Good morning, everyone and welcome to Criteo's first quarter 2022 earnings call.

Joining us on the call are Chief Executive Officer Megan Clarken, Chief Product Officer Todd Parsons and Chief Financial Officer Sarah Glickman. As usual, you will find our investor presentation on our IR website now, as well as our prepared remarks and transcript after the call.

Before we get started, I’d like to remind you that our remarks will include forward-looking statements, which reflect Criteo’s judgment, assumptions 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. Except as required by law, we do not undertake any obligation to update any forward-looking statements discussed today. For more information, please refer to the risk factors discussed in our earnings release, as well as our most recent Forms 10-K and 10-Q filed with the SEC.

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

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

With that, let me now hand it over to Megan.
May, 4, 2022

Megan Clarksen – Chief Executive Officer

Thanks Melanie and good morning everyone. Thank you all for joining us today. We’re off to a solid start this year, and we’ve never been so energized about the opportunity ahead of us.

Let me jump straight in with an update on our proposed acquisition of IPONWEB’s business. We have conducted a review of IPONWEB’s business continuity plans and the progress of its planned relocation of its Russian-based engineering resources, and we’re encouraged that IPONWEB is taking appropriate steps and has seen minimal disruption to its business. We’re in close discussions with the IPONWEB team to restructure the proposed transaction and we look forward to providing additional updates. In the meantime, we’re working with IPONWEB through our existing commercial arrangements to continue to execute on our Commerce Media Platform vision and deployment.

I want to zoom out a bit to make sure that we remind everyone of the opportunity that exists around Commerce Media and what is the most attractive secular growth trend in our industry today. The next wave of advertising is upon us, and like its predecessors in display, search and social, it’s expected to be huge. It is of course Commerce Media.

**Criteo has been talking about Commerce Media for some time.** Commerce Media is the opportunity that comes when you connect consumers, marketers and media owners to drive commerce outcomes.

It starts with Retail Media. Retail Media is enabling retailers to create personalized advertising experiences on their owned digital assets or digital in-store content - effectively making them media owners. We call this onsite advertising. They’re using their own first-party data to inform that experience and closed loop measurement to demonstrate outcomes. This is effectively the extension of offline Shopper Marketing to online. This movement is opening a new and high margin revenue stream for retailers. The Retail Media opportunity goes further when the retailer extends its advertising reach offsite and across the open internet – effectively looking for more opportunities to attract and retain targeted consumers beyond its own content walls. This we call offsite advertising.

This opens up retailers to a new revenue stream while attracting brands to boost their visibility on the digital shelf and further attract and retain commerce audiences. It also attracts new dollars to media owners across the open internet as ads flow offsite.

Commerce Media expands Retail Media to non-retail media owners - it is the broader ability to monetize for commerce anywhere where consumers spend their time. It enables advertisers to attract, convert and retain consumers by engaging audiences on media owners’ properties across the open internet, and it connects ad spend directly to commerce outcomes. The powerful
combination of commerce data and deep machine learning to form commerce audiences is the foundation of successful commerce media strategies.

For Commerce Media and specifically for retailers focused on Retail Media, Criteo has been providing the platform that enables Retail Media for over 5 years. We are the tech enabler for large retailers including Lowe’s, Best Buy and Target, who are leading the way in this rapidly growing space. We’re encouraged by the value that large retailers are seeing in this new advertising frontier as we’ve heard over and over again in their earnings commentary.

It stands to reason given that Commerce Media is currently estimated to reach a $180 to $200 billion TAM over the next four years. The rise of Commerce Media has come about as a result of the quest to monetize valuable first-party customer data which retailers and other media owners have struggled to fully utilize for many years. Unlocking that data value has surfaced a valuable advertising opportunity within their online stores and a data hook between offline and online marketing tactics.

Criteo’s Commerce Media Platform is front and center in this. Let’s take a look at a recent client partnership that we’ve formed which unlocks this opportunity.

