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PRESENTATION

Operator

Good morning, and welcome to Criteo's Third Quarter 2021 Earnings Conference Call. (Operator Instructions) Please note, this event is being recorded.

I would now like to turn the conference over to Edouard Lassalle, Senior Vice President, Market Relations and Capital Markets. Please go ahead.

Edouard Lassalle - Criteo S.A. - SVP of Market Relations & Capital Markets

Thanks, Rocco, and good morning, everyone. Welcome to Criteo's Third Quarter 2021 Earnings Call. We hope you're all doing well today.

Joining us from our global headquarters in Paris today are CEO, Megan Clarken; and CFO, Sarah Glickman; Todd Parsons, the Chief Product Officer, also in Paris, will join as well for Q&A. As usual, you'll find our investor deck on our website now as well as the script and transcript after the call.

Before we get started, I'd like to remind you that our remarks today 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. We do not undertake any obligation to update any forward-looking statements discussed today except as required by law.

For more information, please refer to the risk factors discussed in our earnings release as well as the 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 earlier 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.

Megan Clarken - Criteo S.A. - CEO & Director

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

I'm particularly pleased to announce our Q3 results so close to my second anniversary with Criteo. We delivered yet another strong quarter of double-digit growth and high profitability, above the high end of our guidance. The sustained momentum in our business and company transformation reflects our steady progress and delivery on the strategy that we've laid out and on each of our strategic pillars. We continue to develop our Commerce Media Platform and strengthen our first-party data capabilities, positioning us to drive sustainable growth and long-term shareholder value.

On our call today, I'll discuss our Commerce Media Platform progress, provide additional color on our expected business resilience with regards to Apple's App Tracking Transparency or ATT and talk about our key highlights in the third quarter as we continue to deliver against our key priorities. Sarah will then cover our third quarter performance in more detail and discuss our financial outlook.

Let me start with an overview of our Commerce Media vision and progress. As you know, Criteo focuses on commerce media, the future of digital advertising that leverages commerce data and machine learning to target consumers throughout their shopping journey. We differentiate ourselves 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 offers a holistic suite of solutions that activate the world's largest set of commerce data for first-party based marketing and monetization. Similar to the proven playbook exemplified by the walled gardens, we're able to identify, reach and monetize highly relevant consumers to drive \$40 billion of commerce outcomes for our 22,000 marketers, a number that continues to grow, and thousands of media owners we have direct access to, including product consideration and sales for marketers like New Balance and Macy's, and rich ad revenue for media owners like Yahoo! Japan or Carrefour in retail media.

Driving the best commerce audiences requires rare assets and capabilities in data, media and AI. It's a combination of our unique data, media access, AI expertise and measurement capabilities that enables us to transform large crowds of generic consumers into highly relevant, high-performing commerce audiences.

With a global consumer reach of 650 million daily active users, huge scale in commerce data with first-party data from 22,000 customers and unique access to over \$900 billion of e-commerce sales, a differentiated Retail Media offering working with various top 25 retailers in the U.S. and in Europe, and 15 years of expertise in commerce-focused AI, we're already a global powerhouse in commerce media with a strong first-mover advantage.

Our total addressable market is expected to reach \$100 billion by 2024, growing 22% per annum compared to our serviceable market last year. We're laser-focused on executing on this huge opportunity while continuing to gain share across all our existing markets.

While our team has done great work already, we still have a lot to do. We continue to focus on growing our customer base, broadening our direct supply and first-party media network and strengthening our first-party data set.

I now want to take a moment to provide additional color on our expected business resilience with regards to Apple's ATT given the recent focus on it. It's important to note that our business is much more orientated towards web-based advertising than apps. While we do target in apps, this is a small part of our business.

As a result, we believe we're much more insulated from the overall impact of Apple's ATT than large mobile-first app players. Our Retail Media onsite business does not rely on any third-party identifier and is, therefore, not impacted by Apple's ATT. Importantly as well, our total exposure to Apple users in our Marketing Solutions business across both web and app is limited to less than 10% of revenue ex-TAC as of October 2021, including about 4% on app.

As part of our commitment to transparency with our shareholders, the expected impact from ATT and iOS15 changes is already reflected in the \$55 million privacy and identity impact for 2021 that we have previously communicated to the market, and that Sarah will comment on shortly.

While Apple's changes make it harder for marketers to gain access to the data that enables tracking and affects media owners' ability to best understand and serve the consumer, this serves as an opportunity for us as we serve the market to offer alternatives. We've been working on alternative solutions to iOS and Chrome for over 2 years and are confident in our position today.

We -- to say this another way, we started our transformation journey years ago and believe we're ahead in the race to drive superior performance and environments deprived of third-party identifiers. Our Commerce Media Platform built on our first-party media network, allows us to collect alternative addressable identifiers to build privacy-by-design audiences and drive commerce outcomes on inventory consumed by Apple users.

