Criteo’s Iponweb Proposed Acquisition Call | Prepared Remarks

Edouard Lassalle – SVP, Market Relations & Capital Markets

Good morning everyone and welcome to the conference call to discuss Criteo’s proposed strategic acquisition of Iponweb, accelerating our plans to shape the future of commerce media. Thank you all for joining the call on short notice this morning.

Joining us today are our Chief Executive Officer Megan Clarken, Chief Product Officer Todd Parsons and Chief Financial Officer Sarah Glickman. To accompany this call, we have posted a set of slides on our Investor Relations website.

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

We’ll also refer to certain non-GAAP financial measures of our performance. Definitions and reconciliations to the most directly comparable GAAP metrics may be found within our public filings and other materials available on our website.

Finally, please note that today we’ll limit our comments to a discussion of our proposed acquisition and will not answer questions relating to our operations and current trading in the fourth quarter and fiscal year 2021.

With that, let me now hand it over to Megan.
Megan Clarken – CEO

Thanks Ed and good morning everyone. Thank you all for joining us today.

Building upon the strong momentum in our business and company transformation, I'm very pleased to announce today that we’re well placed to reinforce our leading position in commerce media with our planned acquisition of Iponweb – a leading global adtech company providing advanced technology platforms and products for marketers and media owners. This strategic acquisition would accelerate our Commerce Media Platform vision, strengthen our first-party data capabilities, further reducing any reliance on 3rd-party cookies and other identifiers – and enhance Criteo’s position to drive sustainable growth and long-term shareholder value.

On our call today, I’ll discuss the strategic rationale for the proposed acquisition and how it fits our company vision. Todd will then walk you through the value that Iponweb brings to accelerate, expand and scale Criteo’s Commerce Media Platform. Sarah will close by discussing the financial highlights of the transaction.

Let me start by putting the proposed acquisition in the context of our long-term strategy. As you know, Criteo focuses on commerce media – the future of digital advertising that leverages commerce data and AI to target consumers throughout their shopping journey. Criteo differentiates itself by delivering the best performing commerce audiences at scale – for the marketers and media owners that we serve on the open Internet.

Our Commerce Media Platform activates the world’s largest set of commerce data to drive sales for our 22,000 marketers and valuable ad revenue for the thousands of media owners we have direct access to. With the combination of our unique data, media access, AI expertise and measurement capabilities, we deliver highly-relevant, highly-performing commerce audiences – translating into around $40 billion of commerce outcomes for our customers.

Over the past couple of years since I joined Criteo, we’ve made significant strides in our company transformation to meet the needs of brands, marketers, retailers and media owners in the evolving commerce landscape – and drive long-term sustainable growth. Today, we’re ahead in the race for marketing and monetization based on first party data – with unmatched scale and commerce audience capabilities. We’ve now returned to double-digit growth and our Commerce Media Platform strategy positions us for continued success in a post-third-party cookie world.
With the proposed acquisition of Iponweb, we would achieve an important milestone in *accelerating Criteo’s strategic plans to shape the future of commerce media on the open internet.*

We’re building upon our position as a global powerhouse in commerce media supported by our strong first-mover advantage and highly defensible moats. These include our global consumer reach of 650 million Daily Active Users across our media network, extensive scale in first-party commerce data and access to over $900 billion of ecommerce sales from our 22,000 marketers customer base, a differentiated Retail Media offering, and 15 years of expertise in commerce-focused AI.

Iponweb is well-known in the AdTech market for building advanced technology platforms. Over the past two decades, Iponweb has acted as a *trusted architect of the entire AdTech ecosystem* – with accolades from multiple industry experts.

Iponweb has an impressive track-record of enabling world-class enterprise solutions for media owners, agencies and marketers, while architecting real-time, omni-channel tech platforms used by some of the world’s largest global technology players and AdTech companies, including walled gardens.

Today, Iponweb activates close to $1 billion of fast-growing media spend for its demand and supply customers by operating one of the largest media trading infrastructures in the world. They also work with large ad agencies and marketers and have built direct integrations with more than 300 of the largest publishers and media owners.

Led by industry pioneer Dr. Boris Mouzykantskii, Iponweb has about 460 employees, including 275 world-class product and R&D experts.

Paired with our equally impressive Criteo team and assets, the proposed acquisition provides significant scale and state-of-the-art capabilities to accelerate our vision and greatly enhance the fundamental components of our platform to deliver on our massive commerce media opportunity.

Let me share with you how the proposed acquisition *fits with our ambition to shape the future of commerce media.*
First and foremost, Criteo and Iponweb have been long-standing partners and share the same vision. Iponweb’s open technology and culture are perfectly aligned with Criteo’s purpose to support a fair and open internet where technology enables discovery, innovation and choice for consumers, marketers and media owners.