The game-changing Commerce Media Platform agreement that we recently signed with Flipkart, India’s homegrown e-commerce marketplace, is a great example. Using our platform, brands will have access to best-in-class advertising solutions with Criteo’s Commerce Media technology, including our offsite capabilities, and Flipkart’s audience scale. As part of this partnership, the launch of Product Performance Ads will enable advertisers to deliver their full-funnel marketing goals on the open internet by leveraging our technology and Flipkart’s audience signals for highly relevant reach and higher overall campaign efficiency. This represents a truly exciting partnership for both of us.

Similarly, we’ve renewed our focus on our partnership with Shopify, which enables merchants of all sizes to take advantage of our platform and expansive global reach to target users across all channels and devices, and there is a lot more to come there.

Here are the primary reasons why clients are choosing Criteo for their Commerce and Retail Media needs and why we expect to continue to win their business:

- First, what makes our Commerce Media Platform unique is bringing together onsite advertising with offsite advertising across multiple formats. What’s important to our marketer and retailer clients is the ability to engage consumers effectively throughout their shopping journey. Our goal is to have one tech and one data source to never lose sight of
the consumer as they engage with content. We believe our Commerce Media Platform will realize that single view across the buy and sell side. This creates consistency and eliminates one of the biggest issues for clients of platform fatigue and tech tax – a bi-product of multiple platform loads.

- Second, **operating both demand and supply side solutions at scale creates powerful network effects** that benefit brands, agencies, retailers, publishers and also Criteo. Today, we work with about 22,000 commerce clients, thousands of publishers and activate close to $3 billion in annual media spend through our platform. In Retail Media alone, we support more than 100 retailers and over 1,500 brands. We are seeing increased supply attract more demand to our platform and vice versa.

- Third, our **16 years of proprietary commerce-focused AI leveraging our huge commerce data set** from approximately 725 million daily active users and unique access to over $1 trillion of e-commerce sales is a differentiator. We continue to expand our reach with daily active users growing 6% compared to last quarter. In the U.S. alone, our largest single market and the biggest advertising market in the world, our daily active user reach is over 50% of the U.S. population. The chances of us finding overlap consumers for retailers onsite and offsite is huge. Adding to that our ability to find and attract new consumers through our reach and combination of AI and data, this drives commerce outcomes and maximizes return on ad spend for our clients. This unlocks revenue for our clients. Nobody has the same tech stack and breadth of commerce data on the open internet. In a world of diminishing operating system signals, data, reach, scale and AI is critical.

Let’s turn now to our first quarter performance. We **delivered constant currency growth of 6%**, **our fifth consecutive quarter of Contribution ex-TAC growth**, demonstrating continued business momentum. This was driven by strength in Retail Media, growing close to 50%, Audience Targeting growing over 40%, and to a lesser extent the bounce-back of Travel. This more than offset the slower macro environment, and suspension of our operations in Russia. Once again, our focus on growth and execution is yielding results. Sarah will take you through more detail shortly.

**We remain confident in our Commerce Media Platform strategy, the execution of our plan and our growth momentum.** The media spend activated by our Commerce Media Platform is a good indicator of the scale that we continue to build across our business, and increased 12% to $645 million this quarter.
We’re thrilled to welcome Brian Gleason as our Chief Revenue Officer, and he’s hit the ground running. His top priority is to realize the full potential of our Commerce Media opportunity and execute our go-to-market strategy to drive sustainable growth. As a media agency veteran, his client-first mindset and proven track-record of scaling businesses is instrumental as we embark on our next phase of growth.

Brian has come in at exactly the right time as we continue to sign deals with large marketplaces and flagship retailers including Flipkart and Michaels. He also joins us just as we launch exciting new clients including Nordstrom, and Farfetch on our platform, and expanded further adoption with eBay.

Brian’s agency heritage brings even more firepower to our agency channel work which is really firing on all cylinders, with over $200 million in activated media spend or about 32% of our overall business coming through agencies in the first quarter, compared to 30% a year ago. As the Retail Media partner of choice on the open internet, we offer agencies incentives and first-to-market opportunities within our Retail Media ecosystem and platform globally, and we’re seeing strong traction with our agency partnerships. These partnerships facilitate seamless integrations and higher volume of media spend. Our global partnership with GroupM is delivering at pace and we’ve recently signed a global agreement with Ascential and its world-class ecommerce agencies, and a U.S. deal with another large agency holding company. We expect more on this front in the future.

