Good morning everyone and welcome to Criteo’s third quarter 2019 earnings call.

With us today are co-founder & CEO JB Rudelle and CFO Benoit Fouilland.

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. As always, 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. You can find more information about risks, uncertainties and other factors that could affect our results in our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the SEC and available on our IR website.

Today, we will also 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, which is available on our website.

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.
Thank you, Ed, and good morning everyone.

On today’s call, I will discuss **three main topics**:

- First, our **Q3 operating performance**,
- Second, our **priorities** and **business outlook**,
- And third, our **new governance** with the arrival of Megan.

Before I start, I want to say a few words about today’s announcement outside of earnings. As you may have seen in our separate release, I have decided, with the full support of our Board of directors, to **bring in a new Chief Executive Officer**. I will remain Chairman of the Board while day-to-day operations will be in the hands of the new CEO. I will talk more about this transition at the end of my prepared remarks.

Starting now with our **Q3 results**. We continued to make progress on our operating priorities and transformation. We achieved the top end of our guidance on Revenues ex-TAC and exceeded our Adjusted EBITDA target. Our performance was particularly strong in the midmarket, where we saw solid momentum and accelerating growth in the double-digits.

Among the Q3 highlights, our quarterly **net client additions** were again positive, with 240 net new clients, in line with our expectations. As in the prior quarter, this was again driven by focused execution and productivity improvements in our midmarket sales teams.

One of the most exciting results for Q3 is the momentum of our **new solutions** – which, as a reminder, include all our solutions outside of retargeting. They grew 57% on a Revenue ex-TAC basis and now account for 11% of our total business, up from 7% a year ago.

Over the past year, our identity graph has also grown both in size – we have over 2 billion unique Criteo IDs – and in density: over 95% of our Criteo IDs now contain long-term persistent identifiers rather than just basic cookies. Furthermore, in Q3 we announced a **new partnership with LiveRamp on IdentityLink**. By combining LiveRamp’s identity solution with ours, we offer marketers additional capabilities to reach their customers in a privacy-by-design manner. We believe this enhanced identity solution is quite unique in the industry and very competitive compared to walled gardens’ own proprietary approach. This combination also broadens our reach by providing access to additional cookie-less inventory, including connected TV.
Among the key benefits of our dense identity graph is the ability to offer new marketing scenarios to our clients. From this perspective, I am particularly pleased with the early traction of our **Web Consideration** product that we launched in Q3. Rather than our usual cost-per-click model, we decided to price this upper-funnel product on a Cost-per-Impression, or CPM, basis. While revenue contribution was still modest, we already had 400 live accounts using Web Consideration and received very encouraging client feedback on its performance.

Also within new solutions, **Retail Media** further accelerated in Q3, growing 25% on a Revenue ex-TAC basis and performing well across all three regions. This business which was designed to be largely immune against third-party cookie restrictions, is enjoying very good market traction.

As discussed on previous earning calls, our Retail Media business is also increasingly marketed with a transactional-SaaS model. This model applies to both our Sponsored Products and our Commerce Display products. Enabling more control and transparency for clients turns out to be very popular among large retailers. As a result, it has continued to grow very quickly in our Retail Media revenue mix. This good momentum reinforces our conviction that offering clients the ability to consume our assets as a programmatic platform allows us to build stronger and a more strategic relationships with them. More on this topic later.

On the **supply side**, we continued to expand our direct publisher network. Over 4,200 publishers now connect to our Direct Bidder both on web and app inventory, including recent additions such as T-Online and the LA Times. Working directly with a large number of high-quality publishers allows for more reach, while eliminating the middleman tax from ad exchanges.

Regarding our **legacy retargeting business**, we saw a decline in the mid-single digit range on a Revenue ex-TAC basis. The softness was mainly concentrated in the large customer segment and is driven by two main factors: first, the much higher penetration we have reached here compared to midmarket, and second, their delayed investment in mobile app marketing that doesn’t fully compensate the slow erosion of browser usage yet.

Moving now to our **outlook** and **priorities** for the future.

We expect the softness we saw in large accounts in Q3 to continue in Q4, in particular in our app business, which is highly concentrated around our large accounts. Given the important contribution of large clients to the Holiday Season, we are taking a **more moderate approach to our Q4 revenue outlook**.
Despite this more moderate topline, we expect to see a year-over-year improvement in our profitability margin in Q4. This illustrates that even if our transformation does not generate topline growth yet, it is already showing early signs of positive impact on our bottom line.

Looking beyond just Q4, one of our key priorities is to make our revenue model more resilient. This will involve broadening our value proposition beyond pure return on ad spend.

As discussed about Retail Media, we are seeing some of our most sophisticated retailers seek more control over their ad tech stack. Sometimes, this appetite for control becomes even more important than campaign performance itself. We are seeing an opportunity to proactively embrace this new trend and engage more strategically with those large clients. This might involve adapting our pricing model from traditional cost-per-click to a transactional-SaaS model for a fraction of our high-end Marketing Solution clients, quite similar to what we already started doing successfully with Retail Media.