Secondly, this proposed acquisition accelerates the execution of our Commerce Media Platform vision by adding scale, complementary products and first-party data capabilities.

Starting with scale. Iponweb has immediate access to about $1 billion of fast-growing incremental media spend annually, addressed through 280 demand and supply integrations. Together with Criteo’s current media spend, this would translate into $3.6 billion of media trading globally, making Criteo one of the largest media buying platforms on the open Internet. With stronger media buying power, we believe we would further broaden our access to unique media, expand our consumer reach and enhance our distribution and activation capabilities of first-party data – to drive the highest-performing commerce audiences at scale on the open Internet – with a network effect of attracting more advertising demand.

Iponweb also brings highly complementary products. For example, Iponweb’s Demand-Side Platform capabilities would enable us to address offsite Retail Media use cases, providing us with access to more inventory and brand-friendly ad formats like video, more flexible campaign management capabilities, and the ability to embed these capabilities into our existing self-service campaign management tools for brands and agencies.

Next to that, Iponweb’s Supply-Side Platform capabilities would allow us to tap into new third-party demand for our direct media owner partners. This, combined with our existing Retail Media SSP, will provide us with another meaningful differentiator versus the more traditional adtech players – and, ultimately, position Criteo as a powerful Supply-Side advertising technology for all media owners, including retailers.

Iponweb’s custom development capabilities would provide us with the R&D resources, domain expertise, and business processes necessary to address the custom solution needs of our largest Enterprise retailer, brand and agency customers.

Importantly – with broader media activation, a growing base of marketing clients and more ways to directly integrate with the ecosystem, we would further transform our position to best operate in ways independent from third-party identifiers. Significantly expanding our direct integrations with media owners and offering monetization of first-party audiences as we’ve done for retailers, would accelerate our first-party data position on the Supply side to match our leading first-party data
position with marketers on the Demand side. Our immediate access to 280 trading partners would enable us to immediately monetize audiences tied to this first-party data. In other words, adding more direct connections with media buyers and sellers globally, a product set expanding our direct integration with premium publishers, combined with world-class tech infrastructure for superior first-party data activation and measurement, would allow us to drive the best performing commerce audiences at scale without any third-party identifiers – whether cookies or IDFA.

In short, with even larger scale in media spend, leading complementary products and extended first-party data capabilities, we would further accelerate the delivery of our audience-first advertising solutions for mid- and upper-funnel marketing, including through CTV – to better serve our large Enterprise marketer clients and their agency partners, while capturing additional ad spend. We’d also open up new business opportunities immediately, by expanding our monetization capabilities for media owners and providing key services for first-party data management across the ecosystem. Todd will talk in more detail about the value Iponweb brings to Criteo and to the entire ecosystem.

Third – we expect this acquisition to be accretive to our revenue growth, Adjusted EBITDA, EPS and cash flows, adding over $100 million in annual Revenue ex-TAC as well as positive cash flows from day one. Importantly, as part of our transformation, this would accelerate our New Solutions growth and further diversify our revenue to drive long-term sustainable growth – and enhance our resilience in the market post third-party identifiers.

Last but not least, the acquisition of this highly strategic asset for $380 million, through a mix of cash and treasury shares, are evidence of our disciplined approach to M&A and capital allocation. Sarah will talk about the financial highlights of the proposed acquisition.

Slide 10

Before closing, I’d like to emphasize the importance of our shared values and purpose at the core of this transaction. Just like Criteo, Iponweb is an open, independent and innovative AdTech company. We both power a fair, open and diverse internet ecosystem for the shared benefits of consumers, marketers and media owners. Critically, we share a deep engineering culture to innovate and solve complex problems at scale, based on sophisticated datasets and world-class AI. And – we’re both global companies with European roots, diverse talent, and technology grounded in the highest industry standards of privacy-focused personalized advertising.
In short, we’re really excited about the value we can unlock together – to provide the best commerce audiences at scale across the open internet. More than ever, Criteo is uniquely positioned to win in commerce media – and the Future is Wide Open for Criteo.

Now, I’ll turn the call over to Todd.

**Todd Parsons** – Chief Product Officer

Slide 11

Thank you Megan, and hello everyone. I’m fired up by this acquisition, which makes tremendous strategic sense for Criteo. I’ll walk you through how we’ll expand and scale our Commerce Media Platform together with Iponweb, and how this would accelerate our product roadmap.

As Megan said, at a high level this proposed acquisition brings larger scale in media spend, a broader product suite and extended first-party data capabilities to our Marketer and Media Owner customers. While these things directly complement our existing capabilities, they further strengthen Criteo’s network effects.

