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CRTO.OQ - Criteo SA at Goldman Sachs Technology and Internet Conference (Virtual)

EVENT DATE/TIME: FEBRUARY 11, 2021 / 3:30PM GMT

CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

Heath Patrick Terry *Goldman Sachs Group, Inc., Research Division - MD*

PRESENTATION

Heath Patrick Terry - *Goldman Sachs Group, Inc., Research Division - MD*

Great. My name is Heath Terry. Thank you all so much for joining us. Really excited to have with us today, CEO of Criteo. Megan, thank you so much for taking the time to join us.

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

It's a pleasure. Thanks for inviting me.

QUESTIONS AND ANSWERS

Heath Patrick Terry - *Goldman Sachs Group, Inc., Research Division - MD*

So just to get started, obviously, I think a lot of people viewing right now know Criteo, the company. But for those that are maybe less, less familiar, what is it that you and the team there are trying to build?

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

Well, let's start with we're a tech company, and we're focused on e-commerce. Our clients are commerce players, they're retailers, they're brand owners, they're media owners. And we're transforming the company to what we're calling a POS media platform that connects all of those again, focused on e-commerce across the open Internet. So think of us -- the goal is that Amazon advertising of the open Internet. Clearly, we're here to facilitate the selling of e-commerce. To offer outcomes-based advertising, to offer reach, a massive reach to over 5,000 publishers that we have as clients. And then to offer insights and ROI back to marketers. So that's the way I would think about us.

Heath Patrick Terry - *Goldman Sachs Group, Inc., Research Division - MD*

No, that's really helpful and a good place to start. You've been CEO for a little over a year now after having been at Nielsen for 15 years. What have you learned in the time that you've been with Criteo?

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

Wow, what do you -- the thing is...

Heath Patrick Terry - *Goldman Sachs Group, Inc., Research Division - MD*

We can spend the whole time on this if you want.

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

This is -- yes, it could take all day. Look, this is my first time. I'm a first-time CEO and I came into the company, excited by the assets and the people and the opportunity, and I'm still as excited, if not more. You'll know that early in the year, we got hit by sort of the Chrome announcement. So that became a big headwind.

And then COVID came along. And so I had to send 2,700 people home. It's just been sort of this sort of one challenge after the other, which challenges that, hopefully, a CEO will never have to face again. But my job has been to come in and transform the company from a company that was focused on retargeting only and was in decline. So a company that's a turnaround story with sustainable growth. And I feel really good about the plan we put in place and the execution of that plan and what we've achieved already.

We have, through this time, made substantial changes to our structure. We've basically reinvented almost everything from sort of mission statements down to how we go to market. We brought in a new C-suite into the organization. So following the notion of we design things, we build things, we run things, we service our clients. And I would say that what you see today is a new Criteo and one that is best and in good shape to return to sustainable growth. And you heard the story or a lot of people, hopefully, heard the story yesterday in our earnings. So that leaves you with a backdrop that is just unprecedented.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

And so you've been there for a year. You obviously had your priorities for the first year that you were there and a lot of that affected by COVID and everything that you got pulled into. How do you think about your priorities for the second year?

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

Look, I think if we sort of go back to COVID a little bit. COVID affected us on our largest business, our retargeting business. But COVID aside, that business performed pretty well, and we're focused on that story turning around through 2021. So that's one of the focus areas.

The other is in areas that we call on Solutions. And the exciting one there that we've talked about for a little while now is retail media. And retail media is a nice couple of reasons. One is it's not exposed to third-party cookies, which I'm sure we'll go into during this is chat. It is front and/or in terms of our strategy to follow widespread into e-commerce. And it's a center piece of what we do there because of the data set that we have and the clients that we've already established through retail media.

And then this notion of putting the 2 pieces of the business -- the traditional 2 pieces of the business being the retargeting business and how we're building up new solutions to go up the funnel and connect it with the retail media, and cross referencing 2 assets, reach on the publisher side through our retargeting business. And our reach on the brands and advertisers' side through our retail media business. The strength of those 2 things together is the commerce media platform, which is our #1 focus to service e-commerce through 2021.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Yes. And so a lot to kind of dig into there. You referenced the news of your earnings yesterday. There was also some other news out yesterday or at least headlines that I feel like we have to sort of ask about. How do you think about the future of Criteo as an independent company?