In addition, with broad reach of 650 million daily active users globally, we engage consumers not just on their Apple device, but in the multiple environments in which they interact. In the U.S. alone, our largest single market and the biggest advertising market in the world, we reach over 50% of the U.S. population, on par with Facebook's app. This means that we have plenty of opportunities to reach and engage consumers along their shopping journey.

Shifting to our third quarter highlights. We continue to deliver against our 3 strategic priorities of growth, execution and first-party data.

First, growth. We achieved double-digit growth for the second consecutive quarter driving, revenue ex-TAC up 14% at constant currency. We delivered the highest growth in our New Solutions in 4 quarters at plus 66%, and we're pleased that our new solutions now represent 28% of our total business, up 3 points compared to Q2. This fast growth in our New Solutions is accelerating our revenue diversification, a key pillar of our transformation.

Second, execution. Our team continues to execute steadily with grit, focus and conviction across our entire solutions portfolio for marketers and media owners. As I've said every quarter, we're committed to maintaining a high say-do ratio in everything that we do.

Marketing Solutions performed strongly, largely driven by solid growth with retail strategic customers like Macy's and bonprix. We also experienced strength in our core clients spend and a solid retargeting business. Retargeting remained healthy, growing 1% despite the expected impact from identity restrictions. Excluding incremental identity headwinds, retargeting actually grew 10%.

Within Marketing Solutions, growth in our New Solutions accelerated to 68%, up 16 points since Q2, with growing contribution from our agency partners. Audience-first targeting is a growing area of focus for us, enjoying steady momentum with both our retailer and brand customers and the agencies they partner with. Growth in our audience-first targeting solutions accelerated 18 points compared to Q2 to close to 50%, as marketers increasingly spend across the entire marketing funnel with us.

Omnichannel, our product that helps marketers optimize their marketing investments across online and offline, now represents 20% of our new solutions business within our Marketing Solutions Portfolio, growing about 140%. We see increased traction with customers willing to target consumers everywhere and build the online and offline worlds as e-commerce remains strong and economy is increasingly reopened.

Lastly, we're launching very exciting tests of our new Shoppable video ads offering that Todd mentioned at our Investor Day. This opportunity is very compelling for our marketing clients and for us, and we're encouraged by the early results.

In Retail Media, we see accelerating momentum as well. We delivered 65% growth in revenue ex-TAC, accelerating by 16 points versus Q2. Year-to-date, Retail Media has grown an impressive 70%, accelerating both on a 1-year and 2-year basis. We see continued momentum in our onsite business, largely driven by the growing network effects of our retail media platforms, which provides our unified retail media offering for brands and retailers on a single platform. Close to 80% of our Retail Media business in the U.S. already goes through RMP.

We had stronger growth with our top U.S. retailer customers, adding 10 new retailers globally and launched 10 retailers on the digital media platform, including Walmart Canada, BestBuy and Douglas. We're also thrilled to have our Retail Media Platform power the recently-announced retail media programs of large U.S. players, including Ulta Beauty and Lowe's.

In addition, our marketplace business delivered solid performance during the quarter accelerated by our successful acquisition of Mabaya, performing in line with our expectations. And we continue to make good progress on off-site business, which allows brands to extend their commerce audiences beyond retailer properties to the open Internet, with a strong retailer pipeline expected to drive acceleration in Q4.

Our third strategic priority is first-party data. As we've said before, connecting first-party supply will become the only way for both marketers and media owners to effectively advertise and monetize commerce audiences on the open Internet once the industry finally moves beyond third-party cookies.

We continue to make progress in securing first-party data via retail media. Our Commerce Media Platform strategy is anchored in our Retail Media on-site business, which is entirely built on first-party data and does not rely on any type of third-party identifiers, whether cookies or IDFA's, further strengthening our moat and our lead around third-party data.

We also continue to make progress in securing third-party data via our first-party media network, working directly with media owners like ABC and The L.A. Times to power third-party data media by buying on the open Internet. Today, approximately 60% of our daily active users on the web are addressable through media owners we have direct access to.

Building upon our legacy Direct Bidder product, we're actively increasing our direct integrations with publishers, including as part of our evolution to a full supply side platform. Our key focus remains the quality of our direct integrations with the media owners, ensuring key deep relationships with the most strategic players. That's why, in every market, we typically ensure direct paths to the top 100 publishers, giving marketers advantaged and transparent buying on the properties that matter most to their business success.

And with our Commerce Media Platform, we also deepened our relationships with the direct publishers by expanding their inventory reach to key consumers through new sources of marketer demand and greater publisher monetization and addressability.

Last quarter, we discussed our initiatives to bring third-party demand through the Criteo SSP and broaden our buying scale with our direct media partners. With over 550 global publishers already signed up, our SSP allows us to leverage our commerce data on a larger scale, bring our direct publishers larger buys of supply executed through Criteo to other third-party DSP and secure a long-term direct access to quality media.