Before talking in more detail about the value to Criteo, let me start by overviewing how the proposed acquisition would unlock value for our entire ecosystem. As we’ve laid out at our Investor Day in June – we’re moving to the next level as a platform that powers partners across our ecosystem across our ecosystem and we’re doing it openly and transparently.

- Together with Iponweb, we’d enable the world’s biggest brands, marketers and retailers – and the agencies they partner with – to best reach and monetize their commerce audiences throughout the consumer journey. This is anchored by 1st-party Retail Media – through a fully-featured DSP and the full self-service advertising that marketers and their partners need, while providing increased access to curated audiences and media.
- For agencies and third-party DSPs specifically, we’d provide platform-agnostic access to our the best commerce audiences for brands – providing our platform new access to brand budgets for commerce advertising – and making audience activation, packaging and targeting far more intuitive and easy for agency and DSP partners, while providing enhanced analytics and measurement tools for optimization.
- For media owners, we’d expand demand with close to $4 billion worth of media buying scale and enable them to best monetize their audiences and media by adding a full-featured Supply-Side Platform on top of our large existing network of direct integrations with the world’s largest publishers and retailers.
And, with deep supply and demand integrations, we’d make first-party data fully interoperable in privacy-compliant ways across the advertising ecosystem. This would significantly strengthen our First-Party Media Network and further power Criteo to shape the future of commerce media on the open internet.

Slide 12

Let me unpack this a little bit.

Megan talked earlier about our added scale and why scale matters so much in our business. I can only emphasize how critical this is to our product strategy. With close to $4 billion of media buying scale, we’d further expand our benefit to unique media, broaden marketers consumer reach and enhance our access, distribution and activation potential for first-party data. We think this would unlock new advertising demand for our Commerce Media Platform and further diversify our revenue base, accelerating in particular the growth of our new solutions for audience-first targeting.

Slide 13

Moving now to our broader product suite, we’d add four highly complementary product capabilities:

- **First, BidCore.** Iponweb’s customizable self-service Demand-Side Platform would expand the breadth of our full-funnel marketing offering, in particular for mid- and upper-funnel advertising, including on video and CTV. This would also boost the expansion of our Retail Media offsite business, a significant growth area and focus for Criteo.

- **Second, The MediaGrid.** With this advanced Supply-Side Platform enabling highly curated media inventory, we’d significantly expand our direct publisher footprint and enhance our first-party data distribution and activation potential.

- **Third, for Enterprise marketers and Agencies,** Iponweb’s highly flexible technology and robust customization capabilities would support the bespoke deployments of our Commerce Media Platform to address unique needs of our most strategic customers.

- **And fourth, BidSwitch.** Combining Criteo with Iponweb’s media trading marketplace, which adds 130 demand, and close to 150 supply partner connections on top of our DSP and SSP, would significantly broaden the distribution of commerce audiences across the open Internet – making first-party data activation, interoperability and measurement more seamless in the post-third-party identifier world.
These product capabilities are all directly complementary to what Criteo already does today.

By combining BidCore’s DSP for mid- and upper-funnel marketing to our existing strength in Retargeting and Retail Media DSP capabilities, we’d make our Commerce Media Platform proposition even more compelling for all marketers and agencies because it would cover the entire consumer buying journey. And by adding The MediaGrid SSP to our existing Direct Bidder and powerful Retail Media SSP, we’d make our platform even more attractive to all types of media owners. This way, we’d better serve large Enterprise marketers and their agency partners, while capturing additional ad spend, by significantly accelerating the delivery of our audience-first advertising solutions for mid- and upper-funnel marketing – including as Megan mentioned, through emerging channels such as CTV.

Importantly too, Iponweb also has a significant pool of world-class Product and R&D talent that are additive to our already broad engineering capabilities and would enhance our product & technology development process.

Let me now highlight the benefits of the proposed acquisition for our First-Party Media Network. As I discussed at our Investor Day, our First-Party Media Network is foundational to the Commerce Media Platform and key to our sustainable long-term growth.

As we’ve said before, once the industry finally moves beyond third-party identifiers, connecting first-party supply will become the ONLY way for marketers and media owners to effectively advertise and monetize commerce audiences on the open Internet. In other words, connecting first-party data from both ends – the supply and the demand sides – will become increasingly critical in the future.

As you know, we already have privileged access to the 1st-party commerce data of virtually all of our 22,000 customers. This is a huge asset and differentiator, likely underappreciated by market.

Next to that, we’ve started securing first-party data from media owners via our first-party media network including Retail Media, constantly increasing our direct integrations, as part of our evolution to a full Supply-Side Platform.