Our business is no longer a point solution business like most others in AdTech. We are a platform business - more specifically, a Commerce Media platform business focused on Retail Media at our core. We think about servicing our clients’ needs everyday as they relate to acquiring and retaining customers and we use the breadth of our tech excellence to do that with efficiency. Our ability to attract and retain customers for our clients does not have to rely on third-party operating system signals, however, we will use them while they exist and assist our clients as they move away from them - essentially embracing more privacy enabled controllable and reliable signals.

I might note that those signals have become high functioning infrastructure that the entire internet has been developed on for measurement, context, user experience and more for a good part of 25 years. For the operating systems to remove them and expect the world to function just so - is not fair. We commend the UK’s CMA for their efforts to manage this. We in turn will help our clients navigate any change - using our data, our AI, our reach and the cool and innovative work that’s coming out of our Product and R&D organizations. To tell you more, I’ll hand it across to Todd.

But, before I do that, I’d like to take this opportunity to thank all our Criteos for their hard work and relentless dedication to our clients. We are actively adding talent to the fast-growing areas of our business and pleased to be an employer of choice in our industry. This is a reflection of our
values and commitment to put people first. Just recently, we signed the LEAD Network CEO Pledge to strengthen our strong commitment to sustain pay equity globally and to advance career paths in technology for women. Sustainability is at the core of everything that we do and we continue to enhance our ESG disclosures. We are committed to the United Nations’ Sustainable Development Goals and we’ve adopted the Sustainable Accounting Standards Board reporting framework in our recently published Corporate Social Responsibility report.

With that, I’m pleased to turn it over to Todd.

Todd Parsons – Chief Product Officer

Thank you, Megan. Good morning, everyone.

Let me start with some perspectives on our progress to date. Our priority is - and has always been - to connect consumers, marketers and media owners and to drive commerce outcomes. Over the years, Criteo solutions have grown to span the entire consumer commerce journey - from discovering brands and products for the first time to ensuring the best opportunities for a sale, to making each subsequent visit more profitable - all in privacy-safe ways. The loss of certain signals starting with Apple’s ITP in 2017 triggered our efforts to find innovative ways to engage with consumers and diversify our approach away from retargeting for the benefits of both our clients and consumers – and we’ve accelerated our innovation over the past two years. I’d like to walk you through some tangible examples of how our Commerce Media Platform strategy is coming to life, and how we are ensuring our clients can acquire and retain quality audiences.

First, we are proving that we can help our marketers better engage with consumers at scale as signals disappear. Our clients tell us that performance advertising is a critical need, and we continue to solve that problem for them. We leverage the unrivaled combination of our AI and commerce data to create privacy-safe audiences over each step of the consumer commerce journey. As an example, we’ve run hundreds of live tests for acquisition and retention specifically on iOS over the past few months. I am pleased to say that we successfully helped our marketer clients recover lost traffic and therefore maintain their spending in this environment during these tests. While still early, these are really exciting results. We look forward to further scaling our audience targeting to mitigate the impact of third-party signals going away in environments like iOS or Safari today, and Chrome or Android in the future, with the added benefit of continuously improving our AI decisions along the way.

Second, we are building a Commerce Media Network with industry-leading scale in first-party data. We’re continuously looking for innovative ways to solve complex problems, and ultimately, we
believe our First-Party Commerce Media Network will help marketers and media owners preserve and increase their ability to reach relevant users and personalize campaigns by onboarding, enriching, and activating first-party data. As you know, we have access to first-party data from about 22,000 marketer clients and approximately 60% of our daily active users on the Web are addressable through media owners we have direct access to. This is a key priority for us, and we continue to expand direct supply relationships and add multiple new publishers. With our Commerce Media Platform strategy, we are offering new ways for media owners to get the best monetization and yield out of their media. Our proposed acquisition of IPONWEB would also expand our direct publisher footprint and enhance our potential to operate and activate more first-party data than ever before.