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

Look, I have no comment on the stories that appeared yesterday. What I'm focused on and what my job is to do is to return the company to sustainable growth through the path that I've just outlined. And I'm going to do that. Again, I'm going to execute against the plan with my team.

We are making sure that we make thoughtful decisions and that we move very carefully, particularly navigating the environment that we see ourselves in at the moment and execute, execute, execute.

And with that, that is my 1-track mind, and that's what I'm going to do. That's what I'm going to focus on.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Yes. Yes, completely understand. You've touched on some of the impact that COVID has had on your business. And obviously, it's affected every business out there differently. One of the areas that you've seen, in addition to the impact on your retargeting business, is the -- just incredible growth that we've seen in e-commerce generally. Taken all together, how has COVID impacted Criteo?

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

Look, it's in different pockets. As I said before, the retargeting business and the notion of conversions -- let's step back a bit. CMOs are after results. That's what they want, they want to make money. So we start there. The breadth of our services, whether that be retargeting or the bottom of the funnel, or in retail media and making sure that media owners attract brands and brands are on the right media properties or retailer sites, is a way in which we address the e-commerce environment through the assets that we've got.

Clearly, I'd be remiss to say that the targeting and the -- sorry, the travel and the classifieds industry were the ones that were most affected through the -- what happened around COVID. And so we have continued to service those as much as we can and bring sort of upper funnel solutions to them to help them weather the storm.

What we've also seen, segments that we haven't necessarily seen before that have lengthened very heavily. And retail is 1 of them, because they are e-commerce, because there are more shoppers appearing in the online environment than they've ever seen before; that it's a very competitive space, so they want to make sure their strategies are both upper funnel and lower funnel.

And looking at cyber, what we call Cyber 30 in '20 because it expanded over a much longer period of time, was really hot. It grew versus 2019. So again, the assets, we're making sure that we move our clients onto the right services to ultimately make them money. And we'll -- the strategy is to have all of those services in place and provide them what they're looking for. We know the consumer. We know where to find them, because of the data sets that we have. We know how to navigate the consumer journey and influence the consumer journey and ultimately provide performance away on their investment, and that's what we're focused on, got this covered.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Got it. Yes. No, understandable. So I mean, looking forward, how would you -- someone as close to it as you are, how would you characterize just the overall state of advertising broadly? And the priorities of the CMOs that you speak with?

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

Yes. I'd go back to -- they're in a very different and competitive environment. And so for instance, big brands are now finding themselves having to compete and position themselves against smaller brands, the torso brands with long tail. Because all of a sudden, you're confined to your home, you've got to do shopping online. You're confined by logistics, getting things delivered. And so you're probably, more likely than yesterday, to go and shop around for a new brand or a new retailer, one that is actually able to get goods to you.

And what we have found is that 81%, that sounds incredibly -- it's a real number, 81% of shoppers tend to or have said that they will stay with a new brand that they've found and discovered through the COVID environment, rather than return to an old brand. And so an old brand being a brand that they used before.

And so what we have found is that, for instance, those brand owners have looked for ways to try to mitigate that and try to get those consumers to move back to them post COVID-19. So that's just 1 example of where activity has changed, ultimately, with the brand owners, the CMOs, looking for ways to weather the storm, come through the other side and again, ultimately, make money.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Yes. We've talked a little bit about the retail media opportunity already. But how big do you think that opportunity is? We all understand the size of the e-commerce environment, but how big is the opportunity for e-commerce platforms, especially ex-Amazon, to be able to capture those dollars that used to be spent at physical locations?

