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PRESENTATION

Operator

Good morning, and welcome to Criteo's First Quarter 2023 Earnings Call (Operator Instructions) Please note today's event is being recorded. I would now like to turn the conference over to Melanie Dambre, Vice President of Investor Relations. Please go ahead.

Melanie Dambre - Criteo S.A. - IR Director

Good morning, everyone and welcome to Criteo's first quarter 2023 earnings call. Joining us on the call today: Chief Executive Officer, Megan Clarken; and Chief Financial Officer Sarah Glickman are going to share some prepared remarks. Todd Parsons, our Chief Product Officer, will join us for the Q&A session. As usual, you will find our investor presentation on our IR website now, as well as our prepared remarks and transcript after the call.

Before we get started, I'd like to remind you that our remarks will include forward-looking statements which reflect Criteo's judgment, assumptions and analysis only as of today. Our actual results may differ materially from current expectations based on a number of factors affecting Criteo's business.

Except as required by law, we do not undertake any obligation to update any forward-looking statements discussed today. For more information, please refer to the risk factors discussed in our earnings release, as well as our most recent Forms 10-K and 10-Q filed with the SEC.

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

Finally, unless otherwise stated, all growth comparisons made during this call are against the same period in the prior year. With that, let me now hand it over to Megan.

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

Thanks Melanie and good morning, everyone. Thank you all for joining us today. We're off to a solid start this year and our team is firing on all cylinders to execute on our transformation strategy and capitalize on the significant growth opportunity ahead of us.

Our transformation continues to shift our business towards a broader solution portfolio, centered on the fast-growing Commerce Media opportunity. Our Commerce Media platform puts the focus on both our Retail Media expertise and our expanded Targeting solutions with Commerce Audiences complementing Retargeting, which remains the lower funnel tactic enjoyed by marketers.

Commerce Media represents a market opportunity of \$110 billion by 2025, and it's real. The agency holdcos have now all created dedicated commerce teams to capitalize on the momentum, and 73% of advertisers anticipate spending more on Retail Media Networks in the next two years than they are today, according to a recent survey from the U.S. Association of National Advertisers.

Notwithstanding the near-term challenging macro-economic environment, our trajectory is intact. In Q1, we delivered continued strong growth in Retail Media and Commerce Audiences, which combined with Iponweb, more than offset some of the pressures we've seen in Retargeting. While Retargeting remains an area of continued focus and opportunity, our New Solutions have now become close to half of our top line and will become the larger part of our mix going forward. This is exactly where we wanted to be at this stage in our transformation.

We're quickly gaining share and laying the ground for sustainable, long-term growth. Starting with Retail Media, we now partner with 200 retailers and 2,300 brands, and we're expanding our reach into adjacent commerce verticals and geographies. No other player matches our market footprint and our global presence gives us a significant competitive advantage.

We secured the renewal of our multi-year exclusive partnership with Costco. As the third largest retailer in the U.S. and one of the largest retailers in the world, Costco has significant room for growth in Retail Media, and we're very excited to help them scale and realize this massive potential. We also won new retailers including ASOS, Rite Aid and Sundrug in Japan, strengthening our leadership in fashion, health and beauty. Our ability to scale quickly with our proven demand capabilities, AI-driven performance and support from Retail Media experts were among the deciding factors in the decision of these retailers to partner with Criteo.

We've built a leading platform for retailers to manage their entire Retail Media business at scale. The ASOS and Rite Aid wins illustrate the power of our holistic value propositions, and both have chosen us for multi formats and placements, including onsite sponsored products and display, and offsite and like most others, they have taken multi-year contracts. It's no coincidence that more retailers are choosing Criteo as their exclusive Retail Media partner for the long-term. We've worked with retailers for a very long time and understand their needs, we've built deep expertise in Retail Media over the past 7 years, and this is what we focus on every single day.

Agencies are increasingly contributing to our growth, and we're confident that this will continue. An increasing number of brands, including most recently PepsiCo, are shifting from competitors to Criteo to access Retail Media Networks at scale due to our superior performance, customer service and enhanced data analytics. Other brands such as Haleon are increasing their annual investments to upwards of 75% in most part due to strong Return On Ad Spend and partnership.

Looking now at Marketing Solutions, we delivered strong growth in Commerce Audiences as more clients are adopting full-funnel strategies to acquire and retain customers. Commerce Audiences are an integral part of our Commerce Media strategy and create the foundation for our success in Retail Media offsite, as we help retailers extend their advertising reach beyond their own content walls. Our AI-powered audience modeling tech finds in-market shoppers based on interests demographics, location, brand and product affinity or lookalike modeling. We leverage prospecting audiences to engage new consumers in any environment, agnostic of third-party identifiers.