We believe that having a transactional-SaaS offering dedicated to specific client needs will allow us to capture a bigger share of the market opportunity. It will also make us more resilient in a world where access to cookies has been made more difficult.

Looking back over the past 18 months, we have made important progress along four key dimensions:

- First, we have greatly broadened our product portfolio from what was almost just retargeting to a set of new solutions. Those new solutions are still relatively early in their development but, as we’ve seen, already generating substantial growth.

- Second, to evolve from what was perceived as a narrow point solution to an actual tech platform, we made huge efforts migrating our managed services into self-service tools that can be operated directly by our clients, large and small, and their agencies.

- Third, thanks to a bigger, more diversified identity graph and a growing number of products that are cookie-less by design, we have significantly reduced our dependency on third-party cookies.

- And fourth, to steer our ambitious transformation, we have appointed a whole new generation of highly talented and passionate executives.
Despite the significant headwinds we have faced during those 18 months, it is worth noting that we were able to implement these key changes while maintaining a healthy financial profile, as evidenced by our strong balance sheet and cash flow.

Now, with a clear direction set for Criteo, it is time to move to the next stage of our transformation. This phase will come with more changes to the way we operate and will require tight execution.

I believe that adding someone who has already led teams through similar types of transformation programs will maximize our success. This is why we are all very excited about Megan joining us as our new CEO.

From my multiple conversations with her, I think Megan is a fantastic leader with the right skills for the job. She combines very strong industry expertise and a global profile with a proven track record in driving complex transformations. Her addition is a great opportunity for Criteo and all its employees, as well as for our clients and partners.

I am personally very happy to work with Megan on the next phase of our transformative journey. As Chairman, I will remain a public face of the company, especially in European public affairs. I will also ensure that the Board fully supports Megan and the executive team to maximize Criteo's success.

Megan’s appointment will be effective November 25th. To ensure a smooth transition, I will support her operationally until we report our fiscal year 2019 results. As usual, we will then provide our guidance for the coming year.

In closing, I’d like to say that, given our plan and achievements so far, I am very confident that Criteo is on the right path to succeed as the leading advertising platform for the open Internet.

With that, I’ll turn the call over to Benoit.
Benoit Fouilland – CFO

Thank you, JB, and good morning from my side. As usual, I will walk you through our quarterly performance and share our guidance for Q4 and fiscal year 2019.

Revenue was flat at constant currency at $523 million. Revenue ex-TAC, our key metric to monitor the business, was also flat at constant currency at $221 million. New client business drove our performance, especially in the midmarket, offsetting a limited decline in our existing-client business, despite continued adoption of our new solutions across the client base.

Using currency assumptions supporting our guidance, Revenue ex-TAC reached over $223 million before a $2.5 million negative FX impact. Compared to Q3 2018, the FX negative impact was approximately $3 million or more than 1 point of growth.

Revenue ex-TAC margin was essentially flat at 42%, in line with our expectations.

We grew the number of clients 4% year-over-year to 20,000 and maintained client retention at just below 90% for all solutions combined.

From an existing client standpoint, same-client Revenue decreased just a bit less than 3% at constant currency despite higher adoption of our new products, driven by the slight decline in retargeting, in particular with large customers. As a result, same-client Revenue ex-TAC decreased 4% at constant currency.

Turning to the regional performance.

- In the Americas, Revenue ex-TAC growth was slightly positive at constant currency, improving from the prior quarter, including notable improvement in the U.S., growing +3%.
  This was driven by continued good traction of our new solutions, including Retail Media, and a marked recovery of the midmarket business, offset by softness with large clients.
- EMEA Revenue ex-TAC grew 1% at constant currency. This was also driven by double-digit growth in midmarket and continued strong traction of our new solutions in the region, including Retail Media, offset by a softer business with large customers, in particular in the U.K.
- And, in APAC, Revenue ex-TAC declined 2% at constant currency, similar to the prior quarter.
  A typhoon hurting our Tokyo data center cost us $0.5 million in lost opportunity which,
combined with slower business with large clients in Japan and Australia, offset continued
strong momentum with large customers in Korea and solid growth in midmarket across the
region. Excluding the impact of our Japanese data center outage, our growth was close to flat
in APAC.

Shifting to expenses. Other cost of revenue decreased 6%, driven by the change in our server
amortization period, savings in power consumption in our data centers and lower expenses for
third-party data, offset by the provision for the French digital tax on Revenue. On a Non-GAAP
basis, other cost of revenue increased 16%.

GAAP Operating expenses declined 3% year-over-year, driven by our disciplined expense
management and lower equity awards compensation expense due to the lower stock price over
the period.

Headcount-related expenses represented 74% of GAAP opex, up about 260 basis points. We
ended the quarter with 2,800 employees – an increase of 2% year-over-year but a 3% sequential
decline.