In short, with Retail Media's unique first-party data assets and our larger media purchasing scale, including through more direct media integrations, we're uniquely positioned alongside the Walled Gardens to drive the best commerce audiences to the open Internet based on third-party data.

In closing, we're very pleased with the sustained momentum in our business and company transformation. We're making steady progress in delivering with focus on each of our key priorities of growth execution and first-party data. We continue to expand our Commerce Media platform to drive the best commerce audiences on the open Internet, further positioning us for sustainable growth and long-term shareholder value.

With that, I'll turn over to Sarah to discuss our financial performance and guidance. Sarah?

Sarah J. S. Glickman - Criteo S.A. - CFO & Principal Accounting Officer

Thank you, Megan, and good morning, everyone. I'm delighted to be presenting such a strong quarterly today. I will walk you through our financial highlights for Q3 as well as our guidance for the rest of 2021.

Starting with our financial highlights. Revenue was \$509 million growing 8%, with 72% of year-over-year growth driven by existing customers and 28% driven by new clients. Our revenue growth was primarily driven by favorable pricing. The total media spend activated by our Commerce Media Platform was over \$2.5 billion over the last 12 months and close to \$615 million in Q3, growing 23% at constant currency.

Revenue ex-TAC grew 14% to \$211 million. As expected and previously communicated in our guidance, this included \$17 million of incremental identity and privacy impact compared to last year. On a 2-year basis, revenue ex-TAC grew an estimated 9%, excluding incremental privacy impact

showing solid momentum. Our revenue ex-TAC margin represented 41.5% of revenue, up 200 basis points year-over-year, largely driven by retail media and the acceleration of our client transition to the Retail Media Platform.

Notably, we grew our customer base to close to 22,000 marketers and brands, adding 1,200 net new clients year-over-year, including more than 400 clients in Q3. Large customer wins include landmark names such as Lowe's, Wayfair and New Balance. We grew our same client revenue ex-TAC 9%, demonstrating the depth and breadth of our platform as 40% of live customers now use our New Solutions. Client retention remained close to 90%.

Looking at verticals. Our retail business up 16% on a 2-year basis at constant currency across our solutions reflects sustained strong demand as consumers continue to shop online while enjoying heading back to physical stores. Retailers large and small adopt more of our performance-focused products and are driving the solid momentum in our business. Our Q3 spend with travel clients is slightly increasing and we are signing new business, particularly in the U.S.

Our performance remains solid and balanced across all regions. We continue to see momentum in the Americas, with revenue ex-TAC up 18% at constant currency driven by acceleration in our Retail Media business with both large brands and top U.S. retailers, strong performance with strategic and core retail customers and new business in travel. We are proud to serve a roster of top retail and e-commerce customers and continue to strengthen our leading position in the fast-growing retail media market in the U.S.

Asia-Pac also experienced solid momentum, growing revenue ex-TAC 15% at constant currency, driven by higher classifieds, the strong recovery of our retail business in Japan and sustained performance with enterprise clients in Southeast Asia and Korea.

EMEA performance, with Revenue ex-TAC growing 8% at constant currency, reflects mixed performance by country and verticals. We continue to see strong traction from retail customers, notably in Germany, and in Retail Media, especially in France, partially offset by lower spend from one large Europe-wide travel customer.

Now a quick note on retail media revenue dynamics. As we progressively transition all our Retail Media clients to our Retail Media Platform, an increasing share of our Retail Media revenue, or about 62% in Q3, is now accounted for on a net basis compared to less than 5% in Q3 2020.

As a result of this transition, Retail Media revenue is lower in Q3 2021 compared to the prior year. This is a transitional impact linked to our ongoing client migrations to the platform. Year-over-year, the media spend activated in Q3 by Retail Media grew 74%, from \$90 million to close to \$160 million, accelerating from Q2, and Retail Media's underlying performance, reflected by revenue ex-TAC, remains extremely strong, growing 65%.

Once this transition is complete, which we expect by the second part of 2022, revenue and revenue ex-TAC for our retail media on-site business will be recognized on a consistent basis. As a result, this will drive a higher revenue ex-TAC margin for Retail Media compared to prior periods.

Moving down our P&L, we continued to deliver strong profitability while investing in growth. Our adjusted EBITDA of \$68 million was up 37% at constant currency, resulted -- resulting in an adjusted EBITDA margin of 32%, up 6 points year-over-year and over 3 points on a 2-year basis. We closed the quarter with a global headcount of 2,660 Criteos, the highest level since Q2 2020, reflecting our strong employer value proposition in a tight talent market.

Our growth investments are largely funded through productivity, enabling top line leverage as we ramp up commercialization of new solutions. Key investment areas remain, new hires in solution selling, go-to-market, R&D and product. In particular, for Retail Media, commerce insights and contextual advertising, as well as upgraded tools and processes to support our new solutions growth.

Non-GAAP expenses were \$143 million in Q3, up 5% at constant currency, and non-GAAP OpEx increased \$7 million or 6%, including 13% for R&D, and grew 5% before the impact of our higher stock price on social charges. On that same basis, we increased employee costs by \$3 million or 3% at constant currency.

