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## PRESENTATION

### Operator

Good morning, and welcome to Criteo's First Quarter 2022 Earnings Call. (Operator Instructions) Please note, this event is being recorded.

I would now like to turn the conference over to Melanie Dambre, Director, Investor Relations. Please go ahead.

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### Melanie Dambre

Good morning, everyone, and welcome to Criteo's First Quarter 2022 Earnings Call. Joining us on the call are Chief Executive Officer, Megan Clarken; Chief Product Officer, Todd Parsons, and Chief Financial Officer, Sarah Glickman. 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 would like to remind you that our remarks will include forward-looking statements which reflect Criteo's judgments, 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 will 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.

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**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 we've never been so energized about the opportunity ahead of us.

Let me jump straight in with an update on our proposed acquisition of IPONWEB's business. We have conducted a review of IPONWEB's business continuity plans and the progress of its planned relocation of its Russian-based engineering resources, and we're encouraged that IPONWEB is taking appropriate steps and has seen minimum disruption to their business. We're in close discussions with the IPONWEB team to restructure the proposed transaction, and we look forward to providing additional updates. In the meantime, we're working with IPONWEB through our existing commercial arrangements to continue to execute on our Commerce Media Platform vision and deployment.

I want to zoom out a bit and make sure that we remind everyone of the opportunity that exists around Commerce Media and, what is the most attractive secular growth trend in our industry today. The next wave of advertising is upon us, and like its predecessors in display, search and social, it's expected to be huge. It is, of course, Commerce Media.

Criteo has been talking about Commerce Media for some time. Commerce Media is the opportunity that comes when you connect consumers, marketers and media owners to drive commerce outcomes.

It starts with Retail Media. Retail Media is enabling retailers to create personalized advertising experiences on their owned digital assets or digital in-store content effectively making them media owners. We call this onsite advertising. They're using their own first party data to inform that experience and closed loop measurement to demonstrate outcomes. This is effectively the extension of off-line shopper marketing to online.

This movement is opening a new and high-margin revenue stream for retailers. The Retail Media opportunity goes further when the retailer extends its advertising reach offsite and across the open internet -- effectively looking for more opportunities to attract and retain targeted consumers beyond its own content walls.

We call this off-site advertising. This opens up retailers to a new revenue stream while attracting brands to boost their visibility on the digital shelf and further attract and retain commerce audiences. It also attracts new dollars to media owners across the open Internet as ads flow off-site. Commerce Media expands Retail Media to non-Retail Media owners.

It is the broader ability to monetize for commerce everywhere, anywhere where consumers spend their time. It enables advertisers to attract, convert and retain consumers by engaging audiences on media owners' properties across the open Internet, and it connects ad spend directly to commerce outcomes.

This powerful combination of commerce data and deep machine learning to form commerce audiences is the foundation of successful Commerce Media strategies.

For Commerce Media and specifically for retailers focused on Retail Media, Criteo has been providing the platform that enables Retail Media for over 5 years. We are the tech enabler for large retailers, including Lowe's, Best Buy and Target, who are leading the way in this rapidly growing space. We're encouraged by the value that large retailers are seeing in this new advertising frontier, as we've heard over and over again in their earnings commentary.

It stands to reason given that Commerce Media is currently estimated to reach a \$180 billion to \$200 billion TAM over the next 4 years. The rise of Commerce Media has come about as a result of the quest to monetize valuable first-party customer data, which retailers and other media owners have struggled to fully utilize for many years. Unlocking that data value has surfaced a valuable advertising opportunity within their online stores and a data hook between off-line and online marketing tactics.

Criteo's Commerce Media Platforms is front and center in this. Let's take a look at a recent client partnership that we've formed which unlocks this opportunity.

The game-changing Commerce Media Platform agreement that we recently signed with Flipkart, India's homegrown e-commerce marketplace, is a great example. Using our platform, brands will have access to best-in-class advertising solutions with Criteo's Commerce Media technology, including our off-site capabilities and Flipkart's audience scale.

As part of this partnership, the launch of Product Performance Ads will enable advertisers to deliver their full-funnel marketing goals on the open Internet by leveraging our technology and Flipkart's audience signals for highly relevant reach and higher overall campaign efficiency. This represents a truly exciting partnership for both of us.

Similarly, we've renewed our focus on our partnership with Shopify, which enables merchants of all sizes to take advantage of our platform and expansive global reach to target users across all channels and devices and there's a lot more to come there.

Here are the primary reason why clients are choosing Criteo for their commerce and Retail Media needs and why we expect to continue to win their business:

First, what makes our Commerce Media Platform unique is bringing together our onsite advertising with offsite advertising across multiple formats. What's important to our marketer and retailer clients is the ability to engage consumers effectively throughout their shopping journey. Our goal is to have one tech and one data source to never lose sight of the consumer as they engage with content.