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

Yes. Look, this is really interesting is that the e-commerce environment globally is now growing faster than what it was before, obviously. I'm stating the obvious. And the data says that by 2023, the open Internet environment will be about \$6 trillion, \$7 trillion worth of spend. It makes up about 38% of the overall pie of GMV globally, and it's growing faster than any of the walled gardens that are sitting in that environment. Now we're best positioned, through both our media retargeting and now the funnel advertising -- sorry, our retargeting and not funnel advertising and our retail media business, to be able to service that environment. The reason why is because those retailers are competing against an Amazon. I'll use Amazon as an example. They're competing against an Amazon. So they want somebody else, somebody in the center who doesn't own media who doesn't own a big e-commerce environment to be able to trade, to be able to connect with brands and connect with media owners.

We don't own any media. So media owners want to work with somebody, who is outside of the walled gardens, who doesn't compete with them for media and advertising positions. And so if you think about that, we are perfectly situated to service that walled garden environment. As I said, it's growing faster than anybody else or any other -- the walled gardens. And it's -- looking at 2023 of being an environment where spend is \$7 trillion, so an exciting proposition.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Yes, certainly is. You referenced before that when you joined -- right after you joined the company, you sort of got -- dealt the headlines around Google's Chrome plans. We're getting another round of that now with Apple and IDFA. How would you characterize the potential impact of IDFA??

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

Look, I think IDFA is an interesting one, because I think that if Apple had a -- had to put that, and they originally said they would, there would be a massive impact of it. And we can talk about that in terms of Chrome if you like.

What is happening, though, and what you've seen is that the marketplace, the ecosystem, has pushed back on Apple. And as a result of that, they pushed back their launch dates. And we see that pressure, and we're part of those industry discussions to say, hey, hang on a minute. You've got to give us more time than that. And Chrome, to their credit, gave the industry more time to get ready for the eradication of third-party cookies.

So I think that's promising. I think when the industry is (inaudible) to the results of changes like that and actually working with Apple to put in place solutions that will continue to have the ecosystem put up seamlessly once they implement, I think, is a promising sign. And our job is to make sure that we influence them through our industry discussions and our direct discussions and to have a solution in place whereby we can seamlessly move clients across into an environment that's first-party related than having to rely on a platform or a technology to basically own the ability to understand who the consumer is and what they do.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Yes. No, absolutely. The -- we've been through these before, right? We -- Criteo's dealt with ITP. The industry's dealt with GDPR and CCPA from government. Just generally, how do you feel about the direction that this is all going in, whether it's being run by a platform or by a government?

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

Look, from the side of the consumer and the need to give control back to the consumer, to own their privacy, their privacy settings and feel like they are in control of their data. I think that's great. I think Nielsen is -- sorry, wow...

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

15 years is hard to forget.

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

Criteo is 15 years in -- Criteo has always built solutions with privacy in mind. It's privacy by design. So we believe in that philosophy. What we are focused on is making sure that as those changes are rolled out is that it doesn't affect the ecosystem.

And you can imagine a marketer that is no longer able to get access to knowing who their audiences are, serving them up contextual relevant data, that's a horrible experience for both marketers and, quite frankly, for people. The same with media owners. Not being able to offer a solution to advertisers and be able to feel confident that, actually, they're going to be able to deliver against the promise that it solved.

So this is a -- it's a rough environment, one that if we don't get in front of it, the effect on advertisers, the effect on media owners, is actually profound in terms of the revenue losses. And ultimately, advertising pays for the Internet, so we have to get in front of it. Because we don't want to be -- it's unhealthy for the world to be -- to only have a choice on the Internet, which is controlled by the walled gardens.

So with that in mind, I think it's important for the entire industry to truly understand the consequences here and get ready for those changes. And we're in the center of it. As you said, we've had over 18 months, we've had 3 years of this. And we've been pushed on this front for 3 years, which I would say, maybe that was a good thing. Because here we are, we're in a position now that we are ahead of the rest, by far, and we'll use that to leapfrog the competition. But we'll also use it to make sure that the Internet remains a healthy environment, and that clients are being serviced.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Absolutely. You've talked a lot about the walled gardens, and we live in this world where you've got 3 really big advertising platforms in the West where -- that are -- that dominate a lot of the share of the market. How do you think about Criteo's role in that ecosystem?