We incurred a \$2 million gain of pretax restructuring and transformation costs in Q3, almost entirely related to a lease accounting impact from lease exits and amendments executed as part of our global office rightsizing. As a result, we now anticipate pretax restructuring and transformation expenses of about \$21 million in 2021.

Depreciation and amortization increased 3%, and the appreciation in our stock price year-on-year drove share-based compensation expense up 95%. Our solid business performance and disciplined cost management drove a quadrupling of our income from operations with close to 360% growth in net income.

Our Q3 effective tax rate was 24%. Our weighted average diluted share count grew 5% to above 64 million as a result of our growing stock price. Diluted EPS was \$0.37, up 310%, and adjusted diluted EPS was 64%, up 60%. We canceled just short of 900,000 shares in Q3 and plan to cancel over 630,000 in additional shares before the end of 2021, putting our total share count at about \$65.7 million by year -- sorry, 65.7 million by year-end, including 5.2 million treasury shares.

Our strong cash generation and cash position continue to provide ample financial flexibility to execute on our Commerce Media platform and Commerce Media strategy. Free cash flow was \$35 million in Q3, or 51% of adjusted EBITDA, reaching \$112 million for the first 9 months. We closed the quarter with a strong balance sheet and \$554 million in cash and marketable securities. With financial liquidity in excess of \$1 billion, we maintain a robust capital allocation process with a primary goal of investing in continued organic growth and leveraging M&A to accelerate our Commerce Media Platform.

We repurchased 1 million shares in Q3 at an average cost of \$38.6 per share. Since starting our 100 million share buyback program in March, we have repurchased \$73 million worth of Criteo shares at the end of September, including \$38 million in Q3. In October, we extended our current share buyback program from \$100 million to \$175 million.

I'll now provide our guidance and business outlook for the remainder of 2021, which reflect our expectations as of today, November 3. As we head into Q4, we continue to see strong business momentum as evidenced by our revenue ex-TAC growing over 15% in October. While shops reopened, e-commerce remains strong, trending significantly above pre-COVID levels as consumers increasingly value online shopping convenience and e-commerce continues to benefit from some store closures. And as shops continue to reopen, retailers accelerate their investments in multichannel fulfillment capabilities, making omnichannel increasingly prevalent in their marketing mix. Overall, we continue to be well positioned to capitalize on these long-lasting positive trends.

We're experiencing an earlier start to the holiday season this year, carrying momentum into our fourth quarter to date. In parallel, current inflationary pressures have amplified many marketers' needs to advertise for more expensive products. We anticipate the holiday season to span over an extended Cyber 30 curve similar to last year for our U.S. and European e-commerce customers, and we expect the tail off in December to be, earlier this year. While global supply chain challenges have had pockets of impact in parts of the consumer electronics vertical and auto, which represents small parts of our business, we have not seen any material impact on our business to date.

Our robust growth is supported by our diversified customer base of 22,000 marketers who, in the current environment, remain focused on reaching the right audience at the right time. Our guidance, therefore, anticipates a strong holiday season and continued strength in retail with growth in travel and consumer electronics.

As you know, we also have tough comps from last year in Q4. Lastly, our \$55 million assumption for incremental identity and privacy impacts in 2021, including ATT and iOS 15, remain unchanged and include a \$25 million impact in Q4, specifically including approximately \$15 million for ATT and about \$5 million for the new iOS 15 changes.

We will not be providing formal 2022 guidance on this call. That being said, looking ahead, we are optimistic about our growth trajectory, and we are confident that the robust growth that we expect in New Solutions and retargeting in 2022 will continue to more than offset the incremental identity and privacy impacts that we anticipate for next year. As of today, we assume that these identity and privacy impacts, incremental to 2021, will amount to less than \$60 million in 2022.

Taking all of these factors into consideration, we are releasing our full year 2021 revenue ex-TAC growth guidance to approximately 10% at constant currency. We expect our fast-growing new solutions to grow above 50% in 2021, including 60% for retail media as we continue to strengthen our Commerce Media Platform. We are also increasing our adjusted EBITDA margin guidance to about 35% of revenue ex-TAC, demonstrating top line strength and operating leverage.

In 2021, we expect our adjusted EBITDA conversion to free cash flow to be about 45%. Due to stronger revenue performance and regional mix, our projected tax rate is expected to be 26% for 2021.

For Q4, we expect revenue ex-TAC between \$271 million and \$274 million, driving constant currency growth of 8% to 9%. We expect our New Solutions to grow about 45% in Q4 as we lapped strong growth and tougher comps from last year, and we expect Q4 adjusted EBITDA between \$107 million and \$110 million, or a margin of 39% to 40% as we continue to invest in our growth areas and plan for a higher bonus payout and sales commissions for the year.

In closing, we are excited about the momentum in our transformation. Criteo continues to be uniquely positioned to win in commerce media.