We believe our Commerce Media Platform will realize that single view across the buy and sell side. This creates consistency and eliminates one of the biggest issues for clients of platform fatigue and tech tax a by-product of multiple platform loads.

Second, operating both demand and supply side solutions at scale creates a powerful network effects that benefit brands, agencies, retailers, publishers and also Criteo. Today, we work with about 22,000 commerce clients, thousands of publishers and activate close to \$3 billion in annual media spend through our platform. In Retail Media alone, we support more than 100 retailers and over 1,500 brands. We are seeing increased supply, attract more demand to our platform and vice versa.

Third, our 16 years of proprietary commerce-focused AI, leveraging our huge commerce data set from approximately 725 million daily active users and unique access to over \$1 trillion of e-commerce sales is a differentiator. We continue to expand our reach with daily active users growing 6% compared to last quarter. In the U.S. alone, our largest single market and the biggest advertising market in the world, our daily active user reach is over 50% of the U.S. population.

The chances of us finding overlap consumers for retailers on-site and off-site is huge, adding to that our ability to find and attract new consumers through our reach and combination of AI and data, this drives commerce outcomes and maximizes return on ad spend for our clients. This unlocks revenue for clients. Nobody has the same tech stack and breadth of commerce data on the open Internet. In a world of diminishing operating system signals, data, reach, scale and AI is critical.

Let's turn now to our first quarter performance. We delivered constant currency growth of 6%, our fifth consecutive quarter of contribution ex-TAC growth, demonstrating continued business momentum. This was driven by strength in Retail Media growing close to 50%, audience targeting growing over 40% and, to a lesser extent, the bounce back of travel. This more than offset the slower macro environment and suspension of our operations in Russia. Once again, our focus on growth and execution is yielding results, and Sarah will take you through this in more detail shortly.

We remain confident in our Commerce Media Platform strategy, the execution of our plan and our growth momentum. The media spend activated by our Commerce Media Platform is a good indicator of the scale that we continue to build across our business. This increased 12% to \$645 million this quarter.

We're thrilled to welcome Brian Gleason as our Chief Revenue Officer, and he's hit the ground running. His top priority is to realize the full potential of our Commerce Media opportunity and execute our go-to-market strategy to drive sustainable growth. As a media agency veteran, his client-first mindset and proven track record of scaling businesses is instrumental as we embark on our next phase of growth.

Brian has come in at exactly the right time as we continue to sign deals with large marketplaces and flagship retailers including Flipkart and Michaels. He also joins us just as we launch exciting new client, including Nordstrom and Farfetch on our platform and expanded further adoption with eBay.

Brian's agency heritage brings even more firepower to our agency channel work, which is really firing on all cylinders with over \$200 million in activated media spend or about 32% of our overall business coming through agencies in the first quarter compared to 30% a year ago. As the Retail Media partner of choice on the open Internet, we offer more agencies incentives and first-to-market opportunities within our retail media ecosystem and platform globally, and we're seeing strong traction with our agency partners. These partnerships facilitate seamless integrations and higher volume of media spend. Our global partnership with GroupM is delivering at pace and We've recently signed a global arrangement agreement with Ascential and its world-class e-commerce agencies and a U.S. deal with another large agency holding company. We expect more on this front and the future.

Our business is no longer a point solution business like most others in ad tech. We are a platform business, more specifically a Commerce Media Platform business, focused on Retail Media at our core. We think about servicing our clients' needs every day as they relate to acquiring and retaining customers, and we use the breadth of our technical excellence to do that with efficiency.

Our ability to attract and retain customers for our clients does not have to rely on third-party operating system signals however, we will use them while they exist and assist our clients as they move away from them, essentially embracing more privacy-enabled, controllable and reliable signals.

I might note that those signals have become high-functioning infrastructure that the entire Internet has been developed on for measurement, context, user experience and more for a good part of 25 years. For the operating systems to remove them and expect the world to function just so is not fair. We commend U.K.'s CMA for their efforts to manage this. In turn, we'll help our clients navigate any change using our data, our AI, our reach and the cool and innovative work that's coming out of our product and R&D organizations. And Todd will say more about it in a minute.

Finally, I'd like to take this opportunity to thank all our Criteos for their hard work and relentless dedication to our clients. We're actively adding talent to the fast-growing areas of our business and pleased to be an employer of choice in our industry. This is a reflection of our values and commitment to put people first.

Just recently, we signed the LEAD Network CEO Pledge to strengthen our strong commitment to sustain pay equity globally and to advance career paths in technology for women. Sustainability is at the core of everything that we do, and we continue to enhance our ESG disclosures. We are committed to the United Nations Sustainable Development Goals, and we've adopted the Sustainable Accounting Standards Board reporting framework in our recently published corporate social responsibility report.

With that, I'm pleased to turn it back to Todd.

