

1 **Criteo Q3 2020 Earnings Call | Prepared Remarks**

2 **Edouard Lassalle** – SVP, Market Relations & Capital Markets

3 Good morning everyone and welcome to Criteo's third quarter 2020 earnings call. We hope you're
4 all keeping healthy and safe.

5 With us today are CEO Megan Clarcken, Chief Product Officer Todd Parsons and CFO Sarah
6 Glickman. Please note that we may extend our call by a little bit today to allow for questions, as
7 Megan and Todd will provide an update on our strategy and roadmap. I would point you to our
8 slide presentation that is available on our website. Also, please note that we're all joining from
9 different locations due to ongoing restrictions and may face unwanted technical challenges.

10 During this call, management will make forward-looking statements. These statements reflect
11 Criteo's judgment and analysis only as of today, and actual results may differ materially from
12 current expectations based on a number of factors affecting Criteo's business. At this time, the
13 global COVID-19 pandemic is still having a meaningful impact on the global economy, on the
14 business of our clients including their supply chain, as well as on Criteo's business, and may
15 further impact Criteo's financial condition, results of operations and cash flows in the future. There
16 are significant uncertainties about the global economy and the duration and extent of the pandemic.
17 The dynamic nature of these circumstances means that what is said on this call today could still
18 materially change at any time. For more information, please refer to the risk factors discussed in
19 our earnings release, as well as our most recent Form 10-K and Form 10-Q filed with the SEC.
20 We do not undertake any obligation to update any forward-looking statements discussed today,
21 except as required by law. In addition, we'll also discuss non-GAAP measures of our performance.
22 Definitions and the reconciliations to the most directly comparable GAAP metrics are included in
23 the earnings release published on our website earlier today.

24 Finally, unless otherwise stated, growth comparisons made during this call are all against the
25 same period in the prior year.

26 With that, it's my pleasure to now hand it over to Megan.

27 **Megan Clarcken** – CEO

28 Thank you, Edouard. Good morning everybody and thank you for joining us today, I hope everyone
29 is staying safe and well.

30 With me today is our new CFO Sarah Glickman and new Chief Product Officer Todd Parsons. I'm
31 delighted to welcome Todd and Sarah to Criteo, two seasoned industry leaders who bring exactly
32 the right skill-sets that Criteo needs today. The fact that they've joined our team over the past few
33 months is a testament to the enormous potential of Criteo's business.

34 They've joined us at an important time for our company.

35 Since starting at Criteo a year ago, I've led the company's transformation and, as part of this I've
36 run a comprehensive evaluation of our business and our markets to identify a turnaround path for
37 sustainable growth.

38 On today's call, in addition to discussing our better-than-expected Q3 earnings, we'll provide you
39 with an overview of that evaluation and initial insight into our disciplined strategy to move our
40 business forward. We have unparalleled assets, including **commerce data**, our fast-growing **Retail**
41 **Media business**, our industry-leading **technology**, our 15 years of **media-buying** expertise and
42 the **huge network** that this has created for us, our great people and our strong financial position.
43 We're turning our assets into what we call our **Commerce Media Platform** – a world-leading media
44 activation platform for global Brands, Agencies and Retailers to optimize their sales and digital
45 advertising returns. We'll capitalize on the white space opportunities opened up by the dynamic
46 changes in ecommerce and digital marketing to best position Criteo for significant long-term
47 success. I'll explain this further shortly.

48 Together with Todd and Sarah, we'll discuss four key topics on our call today:

- 49 • First, the refinement of our strategy and the opportunity that we're focused on,
- 50 • Second, how we'll execute on our product roadmap, expand our capabilities and respond to
51 the identity landscape,
- 52 • Third, our continued execution along our four strategic pillars,
- 53 • And, fourth, how we're optimizing our organization and aligning our cost structure and capital
54 allocation to best support our strategy.

55 The digital marketplace is experiencing fast moving trends in ecommerce and digital marketing,
56 opening up massive opportunities in the short and long term for us. We know that, by using our
57 differentiated assets, re-focusing our business, executing with discipline and pursuing targeted
58 reinvestments, we have a great path to **create growth** for ourselves, for the clients that we serve,
59 and generate shareholder returns.

