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CRT0.OQ - Q4 2021 Criteo SA Earnings Call

EVENT DATE/TIME: FEBRUARY 09, 2022 / 1:00PM GMT

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PRESENTATION

Operator

Welcome to Criteo's Fourth Quarter and Fiscal Year 2021 Earnings Call. (Operator Instructions) Please note, this event is being recorded. I would now like to turn the conference over to Edouard Lassalle, SVP, Market Relations and Capital Markets. Please go ahead.

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

Thank you, Kate. Good morning, everyone, and welcome to Criteo's Fourth Quarter and Fiscal Year 2021 Earnings Call. We hope you're all doing well today. Joining us on the call are Chief Executive, Megan Clarken; Chief Product Officer, Todd Parsons; and Chief Financial Officer, Sarah Glickman. As usual, you'll find an investor presentation on our website now as well as our script 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 form 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.

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

Well, thanks, Ed, and good morning, everyone. 2021 was a pivotal year for Criteo as we worked hard to execute against our strategic transformation plan. I'm proud of the tremendous progress that we've made, and I'm bullish about what lies ahead. I want to thank all of our employees across the globe for their relentless dedication to drive innovation and change for our clients, enabling us to deliver our impressive performance and reposition our business to lead the future of ad tech.

Today, I'll cover 3 main topics on the call. First, the strong progress we've made in 2021; second, the ambitious goals that drive our bold vision and commerce media; and third, the relentless focus that we put on execution. Todd will then present our product and go-to-market priorities for 2022, and Sarah will discuss our performance highlights and our guidance for the year.

Let's start with our progress on our transformation. Today, we believe we've turned the corner and enter a new stage, one of growth and of scale from a declining pure-play retargeting business, which turned around to become a strategically diversified and growing business, and our Commerce Media strategy has come to life. This is evidenced by our double-digit growth in 2021, which we believe we can sustain for the years to come.

In 2021, we continue to build scale across our business, as shown by the 19% growth and the annual media spend we activate for our clients, reaching \$2.7 billion in 2021. We've capitalized on our strong first-mover advantage on Commerce Media, our rapidly expanding Retail Media footprint and fast-growing global consumer reach to position Criteo as an ad tech leader, differentiated by Commerce Media.

We're building on multiple strong differentiators to sustain and strengthen our lead in Commerce Media. These include 685 million daily active users who are online to buy products and services, amongst other activities.

Our large scale and first-party data from 22,000 clients, unique access to over \$1 trillion of e-commerce sales, our differentiated Retail Media offering powering over 50% of the top 25 retailers in the U.S. and Europe and 16 years of commerce-focused AI expertise. We have all the right assets to accelerate our strategic plans and be the go-to for Commerce and Retail Media for the open Internet.

Talking about Criteo's strategy. Let me take a moment to remind you of the goals guiding our ambitions in Commerce Media. At Criteo, we believe that we invented Commerce Media, which we first introduced in the fall of 2020. E-commerce continues to grow in the form of sales dollars and percentage of total retail sales, and Commerce Media takes advantage of this by bringing advertising spend into the digital stores paid with advertising campaign, run against off-site media to maximize marketing spend and drive significant commerce outcomes. We combine large-scale commerce data and intelligence to deliver rich consumer experiences, engaging consumers from discovery all the way through to purchase to drive both online results and in-store visits and sales.

With Commerce Media, we help all parties increase digital advertising returns by informing marketing decisions, improving targeting and creating efficient, effective ads. We bring consumers to brands, brands to retailers and audiences to publishers. In short, we're creating an open marketplace where we connect consumers, marketers and media owners to drive commerce outcomes with control and transparency.

We don't believe that anyone else is doing this across the open Internet, like we are. Our Commerce Media platform opens up a potential \$100 billion TAM by 2024, more than doubling the market we served prior to our transformation. We believe a number of strong secular industry tailwinds support our massive opportunity, including the rapid surge of e-commerce since the beginning of the pandemic, the huge potential that having access to first-party data unlocks for marketers and media owners and the critical need retailers have to partner with technology and media companies.

According to multiple industry experts, Retail Media has become the number one secular growth trend in digital advertising today, overtaking search and social. And as marketers respond to the consumer shift to e-commerce, which is expected to grow double digits again in 2022, traditional trade marketing dollars used for bricks-and-mortar in-store promotions are rapidly moving to digital, allowing retailers and brands to personalize promotions and ad placements for consumers -- for customers and drive sales both online and in-store. This shift represents a market opportunity of an additional \$80 billion in TAM.

When adding the full potential of online trade marketing, which we're poised to capitalize on, at total addressable market reaches \$180 billion to \$200 billion. Leveraging these powerful trends and opportunities as well as our recently signed acquisition of IPONWEB will enable us to further scale to meet the demand of Commerce Media capabilities across the open Internet.

In fact, certain industry experts already view Criteo as a walled garden for commerce media. This is ironic, but is this -- if this means providing commerce media solutions to everyone by creating commerce connections and delighting consumers, then we'll take it. Looking at 2021 in the context of our bold vision. We delivered on all of our key milestones around growth, execution and first-party data. Starting with growth. We

delivered double-digit growth above our guidance in 2021 of 11% at constant currency on a contribution ex-TAC basis, which is previously called revenue ex-TAC. Our fourth quarter marked the fourth consecutive quarter of contribution ex-TAC growth. We remain laser-focused on execution.

