

1 **Criteo Q4 & FY 2020 Earnings Call | Prepared Remarks**

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

3 Good morning everyone and welcome to Criteo's fourth quarter and fiscal year 2020 earnings call.
4 We hope you're all keeping safe and well.

5 Joining me on the call today are CEO Megan Clarcken, Chief Product Officer Todd Parsons and CFO
6 Sarah Glickman. For everyone's convenience, you'll find our investor deck on our website.

7 Before we get started, I'd like to remind you that our remarks today will include forward-looking
8 statements. These statements reflect Criteo's judgment and analysis only as of today, and actual
9 results may differ materially from current expectations based on a number of factors affecting Criteo's
10 business. For more information, please refer to the risk factors discussed in our earnings release, as
11 well as our most recent Form 10-K and Form 10-Q filed with the SEC. We do not undertake any
12 obligation to update any forward-looking statements discussed today, except as required by law.

13 We'll also discuss non-GAAP measures of our performance on the call. Definitions and
14 reconciliations to the most directly comparable GAAP metrics are included in our earnings release
15 published today.

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

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

19 **Megan Clarken** – CEO

20 Thanks Ed and good morning everyone. Thank you all for joining us today. I hope everybody is
21 staying safe and well.

22 Closing on this past year, you'll all agree that 2020 was an unprecedented year by any standard.
23 Yet, despite an extraordinary backdrop, I couldn't be prouder of **how much we've achieved** as a
24 company through my first year of leading the company's transformation. We kept our people safe
25 through our efficient work-from-home model. We increased our focus on ecommerce across our
26 entire business. We helped our clients achieve their marketing and monetization objectives, by
27 providing the campaign performance and strong ROI we're known for, time and time again. And we
28 accelerated Criteo's transformation plan to return the company to sustainable growth. Executing with
29 grit and conviction, we delivered 97% of our original topline guidance set **before** the pandemic and
30 100% of our original profitability target. I'm hugely grateful and encouraged by our amazing team for
31 their focus and strong performance. I want to thank all of our associates for the passion, dedication
32 and discipline they've applied to transform ourselves into the **New Criteo** that we are today.

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

- 34 • First, the **multiple changes** we've made across Criteo to set us up for **sustainable growth**,
- 35 • Second, how our **Commerce Media Platform strategy** positions us for success
- 36 • Third, what our **product areas of focus** are for 2021,
- 37 • And fourth, how our **solid execution** allowed us to overperform in 2020 and what this means
38 for our **2021 growth trajectory**, organization and capital allocation as we continue to transform
39 ourselves.

40 Starting with a quick look back at 2020. Not only did we achieve a lot, we also made **multiple**
41 **structural changes that set Criteo up for profitable growth ahead:**

- 42 • We've embraced a client-first focus, putting our customer needs for marketing and monetization
43 at the center of the organization and moving all of our teams in lockstep to support them;
- 44 • We refined our company vision, product strategy, use of assets and transformation plan to
45 expand much deeper into ecommerce and return to sustainable growth;
- 46 • We increased our focus and investment in ecommerce through Retail Media, which is now
47 positioned as a central piece of our Commerce Media Platform strategy;
- 48 • We reshaped the entire C-level leadership and created a Transformation Office to ensure the
49 smooth execution of our plans;
- 50 • We strengthened our roadmap to deliver new products including our focus on extending our
51 leading 1st-party data assets and unique identity capabilities into a competitive moat;

- 52 • We adopted a much more open approach to partnering with the industry, and signed more
- 53 partnerships in 2020 than in any other year before;
- 54 • And we reignited a culture of innovation, performance and accountability to drive growth and
- 55 execute against growth opportunities that take full advantage of our unique assets.

56 All of the above, we did through solid planning, thoughtful decision making, focus and a high standard
57 of execution.

58 Focusing specifically on growth now, let me drill down on **what we're seeing that's further**
59 **validating our strategic direction in Commerce Media** which we talked you through on our last
60 call.