60 Criteo operates at the intersection of ecommerce, advertising and media. We see enormous
 61 opportunities to **expand our business much deeper into ecommerce and to continue to**
 62 **extend advertising reach for brands and retailers, with a focus outside of the Walled**
 63 **Gardens, that we call the Open Internet.** We'll call this opportunity **Commerce Media**. Our
 64 ambition is to be the world's leading platform for commerce-based advertising and marketing,
 65 offering capabilities to our clients that we believe nobody else can.

66 I want to spend a few moments to discuss why we're **focused on the Commerce Media**
 67 **opportunity**, how we'll leverage our unique assets and build new capabilities to deliver against
 68 this opportunity, and what this means for our total addressable market going forward.

69 So why focus on commerce? We're seeing incredible changes across the commerce landscape
 70 that pose challenges for our clients that Criteo is uniquely positioned to solve. We see interesting
 71 changes happening in the way consumers look for products, interact with ads and ultimately
 72 shop online. We also see shifts in the way brands use their marketing dollars to engage
 73 consumers directly where they shop online.

- 74 • First, consumer shopping behavior is **rapidly evolving to ecommerce**, which is booming
 75 from 16% of global sales today to an estimated 23% by 2023. During this boom, **brands and**
 76 **retailers** transformed their ecommerce presence, gaining share from giants over the past
 77 months. Importantly, we expect this trend to continue. For example, during COVID lockdown,
 78 U.S. online product searches on retailer websites on the Open Internet has **increased** 21
 79 points to close to 30% of total share, while Amazon's share **declined** by 23 points. Also, 81%
 80 of ecommerce buyers who tried a new retailer indicate that they expect to continue to use
 81 them in the future, creating a shift in brand loyalty towards open Internet retailers, which now
 82 represent about 40% of global ecommerce sales.
- 83 • Second, to take advantage of this surge in ecommerce, **brands accelerate the online shift**
 84 **of their trade marketing budgets**. We expect digital trade marketing will exceed \$23 billion
 85 in global spend in 2020 after growing an average 82% each year since 2016.
- 86 • And last but not least, **adtech becomes even more important**. We know that, in the new
 87 identity world, publishers and media owners will depend even more on adtech partners to
 88 monetize their audiences. Retailers and brands will continue to depend on digital marketing
 89 to drive sales and loyalty in an effective and measurable way. This is our sweet spot. As large
 90 online retailers emerge as the new media moguls, they too need the expertise of adtech
 91 partners to optimize the yield of their inventory.

92 Despite these changes in the commerce landscape, when we look at the needs of marketers they
 93 remain remarkably **consistent**. Ultimately, they're looking to:

- 94 1. **Understand** their consumers in their path to purchase,
- 95 2. To **Target** and **reach** the right consumers at scale, in relevant, brand safe environments,
- 96 3. **Drive customer lifetime value** and impact across the entire marketing funnel,
- 97 4. **Measure** the impact of their campaigns to optimize against real business outcomes like
- 98 product sales, making sure they have accountability for every dollar that they spend.

99 Solving these needs has always been easier said than done. The erosion of the 3rd party cookie,
100 the rise of privacy restrictions like GDPR and CCPA, and the increasing power of walled gardens
101 make it harder for marketers to target, measure and optimize campaigns with the transparency
102 and control that they expect.

103 At Criteo, we have the unique opportunity to meet the needs of marketers in a rapidly evolving
104 commerce landscape. On past calls, I talked about becoming a full-stack DSP for Commerce.
105 Having DSP capabilities is important to us but is not an end state. These capabilities are building
106 blocks of our broader vision that we'll now refer to as our **Commerce Media Platform**. We want
107 to enable brands' and retailers' growth through Commerce Media. This means driving more
108 valuable outcomes for our clients by activating our commerce data, previously tied only to our
109 Retail Media business, and to do this across all stages of the marketing funnel through Audience-
110 based targeting across the platforms that clients' consumers spend their time on, like CTV. This
111 means leveraging our privacy-focused network of first-party data to maximize Return On Ad
112 Spend for our marketers, and drive better monetization of ad space for our retailers and
113 publishers across the open Internet. This also means providing differentiated, real-time
114 commerce insights and measurement to marketers.