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

Thank you, Megan. Good morning, everyone.

Let me start with some perspectives on our progress to date. Our priority is and always has been to connect consumers, marketers and media owners and to drive commerce outcomes. Over the years, Criteo solutions have grown to span the entire consumer commerce journey, from discovering brands and products for the first time to ensuring the best opportunities for a sale, to making each subsequent visit more profitable, all in privacy-safe ways.

The loss of certain signals starting with Apple's ITP in 2017 triggered our efforts to find innovative ways to engage with consumers and diversify our approach away from retargeting for the benefits of both our clients and consumers, and we've accelerated our innovation over the past 2 years. I'd like to walk you through some tangible examples of how our Commerce Media Platform strategy is coming to life and how we are ensuring our clients can acquire and retain quality audiences.

First, we are proving that we can help our marketers better engage with consumers at scale as signals disappear. Our clients tell us that performance advertising is a critical need, and we continue to solve that problem for them. We leverage the unrivaled combination of our AI and commerce data to create privacy-safe audiences over each step of the consumer commerce journey. As an example, we've run hundreds of live tests for acquisition and retention specifically on iOS over the past few months. I am pleased to say that we successfully helped our marketer clients recover lost traffic, and therefore, maintain their spending in this environment during these tests. While still early, these are really exciting results.

We look forward to further scaling our audience targeting to mitigate the impact of third-party signals going away in environments like iOS or Safari today and Chrome or Android in the future, with the added benefit of continuously improving our AI decisions along the way.

Second, we are building a Commerce Media Network with industry-leading scale in first-party data. We're continuously looking for innovative ways to solve complex problems, and ultimately, we believe our first-party Commerce Media network will help marketers and media owners preserve and increase their ability to reach relevant users and personalize campaigns by onboarding, enriching and activating first-party data.

As you know, we have access to first-party data from about 22,000 marketer clients, and approximately 60% of our daily active users on the web are addressable through media owners we have direct access to. This is a key priority for us, and we continue to expand direct supply relationships and add multiple new publishers.

With our Commerce Media Platform strategy, we are offering new ways for media owners to get the best monetization and yield out of their media. Our proposed acquisition of IPONWEB would also expand our direct publisher footprint and enhance our potential to operate and activate more first-party data than ever before.

Third, we innovate to support new shopping experiences. Shoppable video is a great example of solutions that are at the forefront of our bringing commerce to content where consumers spend their time discovering our customers brands and products across the open Internet.

Today, we're pressing further to bring retail storefronts and other interactive commerce experiences across our network, including experimentation with in-game and livestream media. This work will continue to expand our customers' ability to engage audiences in all-commerce friendly environments through our Commerce Media Platform.

Lastly, we remain invested in any development related to industry-wide initiatives that may improve consumer privacy as it relates to commerce. IAB's seller-defined audiences and Google's privacy Sandbox are 2 examples, and we will be participating in Google trials of TOPICS and Fledge, which are just about to start.

As we did with FLoC beforehand, our approach will be to provide a quantitative view on how these initiatives could meet marketer and media owner objectives while respecting consumer privacy rights. Much more to come here, and we'll update you throughout the year.

Now let me highlight some wins.

Starting with Retail Media, the powerful combination of our on-site and off-site advertising capabilities represents a unique value proposition and key differentiator. This is why Flipkart chose Criteo. We're able to extend Retail Media capabilities off-site to recommend brands to new consumers and maximize spend from these brands.

By leveraging their existing integrations for on-site retail media monetization, retailers partnering with Criteo can seamlessly enable brands to target audiences across the open web as well as measure results at the SKU level.

A number of our global on-site consumer brands are increasingly leveraging off-site capabilities to drive higher traffic and in many cases, also drive higher conversion. They also benefit from a holistic assessment of their marketing strategies and spending. We're only getting started and we're very excited about the tremendous upselling opportunities coming with off-site. We look forward to showcasing our integrated on-site and off-site self-service campaign management and measurement capabilities when we're at Cannes Lions next month.

To best address the needs of our clients, we're evolving to always-on audience marketing strategies from point solutions, offering access to full funnel capabilities and commerce audiences through our Commerce Media Platform. In practice, that means that our clients can choose different types of audiences, different types of targeting and engage them across web and app environments to attract, convert and retain customers. With the power of our AI-driven audience modeling, we are enabling our clients to expand their reach and drive successful, measurable commerce outcomes.

It is clear that our always-on approach is resonating with our clients who value having one partner to help them engage with consumers across their entire buying journey. It is exciting to see clients who traditionally have come to us for customer retention now adopt customer acquisition solutions, thus increasing their total media spend with Criteo. As an example, one of our CPG customers recently adopted our always-on approach and has since increased its total media spend with us by 44% with customer acquisition now accounting for 89% of its total spend.

