 million of temporary savings** compared to expectations, the majority of which relate to delayed employee hiring.

Moving to **profitability**, Adjusted **EBITDA** of $78 million, up 22% at constant currency, was driven by Revenue ex-TAC growth, as well as gain from disposal and temporary savings. Adjusted EBITDA margin improved 550 basis points to 32% of Revenue ex-TAC. Even after excluding the gain from disposal and temporary savings, our Adjusted EBITDA margin still improved about 350 basis points to 30%, highlighting our scalability and remaining well on track with our long-term operating model.

**Equity awards compensation** expense increased 29%. Excluding the one-time equity grant in connection with the HookLogic acquisition, equity awards represented about 7% of Revenue ex-TAC.

**Depreciation and amortization** expense increased 17%, or 24% after excluding the amortization of intangible assets relating to the purchase price accounting of HookLogic.

**Financial expense** decreased 43%, as a result of lower forex hedging costs. Since the end of January 2018, we have accounted for a $265 million intragroup loan to Criteo Corp as a "**Net Investment in a Foreign Operation**", while recording forex reevaluation in Criteo S.A.’s balance sheet and no longer hedging the forex exposure.
The reported effective **tax rate** after discrete items was 37%, in line with our projected income tax rate for fiscal year 2018 of 37% before discrete items. As a matter of fact, discrete items were not significant, as few stock options were exercised in the quarter.

**Net income** increased 45% to $21 million and **Adjusted Net Income per diluted share** increased 30% to 60 cents.

**Cash flow from operations** grew 91%, driven by strong operating growth and profitability, as well as positive changes in working capital. A large part of this positive working capital contribution, approximately $23 million, was due to the favorable timing of some accounts payable to large publishers around Easter time. Transformation of Adjusted EBITDA into cash flow from operations was 108%, above expectations and historical patterns, or 79% after excluding the exceptional positive change in working capital.

**Capex** increased 15% as we invested in additional servers and made leasehold improvements in some offices.

As a result, **Free Cash Flow** more than tripled to $52 million, representing a 67% conversion ratio from Adjusted EBITDA. Even after excluding the exceptional change in working capital, Free Cash Flow still increased 80%.

Finally, **cash** and cash equivalents increased $70 million to $484 million.

I will now provide our **guidance** for the second quarter and 2018. The following forward-looking statements reflect our expectations as of today, May 2, 2018.

We expect Q2 2018 Revenue ex-TAC to be **between $226 million and $230 million**. This implies constant currency growth of -1% to +1%, and assumes that year-over-year forex changes will positively impact reported growth by about 400 basis points.

And we expect Q2 2018 Adjusted EBITDA to be **between $53 million and $57 million**. I want to point out that, from a business seasonality standpoint, Q2 is typically the lowest quarter of the year for our overall business. In addition, we have taken some level of cautiousness given the various changes happening in the industry.
For 2018, we maintain our expectation of a Revenue ex-TAC growth of **between 3% and 8% at constant currency**. We assume that forex changes will have a positive impact of about 350 basis points on our reported growth for 2018.

And, we also maintain our expectation for **Adjusted EBITDA margin** in 2018 to be **between 28% and 30% of Revenue ex-TAC**.

As usual, the forex assumptions underlying our guidance for the second quarter and 2018 are included in the earnings release that we published earlier today.

In closing, I am pleased with our strong Q1 performance. These results, delivering sustained growth, increasing profitability and strong cash flow, once again highlight the strengths and scalability of our model.

So with that, we will now take your questions.

[...]

**Edouard Lassalle – VP, IR**

Thank you [JB/Benoit]. This now concludes our earnings call. We would like to thank everyone for attending. The IR team is available for any follow-up questions you may have. Good bye and have a good end of day!