115 To be clear, Retail Media will become **a central piece** of our Commerce Media Platform,
116 contributing differentiated ad inventory, first-party audience data and insights to the platform. We've
117 already started down this path with our scaled Retail Media business and the launch of our latest
118 Retail Media release – enabling flexible, self-service, branding and targeted advertising on the
119 ecommerce properties of top retailers across the globe–. Added to this our investment and new
120 focus on our Audience Targeting solutions, which leverage our best-in-class machine learning and
121 media buying together with our shopper data, to deliver full-funnel advertising needs. With our
122 Commerce Media Platform, we'll extend and expand these capabilities to address marketer needs
123 across an even broader set of inventory and use cases. We believe the Commerce Media
124 opportunity is **ours to grab**: strong, favorable market trends support our vision and we have the
125 assets to execute on it.

126 Let's talk about these assets. We believe Criteo is unrivalled in its ability to seize the market
127 opportunity of leading Commerce Media. We have **valuable assets that differentiate us** and

128 uniquely position us to solve marketers' needs by connecting brands, retailers and their agencies,
129 with the right shopper, the right message and the right media to drive the greatest returns. We'll
130 fully utilize our assets to drive growth and shareholder value.

131 First of all, our **data** remains king for data-driven marketing. Our clients need the highest quality
132 data to reduce waste and bring optimal returns. Our Commerce Media Platform will be driven by
133 the highest available shopper behavior and transactional data there is. No other company in
134 AdTech has access to the types of data that we have. We have incredible technology to manage
135 commerce data at massive scale, ingesting over \$2 billion worth of **daily** transactional data
136 across 4 billion product SKUs and thousands of product categories. We have direct access to
137 this data via our integrations with our retailer clients. These privileged relationships enable for 1st
138 party, cookieless Audience Targeting across our Commerce Media ecosystem.

139 Moreover, we extend these shopper targeting capabilities across the open Internet through our
140 leading, privacy-focused **ID Graph**, with over 2.5 billion user IDs. We're actively participating
141 with industry bodies and regulators to enable cohort-based Audience Targeting solutions. And,
142 we're pleased to have joined forces with The Trade Desk on unifying our identity solutions for
143 the post-cookie world. This exciting and promising collaboration is a great step forward for the
144 industry to develop a long-term, open-source identifier, grounded on consumer choice, to
145 safeguard advertising on the open Internet.

146 On **Reach**, we have privileged access to highly attractive ad inventory. Through our Retail Media
147 ecosystem, we enable access to exclusive retailer ad inventory and insights that are only growing
148 in relevance as trade dollars move online and consumer brands' media budgets seek to better
149 drive sales outcomes. On top of this, we have preferred access to over 5,000 premium publishers,
150 enabling massive reach and scale for advertisers. Importantly, all of this reach can be
151 addressable without 3rd party cookies.

152 On **Retail Media**, we provide consumer brands with unique opportunities to advertise and
153 promote their products directly on retailers' media, something **no traditional DSP on the market**
154 **can do today**. Our Retail Media Platform enables brands to engage shoppers with relevant
155 commerce-native advertising and drive product sales across many of the world's leading retailers,
156 while at the same time helping these retailers generate high-margin advertising revenues.

157 On **Measurement**, we provide the ability for advertisers to measure against the outcomes that
158 matter most – product sales. We measure and optimize at the transaction-level for both online
159 and offline sales and – for consumer brands – we measure outcomes down to the product SKU
160 level. Additionally, we're investing in insights capabilities that bring together organic shopping

161 data with paid media metrics to help marketers better plan, optimize and measure their
 162 investments.

163 On **global footprint**. Across 100+ markets we're a partner of choice to support many of the largest
 164 and most global brands in virtually every market. Marketers want consistency across their digital
 165 marketing spend and a single partner who has that capacity.

166 Finally, our strong margins, cashflow and solid balance sheet provide the **financial capacity** to
 167 execute on our strategy.

168 We're already well advanced on our journey to execute against our Commerce Media Platform
 169 vision.

170 From our past as the global leader in retargeting, we've begun expanding our portfolio to bring
 171 new fast-growth areas, while evolving and adding many capabilities to our core offering, fitting
 172 nicely with our strategy. Our new solutions already represent close to 20% of our business, and
 173 so far growing 53% in 2020. In 2020 to date, Retail Media has grown above 60% and Audience
 174 Targeting around 50%. These terrific high growth rates validate our strategy and the direction
 175 which we're heading in, catching the wave of the market trends. While we've long had a globally
 176 scaled mobile offering, we're doubling down on further areas such as video and CTV.

177 In all fairness, while we've made good progress on our journey towards our full platform vision,
 178 we have more work to do. This is why we intend to execute with discipline and focus, and invest
 179 **now** to further strengthen our offering.