Puma is one of our new clients that has recently adopted our Commerce Audiences targeting solutions to engage the audiences that matter most to them. We're also proud of our growing global partnership with one of the world's largest marketplaces who's leveraging the depth and breadth of our offering to drive performance across multiple channels including video and CTV. With full-funnel activation, they more than tripled their media spend with Criteo compared to a year ago, with Commerce Audiences now representing 90% of their media spend.

Similarly, the travel marketplace Viator doubled their media spend with Criteo year-over-year with full-funnel activation. Our clients value our best-in-class performance, which is further amplified when engaging with consumers across the entire buyer journey.

Our Retargeting results in Q1 reflect the impact of a difficult macro-economic environment on our clients, especially our retail and long-tail clients, partially offset by continued strength in Travel. We're seeing caution and more frequent budget reforecasting compared to prior years, leading to lower spend this quarter.

It's important to note that we're about half-way through our multi-year transformation. Despite the choppy macro backdrop, we continue to do what we said we would do, and we're working hard to execute against our plan. We've made great strides in bringing our Commerce Media Platform to life while building long-term trusted relationships with retailers and executing strategic partnerships to accelerate our strategy.

Starting with our growing agency relationships, we saw a 56% year-over-year increase in U.S. Retail Media spend driven by the major agencies we have strategic partnerships with, and our momentum with agencies continues to accelerate. Agencies are driving 35% of our overall media spend, and adoption of our multiple solutions at speed and scale.

We currently activate about \$1 billion in annual Retail Media spend, and we believe the launch of our Commerce Max Demand Side Platform will be a game changer. Commerce Max gives agencies and brands one integrated self-service platform to access premium Retail Media inventory onsite with both sponsored and display placements, and leverage unique third-party audiences built on real shopping behaviors for precision targeting offsite. It offers closed-loop measurement across open internet supply as well as retailers' inventory onsite.

For the retailers, Commerce Max is the platform to best monetize their onsite inventory and their valuable first-party data for onsite and offsite targeting with access to demand coming from agencies and brands. The integration of Iponweb accelerated the launch of our DSP, and following our initial successful market tests, we're now partnering with half a dozen retailers and multiple brands, and we continue to see strong results. Our clients are excited about what we're bringing to market, and we're leveraging their feedback to add more features and functionality. This gives us a differentiated product as we build momentum in Commerce Media. We're on track to move to general availability in Q3, and we expect Commerce Max to help us capture more agency and brand budgets, and drive further growth in Retail Media through the offsite advertising opportunities that it unlocks.

Importantly, we continue to advance our moat and differentiation. Omnichannel is emerging as the next frontier, and we're empowering retailers to own their entire Retail Media ecosystem across physical and digital stores. With the acquisition of Brandcrush, we now provide an omnichannel retail media monetization platform and we can tap further into traditional trade marketing dollars.

Our platform not only centralizes online and offline retail media inventory management, but also creates greater efficiencies for the retailers, who otherwise rely on manual processes to manage these assets. We're best positioned to address this market need as evidenced by the success of recent pitches including the Brandcrush capabilities.

Our goal is to help retailers take full advantage of their media opportunity, and to solidify our Retail Media leadership position for years to come. The acquisition of Brandcrush also expands our client footprint and capabilities in the rapidly growing Asia-Pacific Retail Media market, where we added 18 retailer clients over the past year including 4 wins in Q1 alone. We now have 5 Retail Media clients in Japan, from a standing start, and we're actively capitalizing on cross-selling opportunities. In the region, we're also pleased with the ramp up of our offsite partnership with Flipkart, India's homegrown e-commerce marketplace.

Turning to our Commerce Growth offering, our second demand side product designed to automate our audience targeting and retargeting capabilities. A great example of how we plan to extend the reach of this self-service offering is our partnership with Shopify. We recently rolled out new self registration capabilities allowing all Shopify merchants to quickly set up their account and start activating their campaigns with Criteo. Our Shopify merchant clients value the ease of use of our targeting tools and the performance we're driving to turbocharge their business.

Lastly, we're pleased with the progress that we're making on our multi-pronged identity strategy under the helm of Todd Parsons, our Chief Product Officer, and Dr. Boris Mouzykantskii, our Chief Architect. We continue to scale our First-Party Media Network to retarget consumers with first-party

data matching in cookieless environments. As part of this direct supply strategy, we've more than doubled our traffic leveraging hashed emails since last October. Hashed emails are persistent IDs and foundational across our First-Party Media Network. Among others, Slate.com, CafeMedia and A360media are now partnering with us to monetize their inventory more effectively. This has led to a meaningful spend increase in Safari for our publishers. When looking at signals from publishers we have direct integrations with, we collect 10 times more hashed emails than similar alternative industry IDs.