Another example is a fashion client that previously didn't spend any upper funnel budget with Criteo and is now dedicating 67% of its budget to customer acquisition, increasing its overall spend with us by 20%. These are only a few examples that emphasize our ability to deliver valued solutions that unlock new upper funnel budgets and enable us to operate more data.

To date and on average, we're seeing the spend related to acquisition audiences double and account for about half of the total media spend when clients are switching to always-on strategies. These early results are exciting, and we believe they will further enhance overall customer lifetime value going forward.

I will now turn it over to Sarah, who will take you through our Q1 performance and financial outlook. Sarah?

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

Thank you, Todd, and good morning, everyone. Starting with our financial highlights for Q1 2022. Revenue was \$511 million, and contribution ex-TAC was \$217 million. Reported contributions ex-TAC reflects a year-over-year \$10 million unfavorable Forex impact.

Contribution ex-TAC grew 6% at constant currency, with Retail Media up 48% and audience targeting up 42%.

As previously communicated, Q1 results were slightly impacted by a slow start for e-commerce in the U.K. and France and the suspension of our Russia operations in Q1. The impact from the loss of signals represented \$20 million, including iOS, in line with our guidance.

We continue to shift our top line mix with Retail Media and audience targeting representing 29% of contribution ex-TAC in our first quarter, up from 21% a year ago. We benefitted from continued upselling and cross-selling with a third of live client using multiple Criteo solutions. This is a key performance indicator for us as a cornerstone of our Commerce Media play. Client retention remained high at close to 90%.

Turning to our business segments in Retail Media, activated media spend expanded by 58% year-over-year to nearly \$165 million. Revenue was \$47 million, and contribution ex-TAC was up 48% to \$31 million. Growth was primarily driven by our U.S. customer base, including being the white label platform enabler for flagship retailers and reflected strong traction in CPG, our largest and fastest-growing vertical.

In our Marketing Solutions segment, we are gaining traction for our always-on audience strategies to help our clients to attract, convert and retain customers. During the first quarter, our sturdy growth in audience targeting more than offset lower retargeting, impacted by Russia and a slower macro, slightly offset by a rebound in travel.

We delivered strong profitability while investing for future growth. Adjusted EBITDA was \$63 million in Q1 2022. Non-GAAP operating expenses increased 15%, including higher personnel costs related to investments in commercial and product talent.

Moving down the P&L, depreciation and amortization increased 1% in Q1 2022 and share-based compensation expense increased 20%. Our income from operations was \$28 million and our net income was \$21 million in Q1 2022. Our effective tax rate was 33%. Our weighted average diluted share count was 63.6 million compared to 64.1 million last year. This resulted in diluted EPS of \$0.32 and adjusted diluted EPS of \$0.53 in Q1 2022.

Our strong cash generation and cash position provide ample financial flexibility to execute on our growth strategy. Free cash flow grew 9% to \$69 million in Q1, reflecting strong working capital management. We remain disciplined, balanced and shareholder-focused in our capital allocation. We invest in profitable growth through both organic investments and value-enhancing acquisitions. We also continue to deploy our strong balance sheet and return capital to shareholders via our share buyback program, which we resumed in early March 2022.

Turning to our financial outlook, which reflects our expectations as of today, May 4. As a reminder, our financial guidance for Q2 and fiscal year 2022 excludes the proposed acquisition of IPONWEB. Like everyone else, we remain cautious about our outlook for the remainder of the year given the uncertain macro backdrop with ongoing geopolitical issues, high inflation, continued lockdowns in Asia and global supply chain disruptions.

For 2022, we have updated our guidance and now anticipate constant currency growth of 8% to 10% in contribution ex-TAC. This reflects the suspension of our Russia operations and lower contribution ex-TAC for Europe due to higher traffic acquisition costs for certain global supply contracts denominated in USD. Our guidance for Retail Media is unchanged, and we expect activated media [spend] to grow to over \$1 billion and contribution ex-TAC growth to be approximately 50%. We also expect contribution ex-TAC growth of approximately 40% for audience targeting. Our 2022 adjusted EBITDA margin guidance remains unchanged at approximately 32%.

We view 2022 as a ramp-up year and anticipate accelerated growth in 2023. This will be driven by the diligent growth investments we are making to deliver our ambition for the Commerce Media Platform and growth for our agency partners and large Enterprise clients and publishers. Given the weakening of the euro and yen against the U.S. dollar, we now estimate Forex changes to lower contribution ex-TAC by \$34 million or 4 percentage points, compared to our previous forecast of \$20 million. Approximately 30% of our contribution ex-TAC is exposed to euro. There are no changes to our annual effective tax rate and capital expenditures, and we continue to expect free cash flow conversion of about 45% of adjusted EBITDA.