180 Looking ahead, we intend to complete our Commerce Media Platform by **doing four things**:

- 181 1. Expand our Audience Targeting capabilities across both the **marketing funnel** and
 182 **Omnichannel** to offer the full range of targeting and retargeting strategies for commerce
- 183 2. **Extend brand reach** across our large media network on the open Internet, leveraging the
 184 combination of Retail Media and Core business retargeting and measurement capabilities.
- 185 3. Strengthen our **deep Commerce Analytics and Insights** capabilities to inform brands'
 186 intelligence about their position on the digital shelf and every step of their buyer journey, and
 187 use this as a customer service for retention.
- 188 4. And, further expand our **privacy-focused 1st-party media network**, growing our ability to
 189 access and activate against 1st-party identity and increase reach for marketers.

190 Privacy and identity are part of the broader ecosystem, and we're actively embracing and
 191 addressing them as an **integral part** of our strategy. Our Commerce Media Platform will rely on a
 192 **privacy-focused and transparent first-party media network** where brands, retailers and
 193 publishers all contribute new first-party data to our Shopper Graph Commerce data -as they do

194 today- and Criteo becomes **the matchmaker between the advertiser, the product and the**
 195 **consumer**. This creates a massive network that we consider no other AdTech can match for
 196 commerce-specific purposes and Todd will talk more about this shortly.

197 Now, helping you with our Total Addressable Market, we believe our strategy opens up a **\$61**
 198 **billion TAM** across Brands, Retail and Classifieds.

199 To summarize, our Commerce Media Platform is a combination of our Retail Media and our
 200 Marketing Solutions assets to provide a full suite of media planning and selling services, bringing
 201 publishers and retailers data together – creating a huge ecosystem to connect the right person to
 202 the right product and the right media, and connect brands and retailers to people based on their
 203 shopper preferences. This across the breadth of the Criteo network, reaching a potential 3 billion
 204 consumers globally. Let me emphasize. **Nobody else has this sort of Reach outside of Walled**
 205 **Gardens**.

206 We're making and will continue to make **investments** in our growth areas. We're leveraging our
 207 cash and strong financial position to fund for these investments. And we're also strictly managing
 208 our cost base in the core business through various operational excellence initiatives.

209 Why do we believe **we'll win** with this strategy? It's because we have:

- 210 • **Global reach** with 20,000+ advertisers across 100+ markets,
- 211 • Extensive **Shopper data** and **1st-party** media network
- 212 • Our new **growth engines** already supporting our strategy and today representing ~20% of
 213 our business, growing at over 50%,
- 214 • A **solid product roadmap** that tackles the challenge of identity,
- 215 • Massive **ecommerce** tailwinds, an increasing **TAM** and superior **commerce marketing** assets
- 216 • And finally, a strong **balance sheet** and **reinvestment** strategy to further transform our
 217 business.

218 We think that our strategy of creating the world's leading Commerce Media Platform and executing
 219 against our transformation plan positions Criteo for a healthy future and sustainable growth.

220 With this, I'm glad to now turn it over to Todd to take you through our Product priorities to address
 221 the proposition of our Commerce Media Platform. Todd?

222 **Todd Parsons** – CPO

223 Thank you Megan, and good morning everyone from San Francisco. I'm delighted to be here for
 224 my first call with you today, and to walk you through some of the very exciting plans we're working
 225 on from a product perspective.

226 First, let me go back to some of the unique Criteo assets that Megan mentioned. They're a key
227 reason I decided to join the company, and what makes me both confident and excited about our
228 future.

229 I firmly believe that in an advertising world where consumer privacy and data security are front
230 and center, winners will be minted by their access and rights to **First-Party data**. And we
231 anticipate this to become truer in the post-cookie world. Very importantly, I don't believe we talk
232 enough about the depth and breadth of the **1st party data** co-controlled by Criteo. What makes
233 Criteo's data incredibly unique is that it is both **Commerce-focused** and available **real-time**. Our
234 network collects more streamed commerce data than any other independent ad tech company.
235 **Every day** our platform ingests over \$2 Billion dollars of transaction data across a catalog of 4
236 Billion SKUs, 3,500 product categories, in 13 languages. This, paired with the 500 million Daily
237 Active Users we see today – half of which are identifiable through hashed email or other offline
238 identity - we create Commerce-focused audiences to drive performance for our advertising clients.
239 With our collection of first-party data, we are very well positioned to innovate post-cookie
240 advertising solutions that perform, and through this performance, to further expand our market
241 and grow revenue.