In 2021, we accelerated our business diversification with non-targeting products, representing 32% of contribution ex-TAC in our fourth quarter and close to 30% in 2021, up from 19% a year ago. Criteo is no longer a single product company, with 1/3 of our live clients using more than 1 Criteo product. In terms of client count, this is 17% more than a year -- the year before, demonstrating that our broad Commerce Media Platform enables our clients to market and monetize the digital assets up and down the marketing funnel.

In turn, this enables us to grow our business in a more balanced way across our portfolio. Our growth is also well balanced between existing and new clients. We added hundreds of net new clients across all solutions. Importantly, we benefit from fast increasing traction and up-selling and cross-selling our solutions to existing clients. For example, our Commerce Media Platform is supporting multiple brands in portfolio to drive product awareness, engage offsite and in-store customers online and generate sales. We're leveraging our full funnel capabilities for these brands with a holistic audience approach, integrating many of our solutions across marketing solutions and retail media.

Another example includes a large New York-based omnichannel retailer that is constantly broadening their partnership with us through time and is using our audience targeting and retargeting along with our omnichannel capabilities and of course, Retail Media. In 2021, this retailer is always on strategies and new product adoption across our portfolio led to a 40% increase in our business with them. This is the Commerce Media effect.

More specifically, Retail Media remains a powerful growth engine for us, as we continue to own this exciting space. Our platform offers a differentiated self-service interface to both retailers and brands and drives positive network effects for all parties. In 2021, we expanded our platform adoption with large retailers, including Lowe's, Carrefour, BestBuy, Nordstrom, Michaels, Costco and Douglas and started off-site campaigns for Lenovo, BestBuy and Walmart Mexico.

We've also invested in multiple growth areas to position Retail Media to meet new client needs, including retailer marketplaces with new clients like Freeway and new campaigns with Sam's Club, Meijer and Metro. And we're thrilled to have recently signed a 3-year global partnership with GroupM, the world's leading media investment company, part of WPP, to accelerate the demand and supply growth of Retail Media, while empowering GroupM's agency with -- around the world with incentives and first-to-market opportunities within our Retail Media ecosystem and platform globally.

This is our first global Retail Media agreement with a major agency holding company and further positions us as the Retail Media partner of choice on the open Internet. When it comes to audience first targeting, we're capitalizing on fast-growing opportunities. We saw strong renewal rates and budget increases in the back half of the year. We launched hundreds of contextual ad campaigns and saw good traction in online video with exciting results from our new Shoppable video ads product. Our omnichannel solution, enabling retailers to link their offline commerce data and online consumer identities grew by triple digits again in 2021, providing us with another strong layer of differentiation in the marketplace.

And finally, on first-party data, we've made significant strides to solidify Criteo's leadership position. Once the industry finally moves beyond third-party identifiers, our ability to connect first-party data from the supply side with first-party data from the demand side should provide a crucial advantage to effectively find and monetize commerce audiences on the open Internet. With this key objective in mind, we believe our pending acquisition of IPONWEB will greatly enhance our direct integration with publishers and accelerate the interoperability of first-party data between demand and supply.

This capability is a key differentiator for the Commerce Media Platform. Our focus is on removing platform fatigue for our clients who are required to extend themselves across more and more DSPs and SSPs as the environment becomes more segmented and the threat of third-party identifiers disappearing looms. All of our 2021 achievements would not have been possible without our people, who are our greatest asset to drive Criteo's long-term success. Investing in talent was one of our top priorities in 2021 and will remain front and center.

Our number of employees grew by 7% in 2021, showing our differentiated employer value proposition and our strong and innovative culture. Every day, we celebrate who we are through our diverse and inclusive culture, our commitment to the rights of people to the planet. In 2021, we achieved gender pay parity. We extended our parental leave to be inclusive of our diverse workforce, and we saw some 1,500 Criteo's that's over

half our company volunteer across 7 different employment resource groups with passion. We're delighted that 100% of our data center energy is now using renewable energy sources or offset by certificates.

And even more carbon, we work with Tree Nation to plant over 7,000 trees in 2021, an effort that will accelerate. I'm passionate about this subject and we'll continue to present Criteo as a poster child for what's right. As we focus on 2022, we'll be keeping you updated through a new set of strategic pillars, which will be consistent throughout the year. Over the past year, we prioritized around growth, execution and first-party data. Going forward, we're evolving those priorities to focus on integration, differentiation and scale.

And firstly, integration. Now more than ever, our culture of high performance and accountability will be instrumental in achieving our growth ambitions. To further scale our leading position and accelerate the deployment of our Commerce Media Platform, we intend to continue to invest in high-growth areas and hire or acquire strong talent.

Our pending acquisition of IPONWEB and the integration of this exciting asset is critical, as is the opportunity for us to unlock the power of the Commerce Media Platform through a more integrated go-to-market pivot. Our commercial push in 2022 is critical, and you'll see more from us on client segmentation, product mix, talent and more integrated go-to-market initiatives.