For Q2 2022, we have a cautious outlook given the macro and impact of Russia suspension. We expect contribution ex-TAC of \$220 million to \$224 million, growing by 4% to 6% at constant currency. We assume Forex impact of \$9 million and \$20 million for signal loss, primarily iOS. We expect adjusted EBITDA of \$49 million to \$53 million, which includes higher expenses related to marketing and accompanied by the internal event that would -- have been scheduled for June.

To conclude, we are confident in our Commerce Media Platform to deliver value to our customers and enable growth and resiliency. We have the tech stack and scale to deliver better performance than anyone else on the open Internet. As with any transformation, our path won't be linear. We are confident in our ability to deliver sustainable growth for many years to come.

We are excited about the launches planned for Cannes Lions. We also are planning to host an in-person investor event in the third quarter to meet our team, share more on our innovation and provide a comprehensive midterm growth outlook. The future is wide open for Criteo.

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

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question is from Sarah Simon of Berenberg.

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

Yes. I've got 3 questions, please. First one, Sarah, you had said earlier that you were trading towards the lower end of the range for Q1, but you actually came in underlying right in the middle. So I'm just wondering if something improved subsequent to you saying that.



Second one was just the business that Publicis bought yesterday, Profitero, is that something that you looked at? And I'm just wondering if you think that the combination of that with CitrusAd creates any stiffer competition for you?

And then the third thing is I'm kind of amazed that people haven't made more about Brian's move from GroupM to Criteo. GroupM is obviously ginormous and you are, at least in value terms, rather small. I'm just wondering what it was that you said to him or what it was he saw that the market can't see.

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

Thanks, Sarah. I'm going to have Sarah tackle the Q1 question, and I'll take the second and the third one.

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

Yes. Thanks, Sarah. When we met at the Morgan Stanley conference in February, there were a few things that happened. Obviously, first and foremost was the suspension of Russia operations. We had also seen lower spend in January and February, like a slow stop. What we did experience in March was actually was a very strong March. That was good, I think, similar to others.

Those are the key reasons. We came in, as you said, in the midpoint, that we were at half with that. Retail Media overperformed slightly versus the plan, so that was also good news for us as well. And we saw some really happy new business trends that we hope will continue. So it's a mix between Russia, some macro and some really good news on the other side.

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

I'll take the Publicis-Profitero question, and I'll take the Brian question as well, which I love.

So Profitero, look, we have an M&A pipeline that is always active, and of course, like anybody, looking for ways to build out our portfolio. We looked at or reviewed Profitero internally some years ago. We made a choice here and we acquired Gradient, which is similar in terms of its measurement and analytics capabilities. It's a fantastic asset to add to our Retail Media suite. And the team are working quickly. They're very nimble, very agile and responding to our clients' needs on a more customized basis as we see client needs expanding as Retail Media are expanding.

So in terms of Publicis, I mean, Publicis are building up their Retail Media play. It is for Publicis. I can't comment on Publicis' business, but what I will say is a big, big, big advantage that Criteo has is that we're independent. And so we're open to any agency holding company using the Commerce Media Platform.

And through that, they get access to hundreds of thousands of retailers where it actually gives them pretty much a one-stop shop for buy across all of those retailers as opposed to having to pull together 10 to 15 to 20 different platforms to be able to make those buys. So we're about trying to make efficiencies for the agencies, all of the agencies. And that's a big proposition that we, as an independent, can offer.

On the Brian front, look, Brian's been at GroupM for a long time. And I've got to say, I spoke to him as we were trying to bring him onboard here, he believes in the vision. So actually, there's 2 main things that stood out for Brian. One is he's very positive about GroupM, he's enjoyed his team there and there wasn't a reason for him to work outside of.

But he loves the vision, and he loved it because of what I said before. You could see how it relates to the agency role and the clients that he's spoken to, he could see how he could make a massive difference to the deployment of that vision through the contacts that he has and the work that he's done over these years in agencies.

But also, he loves the culture of the team. He loves the passion of the organization. And it was a really nice sweet spot for him to come across to and do something new but something he felt very bullish about because he could clearly see the opportunity and loves vision.

So it is a big win for us, and he's hit the ground running. He started before he started, and he's just -- in his 2 weeks here, he's brought so much to the team already. And we feel really excited about what he's going to bring for the future of Criteo.

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**Operator**

The next question is from Richard Kramer of Arete Research.

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

Megan, I'd love you to expand on this comment you made a couple of times about being more than just a point solution. And I guess, can you reflect a little bit on how you get marketers and the new cohort of advertisers that are represented by retailers together to appreciate this? Do you need to have your own sort of branded clean room offering that protects both sides of data and campaigns? Maybe you could talk about that.

And then a quick one for Todd. We've talked a lot about the Apple impact across the ad tech world in the past couple of years. Can you talk through how you see Android ID deprecation and Chrome, similar impacts and new challenges coming down the pike since those are obviously sort of imminent to -- the next wave of imminent changes?