To support this work, we have now fully integrated our Criteo supply capabilities with Iponweb's Capabilities. Taking the best of both into our Commerce Grid Supply Side Platform, or SSP. As part of the multiple investments we've made in our identity strategy, we've also been working side by side with Google for a long time, and we remain one of the largest scaled partners in the Privacy Sandbox.

Our product and R&D teams have had an ongoing series of in-person workshops with Google, and we're very encouraged by the productive collaboration and results to date as we continue to test and inform their APIs. We believe that Criteo leaning into a close collaboration with Chrome to develop specific use cases will enable us to deliver superior performance.

Privacy Sandbox is an ecosystem effort, which means our investments are contributing to how the advertising industry at large needs to evolve for privacy. And there's a lot of buzz right now about the potential of generative AI to shape advertising. Based on what we know today, we look to 4 main areas of impact. First, like all AI technologies, we believe it will drive better performance for those, who have access to data through better use of that data. Second, the ability to have rich interactions with end users will likely change how people Search online by being able to engage in conversational exchanges with AI chatbots.

Third, the assistance that it provides could enhance how advertisers are creating, managing and optimizing their advertising campaigns. Particularly around creative, where the change could be profound. And fourth, of course the tools and efficiencies that it creates. The most important point is that AI can only make a difference with access to data at scale.

At Criteo, we believe we have the largest commerce data set on the open internet. We observe millions of buyer journeys each minute, predicting how they'll unfold. We use our huge data set to predict consumer behavior and how ads will perform and convert. The combination of our highly advanced AI technology and access to more than one trillion in commerce sales every year is what allows our solutions to drive the best performance for our clients.

To conclude, we've built a highly scalable Commerce Media Platform, and we're on track to achieve our business ambitions that we laid out in our 2022 Investor Day. In 2023, we believe we're best positioned to lead the market with Retail Media being a non-cyclical growth spot, and Commerce Audiences being the most valuable audiences to brands.

Our ongoing progress wouldn't be possible without our incredible Criteos. I'm very proud of our team's collective efforts and hard work. We continue to transform our company to realize our vision while navigating a challenging environment.

As we transform our business, we're focused on driving efficiencies, while allocating our resources to our growth areas. We hold ourselves accountable to deliver the growth, expand our operating leverage, and deploy capital effectively and in a disciplined manner, all with a focus on driving shareholder value.

With that, I will now turn the call over to Sarah, who will provide more details on our financial results and our outlook. Sarah?

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

Thank you, Megan, and good morning, everyone. Our first quarter performance reflects our clear focus on execution and cost discipline. Revenue was \$445 million and Contribution ex-TAC was \$221 million. Reported Contribution ex-TAC reflects a year-over-year \$10 million unfavorable forex impact.

At constant currency, Q1 Contribution ex-TAC grew by 6.3%, on top of 6% growth in Q1 2022. As expected, this includes organic Contribution ex-TAC down 5%, and Iponweb. Our organic performance was driven by Marketing Solutions down 10% year-over-year, with Retargeting down 17%, and Commerce Audiences up 27%. This was partially offset by continued strong growth in Retail Media, up 22%, despite a tough comparison and a seasonally low quarter.

We continue to shift our top-line mix to our fast-growing new solutions. Retail Media, Commerce Audiences and Iponweb combined represented 44% of Contribution ex-TAC in our first quarter, up from 29% a year ago. Client retention remains high at close to 90%, and 37% of our live clients use more than one Criteo solution today.

Turning to our business segments, in Retail Media, revenue was \$38 million and Contribution ex-TAC grew 22% at constant currency to \$37 million, in line with our expectations, and was up 70% on a two-year stack basis. Our growth was primarily driven by our client base in the U.S. and the UK, as well as our retailer marketplaces. Growth from existing clients remains strong with same retailer Contribution ex-TAC retention at a 122%, and we continue to win new retailers.

We also saw strong growth from our agency partners. Our 2,300 global brands are prioritizing Retail Media as a key channel to advertise to consumers at the digital point of sales across multiple Retail Media Networks. We saw strong brand bookings, mainly in CPG, our largest vertical, and health and beauty.

In Marketing Solutions, revenue was \$382 million and Contribution ex-TAC was \$158 million with strong growth in Commerce Audiences, offset by lower Retargeting. Retargeting was down 17% year-over-year, or down 12% when excluding the impact of the suspension of our Russia operations and the expected \$4 million impact from signal loss.

Across all regions, we benefitted from strength in Travel. Retail was impacted by the macro-economic environment, which remains challenging as evidenced by the lower online traffic and lower online transactions across the majority of retail categories in the Americas and Europe in Q1.

We delivered strong growth in Commerce Audiences, up 27% year-over-year, and up 61% on a two-year stack basis, as clients transition to full-funnel audience strategies to acquire and retain customers. This was driven by new business and cross-selling across thousands of performance marketers. Our clients value having one partner to help them engage with consumers across their entire buying journey, which we believe will drive higher media spend and enhance client lifetime value over time.

