Good morning and welcome to Criteo’s fourth quarter and fiscal year 2018 earnings call.

With us today are co-founder & CEO JB Rudelle and CFO Benoit Fouilland.

During this call, management will make forward-looking statements. These may include projected financial results or operating metrics, business strategies, anticipated future products and services, anticipated investment and expansion plans, anticipated market demand or opportunities and other forward-looking statements. As always, such statements are subject to various risks, uncertainties and assumptions.

Actual results and the timing of certain events may differ materially from the results or timing predicted or implied by such forward-looking statements. We do not undertake any obligation to update any forward-looking statements contained herein, except as required by law. In addition, reported results should not be considered as an indication of future performance.

Today, we will also discuss non-GAAP measures of our performance. Definitions of such metrics and the reconciliations to the most directly comparable GAAP financial measures were provided in the earnings release published earlier today.

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

With that, I will now turn the call over to JB Rudelle, CEO of Criteo. JB…
Thank you, Edouard, and good morning everyone. Overall, I’m pleased with our Q4 results, showing encouraging improvement as compared to Q3 and marking an inflection point in our Revenue ex-TAC trajectory. With our growth turning positive again, we feel good about the direction of Criteo.

While this past year certainly presented its specific challenges, 2018 also demonstrated the recurring nature of our business. In my discussions with clients, what I most commonly hear is that they view our technology solutions as core to their success. Thanks to our unique commerce audience data, best-in-class Artificial Intelligence technology and powerful software tools, our platform has become mission critical in the planning and execution of our client marketing operations. Overall, this gives us further confidence in the resilience of our future cash flows.

Over the course of 2018, you’ve heard us talk a lot about self-service. Leveraging the strong relationships we have built with our clients, our focus is indeed on migrating as many accounts as possible to our new self-service platform. And actually when we talk about self-service, there are actually two complementary aspects to it.

The first one is a platform that allows our midmarket sales teams to both:

- greatly reduce friction in the process of signing up new clients, and
- significantly increase the productivity of our operation teams in managing existing accounts.

In this respect, we plan to release our new fully automated onboarding module by the end of Q2. This important step will allow us to significantly accelerate the sign-up and onboarding of small and medium clients, hopefully resulting in accelerated momentum in our midmarket net client additions in the second half of the year and beyond.

The second and probably less obvious aspect around self-service is the powerful tools we are providing to all our clients across the board so to configure and monitor their campaigns. By making such tools available on a self-service basis and letting marketers “turn the dials”, we offer clients and agencies more control over their marketing operations. And we expect this to greatly increase the control and open up new business opportunities, and to further improve retention.
As a matter of fact, we are seeing a growing appetite, particularly in the US, from large agencies
to work with our solution.
Overall, we believe both aspects of our self-service platform will meaningfully drive our
traction in the future.

I would like now to say a few words on Criteo Retail Media, our retailer-facing technology
platform that allows retailers to monetize their inventory and audiences with brands. This
platform integrates Sponsored Products and Commerce Display into a broader offering that
covers all monetization scenarios relevant to a retailer.

As you know, most large retailers now realize they can massively boost their bottom line by
monetizing their consumer assets with brands. In this context, our Retail Media offering gained
significant traction in 2018, and this in particular in the U.S., growing by close to 30% on a
Revenue ex-TAC basis, and we believe this sets a solid foundation for 2019.

In addition, an important trend specific to Retail Media is the rapid evolution of our business
model. With large retailer in particular, we are increasingly switching from selling on a cost-per-
click model to a transactional Software-as-a-Service model. This new pricing model is growing
much faster than the rest of the Retail Media business and could at some point represent the
majority of our revenue for this product line. As a matter of fact, if you are interested to learn more
about Retail Media, we’ve published a brief presentation on our investor website.

Moving to Q4 results, we generated Revenue ex-TAC and Adjusted EBITDA both $12 million
above the high-end of our guidance at constant currency.
This good performance was primarily driven by a record Holiday season in the U.S. but also in
Western Europe where we observed an increasing seasonal peak. This was combined with
strong sales execution both in our large client and midmarket divisions all during this critical
period. Given the tough comparison that the record 2017 Holiday season presented, this
achievement was notable.