And with that, I'll now open up the floor to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Today's first question comes from Doug Anmuth with JPMorgan.

Douglas Till Anmuth - JPMorgan Chase & Co, Research Division - MD

First, just on New Solutions, you highlighted the acceleration partly driven by agency partners. I was hoping you could just talk more about your efforts there, how you brought the company closer to agencies over the last 2 years, perhaps what work remains to do there?

And then secondly, just to go back to supply chain. I know that you mentioned consumer electronics and then also auto and not seeing much impact thus far, I guess, just curious kind of what gives you the confidence that will stay kind of stable and the things kind of don't potentially get any worse as you go through the course of 4Q?

Megan Clarken - Criteo S.A. - CEO & Director

Good to hear from you. Let me kick things off here with agencies, and then I'll spill over to supply chain. And if -- if I don't cover it all, which I'm sure, I'll throw across to Sarah to help out.

On the agency front, we've gained a lot of traction over the last couple of years, about 1/3 of our business runs through agencies today. It's been an effort which doesn't stop. In fact, we've got a lot more work to do, but it's showing promise. So firstly, the performance agencies that we deal with are really great partners of us when it comes to marketing solutions.

And as I said a couple of years ago, we wouldn't have acknowledged that. Today, we do, and we've worked hard to get in. They are now important clients to us and see us as important partners for them to service both their marketer clients and help them get access to media that they might not be able to get access to without a partner like us that has direct access to media properties.

On the agency holdco front, this is really the domain of Retail Media. Retail Media has had a really strong push in -- through agency holdcos to get to some of the biggest brands that we enjoy the company with, enjoy having us -- our partners and clients. What I'm mostly excited about is that's just the beginning.

So I think if you started off not from scratch, 2 years ago, but maybe at a 20% 2 years ago, and we pushed our way through to be trusted partners to maybe a 60% today. There's a lot of wiggle room there for us to go deeper with agencies. And that comes through just over time, showing them that we can help them get performance and continue to attract and retain clients. But also that we have, internally, the ability to bring our commercial teams closer and closer together and be able to tell a more holistic story of the Commerce Media Platform and how that can be of benefit to agencies, too. So long and the short of it is, there's a lot of wiggle room there, but we're pretty happy with the traction that we've made to date.

On the supply chain topic, I think it's important to always note that we're in the advertising business. And therefore, it's really about whether -- the question is whether or not the supply chain drives up advertising, and we've not seen anything like that. In fact, to the contrary, if you look at ad spend across the globe for 2021, it's predicted to grow by about 14%, and so that's far from -- that's total.

And if you just look at digital, it looks like it will grow by 20%. So -- and the clients that I've spoken to around -- directly around the subject of their supply chain, a couple of things to note. One is that they have seen this coming and have beefed up stock where they can get stock, and have promoted goods that they have on the shelf or had access to or have access to deliver. They still have to advertise. They still need to make money. They still need to shift product.

And so we've -- what we've done is we've just seen them change what they advertise. They haven't backed away from advertising because of the supply chain problem. That's what we've seen. And then the other thing to note that our business is both goods and services. And so we see both of them tracking along extremely strongly, and services are clearly less or not affected by any kind of supply chain issues. Anything to add, or?

Sarah J. S. Glickman - Criteo S.A. - CFO & Principal Accounting Officer

I mean, I think the only thing to add is we have 22,000 customers, so the diversified eventually helps us here. And then just when we look at the, I guess, the businesses that are more impacted by supply chain. Yes, auto may be slightly smaller than it was a quarter ago, but it's -- we've got more than offset that with growth elsewhere. So each client is different, but we see growth in one client, offsetting, I guess, less growth in another, and that's been our business model and helps us through kind of all trends, and we don't see any significant impact of supply chain for Q4.

Megan Clarken - Criteo S.A. - CEO & Director

Yes.

Operator

And our next question today comes from Sarah Simon at Berenberg.

Sarah Simon - Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst

I've got a few questions. First one is to Sarah. You obviously referred to higher bonus provisions given how strong the numbers have been. As we kind of head into 2022, do you think, relative to what you achieved this year, you're kind of fully paid up? Or is there going to be a catch-up in terms of bonuses next year?

Second one for Megan. Just on agency relationships and so on. Obviously, we've seen Publicis by CitrusAd. Has that resulted in holdcos coming to you as opposed to maybe going to CitrusAd because they've lost their independence? I'd be interested in anything you can say on that.

And then just another one on travel, you've talked about it recovering. Is it doing better than where you thought it was going to be at this point, if you compare that to say what you said to us at Q2?

Sarah J. S. Glickman - Criteo S.A. - CFO & Principal Accounting Officer

Sarah, great to hear from you. I'll cover the bonus and travel. So on bonus, we -- I mean, we proactively -- we pay for performance, and we have a very structured bonus program that really does drive from -- for the most of the population, the RexT, and then for kind of executives is RexT and EBITDA. And on sales commission, obviously, that's straight from how and what the sales process is and how -- from a new sales perspective as well as new solutions.