Second differentiation is what makes us unique and the right choice for clients. You'll see us focusing on things that set us apart from the assets that we continue to build on to the product functions and features to our tech investments in our people. We'll continue to differentiate to create opportunities for our clients and for ourselves. And finally, scale is critical to deliver sustainable growth. You'll see us focusing on making choices that enable us to scale. From partnerships that we formed to investments and efficiency plays. Everything we do is grounded on our ability to make its scale.

In closing, we expect to deliver double-digit growth again in 2022, with continued growth in Retail Media and Marketing Solutions. The accelerated shift towards e-commerce and digital advertising is a macro trend that will continue to grow. We're well positioned to help retailers target their customers anywhere, including to bridge offline commerce with online consumers. Commerce Media is the most important secular growth trend in the entire digital industry, and we're confident that our strong differentiated offering will allow us to continue to gain share there.

In pursuing our scale priority, we'll focus on improving our efficiencies across our business, building for growth and gaining share on our existing market opportunity. We believe we're heading into 2022 with a clear strategy and a great plan, a focus on deeper integration, differentiation and scale world-class talent, Commerce Media assets and strong execution momentum. With that, I'm going to turn the call over to Todd, who will provide an update on our product and go-to-market priorities for this year. Todd?

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

Thank you, Megan, and good morning, everyone. Our team's efforts over the last year have been instrumental in bringing our Commerce Media Platform to life. And I'm truly excited about the promising opportunities that lie ahead for Criteo and our partners.

First, to follow up on Megan, our primary focus in 2022 will be on integration. From a product perspective, that means we are streamlining our go-to-market strategy and converging all of our solutions under a unified Commerce Media Platform experience, offering a single point of entry to all of our customers. We're also excited to leverage IPONWEB's complementary assets across our product portfolio to turbocharge the delivery of our product road map. We've had a long-standing partnership with the IPONWEB team and ultimately anticipate a fast integration of the BidCore DSP and the MediaGrid SSP into our Commerce Media Platform.

Combining BidCore's DSP for mid- and upper-funnel marketing to our existing strengths in retargeting and on-site retail media should make our Commerce Media Platform proposition even more powerful for marketers and agencies because it will cover the entire consumer buying journey across digital stores and media destinations on the open Internet. And the MediaGrid SSP brings direct relationships with many publishers as well as the technology to scale these direct integrations and to curate media inventory and audiences across our broad publisher network.

By integrating the MediaGrid with our existing Criteo Direct Bidder and powerful Retail Media SSP, we're well positioned to significantly expand our direct publisher footprint while enhancing our first-party data operations, making our platform even more attractive to all types of media owners. Meanwhile, IPONWEB's highly custom R&D expertise is expected to meaningfully strengthen our own R&D capabilities, especially around making the Commerce Media Platform fully customizable for our largest and most strategic enterprise and agency clients. We believe this will greatly enhance the attractiveness of our value proposition to them, including for many retail media players as they expand into this booming space.

Finally, we expect the BidSwitch media trading marketplace to run independently and transparently while broadening our distribution of commerce audiences to a wider set of demand and supply partners. Secondly, with integration being a core enabling priority, we'll also be focused on further scaling our Commerce Media Platform offering in 2022 to realize its full potential for our clients and partners.

On the demand side, this includes scaling our audience targeting solutions and our DSP offering, shifting from selling point solutions to an audience-first sales approach that meets the advertising needs of our customers across the entire customer journey and allows us to capture additional marketing budgets. We are encouraged by the early traction and positive client response, including the adoption of our contextual offering by over 600 advertisers in 2021. And we're on track to fully ramp our sales efforts by the second half of this year.

In pursuing this strategy, online video remains a high priority in 2022 as we continue to engage in market consumers everywhere they are. We capitalized on strong demand for video campaigns, including Shoppable formats that we introduced last year and our growing agency partnerships. We've already partnered with over 400 advertisers for online video campaigns in 2021 and look forward to many, many more before brand launches are planned in the coming months.

On the supply side, we're thrilled to formally launch our media monetization offering and expect to fully ramp our commercial efforts by the second half of this year with the anticipated addition of the MediaGrid SSP. This will be a critical development priority in 2022, and we will continue to update you on our progress. Important to both the demand side and the supply side of our business is our plan to further develop our partnerships with media agencies, which play a critical role for mid- and upper-funnel advertising.

Our exciting multiyear partnership with GroupM is just the beginning here, and we want to give the top media agencies access to our powerful combination of commerce audiences and high-quality curated inventory for campaigns they can run with a DSP of their choice. Lastly, we'll focus on reinforcing our differentiation in the marketplace with our privacy-focused first-party media network. We think our strong media buying power, largely enhanced by the \$1 billion of incremental media spend we expect to get from IPONWEB, will help us further broaden our access to unique media, expand our cut to consumer reach and enhance our distribution and activation of first-party data.

In turn, this free flow of consented first-party data should help broaden our high-performing commerce audiences at scale on the open Internet, with the network effects of attracting more advertising demand to our platform.