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

Yes. Thanks, Richard. Thanks for the question. I'll talk at a high level about the notion of point solution versus platform play and the opportunity that opens up and more specifically through the clean room specific to you and then the second part of the question.

Look, it's a good call out. Criteo in the past has been a retail targeting business -- the amount of times I've heard us being referred to as a retargeting business is just [mad]. And the difference between there we have been and where we are today and going is the notion of being -- of great hold of the opportunity that exists around Commerce Media and putting our assets, the breadth of assets, pivoting them to be able to do what they do for that opportunity. And that's because of the platform play.

So all of the things that we've done in the past are part of that platform play. Our customers or our clients need to attract and retain consumers. And guess what, we do that better than anybody else, particularly the retention of consumers.

Our Retail Media on-site capabilities, our capability to drive search revenue on-site, our ability to extend retailers reach out to, all of the stuff that just things that we draw from our legacy, instead of point solutions and our legacy, they're part of a platform play, which is our business going forward. When I read the different sort of breakdowns of what Commerce Media is and will be in the future, [it cements]. It goes beyond just advertising tools on search or on display ads on site.

But it goes into promotions and the use of data to retain clients on site and, in effect, replace or duplicate trademark being on top of marketing practices in the digital environment. And I think when you open yourself up to being able to seize that opportunity, that is truly a platform play. It brings more opportunity to the brand. It certainly opens up the Retail Media opportunity for retailers. As I said before, it creates a media opportunity for them. They become a media player.

It's obviously open Internet because, of course, commerce audiences are just so attractive to media owners. And having the mechanism that drives advertising across to -- or look for commerce audiences on media properties is a powerful place to be, all again fueled by this notion of being the platform that underpins everything that's going on across Retail Media and everything that more broadly is going on across Commerce Media.

We're right in that sweet spot. So it just -- it makes perfect sense to accelerate the legacy that we had to draw on the technology that we have and [turn] as the platform that supports this growing opportunity around Commerce Media as it drives new revenue streams for all partners of our clients. Todd, do you want to talk about sort of the clean room opportunity?

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

Sure. Thanks. Richard, thanks for the questions. I think they're interrelated. The first one on clean rooms, just important to first point out that we are very focused on going where our clients are going and have invested and bringing leverage to those investments.

So with clean rooms, there are full dimensions to that. One is, there's a pickup of a few notable players in that space. We've talked about before, InfoSum is one, Habu is one, Snowflake is one. And of course, we're active in making sure that we can work with those products and add leverage to them as our clients select them.

The second thing is that internally, we continue to invest in private computing ourselves so that we have the capability to possibly provide a sidecar to those other products that we partner with. Again, the idea is not to provide a single solution, but to go where our clients are going and to add to the way that they do business and the way they invest.

With the IOS question, I think -- and what comes out, what's important to say first is that there's no silver bullet. There never has been. In the prepared remarks, we accentuated the fact that our innovation has really been strong in coming up with new ways to replace signals that are being lost because of the action of the platform and the OSs since 2017.

And that continues on. So the way we look at the environment now is we're incredibly focused on signal replacement due to iOS and Safari. But in parallel with that, we very much look at how we will do the same thing for Android and for Chrome. And in that way, we continue to develop a variety of capabilities, not just one. And I want to say in closing on this one, they've all anchored to safe operation of our partners first-party data, whether that's a Retail Media client who is just beginning to utilize first-party EBITDA or better monetization and audience acquisition and retention or whether that's a retailer we work with for years with their first-party data to do the same thing.

All of it comes back to how we help our clients safely operate first-party data in relation to audience acquisition and retention through those platforms. And that's an ongoing challenge for us and a huge area of investment and focus product-wise.

**Operator**

Next question is from Mark Kelley of Stifel.

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

Just a quick one on the guide. I guess, curious if that bakes in any incremental Retail Media wins for the full year that you have any visibility to? Or is that based on the current run rate of folks you already have on the Retail Media side?

And then second, when we think about, again, with the Retail Media business, when you get someone like a Walmart Canada, what's the gating factor for Walmart to choose you across the board, like across all geographies? Any help there would be great.

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

So just on the guidance, so first of all, Retail Media is not impacted. We're still on track there and we see over 50% growth for the year. It continues to grow fast. And we expect the bid dollars in activated media. We have over 100 retailers. We have over 1,500 brands. That includes boomerangs and that's continuing to grow.

We're also signing deals with large marketplaces, the flagship retailers. So it's all going as we expect and really excited about that growth. So what we have in the guidance is the impact is literally around Russia and the FX impact on the European contracts, which hopefully is temporary. And then, of course, some -- overall, all external factors.