As expected, Iponweb's performance was down slightly on a stand-alone basis in a seasonally low quarter. Strong growth for our Supply Side Platform, or SSP, was offset by softer media trading trends and lower traffic. We are pleased with the rapid and seamless integration of that business.

We delivered Adjusted EBITDA of \$39 million in Q1 2023. Non-GAAP operating expenses increased 14% year-over-year, largely driven by Iponweb and targeted growth investments in sales R&D and product talent, partially offset by planned cost reduction actions. Importantly, we lowered our expense run rate in Q1 compared to Q4, including headcount reductions, discretionary spend controls and other efficiency initiatives. We have already executed against many of our targeted cost savings and continue to ensure strong resource allocation measures and cost discipline across the business.

Moving down the P&L, Depreciation and Amortization increased 14% in Q1 2023 to \$25 million. Share-based compensation expense increased to \$26 million, including \$10 million related to treasury shares granted to Iponweb's founder as part of the acquisition. The dilution from Iponweb in a seasonally low quarter and the non-cash share-based compensation expense related to the stock component of the acquisition resulted in a net loss of \$12 million in Q1 2023.

Our weighted average diluted share count was 60.5 million compared to 63.6 million last year. This resulted in diluted net loss per share of \$0.20 and adjusted diluted earnings per share of \$0.46 in Q1 2023.

We benefit from a strong financial position with solid cash generation, no long-term debt and blue-chip bank relationships. We had \$814 million in total liquidity as of the end of March, which gives us significant financial flexibility to execute our growth and capital allocation strategy.

Operating cash flow was \$42 million and free cash flow was \$9 million in Q1, reflecting planned CapEx investments related to the 5-year renewal cycle of our data centers as we transition to a more cost and energy efficient data center architecture.

The primary goal of our capital allocation is to invest in high ROI organic investments and value enhancing acquisitions and to return capital to shareholders via our share buy-back program as we continue to see attractive value in repurchasing our shares. In Q1, we repurchased 1.7 million shares at an average cost of \$29.9 per share.

Turning to our financial outlook, which reflects our expectations as of today, May 3. We remain cautious about our outlook for the remainder of the year given the ongoing volatility in the macroeconomic environment, but we remain confident in our trajectory towards high-single-digit to low-double-digit Contribution ex-TAC growth at constant currency in 2023.

This assumes low-single-digit organic growth and the full year impact from our acquisition of Iponweb. We continue to expect Contribution ex-TAC growth of approximately 30% for Retail Media. For Commerce Audiences, we expect Contribution ex-TAC growth of approximately 20% as advertisers continue to shift more budgets and adopt full-funnel activation. Looking at the cadence for the year, we expect stronger organic growth as we lap the impact of the suspension of our Russia operations in March 2022 and easier comparisons in the back half of the year. We also expect to benefit from the ramp up of recent retailer partnerships and the continued rollout of our Commerce Media Platform capabilities and features.

As our business mix is evolving we expect more pronounced the seasonality with Q4 including Iponweb's strongest quarter and expected high growth in Retail Media. Lastly, our outlook incorporates our expected front-end loaded signal loss impact of \$10 million and currency headwinds in 2023.

We continue to anticipate an Adjusted EBITDA margin of approximately 28% for 2023 including about 200 basis points of dilution from Iponweb. We are on track to deliver over \$60 million in annualized cost savings over the course of the year, largely offsetting the annualized impact of our 2022 growth investments. We expect approximately half of our full year adjusted EBITDA to be realized in Q4 given business seasonality with Iponweb and realization of our expected cost savings.

In addition to our top-line growth engine, a key part of our transformation is to realign our organization and optimize our operating model to enable scale and operational efficiencies, with strong profit contribution from all our products. This includes streamlining our processes and leveraging our assets to work better and faster, and ensure best-in-class client experience, while driving meaningful operating leverage over the coming years.

We expect a normalized tax rate of 28% to 30% in 2023. We anticipate CapEx of about \$90 million mainly related to the planned renewals of our data centers, of which most spend is expected in the first half of the year. We expect free cash flow conversion rate of about 45% of adjusted EBITDA.

For modelling purposes, we assume a flat number of shares outstanding in 2023. For Q2 2023, we remain cautious given the impact of a slower macro environment on consumers our clients, and conservative ad budgets. Overall, we expect Q2 Contribution ex-TAC of \$228 million to \$234 million, growing by 8% to 10% at constant currency. This assumes low-single digit organic decline and Iponweb inorganic growth. As a reminder, Q2 is a seasonally low quarter for Iponweb in terms of Contribution ex-TAC, adjusted EBITDA and cash contribution.

