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## PRESENTATION

### Operator

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

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

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

Good morning, everyone, and welcome to Criteo's Second Quarter 2022 Earnings Call. Joining us on the call today, Chief Executive Officer, Megan Clarken; and Chief Financial Officer, Sarah Glickman, are going to share some prepared remarks. Todd Parsons, our Chief Product Officer, will join us for the Q&A session.

As usual, you will find our investor presentation on our Investor Relations 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 reflects 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.

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

Well, thanks, Melanie, and good morning, everyone. Thank you all for joining us. Today marks an important milestone for our transformation journey as we continue to work towards the realization of our Commerce Media Platform vision. I'm very pleased to announce that we have successfully restructured and completed our acquisition of IPONWEB, which we believe will accelerate our plans to shape the future of Commerce Media on the open Internet.

Over the last few months, we've diligently evaluated the impact of the geopolitical environment on IPONWEB and reviewed its business continuity plans to ensure the short-term and long-term stability of its business. We're very encouraged that IPONWEB has seen minimal disruption to its top line performance while actively transitioning resources outside of Russia. Our close collaboration during these challenging times shows the strong fit between our companies and reinforces our confidence in what we can accomplish together.

Importantly, we successfully renegotiated the deal to reduce the acquisition price with an earn-out for demonstrated performance, and we restructured the transaction to exclude IPONWEB's Russian subsidiary. This is a very exciting time for our company, and we're thrilled to welcome Dr. Boris Mouzykantskii and the IPONWEB team to Criteo. Dr. Boris joins us as Chief Architect and will work closely with the rest of our leadership team toward a successful integration and will contribute to the product, technical and business architecture of Criteo going forward.

I'd like to remind you how this strategic acquisition is expected to accelerate our [platform] (corrected by company after the call) play, putting us further into a market-leading position as the intersection of Retail Media and Performance Marketing on the open Internet becomes the next wave of digital advertising.

Clearly, we are no longer a point solution business like most others in ad tech. First, IPONWEB brings leading capabilities on both the demand and the supply sides of ad tech, which will complement our existing technology. Specifically, its flexible self-service Demand-Side Platform, or DSP, BidCore, expands our offering into a full-funnel DSP, important to attract large enterprise marketers and agencies.

Add to this, their Supply-Side Platform, or SSP, the MediaGrid, which should further expand our premium direct publisher footprint and bring sophisticated capabilities to increase publisher revenue opportunities. It should also enhance our third-party data activation potential, a key element of our acceleration away from third-party cookies. Having both the DSP and the SSP capabilities in our Commerce Media Platform offers clients complete transparency and neutrality knowing that Criteo doesn't own any media or retail business that can bias all tech alternatives.

Connecting the sell-side and the buy-side also reduces workflows and tech tax and increases the fidelity of the data. Secondly, the acquisition of IPONWEB should enhance our scale and the distribution of our Commerce Media Platform, adding to Criteo's reach a further \$1 billion in annual media ad spend through BidSwitch, its media trading marketplace. The more scale in media spend that we can drive through our pipes, the better the outcomes we can deliver with the network effects of attracting more advertising demand to our platform.

Lastly, IPONWEB has acted as a trusted architect of the entire ad tech ecosystem over the past 2 decades and its customization capabilities will be instrumental to address the needs of our growing base of enterprise and agency clients who may require bespoke deployments as they look to in-house solutions using Criteo's tech excellence and expertise. This would effectively enable us to power the growing walled gardens concentrated around Retail Media.

As long-standing partners with IPONWEB, we anticipate a seamless integration and we're in lockstep to capitalize on the growth opportunity ahead of us. As many of you know, our industry is anticipating a huge change with the rise of Commerce Media, which a McKinsey study recently indicated could create a paradigm shift in digital advertising not seen since the rise of programmatic. There is a disproportionate amount of advertising spend going to the large utility platforms of search and social because that's where advertisers know that they can reach consumers. But the reality is 73% of consumers start their shopping journey on the open Internet, including retailers' digital stores.

Amazon and Walmart have tapped into this, creating their own hugely successful digital media properties to attract high-margin advertising dollars. This has paved the way for the wave of retailers that we see following suit, and we're right at the heart of this movement, helping them to leverage their first-party data and realize this potential.