61 To remind you – the **Commerce Media opportunity** for us is based on Criteo's front row position
62 operating at the **intersection of ecommerce, marketing and media monetization**. This
63 intersection means that we shepherd the buying and selling of advertising and promotions for goods
64 and services -with a strong focus on ecommerce- across a **massive** network using 1st-party identity
65 and commerce data. Our focus is on being **the leader in marketing and monetization for**
66 **commerce, outside of the Walled Gardens**.

67 Let me give you a few examples that bring this to life.

68 During the Q4 holiday season, our clients knew very well how important this shopping season would
69 be after an incredibly challenging year. The new dynamics of more people shopping from home
70 introduced uncertainty into a shopping season that they needed to get right, and in the case of some
71 retailers– as a matter of long-term survival.

72 Ahead of the holiday season, a **large New York-based retailer** came to us with a double challenge
73 for their marketing and monetization. With their marketing, they needed to address new shopping
74 behavior and move potential shoppers down the funnel to close the conversion loop. We designed a
75 full funnel Audience strategy for them to drive consideration from non-buyers and engage previous
76 buyers, leveraging online and offline data to drive more conversions on their ecommerce site. For this,
77 we drew on our growing suite of Commerce Media capabilities -our commerce data, product
78 recommendation, predictive bidding, creative suite and brand safety capabilities. For their ad
79 monetization, this same client wanted to capitalize on growing ecommerce traffic to support their
80 focus on yielding strong ad revenues. They used our Retail Media solutions for that goal. We helped
81 onboard and train their media team through a series of education training sessions across operations,
82 analytics and sales. Overall, our engagement with them across marketing and monetization helped
83 this client achieve tremendous results in Q4 and contributed \$9 million Revenue ex-TAC to our results,
84 up 40% year-over-year. As the old Criteo – a retargeting only company-, we would not have been

85 able to offer what I just described. This is our new direction. For 2021, we have ambitious plans to
86 further expand our relationship with this client drawing on growing capabilities across our Commerce
87 Media Platform.

88 In another example, a **leading ecommerce player in France primarily known for retail**, wanted
89 to build brand awareness for their new travel services. Expanding their portfolio in a busy ecosystem
90 was key for them to stand out from their competitors and bring more value to their customer base
91 while growing it. As the travel audience is less receptive to more traditional media, especially during
92 the pandemic, we suggested a broad-based **video campaign**. We targeted high-quality audiences
93 showing travel intent via video ads across multiple premium publishers on the Open Internet, and
94 helped them achieve their brand awareness objective with top-of-mind uplift, while driving strong
95 traffic on their new travel services. This campaign brought an awareness uplift of more than 30% for
96 the client.

97 **Growing and expanding our assets and capabilities leads to a continuous increase in**
98 **precision, reach and performance for our marketing and monetization services.** For instance,
99 we continue to build on our secured and consented privacy-safe 1st-party data – we know the
100 consumers, we know what they like, dislike and what they buy – and this dataset keeps growing.
101 Now, let me tell you what I mean by that, and why it's so important.

102 In 2020 alone, our vast client relationships and processing power allowed us to ingest over \$2.5 billion
103 of **daily** transactions from over 21,000 commerce clients, across 4 billion product SKUs and 3,500
104 product categories. This 1st-party **commerce dataset** remains absolutely central for mapping and
105 understanding every step of the consumer journey, especially for ecommerce. This data is established
106 through direct and privileged integrations with our retailer clients enabling- cookie-less targeting and
107 retargeting across our Commerce Media ecosystem. Only Criteo has this commerce data at scale
108 across the independent ad tech landscape – and as I said, it keeps growing. What's more, we have
109 **unparalleled tech infrastructure and AI** to make sense of this massive dataset and make it work
110 hard for our clients. During the peak of the Holiday Season, our technology was able to support 445
111 billion bid requests on a single day, which was a 13% increase year-over-year. We regularly evaluate
112 over 64 million campaigns per second using our AI engine. And, with each additional datapoint it
113 learns from, our AI gets even faster and smarter. We know that we've barely scratched the surface of
114 what we can do here. Our Commerce Media strategy has only just begun to uncover what's possible
115 – and Todd will shortly talk to you about our progress there. Important to note is that we believe our
116 data will propel us **past the Identity challenges** that will soon affect the rest of the market. The
117 impact of these challenges could be significant on the overall market, in particular for small
118 businesses. In partnership with our clients, the constant and safe protection of 1st-party data is the

119 foundation of our identity strategy. As 3rd-party cookies go away, and with iOS14 changes, we'll further
120 lean into our prize possession and continue to offer our clients the services they need. This would
121 essentially have us **leapfrog the competition**, and we believe we're in great shape outside of what
122 will be a market storm. And – that's why these assets are so important.