Importantly we expect Retail Media and Commerce Audiences to continue to show robust growth. We estimate ForEx changes to drive a negative year-over-year impact of about \$3 million to \$5 million on Contribution ex-TAC in Q2. We expect adjusted EBITDA between \$46 million and \$50 million, reflecting low Q2 seasonality exacerbated by the dilution from Iponweb.

To conclude, we are committed to driving shareholder value. We have a resilient business model and we are executing our transformation with rigor and discipline. We have built a highly scalable Commerce Media platform to enable sustainable growth and support margin expansion over time. The future is wide open for Criteo.

And with that, I'll turn it over to the operator to begin the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Today's first question comes from Mark Kelley at Stifel.

Mark Patrick Kelley - Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst

Great. I appreciate the extra color just on the moving pieces of the full year outlook. I was hoping maybe you could walk through a little bit more of the Retail Media piece. Can you help us bridge the gap? What's going to get you to that 30% growth for the full year. Obviously implies a nice acceleration in the second half. So maybe a way to think about splitting it between same retailer growth and some of the new wins that you have visibility to?

And then second, you brought up CTV a bit today. Can you maybe think help us think through a, how big that is today? And then as the DSP launches and scales, what's the right way to think about that as a contributor from a channel perspective over time?

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

Yes, perfect. So just on Retail Media, we're accelerating. So there's no signs of slowing down. And clearly, this is an area of massive growth, not only for the industry, but also for Criteo. To achieve the 30% growth, our assumptions are that we have strong costs coming into Q1 and for Q2 and that's obviously become easier over the year.

Our Q1 is seasonally a low quarter for Retail Media and obviously, Q4 being the highest strongest quarter. We are expecting most of our growth to continue to come from our 200 retailers in our same retail or same Contribution ex-TAC as well as the ramp up. We've now have 200 retailers on the platform. We've effectively doubled the number of countries that we operate in. So we're seeing ramp-up there.

We have more features in our Commerce Media platform. So there's continued growth in new formats, including display and video. And of course, we have the launch of Commerce Max coming in Q3 so all of those are the factors that we've built into our forecast, we have line of sight to our customer forecasts, and we feel that we're tracking in line with the forecast as well.

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

Yes. And Mark, I'll just pick up the CTV. Just for a second, and I'll hand it across to Todd. Our premise there is still pretty small. We announced a partnership with Magnite last time around and that's gotten off the ground. Remember, for us, CTV is a channel. And for some of our advertiser clients, it's an important one, but for performance middle, bottom of the funnel, it's still a little ways away. And our focus is on Retail Media and Commerce Media, but to have an opportunity and to have availability to the CTV screen as a channel is an important one to be able to offer our clients. And that's how we see it. Todd, would you add anything to that?

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

Not much to add to that. I would just say that just to add to Megan's point that closing the loop between the living room and CTV with our retail media partners advertising from a product perspective is sort of job one. The second thing is making sure that we continue to innovate in formats that work in the living room and bring commerce into those environments. We've invested in both and the partnership with Magnite really gives us a scale on a doorway into the business, when our clients are ready for it.

Operator

And our next question today comes from Ygal Arounian with Citigroup.

Ygal Arounian - *Citigroup Inc., Research Division - Research Analyst*

Maybe just to start on the macro, if you could talk a little bit about April. I know we're just a few days into May. But you're at this point, and [I thinks] to major shocks from last year and how advertisers are thinking about the rest of the year and how the budgeting lapping some of those comps, but also potentially heading into a recession. So just maybe brush the little bit more color on the overall macro?

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

Yes, absolutely. So in terms of what we're seeing on the macro and maybe just to give a couple of data points from our commerce insights, we saw for Q1 that the number of transactions in department stores was down about 13%. Our fashion was down about 9%. Those are key categories, obviously, for us in our retail space. And the traffic for those was down about 4% and 8%, respectively.

We do know that we're going to move into, I guess, I wouldn't say they're easy comps, but easier comps kind of going through the year. We are seeing traction in Retail Media, as I discussed before, we're starting to see some small glimmers of hope, I would say, in retargeting starting to reopen small budgets kind of across the board. This is going to be a year of singles and doubles and very few home runs, and so our expectation is that we're working closely with our clients. They're hyper-focused on performance, which we are hyper-focused on delivering for them. It's a large client base, the 90% retention on a significant client base.

So we see those being the key factors for us as we look at the year. We are anticipating continued cap environment for the year, as Megan said, all of our clients are doing much more frequently forecasting every dollar counts and our plan with our client teams is to ensure that we're working hand-in-hand with our customers to show the performance we deliver and to continue to drive more of that budget coming in, not only to the retargeting space.

But for us, it's around acquisition and retention. Budgets and being able to put those together for them and showing performance across the board. And of course, in Retail Media continuing to shift more of the dollars for the brand into the point of sale for the Retail Media Networks, which is common center for us in the C-Max launch.

