



**Q2 2020**  
**Financial Results**

**Investor Presentation**

July/August 2020

criteo<sup>l</sup>.

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This presentation contains “forward-looking” statements that are based on our management’s beliefs and assumptions and on information currently available to management. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, projections, competitive position, industry environment, potential growth opportunities, potential market opportunities and the effects of competition and other actions by our counterparties. Importantly, at this time, the COVID-19 pandemic is having a significant impact on Criteo’s business, financial condition, cash flow and results of operations. There are significant uncertainties about the duration and extent of the impact of the virus. The dynamic nature of these circumstances means that what is said in this presentation could materially change at any time.

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This presentation includes certain non-GAAP financial measures as defined by SEC rules. As required by Regulation G, we have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in the Appendix slides.



- **Current Business Context**
- **Q2 Performance**
- **Criteo Strategy**
- **Online Identification**
- **Operational Priorities**

**Megan Clarcken**

CEO



# Commerce Trends

1

Retailer sales are shifting online, eCommerce growing from 16% of total retail sales today to 23% by 2023

2

Ecommerce growth benefits non-large platform retailers and Direct-to-Consumer, especially in midmarket

3

Buy online, pick up in store (BOPIS), or click-and-collect, is growing, especially in the United States

4

Marketers move large parts of trade marketing to digital, mainly targeting and retargeting

## Better than expected Q2 performance

### Revenue ex-TAC

**\$180 million**

**21%** above the high end of initial guidance  
at constant currency

### Adjusted EBITDA

**\$39 million**

**\$30 million** above the high end of  
initial guidance at constant currency

\* Revenue ex-TAC, Adjusted EBITDA, and Free Cash Flow are not measures calculated in accordance with U.S. GAAP. We have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in the Appendix slides.

\*\* At constant currency

## Q2 COVID-19 Context and Business Recovery

- **Midmarket business remains resilient** and continues to grow, especially in Retail
- Large customers in **Travel, Classifieds and brick and mortar retail** remain deeply affected
- **Direct response and targeted marketing remain key**
- Higher commerce triggered by COVID was **positive for Retail Media**
- Net impact of **COVID in Q2 was lower** than expected, positive for Retail Media and Midmarket
- Pace of **recovery may be much slower** than anticipated
- **We may not see a full recovery before sometime in 2021**



OUR MISSION

To power the world's

**MARKETERS**

with trusted and  
impactful advertising



# Strategy

**Build and operate a world-class demand side platform (DSP), specifically for commerce companies.**

**With this platform, we want to earn additional marketing budgets from existing clients and win new consumer brand and commerce clients.**