Before closing, I'd like to comment briefly on the topics API, Google's new proposal for the Privacy Sandbox. This recent development provides a sense of déjà vu in our industry. As we did with FLoC in 2020 and 2021, we plan to collaborate with Google and our industry partners to participate in the origin trial testing of topics, and we will continue to update you in the coming months on their ability to bring value to consumers, marketers and media owners.

Overall, we support providing a differentiated audience solution through Google's Privacy Sandbox and emerging tech that promises to support a fair and open Internet. With that, I'll turn it over to Sarah. Sarah?

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

Thank you, Todd, and good morning, everyone. I'm delighted to be sharing our strong results for 2021 and really excited about our growth opportunities for 2022 and beyond. Starting with our financial highlights for 2021. Revenue was \$2.3 billion, growing 9%. Throughout the year, revenue growth was primarily driven by favorable pricing. Contribution ex-TAC grew 12% or 11% at constant currency to \$921 million, with 72% of the growth driven by existing clients and 28% driven by new clients.

In line with expectations, this included \$57 million of incremental privacy impacts or 7 points of growth. Our contribution ex-TAC margin in 2021 was 41% of revenue, up over 100 basis points. And I'm pleased that we delivered record high adjusted EBITDA margin, free cash flow and EPS. As we mentioned in our earnings release, starting in Q4, we now disclosed 2 reportable segments: Marketing Solutions and Retail Media. As part of this disclosure, revenue ex-TAC has been renamed contribution ex-TAC and remains our key non-GAAP performance metric that we now reconcile to gross profit.

Looking at Q4, we achieved strong performance across our business. We grew retargeting in the low single digits and grew our Retail Media and targeting solutions 46%, with a tough comp to Q4 2020. Anticipated incremental privacy impact of \$28 million negatively impacted growth by 11 percentage points in Q4, reflecting continued upselling and cross-selling across our client base of same client contribution ex-TAC grew over 9% at constant currency and 44% of live clients now use services other than retargeting.

In Q4, our top 10 client business in Marketing Solutions grew 60% year-over-year and 47% compared to Q4 2019. In addition, close to 1/3 of new business came through both our direct and agency channels for Retail Media and Targeting Solutions. Client retention again remains high at close to 90%. We enjoyed a strong holiday season again this year. As expected, we saw early sales trends solidifying what is now Black November. Retail Media had a record performance during Black Friday. And during the 5 and 6 weekend, overall client spend in Marketing Solutions increased 5% in the U.S. and 11% in LatAm. There were no material impacts from supply chain issues across our business in Q4.

Looking at our business segments. In Retail Media, we grew media spend by an outstanding 64% sequentially to close to \$260 million in Q4 and close to \$700 million in 2021, up 63% year-over-year. Retail Media grew 58% in 2021 on a contribution ex-TAC basis and has more than doubled since 2019. We closed 2021 with 74% of our Retail Media business conducted through our Retail Media Platform, including 82% in the Americas, and we expect the RMP transition to be completed by mid-2022 in the Americas and the second half of the year in EMEA.

In our Marketing Solutions segment, we had balanced growth between our existing and new business. Retail as a vertical grew 17% at constant currency across our business in Q4 and 22% on a 2-year basis, reflecting sustained strong customer demand across physical and digital stores. Our classified business further recovered in Q4, and travel clients contributed to show signs of recovery. Our Americas region has been growing at a rapid pace, reflecting a solid resiliency targeting business strong performance with strategic and core retail customers and a 50% growth in Retail Media with both top brands and retailers.

We continue to be a leader in the U.S. Retail Media space and to strengthen our leading position in this fast-growing market. Asia-Pac also experienced solid momentum driven by good retail performance in Japan, Southeast Korea and Southeast Asia and Korea and a strengthening performance in Classifieds. EMEA remains solid with a strong Black Friday and continued strong traction across retail, including in Retail Media, notably in Germany and our emerging markets. The region was also impacted by explicit consent.

We delivered strong profitability while still investing in growth. Adjusted EBITDA of \$322 million in 2021, was up 26% at constant currency, driving an all-time high 35% margin, up 460 basis points. While this margin improvement was largely driven by operating leverage from top line growth and productivity improvement, it also reflects several structural cost measures initiated in 2020, including in our hosting and facility costs.

We closed the quarter with 2,800 Criteos, the highest level since Q3 2019. Non-GAAP OpEx increased 18% at constant currency in Q4 and 6% in 2021, including 13% for R&D and only grew 4% in 2021 before the impact of a higher stock price. In Q4 of 2021 over performance resulted in an incremental \$10 million for bonus accruals and sales commissions or 8 percentage points in the growth of non-GAAP OpEx.

As expected, we incurred pretax restructuring and transformation costs of \$22 million in 2021, including \$16 million in facilities as we rightsized our global office portfolio. Depreciation and amortization was flat in the year, and the growth of our stock price in 2021 drove share-based compensation expense up 43%. Our strong business performance, coupled with disciplined cost management, drove a 40% increase in income from operations in 2021 and 84% growth in net income.