With Iponweb, we’d be set on a fast-forward path. Together with Iponweb’s large media trading marketplace, DSP and SSP, we’d bring media owners much larger scale of media spend and first-party data access. A critical component of our product strategy, this would get us closer to premium publishers to marry their first-party data assets with that of marketers first-party data assets for superior activation, interoperability and measurement in the post-third-party identifier world. In other
words, accessing more first-party data from media owners, combined with our superior technology infrastructure, would allow us to make first-party data more easily interoperable within our commerce ecosystem – and make our commerce audiences and measurement more universally accessible to a broader range of media buyers and sellers.

In short, we’d be uniquely positioned to provide our customers with the reach and solution breadth of the walled gardens - but for the open Internet – while continuing to drive higher performance than our competitors thanks to our powerful and sophisticated AI and our rare capabilities for first-party data activation and measurement. By expanding commerce audiences on the open Internet, we’d put our Commerce Media Platform in a much stronger position to shape the future of commerce media.

Before closing, I want to re-emphasize the heightened benefits that the broader and larger-scale distribution our Commerce Media Platform would bring to the entire ad ecosystem.

As you know, we already do a third of our business through ad agencies. With this proposed acquisition, we’d work even more closely and deeply with agencies across the marketing funnel, as well as with third-party DSPs, either directly or through agencies. This way, we’d expand our platform distribution across multiple channels and provide multiple access points to our Commerce Media Platform. With this more pivotal position in the ecosystem, our Commerce Media Platform would power a multi-faceted value exchange, enabling marketing investments along the consumer journey and making our unique commerce data and AI even more open to the ad ecosystem in a truly collaborative way. By adding significantly more scale to our access, distribution, activation and measurement of first-party data across both advertising demand and supply, we’ll make first-party data interoperate and flow seamlessly across the entire ad ecosystem in privacy-compliant ways for the benefits of everyone on the open internet.

Finally, from a market opportunity standpoint, the acquisition would significantly strengthen our ability to serve and increase our presence in our $100 billion Total Addressable Market – in particular around Retail Media.

With that, I’ll turn over to Sarah.

Sarah Glickman – Chief Financial Officer
Thank you, Todd, and hello everyone. I’ll talk briefly about the financial aspects of the transaction.

First, as Megan indicated, this proposed acquisition would be accretive to our revenue growth, Adjusted EBITDA, EPS and cash flows. Today, Iponweb activates close to $1 billion of annualized gross media spend translating into $100 million of net revenue. With new revenue streams, the acquisition would enable the acceleration of our revenue diversification – a key pillar of our transformation.

Besides the immediate financial contribution, we expect our combined complementary product portfolio and capabilities to generate incremental revenue and long-term sustainable growth. We expect to communicate our longer-term revenue growth profile in early 2022 following the close of this acquisition.

In addition, with a purchase price of $380 million, suggesting a 3.7x multiple of estimated revenue ex-tac for 2021, this acquisition is financially attractive, especially in light of Iponweb’s strategic value, scale, growth and profitability. With $305 million paid in cash and $75 million, or about 20% of the acquisition price paid in treasury shares at closing, the funding structure is compelling for all stakeholders. Based on Criteo’s closing stock price as of December 7, 2021, the treasury shares that we intend to use would have been repurchased at an average price of $25.2 and generate a 168% return-on-investment, crystalizing immediate value creation for our shareholders.

As is customary for transactions in France, this proposed acquisition requires the consultation of Criteo’s French Works Council before execution of the purchase agreement. Criteo has entered into a call option agreement with Iponweb, whereby Iponweb has agreed to sell its business to Criteo upon Criteo’s exercise of its option at the end of this Works Council consultation process. We expect to close the proposed transaction in the first quarter of 2022, subject to regulatory approvals and customary closing conditions.

Importantly, with more than $600 million of expected financial liquidity left after completion of the proposed transaction, we would maintain ample flexibility to pursue our strategic transformation and invest in our multiple growth areas. Looking ahead, we will maintain our robust capital allocation process with the primary goal of investing in organic growth and leveraging M&A to accelerate the execution of our Commerce Media Platform strategy, while continuing to
return cash to shareholders with our share buyback program. In fact, following the close of the
transaction we expect to have more capacity to accelerate our stock buy-back program in 2022.

**In closing,** we’re really excited about the value we could unlock to provide the best commerce
audiences across the open internet. We continue to drive momentum in our business and to deliver
with focus, grit and conviction along our strategic priorities of growth, execution and first-party data.

**Finally, we are pleased to reaffirm our financial guidance for 2021** as provided on November
3rd. We are well on track to deliver double-digit growth and strong profitability for the year. More
than ever, Criteo is well positioned to win in commerce media. As Megan said, the Future is Wide
Open for Criteo.

With that, we’ll now open up the floor to your questions.

[…Q&A…]

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

Thank you Megan, Sarah and Todd. Thanks again everyone for attending the call on short notice
today. As usual, the IR team is available for any additional request. We wish you all a good day.

Bye now.