242 We also don't speak enough also about our **Technology** – the machine learning we do over our
243 data and network that make predictive bidding, product recommendations, and dynamic creative
244 come together to ensure the greatest impact of each ad delivered. Our technology enables us to
245 understand patterns in buying journeys across billions of products and consumer touch points in
246 our network, so the ad experiences we deliver can be timed and sequenced to make them even
247 more potent. And it's important to point out that consumer identity is a feature that **isn't always**
248 **needed** to facilitate the correct advertising decisions on behalf of brand and retail partners.

249 Ultimately, what's making our data and tech so valuable is the incredible **reach** of our network.
250 With deep integrations across 20,000 customers and 5,000 publishers, and exclusive access to
251 inventory on over 100 of the world's top retail websites, Criteo operates on much more 1st party
252 data to facilitate greater monetization for marketers and supply partners alike.

253 As a business, we've created a flywheel that grows this data, marketing outcomes and reach in
254 turn. And we believe that opening Criteo as a Platform – that's making our data, tech and reach
255 available to power new partners across the commerce space - will produce **network effects** in
256 each of these three areas to propel our growth.

257 Now let me take a moment to elaborate on how we're using these assets, today and in the post-
258 cookie world, over three areas of product focus. We believe we **can create network effects to**
259 **succeed**, almost irrespective of where the industry is heading on matters of identity and privacy.

260 To start, our **network of first-party data** guarantees a huge amount of ad inventory can remain
261 addressable in privacy-compliant ways. This allows us, and our partners, to bid on individual users
262 with an overlay of commerce data. As Megan shared, we're truly excited about our partnership
263 with The Trade Desk to provide the industry with an open-source unified ID. In addition to
264 partnering with identity providers like Liveramp, we believe the Trade Desk partnership sets the
265 stage for creating a scaled market-standard for consumers to control their ad experiences and to
266 replace cookies and other platform identifiers. It is long overdue for adtech to address consumers
267 directly, and to provide an improved value exchange. We see our effort opening up very big
268 opportunities for the company. As we build an industry-wide identity solution, also look for us to
269 experiment with Private Marketplaces, and to provide **key demand partners** with bidding access
270 to our preferred commerce audience supply.

271 Second, we're very active with industry groups to create a new paradigm for effective commerce
272 advertising without platform identifiers. Criteo has been a leader in these discussions, and in
273 parallel, we're testing new audience products that use cohort signals and interest groups to deliver
274 superior performance to our clients. Our SPARROW initiative recently influenced Google's
275 Dovekey proposal for cohort-based advertising, and we see this as a testament to the value of
276 partnering with platforms to navigate consumer privacy challenges.

277 A third product focus is to transform traditional **contextual advertising** into performance for our
278 brand and retail marketers. By applying our machine-learning at the intersection of content,
279 commerce, and user signals, we believe we can create a wholly unique advertising solution which
280 has incredible scale...and doesn't rely on third-party cookies.

281 In summary, our goal is to provide customers with a variety of advertising solutions that operate
282 together for scale and can stand alone in the post-cookie world. And while driving outcomes for
283 marketers and yield for media owners remains job one, bringing trusted ad experiences to every
284 consumer is now baked into our mindset. Again, our product roadmap will ensure we continue to
285 succeed, almost irrespective of where the industry changes are taking us.

286 Looking forward, we have an exciting product roadmap for 2021 to position Criteo as the world's
287 leading Commerce Media Platform and to secure our status as **Network Operator of the Buyer**
288 **Match** for all commerce. Here's a quick look:

289 In 2021, we'll improve our base by doing two things on Commerce Media:

- 290 • First, we'll begin to **make our assets more accessible to key technology partners** that
291 also serve marketers, retailers and publishers. We want to make technology partners more
292 successful, and in turn drive third-party demand, enable measurement across the entire

293 buyer journey, and drive yield to our respective partners. Very importantly, we've just
294 launched the Criteo Developer Portal to make this possible and have several other initiatives
295 underway. I look forward to updating you as we advance.

- 296 • Second, we've begun to **fully cover the marketing funnel with our product solutions**. In
297 2021, this will include investments to ensure user identity remains available, a focus on
298 performance at the mid-point of the buyer journey and to connect the dots between
299 awareness advertising and in-store experiences.