The \$2 million in financial and other income in the year largely related to proceeds from selling service and dividends received from an investment. Our effective tax rate for 2021 was 11%, primarily reflecting the release of the valuation allowance against deferred tax assets in the U.S. and the benefits of our French patent box tax rate. Our 2021 diluted EPS growing 80% and adjusted diluted EPS growing 56%, both reached record levels.

We canceled 1.5 million shares in 2021, resulting in total share count of 65.9 million at the end of 2021, down 1%, including 5.2 million treasury shares.

Our strong cash generation and cash position continues to provide ample financial flexibility to execute on our growth strategy. Free cash flow grew 157% to \$56 million in Q4 and 40% to a record \$168 million in 2021, reaching an all-time high conversion of 52% of adjusted EBITDA. We closed the year with a strong balance sheet and \$571 million in cash and marketable securities, up \$41 million in the year after repurchasing over \$100 million worth of Criteo shares, with total liquidity close to \$1.1 billion or about \$700 million after closing IPONWEB, we maintain a robust capital allocation process with the primary goal of investing in organic growth and leveraging M&A to accelerate our Commerce Media Platform.

We repurchased over \$2.6 million -- sorry, 2.6 million shares in 2021 at an average cost of \$37.8 per share and completed our \$100 million buyback program early December. We extended our share buyback program by \$75 million last October, and we'll start executing on it now that we have announced year-end earnings. We are also extending our buyback program by an additional \$105 million to a total of \$280 million.

Before I cover our financial guidance, I'll say a brief word on IPONWEB. IPONWEB's preliminary unaudited non-GAAP financials for 2021 are in line with our expectations and include net revenue growth of 23% to over \$100 million and an adjusted EBITDA margin of 20%. We expect to close the acquisition by the end of Q1.

I'll now provide our guidance for 2022, which reflects our expectations as of today, February 9. Overall, we see continued favorable macro trends with expected double-digit growth in e-commerce again. We do not expect a meaningful impact from supply chain issues or inflation on our business as marketers continue to lean into advertising to promote their products. That being said, we have clients across various sectors, including consumer electronics and auto that continue to experience challenges. Like others, we are experiencing a tight talent market and have anticipated higher salary levels for 2022.

We now anticipate incremental privacy impact of \$55 million in 2022 related to Apple's ATT and iOS 15 as well as explicit consent in Europe to a lesser extent. We expect about 75% of these privacy impact to materialize in H1 2022, including close to 40% in Q1 alone. While we may not be as exposed as other companies, iOS and other privacy impacts have impacted the underlying performance of advertising on the open Internet.

All of our 2022 guidance excludes the contemplated acquisition of IPONWEB. Overall, we view 2022 as a ramp-up year with an acceleration for continued growth in 2023 as we continue to execute on our strategic road map. For fiscal year 2022, we're targeting constant currency growth of 10% to 12% in contribution ex-TAC on top of our double-digit growth in 2021. This assumes organic growth of around 20% in gross media spend, including to over \$1 billion for Retail Media alone, growing close to 60% in 2022.

We expect retargeting to be resilient despite the incremental privacy impact, Retail Media to grow by 50% in 2022, with accelerating growth throughout the year and audience targeting to grow by 40% to 45%, all in line with the framework provided at our Investor Day in June of last year. On the expense side, we have budgeted a 16% growth in non-GAAP expense driven by continued investments in our growth areas and an increased run rate for expenses related to marketing events and travel. We will continue to hire new Criteos to fuel our growth agenda.

For 2022, we expect an adjusted EBITDA margin of approximately 32%. We expect a normalized tax rate of 25% to 30%, which includes the anticipated impact of OECD reforms. We expect CapEx of about \$85 million and a free cash flow conversion rate of about 45% of adjusted EBITDA. For modeling purposes, we would assume a flat number of shares outstanding in 2022. We estimate ForEx changes in 2022 compared to 2021 to drive a negative impact of about \$20 million on contribution ex-TAC or over 2 percentage points of growth and \$8 million on adjusted EBITDA or 15 basis points of margin.

In Q1 2022, we expect contribution ex-TAC of \$216 million to \$220 million, growing by 5% to 7% at constant currency and adjusted EBITDA of \$52 million to \$56 million. We expect negative impact from contribution ex-TAC of \$8 million from ForEx or close to 4 percentage points of growth and \$20 million from incremental privacy impacts were about 10 percentage points of growth.

Retail Media is expected to grow 40% in Q1 following over 120% growth in the same period last year. We expect underlying growth in retargeting to be offset by incremental privacy impacts, especially related to iOS. Marketers are more conscious of lower performance post iOS. On the expense side, we expect to accelerate hiring in Q1 and increase our marketing spend around the Criteo brand.

In closing, Criteo has the ambition to be the largest ad tech player on the open Internet. With our Commerce Media Platform strategy, fast coming to life, we're well positioned to deliver on our plan for double-digit growth healthy profitability and strong cash generation to drive long-term shareholder value in 2022 and beyond. The future is wide open for Criteo. And with that, I'll now open up the floor to our questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question is from Doug Anmuth of JPMorgan.