In terms of the why Walmart Canada and why wouldn't that be a more holistic place? First of all, we do -- we have some exclusive deals across global retailers. We have many deals where we're one or number of players. We like to think that we're in pole position in many of those retailers. Some of those, as you know, Walmart, they have their own in-built solution for the U.S.

So we do other services for Walmart in the U.S. We also do primarily the Walmart Canada and other parts of the Walmart, I would say, overall platform. We serve them more holistically and more globally. So it really depends on their strategy for the retailer. But we are the only white label for many of the large retailers, both in the U.S. and in Europe group. But we're also, of course, the platform base on many of those kind of more -- the next level down of retailers, those smaller retailers as well. So we feel really, really good about our retail EMEA business.

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**Operator**

The next question is from Doug Anmuth of JPMorgan.

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**Katy Amanda Ansel** - *JPMorgan Chase & Co, Research Division - Research Analyst*

This is Katy on for Doug. As we think about the Russia and Ukraine conflict, we know the direct impact from suspending operations was around 2% of contribution ex-TAC. But are you seeing any spillover impact as marketers reduce spend broadly and consumer spending slows due to the conflict? And then just relatedly, are you seeing any difference in impact between marketing solutions relative to Retail Media?

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

Yes. So we -- clearly, we did see the impact we used to spend in Russia. There was some, I would say temporary pausing of some campaigns and blocking of some new sites, especially straight after the conflict was started. However, overall, it's not materially impacted the overall ad spend. For us, Europe was relatively flat in Q1. So we are anticipating I guess, slower growth versus high growth in Europe.

And I think, again, similar to others, we're cautious on the outlook. So that's the way that we have assumed our growth for the future. In terms of Retail Media, most of our growth is in the U.S. We do have large clients in Europe, and those are operating as we expect and is continuing to be a huge growth area for us. We are onboarding new customers from especially in Europe, and so we anticipate those revenues will start to come into Retail Media over the coming months.

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**Operator**

The next question is from Mark Zgutowicz of The Benchmark Company.

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

Just had a couple. The \$3 billion annual media spend, I was just curious what trajectory you see that sort of moving to over the next 12, 24 months and how important IPONWEB is in that trajectory? And if you could just provide perhaps a brief update on IPONWEB, that would be helpful.

And then on Flipkart, just curious how the economics look there relative to your typical Retail Media-type economics in developed markets like the U.S.?

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

You do the media spend, I'll take IPONWEB. And Todd, you take Flipkart?

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

Sure.

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

Perfect. So on media spend, I mean, that's clearly a key performance indicator for us, especially as we focus on how do we serve our customers and their needs. And as we look at our newest solutions, in particular, our Commerce Media Platform and around audience targeting as well as that's really a focus on how do we drive increased traffic and how do we attract and retain new customers, kind of up the funnel.

We are expecting there to be continued growth, I would say, double-digit growth in terms of our contribution ex-TAC over the coming year. And we anticipate continuing to add \$1 billion a year obviously in terms of the gross media spend as we continue to expand these newer solutions. IPONWEB has about \$1 billion of media spend going through that. So we previously communicated on the level of spend. And in terms -- and I think, Megan, you can address the other questions.

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

Yes. So one of the reasons we -- many reasons we like IPONWEB is because of that media spend that flows through their platform. It's part of the value that we base on that business. We -- I told you in the opening remarks about where we are with IPONWEB. I can't go much further in that, but to say that, look, we continue to have a strong dialogue and relationship with IPONWEB.

We're aligned on these things as a business, our vision, how we feel about our people, et cetera. And what we're encouraged by is that IPONWEB are doing everything that they said that they would do in terms of mitigating their exposure, their business exposure. And that's really encouraging.

So just as an example, the CEO, so they reorganized in such a way that they can focus on basically relocating their Russian R&D resources out of Russia. Their CEO has publicly shown his intent to do that. And he has stood by his word and is executing against that plan.

So just to give you some numbers, 1/3 of their employees who were located in Moscow prior to the war have already moved out of Russia. So that's an enormous effect on their part to move those people. They are expecting to move another 1/3 over the next few months and the rest by the end of the year. And so far, they are on track, depending by what they said that they'd do.

So we're working very closely with them, of course, because we have a commercial relationship with them. It's not slowing us down in terms of our plans to continue to deploy the Commerce Media Platform. But as we have more news to share, we definitely will in terms of the broader relationship and proposed acquisition.

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

I'll just add on Flipkart. Obviously, really excited about Flipkart. I'm glad you asked the question. We will be launching product performance ads with full funnel measurement capabilities that go with those together with Flipkart. And that's really going to strengthen Flipkart's off-platform offering.

So I think a couple of things to point out there. One is it's an exclusive arrangement for this use case. Two, the comparative economics to Retail Media adjusted for the market are there. And three, I think the use of the term performance is something to hold on to just now but for the future of the Retail Media, the idea that off-site must perform on behalf of a network like Flipkart is very much on our minds.