On a Non-GAAP basis, opex were flat at $138 million, down about $12 million compared to the
prior quarter. Looking at these by function:
• R&D decreased 1%, partly driven by an increase in our Research Tax Credit and despite a
  1% growth in headcount to 680 R&D and Product engineers.
• Sales & Operations decreased 2%, despite a 2% increase in headcount to 1,620. Sales and
  account strategists, our so called quota-carrying employees, grew 1% to 730.
• And G&A increased 9%, driven by a 2% increase in headcount to 500 employees after internal
  transfers from other functions, as well as one-time consulting fees, including for tax advisory
  and HR-related third-party providers.

As indicated last quarter, we continue to effectively manage the cost base and expect Non-GAAP
expenses for 2019 to grow slower across all functions compared to our original plans.

On the profitability side, Adjusted EBITDA was over $64 million, or 5% above the high end of
our guidance at comparable FX, and 3% below Q3 2018 at constant currency. This drove our
Adjusted EBITDA margin to slightly over 29% of Revenue ex-TAC, down only 80 basis points at constant currency.

Depreciation and amortization expenses decreased 13%, driven by the change in the useful life of our servers from 3 to 5 years, representing approximately $10 million in Q3.

Equity awards compensation expense decreased 32% due to the lower stock price over the period and, to a lower extent, to equity forfeitures.

Financial expense decreased 11%, due to higher income from cash equivalents and lower interest charges on debt, more than offsetting the impact of forex changes on our hedging positions.

And, our effective tax rate was 28%, in line with our 30% projected tax rate for 2019. In Q3 2018, the effective tax rate was 27%, translating into a 16% increase in the provision for income taxes.

Net income increased 15% to $21 million, driven by a 14% increase in Income from Operations and lower financial expense, despite the slightly higher tax expense. And earnings per diluted share increased 14% to 28 cents.

Cash flow from operations decreased 14% to $43 million, driven by a lower Adjusted EBITDA and negative changes in working capital over the period, partly offset by lower income tax paid.

Our transformation of Adjusted EBITDA into operating cash flow remained strong at 67% in Q3 and 86% for the first nine months of the year. Capex decreased 19% to $24 million, representing only 4.6% of revenue, but were essentially flat on a year-to-date basis at 5% of revenue. As a result, Free Cash Flow only decreased 6% to $19 million, reaching 30% of Adjusted EBITDA in Q3 and 44% for the first nine months of the year.

And, cash and cash equivalents increased $45 million in the first nine months to $409 million.

With respect to capital allocation, we started executing our new $80 million buyback program in early August. In the quarter, we purchased approximately 915,000 shares for a total cash amount of about $18 million, at an average price of $19.24 per share. We have not cancelled any repurchased share at this point but may consider doing so in the future. We intend to continue executing our buyback program over the next few quarters, including in Q4.

I will now provide our guidance for the fourth quarter and fiscal year 2019. As usual, the following forward-looking statements reflect our expectations as of today, October 30, 2019.
As JB explained, we are taking a more moderate approach to our Q4 Revenue ex-TAC outlook to reflect the softer trend in our business with large customers.

As a result, we expect Revenue ex-TAC for Q4 to be **between $255 million and $261 million**. Using the currency assumptions used for our Q3 guidance, this means between approximately $261 and $267 million. The Q4 guidance implies constant currency growth of approximately -5% to -3%. We expect year-over-year forex changes to negatively impact reported numbers by about $3 million or 120 basis points of growth.

With this more moderate outlook for Q4, we now expect to **land at the bottom end of our Revenue ex-TAC guidance** for fiscal year 2019 as communicated on July 30, 2019. This means we **now expect approximately flat Revenue ex-TAC growth at constant currency for fiscal year 2019**. Using our current forex assumptions, this means Revenue ex-TAC of about $942 million. Based on FX assumptions used for the Q3 guidance, this means approximately $949 million. Compared to 2018, forex changes are expected to negatively impact reported numbers by about $24 million or 250 basis points of growth.

Now, on the profitability side, we expect Q4 2019 Adjusted EBITDA **between $99 million and $105 million**. At the midpoint this means an Adjusted EBITDA margin of 39.5%, driving a 100 basis-point improvement in our margin in Q4 compared to prior year. This margin improvement demonstrates both the strength of our financial model and the early positive impacts our company transformation is having on our bottom line.

And, for 2019, we **maintain** our expectation of an Adjusted EBITDA margin of **approximately 30% of Revenue ex-TAC**, demonstrating, once more, our commitment to profitability. As indicated in the past, we are committed to **proactively manage our cost base in order to generate healthy profitability and free cash-flow** in 2019 and beyond.

As usual, the FX assumptions supporting our guidance for the quarter and the fiscal year are included in our earnings release.

In closing, we feel good about our strategic direction and remain focused on accelerating our transformation. In doing so, we are committed to making our business more resilient and driving efficiency across the entire company.

With that, we will now take your questions.
Edouard Lassalle – VP, IR

Thank you, JB and Benoit. This now concludes our call for today. The IR team is available for any follow-up. We thank everyone for attending and wish you all a good end of day.