We're the trusted tech partner for over 150 global retailers, giving us access to unique premium media inventory at scale and privileged access to retailer catalog, consented identity and commerce data that our AI can use to deliver an unprecedented array of capabilities.

We're only getting started. The latest client to enter our Retail Media client base is not a traditional retailer, it's in fact Deliveroo. Deliveroo recently announced the launch of its advertising platform powered by Criteo. Our strong agency relationships, media API partners and ability to scale quickly with our technology and sales team support were amongst the deciding factors in Deliveroo's decision to partner with Criteo.

Complementing our presence in omnichannel retail and marketplaces, this entry into delivery service is an exciting milestone, reinforcing the significant opportunities that lie ahead. It also highlights how operating both demand and supply-side situation -- solutions at scale creates powerful network effects and allows us to win.

What we do in Commerce Media is not just about retailers entering the media mix. It's about all existing media companies becoming even stronger in their ability to value their commerce audiences using their own first-party data. A critical part of our strategy is to deliver the best commerce audiences at scale across various channels and innovative formats, including social and video.

We continue to expand our direct integrations with media owners to reach consumers where they are spending their time, and we're pleased to have added about 50 new premium publishers since the beginning of the year. This includes new relationships with Disney, Les Echos and experimental campaigns on TikTok. As we expand our reach with new opportunities in social, we're working closely with Meta to be restored as a preferred partner. This will enable us to utilize our own buying optimization technologies and our own data to buy ad inventory on the Facebook and Instagram platforms globally.

As part of our direct supply strategy, we continue to strengthen our access to first-party data. The most recent example is our work with a large publisher for retargeting, which has enabled us to drive a meaningful yield increase for them with third-party data, while increasing marketers' spend in environments where third-party signals are blocked, like Safari. We will continue to test in other browser environments, including Chrome.

This work is groundbreaking and has the potential to profoundly shape privacy-first advertising and commerce on the open Internet. This is part of our acceleration away from third-party cookies.

Overall, we remain at the forefront of any industry-wide initiative that aims to improve consumer privacy as it relates to commerce. Following Google's announcement of a further delay of third-party cookie deprecation to the second half of 2024, we'll continue to partner with Google and the wider industry to test and build privacy-safe solutions that promise to support a fair and open Internet.

I would also like to convey our optimism about the future of the open Internet following the recent adoption of the Digital Market Act by the European Parliament, which is expected to restore a level playing field in the digital economy.

Turning now to our second quarter performance and current market dynamics. Despite the challenges in the macroeconomic environment, we're delivering on our plans and remain focused on the long term. In the second quarter, we delivered constant currency growth of 7%, our sixth consecutive quarter of Contribution ex-TAC growth. This was primarily driven by the continued growth of Retail Media and Audience Targeting solutions as well as solid performance in retargeting. Sarah will provide additional details in a moment.

In Retail Media, we continue to experience strong momentum with our retailer clients, expanding the scope of our partnerships to use the full breadth of our Commerce Media Platform capabilities like targeting and retargeting to enable retailers to acquire and retain customers.

Among others, we launched new formats for Fresh Direct and Carrefour, new inventory with Target and Walgreens and off-site campaigns with Best Buy and Sam's Club Mexico to complement existing on-site opportunities.

New business momentum remains strong with the launch of Bloomingdale's and the addition of Lowe's Canada and Deliveroo. Importantly, we're expanding our scale with our agency partners, including GroupM, and we've added nearly 200 new brands in Q2.

Our API Partner Program continues to expand with our EMEA rollout and the addition of ChannelAdvisor as an API partner in the U.S.

In Marketing Solutions, we continue to benefit from the travel recovery and traction in upselling and cross-selling of existing clients.

Lastly, even in a softer demand environment, retargeting is showing resilience as clients rely on our solutions to retain customers and convert to sales.

Now I'd like to take a moment to address the uncertain macroeconomic outlook and what that means for our business. We're closely monitoring commerce trends to help our clients understand how consumer demand is evolving. Our universal catalog provides a unified view of 4 billion product SKUs across 3,500 product categories from our 22,000 commerce clients, allowing us to quickly identify opportunities to actively pursue advertising budgets in categories that are experiencing high consumer demand across our client base.