We don't see any true-up for 2022. We do see that we want to pay for the performance that we're delivering this year and that everyone is working incredibly hard, and that's what we're paying for. So no true-up for '22, but we start with, I guess, an even playing field. And obviously, we hope to be any numbers that we plan for next year, so we want to incentivize for that.

In terms of travel, you're the one I know who referred to this as a sleeping dragon, which we kind of love that term. It's waking up. It's waking up slowly. Our growth is double what it was a year ago, but that's still probably about half of what it was in 2019. We -- in Q4, we have seen some new bookings, so we have seen some new IOS coming in, and we've seen -- we see traction, but we expect it to be quarter after quarter as we continue to kind of move forward. So those are really the key takeaways that we have -- we're planning for right now.

Megan Clarken - Criteo S.A. - CEO & Director

Let me jump in on the Publicis or Citrus comments, Sarah. And good to hear you. We predicted it last quarter. I think we were asked the question about what we thought of the acquisition, and we actually see it as an opportunity given that holdcos are great partners and clients to ours for Retail Media, and are less likely for them to go to the likes of a Citrus or one -- or a capability that's owned by another holdco.

So what we have seen is exactly that play out. So thanks for the question. They are -- what we do find is that we have a stronger connection to the other holdcos that are looking to partner for this kind of capability and have counted out a provider in the market who has acquired or leans very heavily on their competitors, so exactly as we predicted.

Operator

The next question comes from Dan Salmon with BMO Capital Markets.

Daniel Salmon - BMO Capital Markets Equity Research - Analyst

I have 2 questions. First, for Sarah or Megan, or maybe a combination of both. I just want to follow up on the comments about the expectation for less than \$60 million of privacy impact for 2022. I just want to make sure I understand what's built in there. It sounds like ATT and iOS 15 make up the majority of that still as it does in the fourth quarter. But can you remind us what else is baked into that figure for next year? And how timing of that impact may ebb or flow?

And then second for Todd. I hope Todd's on. I would love to hear his take about the continued drumbeat that we're hearing around cleanroom as the next technology -- next generation of technology, rather, that marketers are using to leverage their first-party data. How is that trend relevant to Criteo? And do you see it as a risk or an opportunity or a mix of both for the organization?

Sarah J. S. Glickman - Criteo S.A. - CFO & Principal Accounting Officer

Yes. So I'll just start on privacy. And as you know, we haven't given any guidance out for 2022. But given this is such a hot topic, we wanted to at least not leave you with a cliff-hanger.

What we anticipate is that iOS kind of 15-plus will -- that's really starting early November, and so there will be an impact of that next year. So I would assume about half the impact relates to the iOS 15, kind of Hide My IP-type features versus this year, just given that it just began. So we've got 3.5 quarters, if you will, left of that.

And then for ATT, the rollout there in Q2 2021. So we're anticipating probably around another half of that \$60 million relating to the ATT. There's a small amount we're expecting for explicit consent, but as you know, that's kind of already had us for the most part, and our customers continue to focus on strategies to ensure that they continue to protect consumers as well.

So for the most part, that's iOS -- ATT plus iOS 15, and that's our expectation. And that relates primarily to the retargeting business. And of course, Retail Media has no third-party identified, so that's all first party. So that's the way we're thinking about it as of now.

Todd Parsons - Criteo S.A. - Chief Product Officer

Dan, this is Todd. Nice to join the call and to hear from you.

On the cleanroom point, just kind of going back to what we signaled on our Investor Day, and I think an earlier question you may have asked. We continue to lean forward in this space with all the major players that are promoting cleanroom offerings.

There are a couple of newer ones that are out there that you know. And then obviously, LiveRamp has had a Safe Haven product, which is somewhat being extended by DataFleets and so forth. But we're talking Snowflake, InfoSum, LiveRamp and a couple of others that we're definitely looking at as integration opportunities. These tend to be customer-driven integration opportunities where there are 2 use cases.

One is safely mixing first-party data of the marketer with our publishers or our data collective in a way that makes for a better commerce media audience to be targeted. And then the second use case, which is something where we really add value to cleanrooms, is activating those audiences across our first-party media network.

So we look at the emergence of cleanrooms as being very important to us in a fairly neutral sense. And as I mentioned, we've made a lot of progress partnering with all the major players since we last talked.

Daniel Salmon - BMO Capital Markets Equity Research - Analyst

Great. And Sarah, can I just clarify, the \$60 million impact for next year is an absolute amount, correct? Not incremental to this year?

Sarah J. S. Glickman - Criteo S.A. - CFO & Principal Accounting Officer

No, that would be incremental. And it's really more kind of second half versus first half this year. And this year, we obviously have more impact with other -- with explicit consent. Safari, Firefox, et cetera, at the beginning of the year. So it's kind of more a year-on-year impact just due to the timing.