300 We believe in 2021 we'll continue to demonstrate superiority in delivering outcomes across the
301 funnel - but we'll also take pride in enabling partner applications to have better impact on
302 commerce. An exciting example of this work is beginning with measurement partners to connect
303 CTV household advertising with commerce outcomes.

304 From a Product perspective, this is the time to lock in the most important commerce use cases
305 across the funnel for marketers, and to **support partner use cases enabled by our API**
306 **offerings**. Prior to turning it over to Sarah, just want to reiterate my excitement to be part of this
307 team and the company, and for our opportunity we have ahead. With that, I'll now turn it over to
308 Sarah our CFO for a discussion of financial and operational performance. Sarah?

309 **Sarah Glickman** – Chief Financial Officer

310 Thanks Todd and good morning everyone. Now you can see why I am so thrilled to be part of the
311 Criteo team!

312 I'll discuss our Q3 results, our continued focus on operational excellence, our cash position and
313 outlook for Q4.

314 Starting with the headline numbers. Revenue for the quarter was \$470 million and Revenue ex-
315 TAC was \$186 million. Adjusted EBITDA was over \$49 million, resulting in an adjusted diluted
316 EPS of \$0.40. These all reflect year-over-year declines, largely due to the anticipated negative
317 COVID impact, but they're all better than we expected at the beginning of Q3. We generated \$38
318 million of free cash flow in Q3 which brings our year-to-date free cash flow to just under \$100
319 million.

320 Revenue ex-TAC in the quarter declined 16% at constant currency. We estimate the negative
321 COVID-related impact was \$33 million or about 15 negative points year-over-year impact, with 60%
322 of this impact from Travel, 30% from Classifieds and 10% from Retail. This was a favorable trend
323 vs. our guidance in July and against Q2. We estimate we lost approximately \$10 million due to
324 privacy in the quarter, including explicit consent in Europe. Year-to-date, COVID negatively
325 impacted ReXT by \$80 million or 12 points. Excluding the expected impact of the pandemic,

326 Revenue ex-TAC declined about 2%, and Revenue increased +4%. This is encouraging as the
 327 fundamentals of our business remain well grounded.

328 We had solid performance around Labor Day in the U.S. We added 206 net new clients in the
 329 quarter, and ended Q3 with 20,600 clients, a 3% growth year-over-year. Our client retention
 330 remained strong at 88%, improving significantly from Q2 as clients restarted campaigns. During
 331 the quarter, we signed our first multi-year MSA contracts with some large clients, which we
 332 anticipate expanding to other customers.

333 Our retargeting business declined 24% at constant currency in Q3, with COVID representing 17
 334 points. Our large customer business improved 10 points vs. Q2, driven by the U.S. Spend by
 335 midmarket and direct-to-consumer brands remained healthy.

336 New solutions grew 43% in Q3, representing 19% of our total business on a Revenue ex-TAC
 337 basis. This is largely driven by Retail Media, which sees continued strong adoption with brands
 338 and retailers and grew close to 60%, driven by strong demand from CPG, and reflecting its growing
 339 strategic value for brands. In Q3, Retail Media launched over 150 new brands and activated about
 340 \$200 million dollars of media spend over the first nine months of 2020. We expect this positive
 341 momentum to continue.

342 Our Omnichannel business grew 120% in the quarter, although from a small base. Also, we have
 343 some exciting CTV campaigns in partnership with various industry players, and we are fast scaling
 344 our capabilities.

345 Moving to the cost base, we have done an impressive job reflecting focus and discipline. Non-
 346 GAAP opex, excluding bad debt, declined \$25 million or 18% in Q3, and \$92 million and 21% over
 347 the first nine months. We were able to generate meaningful cost savings through headcount
 348 management and reducing our real estate footprint.

349 As you can see in our non-GAAP reconciliation, we incurred \$12 million in pre-tax restructuring
 350 cost in the quarter, primarily related to closing our Palo Alto R&D center and real estate actions.

351 Moving down the income statement, our depreciation and amortization expense reduced 3% from
 352 last year. Financial expense was \$0.5 million in the quarter versus \$0.9 million a year ago. Our
 353 GAAP effective tax rate is 30%. Our weighted average diluted share count was 61 million reflecting
 354 the impact of our last share repurchase program. Diluted earnings per share was 9 cents for Q3
 355 and adjusted diluted EPS was 40 cents.