Last but not least, our performance was well balanced across our solutions. In Q4, our new
solutions grew 54%, representing more than 13% on Revenue ex-TAC basis, compared to less
than 9% excluding discontinued products in Q4 last year. Some of these solutions are highly
seasonal in nature, and I would caution against extrapolating too aggressively the Q4 mix into future quarters. Nevertheless, this is certainly an encouraging trend.

Turning now to some of our strategic initiatives, we continue to make progress in adapting our go-to-market approach. As we’ve said in the past, this means evolving and training our commercial teams to sell a broader range of solutions, while scaling the midmarket organization through both our existing telesales approach and our upcoming automated onboarding process. We take the time and resources invested in those projects very seriously and are confident our investments will show positive returns in the midterm.

On the People front, although we have not fully tackled attrition yet, which by nature is a lagging indicator, I am convinced that things are moving in the right direction. I am excited to see the renewed level of energy across the whole company. We continue to improve the pace of hiring with a focus on the right talent quality. We expect to meet our hiring cadence in 2019 and to see these investments starting to yield positive results and positive returns in the second half of the year.

In 2019, we are keenly focused on executing on four priorities:

- First, grow midmarket clients in a scalable and profitable way through the deployment of our self-service platform.
- Second, further increase adoption of our self-service platform to all clients, including large ones, for them to consume our solutions increasingly on their own terms.
- Third, continue to grow our mobile app business.
- And fourth, accelerate the growth of our Consideration solutions, as part of the full-funnel Marketing Solutions strategy to help our clients win new customers.

Based on our current expectations, we anticipate accelerating growth momentum in 2019, driven by healthy business fundamentals and the results of our investments in key areas, such as:

- our mobile app business,
- our new solutions to drive broader marketing goals for clients
- the adoption of our self-service platform, and
- talent acquisitions.
While such investments should drive short-term dilution in our Adjusted EBITDA margin in 2019, we expect them to feed a **rebound in growth in 2020 and beyond.**

As I said, we **feel confident about our business.** The completion of our $80 million share buyback, and my personal purchase of Criteo shares in Q4, are signals of this confidence.

In closing, I feel good about **our progress,** I feel good about the **inflection point in our trajectory** and I feel good about the **positive momentum ahead of us.**

Our long-term opportunity is massive and our 2019 goal is to focus on executing along our plans. With that, I’ll turn the call over to Benoit to discuss our performance and guidance in details. Benoit?
Benoit Fouilland – CFO

Thank you, JB, and good morning everyone. As usual, I will walk you through our performance for the quarter and the year, and share our guidance for Q1 and fiscal year 2019.

Revenue was $670 million in Q4 and $2.3 billion for the full year 2018.

Revenue ex-TAC, the key metric we focus on to monitor the business, increased 0.1% at constant currency to $272 million in Q4, and grew 2% at constant currency to $966 million in 2018. The Q4 growth was largely driven by a record Holiday season in the U.S. and in Europe, and was well balanced between our existing and new clients, despite continued headwinds.

In terms of currency impact, FX changes in Q4 cost us $5 million vs. last year and about $2 million more than we had anticipated in our last outlook. This translates into a Revenue ex-TAC overachievement of $12 million above the high-end of our guidance for Q4.

Looking at the Q4 operating highlights:

• We improved same-client Revenue ex-TAC, which turned flat compared to a 5% decline in Q3.
• We grew the number of clients by 7%, roughly in line with expectations, while maintaining retention at close to 90% for all our solutions combined. This brings the number of clients to about 19,500. We continue to expect an acceleration in net client additions starting in the second-half of 2019, once the onboarding module of our self-service platform is fully rolled out at the end of Q2.
• Even a full year after their launch, Criteo Customer Acquisition and Criteo Audience Match, part of our full-funnel Marketing Solutions, grew strong triple digits.
• Our app Revenue ex-TAC continues to see strong traction, growing 54% year-over-year.
• And we now access close to 3,500 large publishers through Criteo Direct Bidder, compared with 2,600 in Q3, adding new premium partners like NBC, Mediavine and The Washington Post.

Turning to the Q4 regional performance.