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

Questions. I have two. Just first on Commerce Media. I was hoping, Megan, if you could talk a little bit more about how budgets are getting set? Are you seeing more coming through the annual budgeting process or still more primarily intra-quarter? And then secondly, just on the 3-year deal with GroupM, just curious about the potential for other agency deals? And what you think these kind of partnerships can unlock for you versus what's currently addressable?

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

Thanks for the question, Doug. Good to hear from you. On the budget front, it's -- again, it's different for different retailers. We go from retailers that are very clear about what their strategies are for their digital presence, digital store for the year that have dollars set aside in budgets for using on platforms like ours to enhance their ability to get a strong omnichannel play for the year. And so there are clients that we know very well. We've worked with for a long time that it's predictable and it helps us work out what we're doing for them throughout the year.

And then what I find really exciting, I guess, in terms of the opportunity is that there are retailers who are evolving and evolving really quickly. And they can see that there's a benefit. And I guess this is through the pandemic is a major benefit for them to accelerate what they're doing online to create a more sophisticated e-commerce presence and to utilize us to help them to get there from bringing brands to them to help -- helping them attract brands to their sites to actually supplying the tech.

And as I said before, to create a seamless experience for them and a long-term vision around things like platform fatigue and how we can help them not have to build this out themselves. So again, it's just -- it's very much different, but all of it is exciting around the opportunity that it brings to us for our Commerce Media Platform.

On the agency front, there's a ton of opportunity there. I'm thrilled with the announcement around GroupM. I think it speaks to -- speaks volumes to what we're doing and how we can help agencies out. And GroupM have -- is a strong partner of ours, and this really solidifies that. The retailers that we're working with, as I said before, are looking for us to help them to attract brands. And a lot of that comes from agencies and our relationships with agencies and therefore, our relationships with brands and with CPG products and everything that we can bring to the table. So it's the starter of something, I think, is going to be a big opportunity for us.

I've talked about this for the last couple of years about how we haven't had strong relationships with agencies, and we're really flexing some muscle here to lean into it and be helpful to them and not feel threatened by them or not compete with them but to become partners with them. And this is, I hope, a real indicator of our success there.

Operator

The next question is from Richard Kramer of Arete.

Richard Alan Kramer - *Arete Research Services LLP - Founder, MD & Senior Analyst*

Megan, I'd like your thoughts on whether Criteo is undergoing a sort of structural change in its business model in both the balance of agency versus principal business that you mentioned, but also working with retailers as publishers versus buying direct from publishers. Can you give us some sense or implications of what that will be for the take rates of the business on your activated media spend?

And then maybe another cut at how you see the business evolving, for Todd. I mean given the mentions of contextual and video and increased volume going through Retail Media, how do you see the balance of business between where you would expect to have had the persistent identifier in the past and where you would be leaning on other internal solutions? At what point do you think you're going to cross over into not relying on those third-party or persistent identifiers and instead looking to some of these new approaches?

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

Yes, I'll start sort of at a very high level, and then I'll pass it across to Todd. I do see a shift in our client mix. And I've said it for some time in terms of retailers are now media owners, and this is accelerating really quickly. They understand that they have content and that they can attract brands and they can attract -- they can monetize that both from a media perspective but also a promotion -- in-store promotion perspective that's gone from bricks and mortar to their online presence as well.

They also see an opportunity to monetize by partnering with brands to advertise offsite and reach a much broader audience. For us, our ability to help them with that off-site play really leans into our years and years of retargeting and targeting our ability to get to the amount of media owners or publishers that we have access to is just -- is so unique to an ad tech company that's leaning -- also leaning into on-site and helping them with their retail media presence.

And so it sort of broadens the capability to something that, Richard, I think gives -- you've sort of been on this before in terms of the uniqueness that Retail Media and Commerce Media Platform has and what Criteo can bring to that broader set of clients. And also, as I said before, the agencies are just key to this. They're right in the center of it. They hold the keys to relationships with not just the retailers, but the endemic brands, the CPG brands, the -- and everything in between.

And so that for us is just a really important critical part of our business that is just opening up opportunities, and we'll have an impact, I think, structurally on the way in which we go to market. Todd, do you want to add to that?

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

Yes. I would love to. Richard, nice to hear from you. So I think part of your question was, how do the different audience approaches kind of fit together for our customers under the Commerce Media Platform umbrella? And I just want to go back to when we first started talking. We have taken deliberately a path of investing in multiple approaches to create access to in-market audiences, commerce audiences for our partners across the open Internet. We do some of that addressably. We do a lot of that increasingly now with contextual, and we also continue to experiment with cohorts.

And the reason for that is because we want to provide all of our partners the best combination of audience targeting approaches to get to those end market customers, they wouldn't otherwise see on their website or their app. And so if you look at it that way, you can think of what we're doing with Commerce Media Platform is just making it a lot simpler to pull a variety of audience approaches together to give great scale access to

them and then to make sure on-site that we're packing a ton of value around what we're doing with on-site monetization and also with trade marketing coming online.