123 We've talked about our commerce data, tech infrastructure and AI. Let's quickly switch to the breadth
124 of our **media network** across thousands of open Internet publishers and retailers, and let me illustrate
125 to you why this is so important in driving new revenue for our clients. Our extensive media network
126 provides marketers the ability to reach their audiences and customers with scale and precision thanks
127 to privileged access to highly attractive ad inventory, across premium media properties and away
128 from Walled Gardens. Premium publishers like NBC, Globo, The Wall Street Journal, Forbes and IBM
129 Watson Advertising, give us direct access to their inventory to deliver the best yield per ad unit,
130 combined with advertiser demand at scale in consumer-friendly and brand-safe ways. As a result, we
131 get trusted, privileged and deeper integrations into their media properties. This doesn't stop any
132 traditional and digital media publishers, but more and more we're including retailers as well. Large
133 ecommerce retailers like Target, Costco, BestBuy and Macy's also provide us with access to their
134 media inventory because they know our solutions will generate high-margin ad revenue for them, by
135 connecting consumer brands with their audience and promoting their products through commerce-
136 native advertising directly on their online shops. For example, a **well-known U.S. grocery delivery**
137 **service** wanted to capitalize on the shift of CPG brand dollars to retail media, as many consumers
138 buy more CPG products online due to COVID. Through this engagement, our client grew its
139 ecommerce site monetization, through sponsored ads, by over 150% year-over-year to more than
140 \$8.5 million of high-margin brand spend.

141 These client stories showcase the range of solutions we offer and illustrate **our Commerce Media**
142 **strategy coming to life** – it's very early days but we love the traction that we're seeing here.

143 Looking at our **transformation trajectory** now, we're already generating positive results. Our focus
144 on the growth of the company has required us to better utilize our assets. Remember, these assets
145 previously only focused on our retargeting product, but by expanding the product suite and growing
146 the uptake of new products across existing and new clients, we're transforming Criteo to return to
147 growth. This is exactly what we're executing on. Benefiting from our larger portfolio focused on
148 ecommerce, our retargeting product continues to perform. Our new products now represent Revenue
149 ex-TAC of about \$160 million, close to 20% of our business, and grew close to 50% in 2020, with
150 strong growth across the board. Today, Retail Media already works with over 50% of the U.S. top-
151 25 ecommerce retailers and over 50% of the top-20 European ecommerce retailers who run an
152 online monetization program. Given our strong momentum and highly differentiated capabilities for

153 Retail Media, this is just the beginning. While Retail Media is a central piece of our Commerce Media
 154 Platform, with over 50% growth, all our new solutions have grown and continue to grow. We're
 155 investing in these new solutions and also doubling down our investments in video and CTV as we
 156 further grow Audience Targeting for brands. Our ambition is to continue to grow our new solutions at
 157 close to 50% in 2021. Our attractive growth rates and emerging growth areas validate our strategic
 158 direction, leveraging favorable market trends, Commerce-focused capabilities for marketing and
 159 monetization and a deeply-rooted growth culture across the company.

160 In short, we see Criteo's combination of commerce-focused marketing and monetization capabilities
 161 as truly unique in the marketplace. Connecting brands and retailers to their consumers based on
 162 their shopping preferences, across the breadth of the Criteo network reaching over 2.5 billion
 163 consumers, while richly monetizing retailers' and publishers' inventory at scale, is **highly**
 164 **differentiated**. We believe only Criteo has this value proposition for brands, retailers and publishers
 165 on the Open Internet. Our work ahead is to continue to take full advantage of our unique assets
 166 through our Commerce Media strategy, return to sustainable growth and drive value for our
 167 shareholders.