• In the Americas, Revenue ex-TAC grew 1% at constant currency including 4% in the U.S., driven by a strong Holiday Season, continued solid performance with our Retail Media technology platform and a strong app business.
- **EMEA** Revenue ex-TAC decreased 4% at constant currency, improving from Q3 and in line with expectations. We observed an increasing seasonal peak in many European markets resulting in a strong performance around Black Friday. We also saw good improvement in the midmarket and strong traction with Middle-East clients, offset by softness in the U.K. In line with expectations, GDPR impacted the region’s Revenue ex-TAC by about $5 million.

- And, in **APAC**, Revenue ex-TAC grew 6% at constant currency, or 8 points above Q3, driven by strength in our large client business in Japan and Korea and healthy improvement in our midmarket operations in the region.

**Revenue ex-TAC margin** declined 50 basis points to 41% in Q4, in line with our previously discussed expectations that margin will normalize at a lower level compared to recent peaks. Revenue ex-TAC margin for 2018 improved one point to 42%, mainly driven by higher margin levels in apps over the first three quarters of the year.

Shifting to expenses, **other cost of revenue** increased 22% in Q4, driven by higher hosting costs and amortization. In 2018, other cost of revenue increased 8%.

**Operating expenses** decreased 2% in Q4 and grew 1% in 2018, reflecting flat headcount over the period and lower equity awards compensation expense.

**Headcount-related expenses** represented 72% of GAAP opex in Q4 and 74% in 2018, both down 1 point compared to the prior-year period. We ended the year with over 2,700 employees—down 1% year-over-year and flat relative to Q3. We have implemented several programs to reduce attrition and accelerate our hiring cadence, in particular in our sales organization.

On a Non-GAAP basis, operating expenses increased 6% to $149 million in Q4, and 2% to $581 million in 2018. On a Non-GAAP basis by function:

- **R&D expenses** increased 2% in Q4 and 6% in 2018, partly driven by non-people costs and despite the 4% reduction in headcount to over 670 R&D and Product engineers. We expect to grow R&D investments by just over 10% in 2019.

- **Sales & Operations opex** increased 1% in Q4 but declined 1% in 2018, driven by a 1% decrease in headcount to close to 1,600, in line with expectations. Quota-carrying employees
declined 2% year-over-year to more than 730, but grew 4% compared to Q3. We expect Sales & Operations Non-GAAP expenses to grow by around 10% in 2019.

- And G&A expenses increased 27% in Q4 – mostly explained by one-time items – and 8% in 2018, driven by a 6% increase in headcount to close to 500 employees, including transferred teams from other groups, as well one-off bonus adjustments and severance expenses in Q4.

Moving to profitability, Adjusted EBITDA declined 12% at constant currency to $105 million in Q4, driven by the 6% increase in Non-GAAP opex and the Revenue ex-TAC performance. Our Q4 expenses were in line with expectations, translating into a 100% flow-through of the topline beat into Adjusted EBITDA. In 2018, Adjusted EBITDA was flat at constant currency at $321 million. From a margin standpoint, we saw a 480 basis points decline in the Q4 margin to 38.5% of Revenue ex-TAC, in line with expectations, and a 30 basis-point improvement in our 2018 Adjusted EBITDA margin to 33%, or 1 point above the higher end of our full-year guidance.

Depreciation and amortization expenses increased 25% in Q4, driven by higher hosting equipment depreciation, and depreciation of intangible assets due to recent acquisitions. In 2018, depreciation and amortization grew by 14%.

Equity awards compensation expense decreased 50% in Q4 and 7% in 2018, driven by the stock price performance over the period and equity forfeitures, in particular in Q4. Excluding equity grants made in the context of the HookLogic, Storetail and Manage acquisitions, equity awards compensation represented less than 6% of Revenue ex-TAC in 2018, below our original estimate of 6% to 7% provided early 2018.

Financial expense declined 21% in Q4 and 47% in 2018, largely driven by discontinuing our hedging transactions on long-term loans to our U.S. and Brazilian entities.

Our effective tax rate was 30% in Q4 and 32% for 2018, in line with our 32% projected tax rate for 2018. As a result of the U.S. BEAT Tax and lower net discrete items over both periods, provisions for income taxes increased 15% and 46% in Q4 and 2018 respectively.