Unidentified Company Representative

Yes. I will just pile on for one second. I want to reiterate that Retail Media and Commerce Audiences continue to be strong for us in Q2. And so that's a -- just an important point, when you're thinking through the business as a whole.

Ygal Arounian - *Citigroup Inc., Research Division - Research Analyst*

Okay. And then maybe second, just -- you guys have highlighted the cross-selling opportunity before, and I don't think we talked about it today. As Commerce Max is closer to coming into market. And I just found the comments about using the first-party retailer data to need to build out on retargeting. I thought that was really interesting. Can you update us on the cost selling opportunity, how that's trending? And what opportunity you see there as we work our way through the year. Thank you.

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

It's a question around Commerce Max. I'm sorry, the line is a little muffled there. Is it Commerce Max or cross-sell.

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

Cross-selling more broadly, yes, maybe Commerce Max fits into that and results the commentary around using the retail data to build out retargeting opportunities.

Unidentified Company Representative

Yes. Okay. So let me address that one. The -- obviously, the core of everything we do is being drawn back to data that we're privileged to operate for our retailers. And where that becomes different product-wise is in the different tactics that an advertiser might be using, if it's some of our retailer is selling to -- selling advertising to we're going to use data to help them find audiences better off site, qualify them and also to target recommendations, sponsored recommendations to them better on site.

And that's really important. One selling tech that's important. The second one is I think what you're talking about, which is that every one of those same retailers needs to sell acquire new customers and for us, that really means putting out a product, which uses their first-party data, much like Performance Max and Advantage Plus would use if it were Google or Facebook. So we're doing both of those things at the same time. Reality is it's different buyers in the same company. We service them both. And very recently, we've setup our selling teams to do that cross-selling. So you're just starting to see the effect of that now. product-wise, we have readiness to do both.

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

Yes. So the beauty of having a solution set as well, the single platform here is that our clients can take multiple services. And today, 37% of our live clients are using more than one Criteo solution, which means we have access to their data in different places to use in different places. And the reason why that's important is that the fidelity of that data as we use it for measurements and as we use it for optimization and all of those things, which are incredibly important to Commerce Media comes to life for our clients so having the platform play in there is absolutely key to making the best of the service that we offer.

Operator

And our next question today comes from Matthew Cost with Morgan Stanley.

Matthew Andrew Cost - *Morgan Stanley, Research Division - Research Analyst*

So you mentioned your expanded partnership with Shopify. Maybe can you just walk us through a little more detail in terms of what you're doing for them now that you weren't doing before? And really how that conversation played out? What did you have to prove to them to get them to double down with Criteo and then just secondly, just if you could provide an update on the Commerce Max launch, any key milestones still ahead and expected timing of the launch?

Unidentified Company Representative

Yes, I can take, I think, both of those. The first is Shopify. Really, there are a couple of things there that we'd focused on proving to them as a partner. One is that we make it a lot easier for their shopkeepers to onboard and do their first campaigns with Criteo, whether for acquisition, retention or both retargeting that is -- and then we've gone ahead and done that. So we've delivered that product, and we're in their apps marketplace and beginning to see that play through. The second thing is that we're watching very interesting -- interestedly and how we might combine our Commerce Audiences with their own audience product.

And we have some hopes of testing that in the future and being partnered there as well. Underpinning both of these things, I think you mentioned is just pure performance. Small shopkeepers especially really don't have a lot of time to do AV testing for their acquisition and retention. And that's something that we're very good at. We're very good at delivering performance without a lot of additional expense. So in the -- from the view of the horizon, what we'll be looking at now that we can onboard shopkeepers and make it easier for them to participate with Criteo is just maxing out their performance. So that's going to be something we look to prove time and time again, not just from the beginning point.

And the second thing I think you talked about was the C-Max launch. I'm lucky to say like our alpha and beta period has been incredibly informative to the way that we think about the Max product. A, just really going back a little bit, a key point of differentiation for Commerce Max is the ability for buyers to plan and activate Commerce Media starting with products they want to sell and where those products are well stocked for purchase. This really changes the DSP model entirely. In fact, it changes how advertising works, and it makes it a lot more effective.

So the Commerce Max launch has really focused on taking the deep integrations with retailer commerce systems and data and taking that buying -- planning and buying metaphor and making it work so that, as Megan said earlier, every one of the buyers working with retailers and retailers themselves can prove measurement across a variety of planning and buying KPIs.

And so that's been a really exciting part of the learnings in our process of launching Max. And of course, we want to make sure that holistic measurement and optimization across the different types of tactics that retailers sell to advertisers are accommodated in that product as it reaches general availability.

Operator

And our next question today comes from Mark Zgutowicz with the Benchmark Company.