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

Yes. Look, I'll go back to the open Internet. And the walled gardens versus everybody else. I'll go back to the fact that everybody else is competing against the walled gardens. And so a facilitator of how they can create a healthy environment, one that gives them a return on investment, one that gets them in front of consumers. But they're not just consumers that are limited to search or to Facebooks, but give some access to a network of which consumers can see an ad that has context and ad that has interest, next to a media property, whether or not that be a new media property or a traditional media property and in response to that ad. And that to me is a very healthy environment for us to be playing in.

And as I've said, as the aspiration for us as a starting point would be the Amazon advertising, the open Internet. And I think that, that's a white space and a sweet spot for us, given our assets, to really help everybody else.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Over the last year, we've seen, and particularly over the last few months, we've seen this significant acceleration in the growth of some of the smaller platforms, Snapchat, Pinterest, Twitter, even as well as some of the -- many of the private companies relative to those big players that we were talking about. Is that a positive for Criteo?

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

Yes. I mean we see them as media owners that are competing and want to attract advertising or want to attract consumers using a data set that is incredibly rich and doesn't come from the walled gardens. I mean, where do they go?

We have access to over 2 billion consumers. We know their shopping behavior. We know how much they spend. We know what they buy. All consented, all coming through a first-party data set, that they can have access to and working in everybody else or an open Internet environment to position themselves against the walled gardens. And I think that gives them the best promise, the best opportunity, to grow beyond what they are today.

I think if the open Internet wasn't there, it wasn't kept healthy, a Google or a Facebook might not be around today. They started somewhere as well. And so this is an important environment. And we want to make sure that we help everybody. And so they're important -- this is -- they're important to us as media owners.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Yes. We've talked a bit about Google's cookie policy, the latest out of that driven a lot by the feedback that you were talking about them, getting from their initial proposal is this idea of interest cohorts, and that, potentially, being as effective as cookies. How do you see that working for the industry, for Criteo?

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

Look, I mean we'll -- we're testing everything that Google are doing, we're testing to make sure it does tick the box and does provide the right data set to the industry.

The notion of cohorts is a tricky one, because it is not a 1:1. It's a grouping of identification. And so it needs to still be unpacked. Is it as accurate? No. And certainly not as accurate as first-party cookies where we're focused on. We think that consumers should own the rights to their own privacy settings.

And so while we're testing the work that comes out of Google, it will be part of the stack, if you like, of different ways in which we can identify new heat and make sure that you access or you see the content that you want to see and that you have control of your privacy settings.

We have other ways of doing that, contextual, the first-party data and the UID work that we're doing with the Trade Desk to get out single sign-on capabilities and transparency portals, so that you can actually come into the environment and pass across your consent. I guess, in the same way that you might today, would give consent to receiving cookies, that sort of platform in which we want to take the ownership of that data from the browsers, because we don't believe it belongs on the browsers. We give it back to the consumer, that they actually consent and we use first-party data. And we believe that's the future of the Internet is that we give, again, consumers control and that we continue or even do a better job of making sure that we get the right messages out to consumers, giving them a better experience than even what they've got today.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Yes. You mentioned your relationship with the Trade Desk. I guess, for -- again, for people that may not be as familiar with it, can you talk about how that relationship is going to work specifically? And the opportunity that you see for more companies, your size, the Trade Desk size, to sort of get together and partner like this?

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

Yes. Look, I think the group of the Trade Desk, ourselves, LiveRamp and Nielsen, I said that at the right time, together, that's a massive reach, if you like. The 4 companies have the ability to get to more advertisers and more media owners than, I guess -- the more the merrier, but we have the ability to get to the right amount before that causes the ability for it to snowball.

So we just want the critical mass and then it would snowball. The notion of it, of course, is that we're building the tech, the single sign-on and the transparency portal. That's built by Criteo. We have access to 5,000 media owners and over 20,000 brands. And so we'll use the power of that reach to get adoption for the capability for the single sign-on capability.

And the Trade Desk, for instance, we use their relationships with agencies to get this reach as well. So again, the more publishers, the better, the more mass we get of getting this onboard a setup before Google makes a switch or however they're going to do it and the time frame that they've called out, which is mid-2022, is important.