168 Looking at what this means for **our priorities**, the team and I are laser-focused on **three key things**
 169 **for 2021 and beyond**

- 170 • First, **growth**: focusing on strong secular trends in ecommerce, accelerating the momentum
 171 we've built, making the right thoughtful decisions on investments and attracting and retaining
 172 the best and brightest talent out there;
- 173 • Second, **execution** in everything we do. We nurture a culture of high performance and
 174 accountability, with a high "we do what we say we'll do" discipline;
- 175 • And lastly, **1st-party data**: using our unique and protected 1st-party data assets across our
 176 network of advertisers and publishers to strengthen our competitive moat and leapfrog other
 177 market players challenged by the 3rd-party data concerns.

178 I will of course update you regularly as we progress on our priorities. With this, I'm pleased to turn it
 179 over to Todd who'll take you through some of our key product areas of focus for 2021. I'll be back
 180 shortly with closing comments. Todd?

181 **Todd Parsons** – CPO

182 Thank you Megan, and hello everyone from San Francisco. On our Q3 call, I touched on the
 183 importance of several Criteo assets I'd like to reinforce – our direct access to vast amounts of 1st-
 184 party identity and commerce data, the AI we apply to make predictions about consumer needs that
 185 drive commerce outcomes, and the vast reach of our direct retailer and publisher network.

186 As Megan said, our combination of assets makes Criteo completely unique among independent ad
187 tech companies. They constitute the raw material we use to continually deliver superior marketing
188 outcomes at scale while navigating challenges posed by changing browser features, Operating
189 System policies and data privacy regulation.

190 Since our last call, our delivery of new product has come into sharp focus, and we've made tangible
191 progress with what we're building.

192 I'm going to walk you through some of our product investments in more detail, but before doing so, I
193 want to share the two objectives that drive our 2021 product plan – **First, returning Criteo to**
194 **sustainable growth** and **second, future proofing our business** for the benefit of marketers,
195 publishers and the consumers they collectively serve.

196 Using these objectives as our compass, we've built our product roadmap **around 6 key initiatives**:

197 Three of these focus on **returning Criteo to sustainable growth**:

198 First, we're **expanding our performance audience offerings** to address the full consumer journey,
199 from discovery to purchase. During the Q3 call, I shared our vision of building a completely
200 differentiated **contextual marketing** solution. We're shipping the MVP of that product in late Q1,
201 and have secured notable brands for our testing. What makes our approach to Contextual truly
202 different is that we're using 1st-party data to add a commerce "signature" to the content consumers
203 are reading and watching across the Open Internet. This enables us to go beyond traditional
204 contextual inferences of interest and intent to indicate what combinations of content are actually
205 driving purchases.

206 Since our last call, we've also graduated our investment in Google's privacy sandbox, shifting focus
207 and resources towards testing the efficacy and impact of **cohort advertising** on our ecosystem. Our
208 testing approach is designed to provide empirical evidence that Cohort advertising will benefit all
209 ecosystem stakeholders, and in partnership with Google, to shape the end solution accordingly.

210 And of course, we continue to be laser focused on **preserving addressable advertising at scale**
211 **without a 3rd party cookie - whether retargeting** or other outcome-based use cases. While we do
212 this, we're also making solid progress in testing cookie-less advertising channels like CTV through
213 active partnerships.

214 Our second growth initiative is focused on **bringing new advertising dollars into Criteo's network**.
215 Here, we've taken a big step forward by **launching our API partner program** into General
216 Availability. Criteo APIs pave the way for brands, retailers, agencies and partners to directly leverage
217 the world's leading Commerce Media Platform, and to build customized solutions that produce more
218 value using our core assets. I'm pleased to report we've successfully beta tested with more than 100

219 global clients and tech companies. Red Bubble, Foot Locker, and Bluecore are just a few notable
220 clients and partners we're thrilled to serve. Next up, we'll be adding API access to our existing support
221 for 1P data integration.

222 Finally, our third growth initiative is to **drive new stakeholder monetization**, unlocking value in
223 audiences and advertising inventory in new ways. In addition to the incredible progress we're making
224 with our Retail Media partners, we're actively working to drive more value to our network of 5,000
225 direct publishers. We're working directly with select publishers and have deepened investment in
226 Prebid to test a healthy pipeline of data and media monetization products that promise new revenue
227 and higher yields to our publisher partners. Our investment here is very important, as it strikes a
228 balance between publisher and advertiser needs and will ensure the entire ecosystem around our
229 Commerce Media Platform thrives.