Mark John Zgutowicz - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

So I wanted just to focus on offsite. It's certainly a hole in the market today. And I'm not sure if I overemphasize this a bit too much, but it seems like it could be a really big opportunity for you guys. And I'm just hoping you can maybe specifically talk about progression there and how that might be being received in the market today? What further progress you can see there maybe is it too early to talk sort of case studies and offsite, but any progression there would be helpful.

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

Yes. Mark, let me start by just sort of giving an overview of how we feel about offsite, which is an important part of Commerce Max, and then I'll pass it across to Todd to go into more detail. First, the off-site itself is pretty nascent as a monetization opportunity for retailers today. It's about the Retail Media space, it's about 10% of the dollars moved. The other 90% being on-sites.

And so when we think about the Commerce Media opportunity for us, we focus on on-site first, which has been our Retail Media play for the past 7 years. We started with sponsored ads and then extended to display so that we can manage as much of the page as possible for the retailer. And then we move once we have that, we have access to their data to be able to drive that page or manage that page for them. So we have retailer data. And then we move to off-site, which is the next opportunity for retailers to extend beyond on-site and that is partly the Max opportunity, which is differentiated for us through, as Todd said before, the focus on product rather than consumer first, so products for our retailers.

Once we have offsite, we also have access to data. And then to add to that, or to extend on that is omnichannel, which is our brand crush opportunity, which gives us another whole set of data. So now we're on the page, we're off the page on the open Internet, and we're across the channel into the actual retail stores all the way we're getting access to data, and we're getting us to do more and more things. This is incredibly important because as we alluded to before, the ability to have that data at the source gives you the ability to provide the best measurement that you possibly can for closed loop, and then it gives you the ability to offer optimization using that measurement real time back to the retailers.

And this you can't do anything less than this. This is what Commerce Media is all about. This is the promise of what Commerce Media brings to the advertising. And this is why so many people are flocking towards them. So on offsite, it's a piece of the puzzle. It's an important piece of the puzzle, but we're making sure that we're there at the right time with the right solution. You got anything?

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

Yes, and I must add that I accept that, [entering in that] course of our testing, just to emphasize the interplay between onsite and offsite working together and using the data that we're operating at the source of the retailer that we've seen 2 things. One is, we've seen as much as double the conversion went onsite and offsite are put together, okay? That is something to really think hard about because realizing the excitement around the offsite opportunity is about the combination of onsite and offsite and that source data.

And then the second thing that's been incredibly encouraging is that our clients just that have tested want to use it again. They're excited to come back. Some of them have been incredibly enthusiastic as a product professional, that's very rewarding to see these kind of worlds of distinct media coming together and the buying work for such great performance improvement. So we're pretty fired up about offsite, but only in the larger context.

Operator

And our next question today comes from Richard Kramer with REIT Research.

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

Two things, I think, haven't really been touched on yet. Megan. Can you talk a little bit about where you are in terms of strategically accessing other large pools of social commerce inventory, whether it's Facebook, interest or elsewhere, where you're seeing a lot of commerce and also a lot of signal. And Todd, given the work you were talking about, Megan was referencing with hashed e-mails in Safari and testing privacy sandbox with Google, is there a chance that these collaborations on -- especially on attribution against new forms of ID potentially could reverse the decline or extend the retargeting window because we've all been watching that decline for some time, and I don't know if you see a chance that could reverse as privacy sandbox comes in and you have an advantage in attribution.

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

Thanks, Richard. I'll do the first. I'll do probably a tenth for the first given my friend Paul here is so close to the conversations that are going on with the social platforms. Let's just cut shot with Meta, this is slow progress for us in terms of implementing their retargeting API across there. There are still testing going on to optimize that integration into Meta. So we'll keep you posted. But what I will say is that part of that work has really surfaced for us the ability to explore additional opportunities for commerce audience extensions and things that we can do with Meta, which are very interesting and potentially very exciting for us.

Note that we also look to formats and other social environments. We talked earlier in the year, I think about testing and TikTok and looking for content in which it leads itself to our Commerce Audience and it leads itself to commerce-based advertising and we're still working through those things and finding the right partners to have as part of our supply -- supply partnerships across the social environment.

Unidentified Company Representative

Richard. So just to add to that a little bit, I think it's important to reemphasize that our addressability strategy is a multifaceted one, we're making a variety of investments. And in other words, we're not all in on one ID solution that could potentially be a point of failure for us. Obviously, the social platforms play into that. An important call out there is, do the economics hold up for all the scale and matching that you get the additional signals to the economics hold up for our clients, for our retailers.