For example, in Retail, which is our largest vertical, 22% of product categories, including travel items, personal care or food and beverages, saw double-digit year-over-year growth in Q2. This offsets lower demand for categories such as home improvement goods. The macro headwinds are clearly impacting our clients and the budgets they're able to spend with us, which Sarah will comment on shortly.

Despite these headwinds, they continue to look to us to deliver performance outcomes in the form of product sales for retailers, brands and marketers and advertising revenues for media owners.

A survey from Ascential showed that 70% of marketing professionals expect brand advertising budget cuts when responding to a potential recession scenario, while performance advertising is expecting to hold better. With our flexible platform, marketers can also pivot to the solutions that they need to acquire and retain customers and reach the audiences that matter the most of them at any time. This sort of flexibility is critical during uncertain times.

We also expect Retail Media to continue to grow. A brand's ultimate goal of standing out on a digital shelf is to drive more product sales and nearly 70% of advertisers report enhanced returns from their retail media ad spend compared with returns from other channels according to McKinsey.

In a challenging economic environment, benefiting from a new high-margin revenue stream will be a key advantage for retailers monetizing their digital ad spend on our platform. We've never been better positioned to help our clients navigate a challenging macro backdrop.

We're highly energized by the progress we continue to make on our transformation journey and execution of our growth strategy. The closing of our IPONWEB acquisition, our path to our restored partnership with Meta, the progress towards third party cookie independence and the continued expansion of our Commerce Media Platform are important building blocks for long-term sustainable growth.

I would like to thank all our Criteos for their hard work, innovation and unwavering commitment to our vision. Our people are our greatest assets. And our diversity, equity and inclusion efforts have been instrumental in our ability to attract and retain the best talent in the industry.

We recently held our first global company event since I joined Criteo and saw exceptional engagement from our team. I'm delighted that we continue to be widely recognized with LinkedIn ranking us fourth on their list of 2022 Top Companies in Marketing & Advertising in the U.S. We were also recently named as one of the top 50 inspiring workplaces in North America and earned Ragan's CSR and Diversity awards for our global DE&I commitment as well as our ESG engagement and communications report.

With that, I'll now turn it over to Sarah, who will take you through our Q2 performance and financial outlook. Sarah?

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

Thank you, Megan, and good morning, everyone. Starting with our financial highlights for Q2 2022. Revenue was \$495 million, and Contribution ex-TAC was \$215 million. Reported Contribution ex-TAC reflects the weakening of the euro and yen against the U.S. dollar, resulting in a year-over-year \$21 million unfavorable ForEx impact.

At constant currency, Q2 Contribution ex-TAC grew 7% on top of a tough comp with 18% growth in Q2 2021. Our growth was driven by Retail Media, up 42% and Audience Targeting up 33% as part of Marketing Solutions, up 2%.

We continue to shift our top line mix with Retail Media and Audience Targeting representing 33% of Contribution ex-TAC in our second quarter, up from 29% in Q1 and up from 25% a year ago. Client retention remained high at close to 90%.

Turning to our business segments. In Retail Media, revenue was \$55 million, and Contribution ex-TAC was up 42% at constant currency to \$37 million. Growth was primarily driven by our U.S. customer base and continued traction in CPG, our largest and fastest-growing vertical.

Our partnerships with agencies, including GroupM, are pacing well, and we onboarded 200 new brands in Q2. As a reminder, we also lapped the acquisition of Mabaya, which we completed in May of last year to expand our Retail Media solutions for online marketplaces.

In Marketing Solutions, revenue was \$440 million, and Contribution ex-TAC was up 2% at constant currency to \$178 million with solid growth in Audience Targeting, partially offset by lower retargeting. The 3% decline in retargeting reflects the suspension of our Russia operations and a \$16 million impact from the loss of signals, including iOS.

Our underlying growth in retargeting was primarily driven by growth in travel, solid performance in the EMEA, notably led by Germany, emerging markets and a rebound in the U.K. and our growing Shopify partnership while still early days. This was partially offset by softer trends in France and for certain large strategic clients in the U.S.

Overall, our value proposition is increasingly resonating with [strategic] (added by company after the call) clients, with 33% of our live clients using more than one Criteo product today compared to 28% a year ago. For example, a European clothing retailer that previously only used retargeting increased their overall spend with Criteo by over 90% in the second quarter, leveraging our broader Audience Targeting to achieve its customer acquisition and retention objectives.