230 Now that I've covered our new growth products in some detail, I'd like to illustrate their potential using
231 an example of **a large retailer in the home improvement sector in the U.S.** This retailer currently
232 spends \$180M a year on digital, \$60M of which goes directly to the Open Internet, where our most
233 immediate opportunity lies. Of this \$60M opportunity, we've captured \$7M in annual conversion
234 spend - just on retargeting - equivalent to a 12% share of wallet. By future proofing our business
235 using 1st party data, we'll not only preserve this retargeting spend but be able to grow it over time. In
236 addition, as you can see on slides 18 and 19 of our investor deck, by packaging new solutions from
237 our Commerce Media Platform across **both** audiences and monetization, we believe we can quickly
238 **triple** their spend with us to bring our share of wallet to 36%. To be clear, this is the potential run
239 rate we're aiming for as we go into 2022 and beyond with a client like this one.

240 It's an imperative for us to enable this growth by **future-proofing Criteo's business**. Our industry
241 has a monumental challenge to simplify the interoperability of 1st-party data between partners – by
242 this, I mean all workflows that combine, activate and monetize 1st-party data at scale, while
243 respecting the data rights conveyed by its owners. Powering safe and secure multi-party interaction
244 around 1st-party data is not only what Criteo does incredibly well, it's simply the future of media on
245 the Open Internet.

246 Against this backdrop, our first of three product initiatives focus on **simplifying our partners' use**
247 **of their 1st-party data with Criteo**. Here, our intent is to go well beyond important table stakes of
248 data security, anonymization, and multiple paths for data onboarding. We're adding something the
249 industry sorely needs, a **rights management layer** to safeguard how partners' 1st-party data is
250 managed and utilized end-to-end. We believe that this capability will encourage 1st-party data to flow
251 freely **into** our ecosystem, and speed the success of our other future proofing initiatives.

252 Our second initiative is to replace the 3rd-party cookie with **alternative durable identity** to ensure
253 1st-party data can flow freely **across** our network. Since the Q3 call, we've gotten into a regular
254 development cadence with The Trade Desk around Universal ID 2.0 (or UID2.0), an open-source ID
255 framework being created for the benefit of our entire industry. In addition to testing already in
256 progress with buying media on LiveRamp's IdentityLink, we'll soon test buying media on UID2. With
257 these partnerships, it's important to remind everyone that our end game is to provide the broadest
258 addressable audience reach and advertising opportunities through our Commerce Media Platform.

259 Finally, our third initiative is to **engage consumers directly** on behalf of our stakeholders to help
260 them understand and manage how their data is being used and enforce their advertising choices
261 across our network. As we laid out on the Q3 call, Criteo is developing a **single sign-on service**
262 which fronts UID2 and other identity frameworks. As part of the UID2 partnership, we're also co-
263 developing the **Privacy & Transparency Portal**, where consumers will be able to manage their data
264 and advertising preferences. Our aim is to open source these capabilities for the entire industry to
265 benefit. We're in process of testing and refining this service with consumer audiences, and being
266 especially prudent about getting user design absolutely right before going into broad publisher and
267 marketer testing.

268 Together, these three initiatives form our **1st-party Media Network**.

269 To sum things up, each of the product initiatives I've outlined - whether aimed at our return to growth
270 or at future proofing our business - is grounded by and leverages the vast amount of 1st-party data
271 we uniquely access today. We believe this differentiated set of 1st-party data solutions will create an
272 increasingly **strong competitive moat** for Criteo.

273 With that, I'll now turn it over to Sarah for a discussion of our operational and financial performance.

274 Sarah?

275
276 **Sarah Glickman** – Chief Financial Officer

277 Thanks Todd, it's an exciting time for Criteo. Good morning everyone. I will discuss how our solid
278 execution across our strategic pillars drove our over-performance in Q4 and in 2020. And I'll share
279 our financial outlook for 2021.