Who are selling into those audiences. So that's something that we continue to work through with better bidding and better the testing that we've been doing with Meta, as Megan said, Google is in addition to something that we've talked about a lot, which is hashed e-mail and our true set and contextual solutions with identity and addressability. Google has been a partner with us since the beginning of their work on Sandbox. And we've seen that partnership accelerate our teams -- product and engineering team spent a lot of time in person with the Privacy Sandbox team helping inform the way the APIs work both the PAA product and the topics product, but especially PAA, Richard, so that we can increase our coverage model for retargeting and maybe make up some of that difference.

At this point, it's upside and we're very excited to continue to contribute and make that solution something that does scale and provides precision. And we still keep an eye out for the economics. And those are the things that we measure our addressability strategy against the economics have to work for our clients.

Operator

And our next question today comes from Tim Nollen with Macquarie.

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

I'd like to ask about your agency relationships. I think, Megan, before you came on board, agencies contributed minimal amounts to Criteo's revenue, and now it's like 1/3 or more. I'm curious because agencies talk about retail media a lot. I wonder if there's a bit of a competitive dynamic with some versus a collaborative dynamic with others, maybe a little bit of both. I wonder if you could just talk about how those relationships work and what you are gaining from agencies?

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

Yes, sure. We have definitely ramped up our relationship with agencies over the last 3 years. And I think I've said a number of times on this call, that prior to me being here, the notion of agencies as clients, as partners wasn't one that the company entertained they thought that it was more of a competitive edge. We don't see it that way.

We see agencies being absolutely critical to the ecosystem. And we see now a lot of our ad spends are being driven through agencies and increasing through agency relationships. So that area is only getting stronger and stronger. One of the agencies out there, of course, compete with us on retail media. That's no secret in Publicis, who have a product set themselves. But the other holding companies work very closely with us hand-in-hand with us to get access to the Retail Media or the Retail Media Networks that we have access to.

What they love about what we're doing is that we bring retailers together into one place for them to buy retailer advertising or advertising across those Retail Media Networks as opposed to them having to have access to each big retailer 1 by 1 by 1 and maybe not even getting real access to smaller retailers that don't stand up their ability for them to see them and some -- and a DSP that's sitting out there.

So long story short, the agencies really like what we're doing to make sure that they have another channel in which they can buy against, which is a retail media channel, which gives them access through one place into the growing retail media sector, which has become so much more compelling for their brands and advertisers. And we are in a front row seat. What I love about is about Brian Gleason. There was many things I love about Brian Gleason, but of course, bringing him in with his connections and his understanding of agencies has really given us a big (inaudible) up in this area as well. So this is exciting territory.

Operator

And our next question today comes from Matthew Thornton with Truist Securities.

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

I've got one on Commerce Max and one on Privacy Sandbox. On Commerce Max, the beta clients that you have as we head into full commercial availability, are they signaling that they're going to shift the budget from another DSP to your DSP? Are they not currently using a DSP and as we think about take rate, I guess, is -- without getting to specifics, are we thinking about a market rate take rate, below market rate, above market rate? Any color on those would be helpful.

And then just on Privacy Sandbox just building on a prior question. Todd, given the most recent update that we've seen at a Privacy Sandbox, I guess, does that in any way change directionally your thinking about the timing and the ultimate impact of third-party ID deprecation in the next couple of years here?

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

I take the second question first and just say that we don't see the time line changing. We're still counting 14 months and from here or there. And obviously, there's a conditional acceptance by the CMA that plays into that. But all things seem to point to the time line staying the same. So from our perspective, we're deeply into testing the efficacy of the API, again, very much focused on PAA that's not to ignore topics. And we think that it's very promising. Provided the economics hold up promising for scale, promising for precision, the economics need to be there.

And there are a variety of things that we're testing to prove that out, and we have time to do it, which is all that needs to be said. On the second one, it's tough to say, where the budgets are going to come from. And we have some interesting dynamics there. More traditional DSPs that focus on Audience and Media. That's sort of been the core way that planning and activations get done are very interested to their clients, the users of those are very interested to get in on Commerce Media and to get to Retail Media inventory.

And if you can't do it through the DSP that you're using, it stands to reason that you probably would allocate your budget to another DSP. So we expect some of that to happen. An interesting observation is that some of those DSPs that control a tremendous amount of spend also want to get to the same inventory and that we have at least a method to try with them with our commerce grid product, the SSP that we bought in the Iponweb acquisition. So we've got a couple of different things playing out. Obviously, that those things would impact take rates depending on how people want to buy and what they're getting to.

Ultimately, we don't talk about take rates, but we think about how do we get more of the goodness of Retail Media, Commerce Media out to the broadest buyer set, and I gave you 2 roads for that.

Operator

And ladies and gentlemen, this concludes our question-and-answer session. I'd like to turn the conference back over to Melanie Dambre for any closing remarks.

Melanie Dambre - *Criteo S.A. - IR Director*

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

Operator

Thank you. This concludes today's conference call. We thank you all for attending today's presentation. And you may now disconnect your lines, and have a wonderful day.

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