Criteo (CRTO) FAQs

As of November 6, 2023

We continue to make progress on our strategy — to be the AdTech partner of choice for Commerce Media and to deliver substantial value to our shareholders. Notwithstanding challenging market conditions, we are on track to achieve over $1 billion in Contribution ex-TAC in 2023 for the first time in Criteo's history, and we are increasing our leading market share in Retail Media. We now represent ~60% of the top 25 U.S. retailers that have monetization programs, and soon we will be announcing that two more exciting large retailers are joining our network.

In short, the opportunities for our strategy to create sustained value are significant, including substantial return of capital, and we are laser focused on execution.

We also are committed to providing transparency to our investors in an uncertain environment. Below please find answers to frequently asked questions following our Q3 2023 earnings call.

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Question: Can you provide additional color on your Retail Media economic pricing model?

Answer: Our economic pricing model has not changed. All of our Retail Media clients have a pricing card with the following options:

Fee Type	**Description**	**Scope**
Supply side take rate volume-based fees	Fees based on activated media spend	This is applicable to all our onsite retailer clients, including our largest retailer clients going forward, and represents the majority of our Retail Media fees
Demand side take rate volume-based fees	Managed service or DSP fees based on activated media spend	This is applicable to the demand that Criteo is driving for retailers, or "Criteo-sold demand."
SAAS-like fixed licensing fees	For the use of our platform	This is applicable to large retailers and provides strong visibility into future revenues.
Value-added services fees	For services like creatives, insights and analytics	This is applicable to all clients using these services.

Question: Is this pricing model applicable to the majority of your Retail Media clients?

Answer: Yes, the same pricing card is applicable to all of our Retail Media clients.

<u>Question</u>: What changed in your largest Retail Media client relationship?

<u>Answer</u>: We are excited to renew the multi-year relationship with our largest retailer who is leaning in with us as their preferred partner.

- With the multi-year contract renewal, our largest client is expected to pay supply side take rate volume-based fees, recurring SAAS-like fees for the use of our platform (new) and additional fees for value-added services (new).
- We expect a reduction in demand side fees associated with this retailer, as they are moving some of their demand to a direct sales model, meaning that they will be doing some of their own sales.
- Despite the expected near-term impact on our Retail Media Contribution ex-TAC growth rate, we expect increased self-service to drive further scale, higher lifetime value and more profitability over time.

<u>Question:</u> Could more clients follow suit and drive more demand themselves over time?

<u>Answer:</u> We do not expect to see more existing retailers follow this path. Only the largest retailers can drive demand themselves at scale.

- Today, our largest retailers are already driving most of their demand via their own sales teams. Our largest retailer client is evolving to the same model.
  - Among our top 10 largest retailer clients, 70% of these are already driving more than 50% of the media spend themselves. To be clear, this will increase to 80% of our top 10 clients when our partnership with our largest retailer client evolves next year.
  - Retailer-sold demand is coming from trade marketing budgets from their largest brands shifting from in-store to online when retailers have an existing relationship with these brands.
  - The majority of our retailer clients are already driving demand themselves from legacy trade marketing budgets shifting online, but they are limited in their ability to do more.
- Beyond our largest retailer clients, we do not expect other clients to rely more on Retailer-sold demand in the future.
  - It requires significant scale and resources for a retailer to be able to do this.
  - Retailers want to access as much demand as possible and they come to Criteo for our ability to drive demand at scale for them.
  - For all our retailer clients, we bring complementary demand from our agency partners and the 2,500 brands we have relationships with.
- Over time, we expect brands to see increasing need for cross-retailer unification, which will mean an increasing share of Criteo-sold demand.
  - We expect to increasingly tap into national media budgets from our agency partners.
  - Agencies and their brands want to avoid fragmentation. They are looking for unification with Criteo’s Commerce Max DSP providing a multi-retailer, multi-channel, and multi-format approach. Commerce Max is the only integrated self-service platform to access premium Retail Media inventory onsite, with both sponsored and display placements, and leverage unique retailer audiences for targeting offsite with full funnel closed-loop measurement.

***Question*: Was this evolution for your largest Retail Media client embedded in the ambitions that you shared at your investor day last year?**

Answer: This evolution for our largest client was not anticipated in the 2025 ambitions we shared at our 2022 investor day.

- At that time, as previously communicated, we had also assumed an earlier launch into general availability of Commerce Max, which occurred in September 2023 (instead of June). Commerce Max is seeing early traction and is expected to be a growth driver in 2024 and beyond.
- We had assumed and still continue to assume client growth including new and existing clients. We have continued to win new clients at a rapid pace, growing our footprint to 220 retailers and 2,500 brands.