Again, I'm going to stress, this is important for the entire marketplace. This awareness of the storm that could come if people don't do anything. We've seen it -- we've been on it for the last 18 months. So we're well ahead of it. We have the assets to weather that storm. And I think it puts us in a terrific position to just lead from competition and to continue to provide a seamless service for our clients and to attract new clients, who are just going, "I don't know what to do with this, I need accuracy. Can you help us with it?"

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Yes. Absolutely. We've talked a lot about retail media, but you have this bigger umbrella of new solutions, app environment, other offerings within that. How big do you see that opportunity being? And along with retail media, what do you see as being the most critical component?

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

So our new solutions, our forecast in 2021 to grow by about 50%. Our aspiration has been to move it to become 30% of the overall business. And I'd like to make sure that we continue to have that sort of growth. We're predicting sort of a longer-term growth or a midterm vision that is in the mid-single digits. So that momentum is very good.

The aspiration there is that all of it, the sum of the parts creates the commerce media platform. And that the commerce media platform becomes the Amazon advertising of the open Internet is way bigger than the parts that we have today. The importance for us is how do we seamlessly stitch these things together, how do we go to market, how do we have the right talent in place to go to market and present it and how fast can we do that?

So the focuses on that, bringing everything, all of the assets that we have together and getting them out to our clients. There are -- you probably heard on our earnings call yesterday, many use cases to show -- many examples to show where we're starting to do that. And that's the idea is just to continue to drive that forward.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Yes. Absolutely. You mentioned the go-to-market strategy. The company recently underwent a sales force reorganization to evolve how you deal with your client. What kind of traction have you seen with that? And how do you feel about Criteo's go-to-market at the moment?

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

Look, I think we've got room there. We made some decision to pull back or refresh our talent in that area. For instance, the sales force had been focused on retargeting for a long time. And we've left the talent around selling suites, for instance, more suite-based selling. We don't have -- we haven't had the talent or the expertise to sell into agencies. Just a couple of examples of where we've had to refresh out talent internally to bring super stars on board that know how to do that. And that has sort of happened through the course of the latter part of last year, and it will continue to happen through this year as well.

So we've had to make some sacrifices to reinvest in the new to evolve the company. So I think there's a lot of room for improvement in there. If I look at sort of our disciplines around that, they're good. Are they great? Can they improve? Absolutely. And I think, again, it's -- that is a big opportunity for us. That is something that I think will make a huge impact on the business and the future overall, selling a suite, a platform, if you like, versus a bespoke solution.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Yes. The idea of reinvestment, you've talked about a few times. Given the evolution that you're growing -- going through, both in technology and new solutions, how do you think about the balancing profitability and growth as CEO?

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

Look, I think it's incredibly important. I think for us, growth comes first. We do have a healthy margin. We've got a profitable business. We have a healthy balance sheet. We've got a great cash position. And so we have the ability, of course, to invest in the business and clearly, to provide growth.

#1 is that I think there's opportunities to distribute cost that we see today into investments that we'll use through the course of this year. And by that, I mean there has been the ability for us to resize the team for -- to relocate the team, for instance, to create hubs, to create automation and bring efficiency into the business.

So when I started, the business had been the same for many years. And when you look at the transformation of the business into -- from a retargeting-only business to a commerce media platform. As I said, it needs different skill sets. It needs higher throughput. We have to move faster. So we've taken out costs in those areas, and we'll continue to, to be -- to reestablish or reinvest into the business to address and build on the momentum that we've made.

So again, a focus on profitable growth. A focus on growing first. And then looking at savings opportunities internally to use to reinvest in the business, to make sure that we do get profitable growth and that we're making the right investments for our shareholders.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

That's really great to hear. Megan, thanks so much for taking the time to join us. This has been great as always, and really look forward to getting to do this next time in person.

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

It's a real pleasure. Good to see you. Thanks for having me. Thank you. See you then.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Thanks.

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

Bye.

Heath Patrick Terry - Goldman Sachs Group, Inc., Research Division - MD

Bye.

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