280 Let me start with the **headline numbers**. Revenue grew 1% in Q4 to 661 million dollars and was 2.1
281 billion dollars in 2020, 8% down for the year. As you can see, we beat guidance for Revenue ex-TAC
282 and Adjusted EBITDA, largely due an extended Cyber-30 for our US and European ecommerce
283 customers.

284 On a non-GAAP basis, Revenue ex-TAC was 253 million dollars in Q4 and 825 million dollars for
 285 2020, or 25 million dollars above our expectation. Revenue ex-TAC was 6% down at constant
 286 currency vs. Q4 2019 and down 13% for the year. Q4 Adjusted EBITDA of 103 million dollars drove
 287 a 41% margin, and translated into 251 million dollars for the year. This resulted in an adjusted diluted
 288 EPS of \$2.17 in 2020. Free cash flow of \$120 million dollars represented a 48% conversion of
 289 Adjusted EBITDA in 2020, **the highest level since 2014.**

290 Revenue ex-TAC decline represented a ten percentage point improvement vs. Q3. We estimate the
 291 negative impact of COVID was 26 million dollars in Q4, or about 10 points of year-over-year impact,
 292 with 95% of this impact from lower spend in Travel and Classifieds. In fiscal 2020, we estimate the
 293 overall COVID impact on Revenue ex-TAC at 106 million dollars, or 11 points YoY. 60% of this
 294 impact was in Travel, 35% in Classifieds and 5% related to Retail, including large US bankruptcies
 295 and the curtailment of spend by a large Korea-based marketplace. Excluding the estimated COVID
 296 impact from these verticals and customers, our Revenue grew +10% in Q4 and +3% in the year, and
 297 Revenue ex-TAC grew +3% in Q4 and only declined about 1% in 2020. Our Revenue ex-TAC margin
 298 was 40% in 2020, a reduction of 2 points of revenue, in line with expectations due to the evolving
 299 product mix of our business. Identity and privacy was an estimated 16 million dollar reduction in Rev
 300 ex-TAC in Q4 and 37 million dollars for 2020. For the year, this represents an impact of 10M dollars
 301 from explicit consent in Europe and 27M dollars from browser restrictions globally.

302 Let me now walk you through how our **solid execution related to our four strategic pillars that**
 303 **drove our overperformance** in Q4 and the fiscal year.

- 304 • On our first pillar **-Strengthen the core-**, our strong performance in retargeting across all
 305 regions, in particular in the Americas and E.M.E.A, was the largest driver of overachievement
 306 in Q4. Relative to prior years, and as expected with booming ecommerce, the Holiday season
 307 was less concentrated around the traditional “Cyber-6” peak surrounding Black Friday and
 308 represented a longer “Cyber-30” curve. We added about 900 net new clients in Q4, **the highest**
 309 **level for the past 13 quarters.** While distributed across our entire business, over 70% of these
 310 client additions related to retargeting with a large part upsold to targeting campaigns as well.
 311 With regards to our existing client business, same-client Revenue ex-TAC growth of -1% in Q4
 312 improved 10 points relative to Q3, and was a positive +10% excluding the estimated COVID
 313 impact. This clearly highlights the **healthy positive momentum** underlying our core business,
 314 continuing into Q1 2021.
- 315 • With respect to our second pillar **-Expand our portfolio-**, new solutions grew 38% in Q4 to 24%
 316 of our total business. In 2020, new solutions grew 47% and represented about 20% of our
 317 business. All our new solutions were strong in 2020, with Omnichannel growing at 120%,

Audience Targeting at 32% and Retail Media at 53%. In Q4, Retail Media continued to grow strongly at +41%, accelerating from a tough comp last year with terrific results for large US retailers and despite the continued supply chain issues in the Consumer Electronics vertical. We added more brands and retailers to our Retail Media Platform and, as Megan said, our Retail Media customers represent over 50% of the top-25 ecommerce retailers in the U.S. and over 50% of the top-20 in Europe. Recent additions include selection as the preferred provider of retail media solutions globally by one of the world's largest retailers based in Europe. We believe that this deal and others will enable continued momentum in Retail Media in 2021.