Net income for Q4 decreased 20% to $42 million, driven by a 12% decrease in Income from Operations and the higher tax expense. In 2018, net income decreased only 1% to $96 million,
as the significant increase in taxes offset a 7% increase in Income from Operations and the much lower financial expense over the period.

As a result, **Adjusted Net Income per diluted share** decreased 31% to 84 cents in Q4, and 8% in 2018 to two dollars and 49 cents.

**Cash flow from operations** increased 8% to $86 million in Q4, driven by favorable changes in working capital and lower income taxes paid due to timing effects, and grew 6% in 2018 to $261 million. Our transformation of Adjusted EBITDA into operating cash flow was consistent in both periods, reaching 82% and 81% in Q4 and 2018 respectively.

**Capex** increased 78% in Q4, driven by phasing effects in the cash out of data center equipment, as well as capitalization of development costs for internal IT projects. In 2018, total capex was $125 million, growing 16% and representing about 5% of revenue, in line with plans.

As a result, **Free Cash Flow** decreased 25% to $40 million in Q4 and only 1% in 2018 to $135 million, representing 42% of Adjusted EBITDA, in line with our 3-year historical average.

Finally, **cash** and cash equivalents declined $50 million year-over-year to $364 million. This is the net result of our free cash flow generation over the period, offset by our acquisitions of Storetail and Manage, the completion of our $80 million share buyback program and a $21 million negative currency impact on the cash position over the period.

In Q4, we completed our **$80 million buyback program** approved in October, and repurchased 3.5 million shares at an average price of $22.86. Early February, we cancelled approximately 50% of the repurchased shares and plan to limit future dilution to shareholders during the next 15 months approximately, by allocating the remaining 50% shares to satisfy equity obligations to employees in lieu of issuing new shares. We are open to **considering further opportunities to buy back shares** in the future if conditions are right. In fact, we expect to request an authorization to **increase our flexibility to buy back and subsequently cancel shares** at our next annual shareholder meeting to be held in Q2.
I will now provide our guidance for the first quarter and fiscal year 2019. The following forward-looking statements reflect our expectations as of today, February 13, 2019.

In Q1 2019, we expect Revenue ex-TAC between $233 million and $235 million on a reported basis. This implies constant currency growth of 1% to 2%. We expect year-over-year forex changes to be a headwind to reported growth of about $10 million or 400 basis points.

With regards to the full year 2019, we expect to grow Revenue ex-TAC between 3% and 6% at constant currency. Using our forex assumptions, this means Revenue ex-TAC of approximately $981 million to $1,010 million. Compared to 2018, we see forex changes having a negative impact of approximately $14 million or 150 basis points of reported growth. We expect accelerating momentum throughout the year. While we had previously signaled our ambition to grow double digits in the second half of 2019 and are clearly confident about the direction of the business, our $12 million beat in Q4 creates a more challenging comparison of approximately 500 basis points for Q4 2019. As a result, we think it is prudent to reflect this in our guidance and suggest we will grow in the 6% to 8% range on a year-over-year growth basis at constant currency as we exit 2019. With this commentary, we are not signaling any incremental weakness – rather the opposite. We feel good about our momentum and are simply adjusting our outlook to reflect our stronger Q4.

On the profitability side, we expect Q1 2019 Adjusted EBITDA between $59 million and $61 million, impacted by stronger hiring as well as our global internal 2019 Kick Off event in January. For 2019, we expect Adjusted EBITDA margin of approximately 30% of Revenue ex-TAC, as we resume higher levels of investments to feed a rebound in both growth and profitability in 2020.

As usual, FX assumptions supporting our guidance for the first quarter and fiscal 2019 are included in our earnings release.

In closing, I am pleased with the inflection point in our trajectory and the positive momentum we see for the year and the midterm. We have large and exciting opportunities ahead of us and feel we have the right assets to capture them.

With that, let me now turn to your questions.
[…Q&A…]

Edouard Lassalle – VP, IR

Thank you [JB/Benoit]. This now concludes our call. We thank everyone for attending today. The IR team is available for any follow-up questions you may have. Good bye everyone and enjoy the rest of your day. Thank you.