Operator

Our next question today comes from Tim Nollen with Macquarie.

Timothy Wilson Nollen - *Macquarie Research - Senior Media Analyst*

Follow-on to the last on the impacts on next year, the \$60 million. I'm guessing -- I mean, you're -- didn't call out anything to do with Google cookie elimination, I assume that's not baked in yet. I know that's kind of pushed out to like '23-ish. I guess, is this something yet to worry about then the following year? Or are you getting to a point where you've got so much first-party data driving everything you do that, that really doesn't affect you as much by the time it finally comes about?

And then, I guess, relatedly, your retargeting number was positive for the second quarter in a row. I think it was 1% constant currency or even 10%, if you exclude some of those privacy effects. Any color you could give us on what that looks like into Q4 and beyond? Is this actually a sustainably growing business again already?

Megan Clarken - *Criteo S.A. - CEO & Director*

Let me take the first part of the Chrome question. So Google has pushed that -- the impact down the road. And what that means to us is, it just gives us more time to ready the market. It gives us more time to develop the product and create more and more and more first-party data. So the further it goes down the road, I guess, the longer we have to absorb any kind of impact there.

To date, we've been leaning into the test -- the tests that Google have done across their alternatives, both FLoC and FLEDGE. We blend then very, very quickly, and they're so far away from actually being ready for market adoption that it's left the marketplace with a big question mark around when and even if Google will go ahead with turning off the ability to use third-party cookies.

So we don't see any -- certainly, the heat's gone off any kind of impact from Chrome. And what we'll do is we'll just continue to do what we're doing, continue to build the moat, continue to bring in the third data to make us more and more resilient by the day to anything that happens across the Chrome browser to eliminate our ability to use any identifiers.

Sarah J. S. Glickman - *Criteo S.A. - CFO & Principal Accounting Officer*

I can quickly comment on retargeting and on Q4. So we are -- yes, retargeting is doing well. We do see that we have a robust plus business, they're very resilient as we expected. Most of the 2021 privacy impact, about \$24 million, is in Q4, so that obviously pretty much offsets the pretty phenomenal growth that we've already seen in retail and we expect to continue into Q4.

And in 2022, and again, I don't want to -- I'm not giving guidance in -- for 2022, but we do anticipate that we will continue to see resiliency in our retargeting space and we are looking to offset the incremental impacts in privacy. So it's a great business when it -- when it pays, it plays, and we're seeing that our customers really, really like to do retargeting. So all good.

Todd Parsons - *Criteo S.A. - Chief Product Officer*

I just wanted to add -- Tim, to add one thing to it that we didn't talk about. Obviously, spot on Chrome, going back to Chrome. But we didn't mention that we're actively helping our marketers find an advertiser engaged audiences, high-value audiences that are now available at lower CPMs in iOS.

So the impacts that we've talked about are obviously related to -- mostly to -- from web-to-app retargeting, a little bit of app-to-app retargeting. But what we didn't talk about is that our product efforts remain full steam ahead on helping target into those environments without it being a retargeting effect.

Operator

Our next question today comes from Matthew Thornton with Truist Securities.

Matthew Corey Thornton - *Truist Securities, Inc., Research Division - VP*

Congrats on the results. Maybe a quick housekeeping question for Sarah, and then I've got a follow-up for either Megan and/or Todd.

Sarah, on travel for the back half of the year. I think, previously, you talked about down 70% versus 2019. I think earlier, you might have mentioned something closer to maybe down 50%? I just want to make sure if I heard that correct, if that's how we should be thinking about travel in the back half of the year?

And then for Megan or Todd, when we think about contextual over retargeting, obviously, retargeting, Criteo is a dominant player and the market leader. From where we stand now, how do you think about your capabilities in contextual and your ability to be best-in-class and a market leader in contextual where perhaps there were already some incumbent players and other competitors kind of in that market? Any update there would be helpful.

Megan Clarken - *Criteo S.A. - CEO & Director*

Let's start with second question first. So just before I hand it across to Mr. contextual here and Todd, I sort of want to remind you of the things that go into the mix for us.

As I said before, we have 650 million daily activities. That's a lot of consumers, it's a lot of people that we see. We have 22,000 Commerce clients, so that's a lot of marketers with a lot of marketing data that we can get our hands on in terms of their shopping behavior, their e-commerce data. We see over \$900 billion in e-commerce sales. We see it. So we know what people are buying.

And we also, from our background, have a good reputation in creating outcomes, so we're responsible for about \$40 billion worth of Commerce outcomes from the client base that we have today. So if you take that capability, that data and layer on our AI capability on top of that, then you have this melting pot, if you like, of stuff that is being pulled into our contextual product offering. So I'll pause there, you jump in, Todd.

Todd Parsons - *Criteo S.A. - Chief Product Officer*

No, that's great. Megan, I appreciate that. And just to add a little bit to it, everything that makes us different from a contextual standpoint, of course, we do all the regular content and meaning extraction that others do, some natural language processing, that would not be enough.