- On our third pillar **-Explore strategic game changers-**, we continued to work with industry partners to strengthen our Commerce Media Platform, with new API capabilities offering new functionalities and measurement for customers. In Q1 this year we launched new video and CTV campaigns for brands, and already see strong momentum in media spend.
- Finally, with respect to our fourth pillar **-Drive tech and operational excellence-**, we acted fast and executed decisively in 2020 to reduce our cost base, drive EBITDA and ensure liquidity.

At the same time, we **committed to invest in our growth investments and ensure disciplined cost management**. We are investing in our transformation and Commerce Media Platform growth initiatives in 2021, including in Retail Media, 1st-party data, Contextual advertising, video, CTV and Commerce Insights. These growth investments are funded for the most part through productivity and cost savings, enabling top line leverage as we commercialize new products and capabilities.

In Q4, non-GAAP expenses were 150 million dollars down 4%. In 2020, non-GAAP expenses declined \$74 million dollars or 11%. This included a 42 million dollars or 11% reduction in Employee costs. Excluding a 21 million dollars increase in bad debt provision in 2020, largely related to US bankruptcy risks earlier in the year, we reduced non-GAAP opex by 103 million dollars or 18% in 2020. This is **a significant achievement**. The steps we took in 2020, designed to right-size our cost structure, maintain competitiveness and generate re-investment capabilities, included hiring freezes and optimizing our real estate footprint and hosting costs for the future. We closed 2020 with about 2,600 employees, down 6% year-over-year. This includes an ongoing shift of R&D and commercial resources from running our core product to building and selling new products. In 2021, we will continue to align our global organization to our customers' needs and will relocate some teams to global and regional hubs to enable agility and operational effectiveness.

As you can see in our non-GAAP reconciliation, we incurred 20 million dollars in pre-tax restructuring and transformation costs in 2020, including 4 million dollars in Q4, largely related to real estate and severance costs. With additional cost actions in 2021, we anticipate to incur about 20 to 25 million

351 dollars in pre-tax restructuring costs this year, split between real estate portfolio reductions and
352 employee severance.

353 Moving down the income statement, our D&A expenses reduced 6% in 2020. And our Share based
354 compensation expense decreased 36% in the year. This, combined with our business performance
355 and cost management, drove a **14% increase in GAAP income from operations** in Q4. Financial
356 expenses reduced 4 million dollars in 2020 and our GAAP effective tax rate was 30%. Net income
357 increased 13% in Q4 and was down 22% in 2020. Our weighted average diluted share count was
358 62 million in both Q4 and the year, down 6% in 2020 as a result of our share buyback program.
359 Diluted EPS was 73 cents in Q4 and \$1.16 in 2020, and adjusted diluted EPS was 98 cents in Q4
360 and \$2.17 for the year.

361 Free cash flow generation was 22 million dollars in Q4 and 120 million dollars in 2020, reflecting
362 good collections and lower CAPEX. The 48% conversion of Adjusted EBITDA into free cash flow
363 was **the highest level for the past 6 years** in 2020. This is a **great achievement** in a tough year.
364 Our balance sheet continues to be very strong and we closed 2020 with 530 million dollars in cash
365 and marketable securities, after repaying the revolver drawdown of 164 million dollars in November.
366 We will look to maintain flexibility in our capital allocation to pursue organic and potentially inorganic
367 investments and, while remaining very selective in our approach, we have an active M&A pipeline
368 focused on our growth areas. Also, our Board has authorized a new share buyback program of up
369 to \$100M.

370 I'll now provide our **guidance and business outlook** for 2021 which reflect our expectations as of
371 today, February 10. Importantly, a key assumption for this guidance is that we're in a "new normal",
372 with continued impact from the pandemic driving higher ecommerce, a backdrop of muted global
373 economic growth, and continued challenges for the Travel and Classified verticals. We're also closely
374 monitoring the impact of iOS14 changes over the coming months.