So whether that means has implications for our take rate or not is sort of academic. What's important for everyone on the call to know is that the approach to packaging these things means we can take a lot more of the total money. And we're just really getting into that with our go-to-market, which was a little hidden in my script, but we're packaging now to make it simpler for those 2 parts, those 2 use cases to work very gracefully together. And with that, we're going to take a lot more of the overall share of wallet.

Operator

The next question is from Dan Salmon of BMO Capital Markets. .

Daniel Salmon - BMO Capital Markets Equity Research - Analyst

Okay. Great. I've got two questions, one for Megan, one for Sarah. Megan, Sarah mentioned a new brand positioning for Criteo. And I see the news this morning, you'll be making a local buy in New York, Chicago and the Bay Area during the Super Bowl. That sounds very interesting. So could you give us a bit more of a sneak peek at what you and your CMO have in mind for repositioning the view of Criteo both within the digital ad ecosystem but also with consumers?

And then a second one for Sarah, just a follow-up on the privacy impacts. It sounded like it was a little ahead of your expectations for the fourth quarter. 3 months ago, it was very helpful when you broke down the impacts of ATT versus and iOS. So my question first is, was one of those greater than expected during the quarter? Or was it maybe the privacy changes in Europe? And then likewise, thank you for all the seasonal color on the 2022 privacy impacts possible to break that down into those 3 components of AGT, ILS 15 and the Europe impact, that would be great?

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

Yes, I'll take the first one, Dan. Good to hear from you, and thanks for spotting the news on the brand campaign. We're really excited by this one. There's 3 things that we want to achieve here -- no 4. One is brand awareness. So I've set my CMO a task of making sure that we're a household name, and he's taking that very seriously. He's doing a terrific job. And so this is one way to do it. And it's not just the Super Bowl campaign that's a kick off. It's a series of different brand awareness pieces that, actually, if you see the ads narrow us down to 15-second spots and 6-second spots and those things that will appear and really solidify the message. .

The message is for a few constituents. In terms of consumers, it is really about opening minds to what's going on, on the open Internet. And the notion that with the walled gardens taking away the ability for media owners to rightfully see their audiences and understand their audiences and sell their audiences, it's -- it is -- that has an impact on the open Internet, which is -- could be devastating. And we've talked about this for the last couple of years. So to make sure that consumers understand why they're accepting cookies, why they're giving their data and -- is I think critical for all of us. So this is a total play for in terms of education.

The second is, of course, a B2B. So for those who knew us as a retargeting company to bring some awareness to them to ask questions about what we're doing now and come back to our business is an objective of the campaign. And then thirdly, as a talent acquisition, in the spirit of differentiation for us to tell our story and to have great tech talent, which is a reason why -- one of the reasons why we've been selective around the parts of the country that the ad will air on is to attract talent to Criteo that sees the campaign is fascinated by come and take a look further and just differentiates us from everybody else. So it has sort of this multifaceted objective to it, and I hope it's -- I think it's going to be great.

If you've seen the campaign run, it's unusual and quirky and I'd love it.

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

And I would just add -- take a minute on the micro side. I also love it. In 2021, just to answer on privacy, so we had in our guidance expected \$55 million in our November guidance and about \$24 million in Q4. And I think all of -- we have -- all of us have seen a much more aggressive iOS 14.5 and 15 impact. So for us in Q4, the overall impact was about \$28 million incremental year-on-year. About \$23 million of that was iOS. In terms of 2022, we have assumed \$55 million. About \$20 million of that is in Q1 for iOS and about \$17 million in Q2 for iOS. And then 20 -- Q3 8 million, Q4 3 million, so a total of iOS impact of about \$48 million kind of incremental year-on-year. And then we've got other impacts for explicit consent and other identifiers.

We have not assumed any impact from other privacy measures, for example, Android. We -- there's a lot of talk. We feel that's remote impact for 2022. We do see a significant front-loading impact of iOS and it impact us, it impacted us, it impacts everyone on the open Internet.

So we definitely is part of that. That being said, we certainly see kind of the strong positive of 685 million daily active users, and then we continue, as Todd always talks about, so look to how do we find access to user signals to target in another way. So -- but we're happy to share more detail on privacy, and hopefully, that gives you some color.

Operator

The next question is from Tim Nollen of Macquarie. .

Timothy Wilson Nollen - Macquarie Research - Senior Media Analyst

A couple actually. One is, it looks like you're reported top line revenue number in the quarter was down 1%. But your contribution number, I think, organic was up -- forget that was 7% or 9%, which obviously means the traffic acquisition cost went down. It seems like that was on the Retail Media side. I wonder if you could just talk about why the cost of media seems to have gone down in Q4?

And then another question is, there's been a lot of discussion about regulatory moves in the U.S. and in Europe. And I guess I'm curious, any comment you could have in general about that. But in particular, with your seat in Europe, hearing about the IAB, for example, being hit with a fine by the authorities. I'm just wondering what -- if you could give us your updated thoughts on what the regulatory environment is? I'm not talking Apple and Google moves. I'm talking to the regulators themselves.