Third, we innovate to support new shopping experiences. Shoppable video is a great example of solutions that are at the forefront of our bringing commerce to content where consumers spend their time discovering our customers’ brands and products across the open internet. Today, we’re pressing further to bring retail storefronts and other interactive commerce experiences across our network, including experimentation with in-game and livestream media. This work will continue to expand our customers’ ability to engage audiences in all commerce friendly environments through our Commerce Media Platform.

Lastly, we remain invested in any development related to industry-wide initiatives that may improve consumer privacy as it relates to commerce. IAB’s Seller Defined Audiences and Google’s Privacy Sandbox are two examples, and we will be participating in Google trials of TOPICS and Fledge which are just about to start. As we did with FLoC beforehand, our approach will be to provide a quantitative view on how these initiatives could meet marketer and media owner objectives while respecting consumer privacy rights. Much more to come here and we’ll update you throughout the year.

Now, let me highlight some wins.

Starting with Retail Media, the powerful combination of our onsite and offsite advertising capabilities represents a unique value proposition and key differentiator. This is why Flipkart chose Criteo. We are able to extend retail media capabilities offsite to recommend brands to new consumers and maximize spend from these brands. By leveraging their existing integrations for onsite retail media monetization, retailers partnering with Criteo can seamlessly enable brands to target audiences across the open web, as well as measure results at the SKU level. A number of our onsite global consumer brands are increasingly leveraging our offsite capabilities to drive higher traffic and, in many cases, also drive higher conversion. They also benefit from a holistic
assessments of their marketing strategies and spending. We are only getting started and we are very excited about the tremendous upselling opportunities coming with offsite. We look forward to showcasing our integrated onsite and offsite self-service campaign management and measurement capabilities when we are at Cannes Lions next month.

To best address the needs of our clients, we’re evolving to always-on audience marketing strategies from point solutions, offering access to full-funnel capabilities and commerce audiences through our Commerce Media Platform. In practice, that means that our clients can choose different types of audiences, different types of targeting and engage them across web and app environments to attract, convert and retain customers. With the power of our AI-driven audience modeling, we are enabling our clients to expand their reach and drive successful, measurable commerce outcomes.

It is clear that our always-on approach is resonating with our clients who value having one partner to help them engage with consumers across their entire buying journey. It is exciting to see clients who traditionally have come to us for customer retention now adopt customer acquisition solutions, thus increasing their total media spend with Criteo. As an example, one of our CPG customers recently adopted our always-on approach and has since increased its total media spend with us by 44% with customer acquisition now accounting for 89% of its total spend. Another example is a fashion client that previously didn’t spend any upper funnel budget with Criteo and is now dedicating 67% of its budget to customer acquisition, increasing its overall spend with us by 20%. These are only a few examples that emphasize our ability to deliver valued solutions that unlock new upper-funnel budgets and enable us to operate more data. To date and on average, we’re seeing the spend related to acquisition audiences double and account for about half of the total media spend when clients are switching to always-on strategies. These early results are exciting and, we believe, will further enhance overall customer lifetime value going forward.

I will now turn it over to Sarah who’ll take you through our Q1 performance and financial outlook.

Sarah?

Sarah Glickman – Chief Financial Officer

Thank you, Todd, and good morning, everyone.

Starting with our financial highlights for Q1 2022. Revenue was $511 million and Contribution ex-TAC was $217 million. Reported Contribution ex-TAC reflects a year-over-year $10 million unfavorable foreign exchange impact.

Contribution ex-TAC grew 6% at constant currency with Retail Media up 48% and Audience Targeting up 42%. As previously communicated, Q1 results were slightly impacted by a slow start
for ecommerce in the UK and France, and the suspension of our Russia operations in Q1. The impact from the loss of signals represented $20 million, including iOS, in line with our guidance.

We continue to shift our top-line mix with Retail Media and Audience Targeting representing 29% of Contribution ex-TAC in our first quarter, up from 21% a year ago. We benefitted from continued upselling and cross-selling with a third of live clients using multiple Criteo solutions. This is a key performance indicator for us as a cornerstone of our Commerce Media play. Client retention remained high at close to 90%.