356 Our cash flow in the quarter of \$38 million reflects good collections and lower CAPEX spend. Our
 357 balance sheet and cash position continue to be strong and we expect to repay the \$158 million
 358 revolver drawdown in November.

359 Now, I will provide guidance and perspective through the end of 2020, which reflect our
 360 expectations as of today, October 28th. Clearly there are many assumptions underlying this, and
 361 the situation continues to be fluid and uncertain. As of now, we continue to see a significant impact
 362 to our business related to the pandemic, continued economic uncertainty and the customer
 363 demand and supply chain logistics of our clients. We expect the peak of the Holiday Season to be
 364 more muted and extended vs. the traditional seasonal pattern, and we expect that Retail Media
 365 will continue to do well with solid budget spend on our platform.

366 Taking all of this into consideration, we are guiding Revenue ex TAC for Q4 to be **between \$223**
 367 **million and \$230 million**, translating into a year-over-year decline of 15% at constant currency
 368 This includes \$17 million for privacy including extended browser restrictions in iOS14.

369 On the profitability side, we expect Q4 Adjusted EBITDA to be **between \$81 million and \$88**
 370 **million, or a 37% Adjusted EBITDA margin**. We have lower cost run rates across all spend
 371 categories including the impact of our restructuring cost actions and we expect to leverage some
 372 of these savings to reinvest in growth opportunities.

373 Our annual effective tax rate is still expected to be 30%.

374 I will close with **my priorities** to foster profitable growth and operational excellence across Criteo.
 375 One key priority for me as the CFO is to ensure proper resource and investment allocation to our
 376 priority growth areas. Megan and Todd's vision is obviously compelling and we are all moving
 377 swiftly to execute against it. On the commercial side, we are partnering with the sales team to
 378 advance share of wallet with agencies.

379 On operational excellence, we are focused on step changes to our fixed cost base, including our
 380 data centers. Organizational efficiency will be a lever, especially as our business model evolves.
 381 Finally, on cash and capital deployment, we will redeploy to highest value uses and invest in
 382 growth while maintaining flexibility. We anticipate maintaining flat share count.

383 These are busy times and I am personally excited to be part of the Criteo leadership team. With
 384 that, I will now hand it back to Megan for closing remarks.

385 **Megan Clarken** – CEO

386 Thank you Sarah. Yes, in closing I'll say a few words about how I feel about the future of Criteo.
 387 I've joined Criteo approximately one-year ago, a little under, and I am proud of some key
 388 milestones we've achieved together as a team. We have:

- 389 • Taken a client-first focus across the company,
- 390 • Refined our company vision and strategic roadmap to return to sustainable growth,

- 391 • Strengthened the product roadmap to revive growth and address identity challenges,
- 392 • Expanded our exposure to ecommerce through Retail Media and position it to be a central
- 393 piece to our future strategy,
- 394 • Reshaped our C-level leadership team and created a Transformation Office,
- 395 • Kept our people safe through a solid work-from-home model, while overachieving
- 396 expectations despite COVID-19, including on topline, profitability and cash flow in Q3.
- 397 • And, we're developing a culture of innovation, performance and accountability.

398 Overall, **our business performance shows resilience in 2020 to date** despite industry
 399 headwinds and the impact of COVID-19. This is a testament to the talent, strength and dedication
 400 of our great people. This is also a testament to our relentless focus on execution, while staying
 401 nimble as the landscape unfolds and new trends emerge.

402 While we're pleased with our positive accomplishments, **we're focused on the future**. To fully
 403 realize the strength of the business and the promising vision for Criteo, we're:

- 404 • Planning against our Commerce Media Platform strategy, both organically and via partnerships,
- 405 • Defining our product roadmap fully embracing identity,
- 406 • Executing with discipline and focus,
- 407 • Implementing an organization and cost structure that support our strategic plan,
- 408 • And, investing in significant opportunities for growth to address a TAM of more than \$60 billion,

409 Within this context, we have a **compelling future ahead to create sustainable value for our**
 410 **shareholders**. Todd, Sarah and I will be speaking at multiple investor and industry analyst events
 411 over the next few weeks.

412 With that, I'd now like to open the floor up to your questions.

413 [...Q&A...]

414 **Edouard Lassalle** – SVP, Market Relations & Capital Markets

415 Thank you Megan, Sarah and Todd and thanks everyone for joining. This now concludes our call
 416 for today. Your IR team is available for any additional requests. Have a good rest of day and
 417 please stay safe.