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

Hello, I can definitely talk about the gross media spend or the revenue versus the contribution ex-TAC. It all relates to the move of our Retail Media customers onto the platform and going from gross revenue to net revenue. In the slide deck, there's a supplementary slide that details that impact -- that really is the impact. So we're happy to address it further, but that's the -- I guess, the dynamic that we're going through now is between gross to net accounting for Retail Media. Other than that, there's really no other significant trends to talk about. And then on regulatory, I'm happy to hand it over to Todd.

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

Yes. So there's obviously quite a bit of activity happening, which we participate in very directly with the DPAs and the industry working groups fully including the IAB tech lab where I sit on the Board, and that body, which created the TCF. Here's the deal. What Megan said is really the -- under all that chatter and the meaningful conversation is the theme of giving consumers a crystal clear understanding of what they're doing with their data from cradle to grave, and that's what's behind this. So the more we invest in making sure our partners are able to explain what data is being collected how it might be used, what the value exchange with consumers is for that data which is used, we will be navigating to much safer ground.

And that's how we look at it as a company. We obviously work with the regulators. We work with the industry bodies and then we engineer solutions which are better alternatives. So that's kind of our North Star. While we cut work through these situational things which are important, but overall, we think we will be able to get through them and help others through them, our partners through them in course.

Operator

Next question is from Matthew Thornton of Truist.

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

Maybe a couple, if I could. I guess, I don't know if this is for Megan, but maybe you could talk a little bit just about Retail Media, the competitive landscape more broadly. Obviously, Microsoft has acquired Xandr. I think there was the mention of Retail Media 3 times in what was a pretty short press release actually. Publicis has had CitrusAd kind of on board for a couple of quarters now. Just maybe some high-level thoughts as to what you're seeing competitively in the Retail Media opportunity?

And then just secondly, as you think about the linearity of 2022 in Retail Media and more broadly, obviously, you talked about Retail Media accelerating throughout the year. My question is, I guess, is that just a function of easing comps? Or do you see the GroupM partnership or the IPONWEB relationship or improving travel, improving supply? I'm just curious if there's anything else underpinning that linearity for the year that we should be thinking about.

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

I'll take -- Matthew, I'll take the first one, and then I'll pass it across to Todd. So in terms of competition, it's pretty much the same as we've been talking about now for a while. We do see CitrusAd going to Publicis and then continuing to do what they do. We see Microsoft out in the field, and they're a strong competitor. But we put our blinkers on and we go. And what's most important to us are the assets that we have and the fact that more than half of the top 25 U.S. retailers and top 20 European retailers are our clients.

So if I was to sort of summarize the things that are important to us that set us aside from everybody else that helps fuel us and help us win business is that retailer footprint and an extension to that. Our plan is to continue to grow that footprint. Our first-mover advantage, as I said earlier on the call, we feel like we coined the phrase Commerce Media Platform and Retail Media as part of that. The relationships that we have with our clients, with our partners, with consumers, everything that we bring to the table, which is extremely broad as part of our Retail Media offering.

And our relationships with our existing clients that make us sticky. It's -- when you put in a Retail Media offering for the most part into those retailers, it's a long cycle in terms of integration or deployment. And so it's -- it really is a partnership in getting the software in-house and services in-house. The other thing is that we continue to innovate. And for every piece of innovation, as we see the market move and change and grow, what we do for one, affects everybody. So there's this network effect of us being specialists in this area and continuing to invest in it. And being bullish about it.

And then two more things. We're -- if there's a bake-off between 2 players, then we're up for it all the time. And we stand by the performance that we provide for our clients, and we'll go head-to-head with anybody anytime. And then one more thing on this one is the push towards off-site is a very, very unique positioning for us as compared to our competitors. And so this one we find incredibly valuable. So there's a lot of reasons to go with Criteo. And there's a lot of room out there for others, but we put our blinkers on and we do what's best for our clients, and we have a long and healthy runway ahead of us.

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

Yes. I would just add to that. As Megan said, we have a lot of advantage as a first mover, but we also -- in Retail Media, we also have an advantage of being a great performance marketer, a legacy of great performance marketing. And of course, putting those two things together is not trivial, okay. The unlock, I think, that makes us different from other competition that are singing the retail media tune these days is that we are able to simplify the execution across the entire customer buying journey.

And as I said, that's not simple. So getting the plus, plus, plus of that is something we have an advantage over. And look, the signpost that it's hard, are everywhere. Even the Walmart and Trade Desk together have struggled with this. And so we feel like the competition that you've mentioned that were quite a bit ahead as long as we keep completely focused on plus, plus, plus and delivering that in a simple way to our customers that will be the winning hand.

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

I can just close on the ramp-up for the year. So it's a few things. First of all, it's the LC probably having a significant impact on Q1, Q2. The ramp-up of our Commerce Media Platform with IPONWEB is anticipated that there will be a significant increase capability as well as scale. And then in terms of travel, we're seeing that all our major clients have relaunched. That's recent news -- that's like within the last month, we've seen 95% up year-on-year, but that's off a very low base. So we feel confident on travel, but it's just the beginning. So...

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

Well, thank you, Sarah. Thank you so Megan and Todd. This now concludes the call for today. Thanks, everyone, for joining. The team is available as usual for any additional request, and we wish you all a good day. Bye now.

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

Thank you.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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