# We have unique assets to win



## Advertisers & Publishers

**Over 20,000** commerce clients  
and retailers

Incl. **1,000+** brands

**4,700** direct publishers



## Commerce Data & Reach

**2.5B users** in ID Graph

**120+** intent signals per  
shopper



## Retail Media Platform

**For brands and  
retailers**

# Four strategic pillars drive our 2020 execution roadmap

1



**Strengthen  
the Core**

2



**Expand Product  
Portfolio**

3



**Explore Strategic  
Game Changers**

4



**Drive Tech &  
Operational  
Excellence**

## Strengthen the core

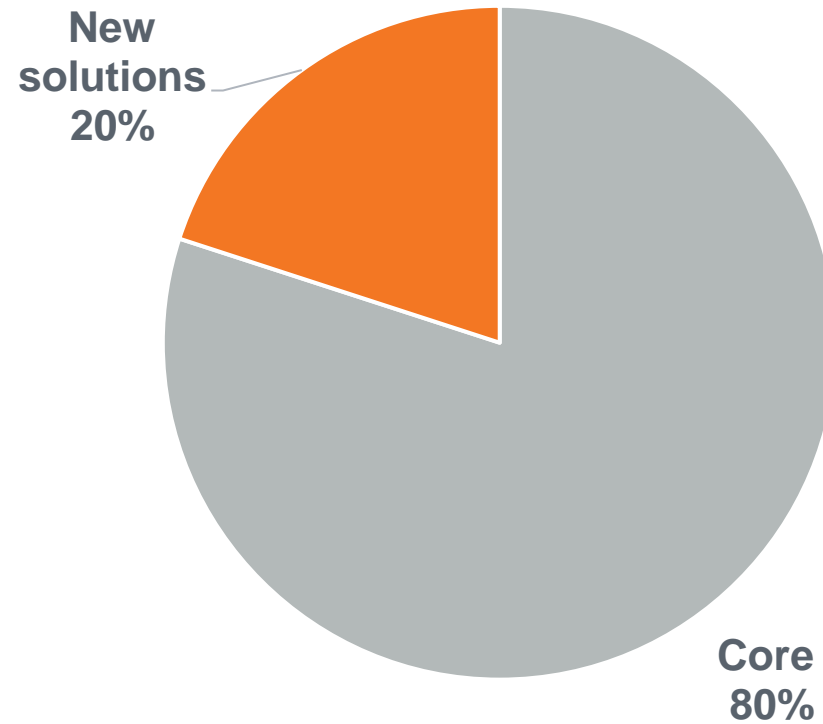
- **We added new DSP capabilities to our platform:**
  - Enhanced **Commerce Audience Targeting** – allows to group more product categories and brands for additional audience segmentation
  - **Reporting Dashboards** – provide additional transparency on the performance and measurement of their campaigns

# Expand our portfolio

## New solutions grew 67% year over year

- Of which **Retail Media** grew 84%
- **App Consideration** grew nicely
- And **Omnichannel (instore)** grew 120%+

Revenue ex-TAC by Solution



# Strategic game changers

We continued to grow our partner network to build a full stack DSP

- Extended **partnership with Yahoo! Japan** to include our **Consideration solutions**
- Signed **partnership with Zaius** to strengthen **audience capabilities for online and in-store targeting**
- Broadened **partnership with Lengow** to strengthen **offline targeting**



# Drive tech and operational excellence

- **Tech**

- Enhanced our platform with **new DSP features for audience targeting and reporting**
- Strengthened our **contextual targeting** capabilities
- Invested in our **identity solutions**

- **Operational**

- Promoted David Fox to **Chief Commercial Officer**
- Hired **Todd Parsons** from OpenX as **Chief Product Officer**
- **Exceeded plan for cost containment**



# Online identification

Changes bring more consumer privacy but challenges for the open Internet and consumer experience

**Our assets that set us apart from other Adtech players.**



**Ability to do  
contextual and  
cohort-based  
advertising**



**First-party  
footprint – integrated  
with over 20,000  
advertisers and 4,700  
publisher**



**Consumer data  
& ID Graph with 2.5  
billion unique users**

# SPARROW

Secure Private Advertising Remotely Run On Webserver



In May 2020, to **address shortcomings of Google's TURTLEDOV proposal**, Criteo proposed **SPARROW to expand capabilities** in Chrome's three areas of focus:

1. **Audiences**: Adding the ability to drive awareness by creating lookalike campaigns based on interest groups.
2. **Technical execution**: Instead of browsers executing real-time bidding, we recommend safeguarding users' data by having an independent party, known as a gatekeeper, execute real-time bidding. A gatekeeper could be a cloud service provider or a Supply Side Platform (SSP).
3. **Reporting**: SPARROW proposes granular reporting for more transparency into campaign management, billing, fraud prevention and brand safety while also providing more control over fraud detection, campaign optimization, and A/B testing.



## Revocable ID solution

- Allows **users to build their own privacy profile** and adapt it as their preferences evolve
- Personal profile **available across all Web and App** environments
- **Not owned by any commercial entity**, not limited to a software, operating system or device



## Short and mid-term priorities

1

**Ensure  
employee  
safety and  
business  
continuity**

2

**Support  
clients with  
Direct  
Response  
marketing**

3

**Align  
organization  
and cost  
structure to  
support  
strategic plan**

4

**Develop  
enduring,  
industry-  
leading  
solutions for  
online ID**

5

**Execute  
against full-  
stack DSP  
strategy**



- Q2 Performance
- Guidance

**Dave Anderson**  
Interim CFO



## Covid-19 impacted Q2 2020 Revenue ex-TAC by \$41 million

	<u>Reported number</u>	<u>YoY decline at CC</u>	<u>COVID impact</u>
Revenue ex-TAC (RexT)	\$ 180M	-18%	19 points*
Retargeting RexT		-27%	20 points*
Same client RexT		-14%	21 points*
RexT Americas	\$ 70M	-15%	\$14M
RexT EMEA	\$ 70M	-18%	\$16M
RexT APAC	\$ 40M	-24%	\$11M