Turning to our business segments, in Retail Media, activated media spend expanded by 58% year-over-year to nearly $165 million. Revenue was $47 million, and Contribution ex-TAC was up 48% to $31 million. Growth was primarily driven by our U.S. customer base, including being the white-label platform enabler for flagship retailers and reflected strong traction in CPG, our largest and fastest-growing vertical.

In our Marketing Solutions segment, we are gaining traction for our “always-on” audience strategies to help our clients to attract, convert and retain customers. During the first quarter, our sturdy growth in Audience Targeting more than offset lower Retargeting, impacted by Russia and a slower macro, slightly offset by a rebound in travel.

We delivered strong profitability while investing for future growth. Adjusted EBITDA was $63 million in Q1 2022. Non-GAAP operating expenses increased 15%, including higher personnel costs related to investments in commercial and product talent.

Moving down the P&L, Depreciation and Amortization increased 1% in Q1 2022 and share-based compensation expense increased 20%. Our income from operations was $28 million and our net income was $21 million in Q1 2022. Our effective tax rate was 33%. Our weighted average diluted share count was 63.6 million compared to 64.1 million last year. This resulted in diluted EPS of $0.32 and adjusted diluted EPS of $0.53 in Q1 2022.

Our strong cash generation and cash position provide ample financial flexibility to execute on our growth strategy. Free Cash Flow grew 9% to $69 million in Q1, reflecting strong working capital management. We remain disciplined, balanced and shareholder-focused in our capital allocation. We invest in profitable growth through both organic investments and value-enhancing acquisitions. We also continue to deploy our strong balance sheet and return capital to shareholders via our share buy-back program which we resumed in early March 2022.

Turning to our financial outlook, which reflects our expectations as of today, May 4th. As a reminder, our financial guidance for Q2 and fiscal year 2022 excludes the proposed acquisition of
IPONWEB. Like everyone else, we remain cautious about our outlook for the remainder of the year given the uncertain macro backdrop with ongoing geopolitical issues, high inflation, continued lockdowns in Asia and global supply chain disruptions.

For 2022, we have updated our guidance and now anticipate **constant currency growth of 8% to 10% in Contribution ex-TAC.** This reflects the suspension of our Russia operations and lower Contribution ex-TAC for Europe due to higher traffic acquisition costs for certain global supply contracts denominated in USD. Our guidance for Retail Media is unchanged, and we expect activated media spend to grow to over $1 billion, and Contribution ex-TAC growth to be approximately 50%. We also expect Contribution ex-TAC growth of approximately 40% for Audience Targeting. Our 2022 **Adjusted EBITDA margin guidance remains unchanged at approximately 32%.**

**We view 2022 as a “ramp up” year and anticipate accelerated growth in 2023.** This will be driven by the diligent growth investments we are making to deliver our ambition for the Commerce Media Platform and growth for our agency partners and large Enterprise clients and publishers.

Given the weakening of the Euro and Yen against the U.S. dollar, we now estimate forex changes to lower Contribution ex-TAC by $34 million or 4 percentage points, compared to our previous forecast of $20 million. Approximately 30% of our Contribution ex-TAC is exposed to euro. There are no changes to our annual effective tax rate and capital expenditures and we continue to expect free cash flow conversion of about 45% of Adjusted EBITDA.

For Q2 2022, we have a cautious outlook given the macro and impact of Russia suspension. We expect **Contribution ex-TAC of $220 million to $224 million, growing by 4% to 6% at constant currency.** We assume forex impact of $9 million and $20 million for signal loss, primarily iOS. We expect **Adjusted EBITDA of $49 million to $53 million** which includes higher expenses related to marketing and a company-wide internal event that are scheduled for June.

To conclude, we are confident in our Commerce Media Platform to deliver value to our customers and enable growth and resiliency. We have the tech stack and scale to deliver better performance than anyone else on the open internet. As with any transformation, our path won’t be linear. We are confident in our ability to deliver sustainable growth for many years to come. We are excited about the launches planned for Cannes Lions. We also are planning to host an in-person investor event in the third quarter to meet our team, share more on our innovation and provide a comprehensive mid-term growth outlook.

The future is wide open for Criteo.
With that, I'll turn it over to the operator to begin the Q&A session.

[...Q&A...]

Melanie Dambre – Director, Investor Relations

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