What does make us different is that there will always be a certain amount of first-party users recognized across both app and web that have buying behaviors that are uniquely seen by Criteo. So in order to match those and then to take match into the contextual meaning that I described before is what makes us different, and it will always make us different.

Sarah J. S. Glickman - *Criteo S.A. - CFO & Principal Accounting Officer*

And I'll just quickly take the travel question. So going into -- if I kind of look at the quarter-on-quarter versus 2019, Q1, we were down about 80%. And obviously, when we planned, we expect to be slightly better than that. Q2, we exited about 70%, same as Q3, and we're anticipating Q4, we hope to exit around 50%. So we are seeing some new orders kind of coming in, in Q4. So that's the way that we're thinking about it.

Matthew Corey Thornton - *Truist Securities, Inc., Research Division - VP*

That's very helpful. Maybe I could just slip one other quick one in, only because you guys talked a little bit about your Shoppable video ads. And obviously, we're hearing more and more about performance marketing, trying to find its way into -- into CTV. And so my question there is, I guess, any chance we could see some -- whether it's a CTV platform or a CTV publisher, any type of partnerships that could come our way in the coming months and quarters?

Todd Parsons - Criteo S.A. - Chief Product Officer

I mean we're really focused -- first of all, we're really excited about Shoppable mainly because we have always brokered on the promise of bringing commerce to where consumers are most looking to discover a brand or to engage a brand. For us, the first and most meaningful scale opportunity is in online video.

And the testing that we're doing now, not surprisingly, leans into online video. It doesn't mean that we won't be talking about CTV as well, but you're going to hear a lot of noise from us on online video because there's so much untapped opportunity for Shoppable across the open Internet right now. And it really signals quite an evolution for us beyond what has already been effective in display. So we're laser-focused on that, but we're certainly not close to any of those other opportunities.

Operator

And our next question today comes from Mark Zgutowicz with Rosenblatt Securities.

Mark John Zgutowicz - Rosenblatt Securities Inc., Research Division - MD & Senior Research Analyst

Maybe just a quick one on UID2. Todd, I don't know if you could comment on -- so how that's progressing and your participation there and sort of what contribution you're anticipating from your participation?

Todd Parsons - Criteo S.A. - Chief Product Officer

Yes. We're still moving along. And obviously, that is a very ambitious initiative that is there to benefit the entire ecosystem. We're still very supportive of it. And of course, we have worked in parallel with prebid single sign-on that is advancing. These are big, big initiatives. I think we signaled in earlier calls that we expected it would take the better part of a year to get to any scale, but we do see progression, and we're happy with it. It could always go faster, but do bear in mind, these are for the whole ecosystem, not just for the Trade Desk or for Criteo.

Megan Clarken - Criteo S.A. - CEO & Director

Yes. Our sort of focus on this has been one of interoperability and the ability for all of these things to work together. And to Todd's point, that's a hugely ambitious task, but one that we're laser focused on, and we're behind -- not behind, we're trying, we're pushing this as fast as we possibly can because we need to make sure that entire market is ready to go at a time when Chrome decides to enact third-party cookies.

Mark John Zgutowicz - Rosenblatt Securities Inc., Research Division - MD & Senior Research Analyst

Okay. Great. And just a quick one for -- I might have missed this. But can you just quantify what the travel contribution was to your revenues in 2019?

Sarah J. S. Glickman - Criteo S.A. - CFO & Principal Accounting Officer

I think for the year, it was around about \$100 million, if I recall.

Edouard Lassalle - Criteo S.A. - SVP of Market Relations & Capital Markets

The total COVID impact last year was \$100 million in travel. For other, I think 2019 like [\$100] (corrected by company after the call) million.

Sarah J. S. Glickman - *Criteo S.A. - CFO & Principal Accounting Officer*

I think travel as a segment.

Edouard Lassalle - *Criteo S.A. - SVP of Market Relations & Capital Markets*

Yes. It was about [\$100] (corrected by company after the call) million in 2019.

Mark John Zgutowicz - *Rosenblatt Securities Inc., Research Division - MD & Senior Research Analyst*

[\$100] (corrected by company after the call) million?

Edouard Lassalle - *Criteo S.A. - SVP of Market Relations & Capital Markets*

Well, thanks, Mark. I think we're going to end up the call here. So we'd like to thank Megan, Sarah and Todd, and thank everyone for joining today. This will now conclude our call.

The IR team is always available for any follow-ups you guys may have. So please do not hesitate, and thanks. We wish you a good end of day. Thanks.

Megan Clarken - *Criteo S.A. - CEO & Director*

Thank you, everybody.

Sarah J. S. Glickman - *Criteo S.A. - CFO & Principal Accounting Officer*

Bye, everyone.

Todd Parsons - *Criteo S.A. - Chief Product Officer*

Thank you.

Operator

Ladies and gentlemen, this concludes today's conference call. You may now disconnect your lines, and have a wonderful day.

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