\* Points of year-over-year growth

# Operational Highlights – Q2 2020

Revenue	<b>\$438 Million</b>
Revenue ex-TAC	<b>\$180 Million</b>
Revenue ex-TAC margin as % of revenue	<b>41%</b>



New solutions represented **20% of total** RexT, **growing 67% yoy**



Excluding COVID, retargeting **only declined 7% at CC** (vs -27% unadjusted)



Net client additions were flat, ended Q3 with close to **20,400 clients**



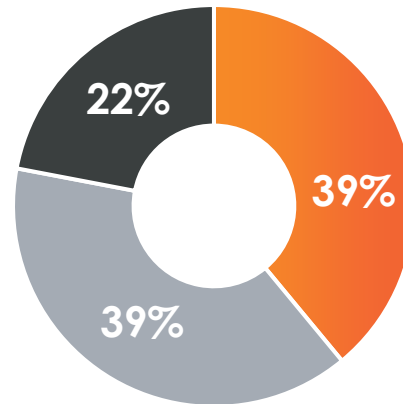
Same client RexT declined **14%**, **21 points attributable to COVID**



**4,700** Direct publishers web and app deployed with Criteo Direct Bidder

## Regional performance – Q2 2020

### Q2 2020 Revenue ex-TAC Mix by Region including COVID impact



Growth\* by Region:

**-15% Americas**  
**+2% excluding COVID**

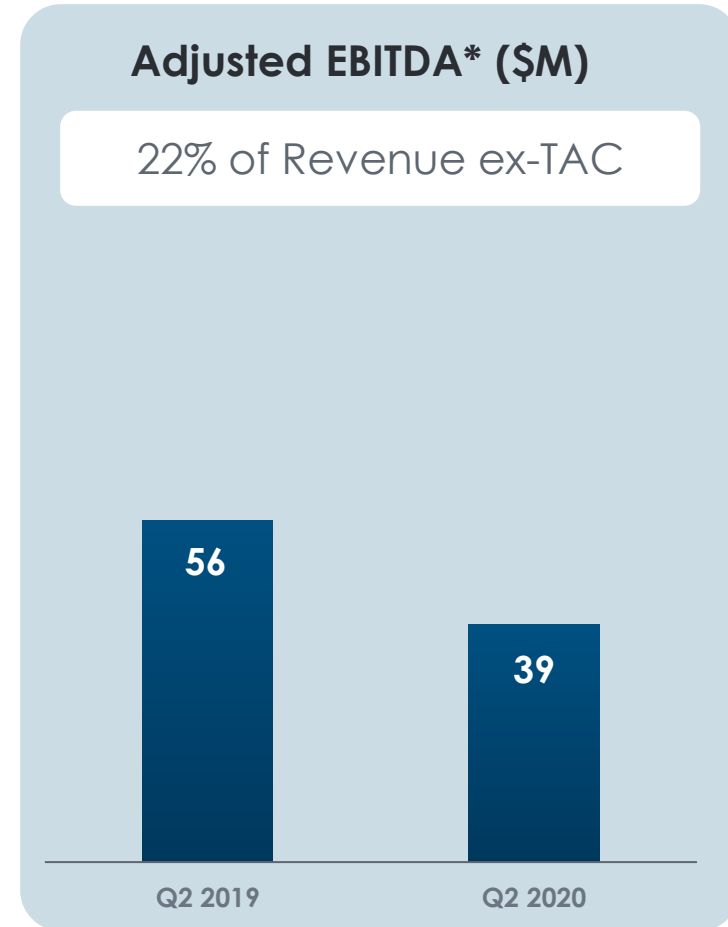
**-18% EMEA**  
**+1% excluding COVID**

**-24% APAC**  
**-3% excluding COVID**

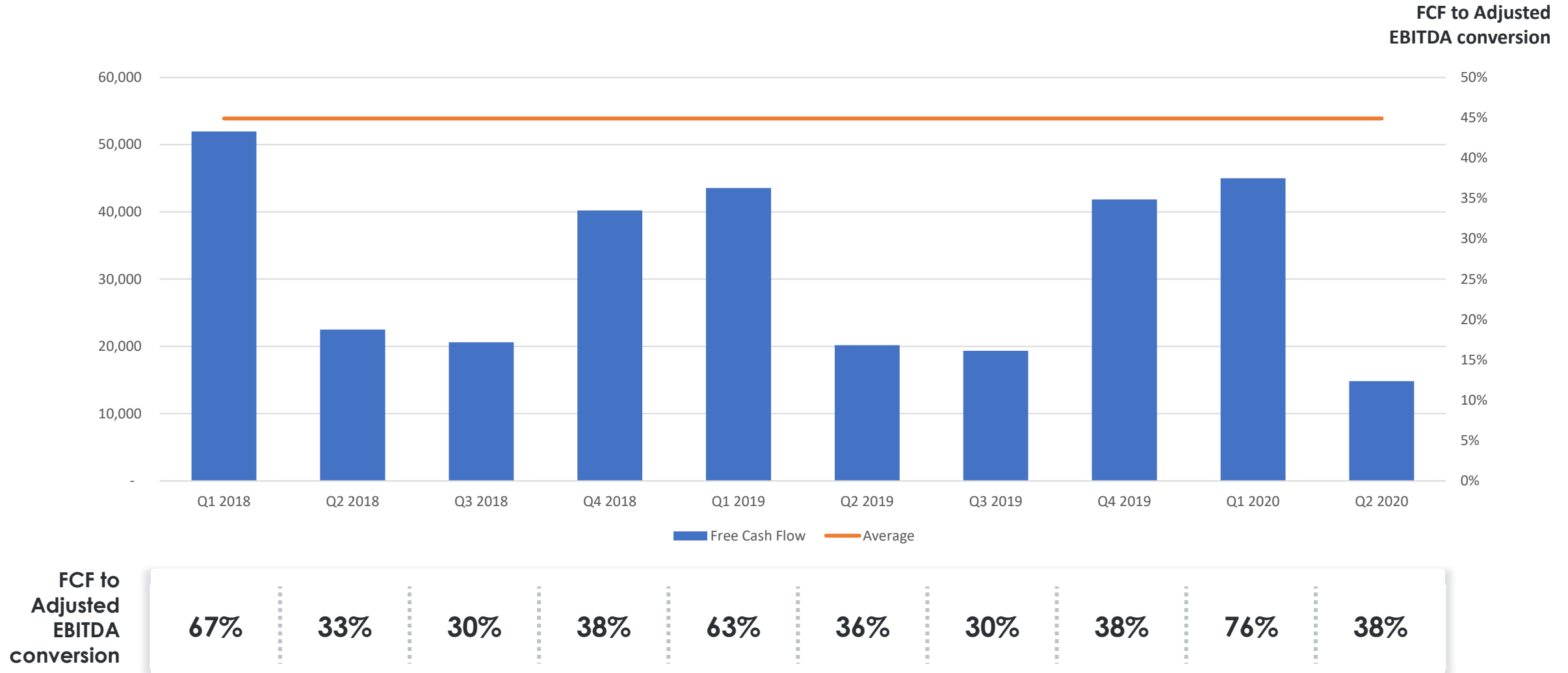
# Expenses and Adjusted EBITDA

Reduced total expenses by  
**\$34 million** (GAAP) and  
**\$27 million** (Non-GAAP)

Operating expenses declined  
**22%** (GAAP) and  
**20%** (Non-GAAP)



# Robust free cash flow and strong conversion into Adj. EBITDA





# Q3 Guidance

We expect a slower pace of recovery from the Pandemic

## Revenue ex-TAC

- July Revenue ex-TAC performance: -20% year over year, August and September expected to be slightly more positive
- Expected net COVID impact on Q3 Revenue ex-TAC: **\$40 million**
- Headwinds from iOS14 and more stringent consent banners in Europe
- **\$171-\$173 million, or decline of 20%-21% year over year**

## Expenses

- Non-GAAP expenses expected to be **\$17 million, or 9% lower** at CC yoy

## Adjusted EBITDA

- **\$31-\$33 million**

# FY 2020 Outlook

We are not in a position to quantify the COVID-related impact beyond Q3 2020

**We withdrew our 2020 guidance on April 1, 2020.**

## Current Q4 Revenue ex-TAC assumptions

- Little economic recovery
- Early impact from iOS14 starting mid-September
- Increase adoption of explicit consent in Europe
- **high 10% to low 20% decline range**