And because it's part of our heritage, performance marketing, connecting off-site performance and on-site performance is really baked into this sort of arrangement. Our strength plays to Flipkart's strength and we're very, very excited to develop the capabilities to make on and off-site perform perfectly together.

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**Operator**

The next question is from Matthew Thornton of Truist.

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

A couple of quick ones for me. I guess, first on buybacks. I know you did \$8 million in the quarter given the share price where it seems like there's opportunity. And I guess the question is, is there opportunity to accelerate that going forward? Or do we need to kind of wait for resolution around IPONWEB for that to really accelerate? I guess that's the first question.

Second question is around supply chain. We've talked a lot about currency. We've talked about Russia and broader macro. I'm just curious how much impact you've seen or your clients have seen from supply chains being gummed up the way they are and whether any alleviation there would be helpful to the business this year?

And then just final one around data privacy. Sarah, I think you talked about 1Q being in line. You guided 2Q, which looks like it's very much in line for the full year. Are you still expecting that -- I think the incremental was \$55 million. Just curious if that's still what you're expecting for the full year. And sorry if I missed that.

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

Matt, it's great to chat with you. In terms of our buyback, we did resume that in early March, and what we've complied with 10-b rules in terms of volumes that we can do each day. We also, as a French company and with a pending acquisition, especially around M&A shares, we have limited ability to do, I would say, significant buyback.

We look at our buyback program overall with other opportunities, including M&A. So we are doing, I would say, more of a study with them. Our expectation is to continue to drive sort of a flat share count kind of year-over-year. And as we see opportunities, in particular, potentially post the proposed acquisition of IPONWEB, we will continue to look at I'd say more, alternative, if you will, means of driving our capital into the most valuable areas.

The question on the data privacy impact, that is in line with our expectations and in line with in our guidance. So we had guided to \$55 million. And most of that impact is around the first half, so \$20 million in Q1 as anticipated, \$20 million in Q2 as anticipated. And the key drivers there are iOS, and then in Europe, some specific concerns. Those are the 2 key drivers.

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

I'll take supply chain, if you like. So on this one, just want to remind here, we're in the advertising business. So we're really about helping our client sign and convert consumers. And they do that. They're always going to do that. They may change their tactics, they may change the type of consumer they're looking for depending on the products, the products that they have on their shelf or their tactics.

They've always needed an enabler to be able to help them push through any supply chain issues that they might have. What we -- what's important to also know is that we have a diverse client base. So where there may be supply chain issues with one client base, there's not in another. So we make sure -- I think it's important for us -- it is important for us to make sure that our client base is diverse for any sort of external issues that a particular sector might find.

And also, we are, because of our audience targeting capability and our push to Commerce Media and Retail Media, we are available to them for whichever tactic they use. In other words, if there's pressure on them to slow down on brand advertising because they want more performance or they want to put in to Commerce Media or whatever their tactic might be, we're there. We're there upper funnel, we're lower funnel and then we're there all the way through their retail chain and out into their consumers across the open Internet.

So we're not seeing a knock-on effect from supply chain. And obviously, our clients are using us to help them to navigate, whatever the environment is that they find themselves in.

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### Operator

The next question is from Tim Nollen of Macquarie.

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

We've covered a lot of ground here, but I had one other question, which is about supply chain optimization that we're hearing a lot more about these days amongst the sort of, call them, more omnichannel SSPs and DSPs. And given that Criteo plays on both sides there, as businesses representing both sides, just wondering if there's any commentary you could have on how the general market trend towards kind of consolidation of the supply chain.

I'm not just talking M&A, but just more concentrated activities amongst larger players, how that may affect Criteo in any way.

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

Maybe, Todd, takes on this one. And then I'll probably weigh in with some thoughts as well.

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

Yes. I think the main theme here is one of platform consolidation, and it goes back to a comment I made about investments that have already been made and actually managing those gracefully towards that consolidation. So we've always taken the position that less is more in terms of handoffs between partners, whether it be for data management, for privacy compliance or performance marketing in general.

The ad tech space is probably overburdened a bit with applications that can be consolidated, but we're respectful that investments have been made. And the most important thing is that Criteo helps people operate them together more effectively. If our clients decide that they want to take applications capabilities out of their stack, we're here to help them do that. They want to keep them in, we're here to help them -- make them better.

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

Yes, I think that's absolutely right. And visibility on our product is key to delighting a client. But as I said much, much earlier on, the tech stack or the multi stack that we hear and over again is a problem for our clients, is something that Commerce Media Platform is here to address. And it just confirms the top that we're on. Good question. Thanks.

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### Melanie Dambre

Thank you, Megan, Sarah and Todd. This now concludes our call for today. Thanks, everyone, for joining, and the IR team is available for any additional questions you have. And we wish you all a good day.

**Operator**

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

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