***Question*: How should we think about Retail Media growth in 2024 and beyond?**

Answer:

- We expect our Retail Media activated media spend to continue to outpace the market in 2024 and beyond, as we expect to continue to scale our platform and gain share.
- We expect our Retail Media Contribution ex-TAC to continue to grow in 2024, albeit at a lower growth rate than in 2023.
- We will provide 2024 guidance when we report our Q4 2023 results.
  - This guidance will incorporate our best view on the macro-economic environment and its impact on the industry as a whole in 2024, alongside our existing and new client growth expectations for 2024, and the impact from the contract renewal of our largest client.
- Over time, we anticipate our Retail Media growth will be fueled by further expanding our footprint across additional ad formats onsite, offsite, and in-store, and further expanding our reach into adjacent commerce verticals and geographies.

***Question*: Has there been any change in how you are thinking about the Privacy Sandbox and the expected deprecation of third-party cookies in 2024?**

Answer:

- No, there hasn't been any change. We remain confident in our own readiness as we have leaned into a close collaboration with Google. We remain one of the largest scaled partners in the Privacy Sandbox to which we have dedicated significant time and resources.
- Given we are just a few months away from real-world testing on cookieless traffic for 1% of Chrome users, we are not updating any assumptions at this stage.
- We suspect that the tightness of the testing schedule may cause the broader industry to put pressure on the CMA to push for yet another delay. Note that we believe both scenarios are favorable to Criteo.

- As we prepare for the future of addressability, our Chief Product Officer, Todd Parsons, shared more about Criteo's multi-pronged strategy to help our clients navigate the evolving landscape in this blog post.

***Question*: How should we think about your margin trajectory going forward?**

Answer:

- We are laser focused on top-line scale and profitable growth across our entire business, with margin expansion over time and strong free cash flow generation.
- We have a rigorous focus on cost management and driving efficiencies in a challenging macro-economic environment.
  - We are on track to deliver an Adjusted EBITDA margin of approximately 27% to 28%, including higher cost savings of nearly $70 million in 2023, largely offsetting growth investments.
  - We are committed to and have a clear plan to continue to drive operational efficiencies, and we expect to drive operating leverage from increased scale and more self-service solutions.

***Question*: Can you provide an update on your share buyback program?**

Answer:

- We have strong free cash flow generation, a robust balance sheet and we are committed to a disciplined approach to capital allocation.
- Our share buyback program is a key component of our capital allocation strategy.
  - We have deployed $103 million of capital for share repurchases year-to-date in 2023. We also deployed $136 million of capital for share repurchases in 2022 and $100 million in 2021.
  - We have about $141 million left on our current authorization, an active 10b5-1 program, and we intend to accelerate our share repurchases immediately.
- This demonstrates our confidence in our business strategy, financial strength, and our ongoing commitment to enhance shareholder value.

Cautionary Statement Concerning Forward-Looking Statements

This document contains forward-looking statements, including our expectations regarding our market opportunity and future growth prospects and other statements that are not historical facts and involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such differences include, but are not limited to: failure related to our technology and our ability to innovate and respond to changes in technology, uncertainty regarding our ability to access a consistent supply of internet display advertising inventory and expand access to such inventory, including without limitation uncertainty regarding the timing and scope of proposed changes to and enhancements of the Chrome browser announced by Google, investments in new business opportunities and the timing of these investments, whether the projected benefits of acquisitions materialize as expected, including the successful integration of our acquisitions of Iponweb and Brandcrush, uncertainty regarding international growth and expansion (including related to changes in a specific country's or region's political or economic conditions), the impact of competition, uncertainty regarding legislative, regulatory or self-regulatory developments regarding data privacy matters and the impact of efforts by other participants in our industry to comply therewith, the impact of consumer resistance to the collection and sharing of data, our ability to access data through third parties, failure to enhance our brand cost-effectively, recent growth rates not being indicative of future growth, our ability to manage growth, potential fluctuations in operating results, our ability to grow our base of clients, and the financial impact of maximizing Contribution ex-TAC, as well as risks related to future opportunities and plans, including the uncertainty of expected future financial performance and results and those risks detailed from time-to-time under the caption "Risk Factors" and elsewhere in the Company’s SEC filings and reports, including the Company's Annual Report on Form 10-K filed with the SEC on February 24, 2023, and in subsequent Quarterly Reports on Form 10-Q as well as future filings and reports by the Company. Importantly, at this time, macro-economic conditions including inflation and rising interest rates in the U.S. have impacted Criteo's business, financial condition, cash flow and results of operations.

Except as required by law, the Company undertakes no duty or obligation to update any forward-looking statements contained in this release as a result of new information, future events, changes in expectations or otherwise.