## Current Q4 assumptions for expenses

- Reduce Non-GAAP expenses by **\$77 million compared to 2019**

# Further Questions? Please contact investor relations

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# Appendix

## Foreign Exchange impact on actual results and guidance

	Q2 2020 Actual					
<i>USD million</i>	@ Q2 2019 FX	FX impact	Actual	@ Q2 2020 guidance FX	FX impact	Actual
Revenue ex-TAC	\$ 183.2	\$ (3.3)	\$ 179.9	\$ 177.7	\$ 2.2	\$ 179.9

	Q3 2020 Guidance		
<i>USD million</i>	@ Q3 2019 FX	FX impact	Guidance Midpoint*
Revenue ex-TAC	\$ 175.4	\$ (3.4)	\$ 172.0

\* Based on FX assumptions for Q3 2020 published in the July 29, 2020 earnings release

# Revenue ex-TAC reconciliation

\$ in thousands	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20
Revenue	564,164	537,185	528,869	670,069	558,123	528,147	522,606	652,640	503,376	437,614
Less: Traffic acquisition costs	323,746	306,963	305,387	398,238	322,429	304,229	301,901	386,388	297,364	(257,698)
<b>Revenue ex-TAC</b>	<b>240,418</b>	<b>230,222</b>	<b>223,482</b>	<b>271,858</b>	<b>235,694</b>	<b>223,918</b>	<b>220,705</b>	<b>266,252</b>	<b>206,012</b>	<b>179,916</b>

\$ in thousands	2018	2019
Revenue	2,300,314	2,261,516
Less: Traffic acquisition costs	1,334,334	1,314,947
<b>Revenue ex-TAC</b>	<b>965,980</b>	<b>946,569</b>

# Adjusted EBITDA reconciliation

(\$ in thousands)	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	2017	2018	2019
<b>Net income</b>	<b>21,090</b>	<b>14,707</b>	<b>17,948</b>	<b>42,134</b>	<b>21,401</b>	<b>12,537</b>	<b>20,557</b>	<b>41,474</b>	<b>16,428</b>	<b>6,150</b>	<b>96,659</b>	<b>95,879</b>	<b>95,969</b>
Adjustments:													
Financial (income) expense, net	1,325	1,006	1,007	1,746	1,974	1,354	900	1,521	334	1,003	9,534	5,084	5,749
Provision for income taxes	12,386	8,638	6,821	18,299	10,018	5,683	7,913	15,822	7,040	2,636	31,651	46,144	39,496
Equity awards compensation expense	19,303	20,245	17,261	10,267	13,882	14,391	11,700	9,089	8,503	7,159	72,351	67,076	49,132
Pension service costs	434	419	419	419	394	391	388	383	538	539	1,231	1,691	1,556
Depreciation and amortization expense	23,646	23,560	25,619	30,675	19,296	21,315	22,388	30,489	24,138	20,208	90,796	103,500	93,488
Acquisition-related costs	-	-	516	1,222	-	-	-	-	-	-	6	1,738	-
Restructuring	(252)	199	-	-	1,890	728	303	10,661	2,209	1,216	7,356	(53)	13,582
Total net adjustments	56,842	54,067	51,643	62,628	47,454	43,862	43,662	68,025	42,762	32,761	212,925	225,180	203,003
<b>Adjusted EBITDA</b>	<b>77,932</b>	<b>68,774</b>	<b>69,591</b>	<b>104,762</b>	<b>68,855</b>	<b>56,399</b>	<b>64,219</b>	<b>109,499</b>	<b>59,190</b>	<b>38,911</b>	<b>309,584</b>	<b>321,059</b>	<b>298,972</b>

## Free cash flow reconciliation

(\$ in thousands)	Q2 2019	Q2 2020
<b>CASH FROM OPERATING ACTIVITIES</b>	<b>52,964</b>	<b>33,377</b>
Acquisition of intangible assets, property, plant and equipment	(28,812)	(29,471)
Change in accounts payable related to intangible assets, property, plant and equipment	(3,980)	10,939
<b>FREE CASH FLOW</b>	<b>20,172</b>	<b>14,845</b>