375 For fiscal 2021, we're targeting **low to mid-single digit growth in Revenue ex-TAC** at constant
376 currency and an **Adjusted EBITDA margin above 30% of Revenue ex-TAC**. This means an
377 improvement of approximately 16 points of year-over-year growth at the midpoint compared to 2020.
378 We are moving to our Commerce Media Platform with seamless launches of new products and
379 expect growth in Revenue ex-TAC to progress throughout 2021, accelerating in the second half of
380 the year. Our ambition is to grow our new solutions, including Retail Media, by around 50% during
381 2021. We expect our new solutions to represent close to 30% of Revenue ex-TAC in 2021. We have
382 assumed incremental identity and privacy impacts of about 60 million dollars in 2021 relative to the
383 2020 run-rate. And, on the cost side, we anticipate flat expenses compared to 2020, with about 40
384 million dollars of cost savings funding new investments in our growth areas.

385 Due to the use of former NOLs and one-off items in 2020, we expect our annual effective tax rate to
386 increase from 30% to about 32% in 2021. And, we anticipate to maintain our share count flat
387 throughout the year.

388 As we head into Q1, we see continued solid performance for Retail in the US and E.M.E.A, and good
389 traction in our Commerce Media Platform, with accelerating momentum in Retail Media and
390 continued solid growth across all our new solutions. With almost a year into the pandemic, we expect
391 around 10M dollars of incremental COVID impact compared to Q1 last year, all driven by Travel. We
392 expect that our Japan Classifieds business will continue to be soft given local lockdown.

393 Taking all this into consideration, we're guiding for **Revenue ex-TAC in Q1 of around 200 million**
394 **dollars**, or a 4% decline at constant currency. This includes 6 million dollars of incremental identity
395 and privacy impacts relative to the 2020 run-rate. On the profitability side, we expect **Q1 Adjusted**
396 **EBITDA above 60 million dollars** or a 30% margin, as we anticipate expenses to decline by around
397 10% year-over-year.

398 As the CFO, my priority for 2021 is clearly to **continue to foster profitable growth and operational**
399 **excellence** across Criteo. We'll focus on ensuring proper resource and investment allocation to our
400 priority growth areas. We are partnering with the commercial team to increase our share of wallet
401 with ecommerce customers and ad agencies. Our product marketing and sales teams are
402 collaborating closely to replicate customer success stories, showcase new products and increase
403 our cross-selling.

404 We are also very focused on process and organizational efficiencies as we continue to evolve our
405 operating model. And, we'll make sure to allocate our capital to its highest value uses across organic
406 and inorganic investment opportunities, while maintaining flexibility for shareholder returns.

407 In closing, 2020 has been nothing short of an important transformational year for Criteo. We are
408 moving fast and executing with discipline and focus on our strategic vision and product roadmap.
409 We're excited about our plans to put Criteo **back on a sustainable and profitable growth**
410 **trajectory** in 2021 and beyond. With that, I'll hand it back to Megan for closing remarks.

411 **Megan Clarken** – CEO

412 Thank you Sarah. In closing, I'll say a few words about what makes me confident that we'll succeed
413 through our transformation into a Commerce Media Platform – and return to **sustainable growth**.
414 This is because we have **all the right things now moving in the right direction**:

- 415 • Massive **ecommerce** tailwinds and an increasing **TAM**,

- 416 • Superior **commerce media assets and capabilities for marketing and monetization** that no
417 one else has on the open Internet, including global reach and 21,000 advertisers across 100+
418 markets, extensive commerce data and a unique, highly differentiated 1st-party media network,
- 419 • We have a **solid product roadmap** to return to growth and future-proof the business,
- 420 • New **product offerings emerging** that already support our strategy, growing at ~50% and
421 expected to represent close to 30% of our business in 2021,
- 422 • A strong **balance sheet** supporting our **investment** plans to further transform our business,
- 423 • And our commitment to **thoughtful, steady execution and delivery** against our Strategic plan.

424 We're **transforming into a New Criteo** and our strategy of creating the world's leading Commerce
425 Media Platform positions us for success and sustainable growth. We have a compelling commerce-
426 focused opportunity ahead of us to create long-term value for our shareholders. We'll be happy to
427 provide more details on our strategy and execution roadmap during an **Investor Day** coming up in
428 late spring. So please stay tuned! With that, I'd now like to open up the floor to your questions.

429 [...Q&A...]

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

431 Thank you Megan, Sarah and Todd. This now concludes our call for today. Thanks everyone for
432 joining. Your IR team is available for any additional requests. We wish you all a good end of day.