We expect this trend to continue as more clients transition to always-on audience strategies to acquire and retain customers.

We delivered an adjusted EBITDA of \$50 million in Q2 2022. As expected, non-GAAP operating expenses increased 13%, including marketing events like Cannes Lions and our long-planned in person company-wide event. These investments were highly valuable for showcasing our strategy and capabilities for our clients and with our Criteos. We also invested in sales, R&D and product talent.

Moving down the P&L, depreciation and amortization decreased 10% in Q2 2022, and share-based compensation increased 3%. Our income from operations was \$9 million, and our net income was \$18 million in Q2 2022. Our annual effective tax rate was 32%.

Our weighted average diluted share count was 62.3 million compared to 64.7 million last year due to our share buyback program. This resulted in diluted EPS of \$0.27 and adjusted diluted EPS of \$0.58 in Q2 2022.

We are thrilled to welcome IPONWEB to Criteo. IPONWEB delivered about \$100 million in net revenue in 2021. Year-to-date in 2022, they have had minimal disruption to their top line performance and continue to grow top line as planned. We expect that IPONWEB will contribute annualized low to mid-double-digit EBITDA and generate free cash flow. We have incorporated the expected contribution from IPONWEB in our Q3 and full year 2022 guidance below.

We have a strong financial position with solid cash generation and no long-term debt, including over \$970 million in total liquidity at the end of June, and still ample financial flexibility to execute on our growth and capital allocation strategy following the acquisition of IPONWEB.

We're pleased to have signed a mandate letter and term sheet subject to customary conditions for an expanded EUR 407 million 5-year revolving credit facility, which should be formally in place by the end of September, replacing our existing EUR 294 million facility. This underscores the confidence of our banking partners in our pristine balance sheet and growth outlook.

We remain shareholder-focused in our capital allocation with the primary goal of investing in profitable growth through both organic investments and value-enhancing acquisitions, while also returning capital to our shareholders via our share buyback program.

During the first half of 2022, we repurchased over 1.1 million shares at an average cost of \$26.2 per share. With \$151 million left on our share buyback authorization and more flexibility following the completion of our IPONWEB acquisition, we intend to resume the execution of our buyback program now that we have announced Q2 earnings.

Turning to our financial outlook, which reflects our expectations as of today, August 3. Like many other companies, we are cautious about our outlook for the remainder of the year given the uncertain macro backdrop and considering the recent announcements from certain large retailers and economists' views on the outlook for Europe.

For 2022, we have updated our guidance and now anticipate constant currency growth of 11% to 14% in Contribution ex-TAC. This comprises organic growth of approximately 6% to 8% and inorganic growth from IPONWEB contributing approximately 5% to 6%. Organically, we now expect Contribution ex-TAC growth of approximately 45% for Retail Media, taking into account softer online traffic despite more inventory and strong bookings, and Contribution ex-TAC growth of approximately 30% to 35% for Audience Targeting.

Our 2022 adjusted EBITDA margin with IPONWEB is expected to be approximately 30% to 31%. Our diligent growth investments show our confidence in Criteo's long-term strategy. We have made progress on our investments in key growth areas so far this year and anticipate continuing to invest in high-priority areas that support our growth. Clearly, given the market environment and as we integrate IPONWEB, we are moderating spend over the coming months.

Given the further weakening of the euro and yen against the U.S. dollar, we now estimate the impact of ForEx to lower Contribution ex-TAC by \$60 million or 6 percentage points compared to our previous forecast of \$34 million. Approximately 30% of our Contribution ex-TAC is exposed to euro and approximately 10% of our Contribution ex-TAC is exposed to Japanese yen. There is no change to our capital expenditures, and we continue to expect free cash flow conversion of about 45% of adjusted EBITDA.

For Q3 2022, we have a cautious outlook given the impact of a slower macro environment on our clients and the budgets that are able to spend with us. We expect Q3 Contribution ex-TAC of \$223 million to \$229 million, growing by 12% to 15% in constant currency. This includes inorganic growth from IPONWEB that closed on August 1, contributing approximately 8% to 9% growth. Our organic growth is expected to be approximately 4% to 6%. We assume a ForEx impact of approximately \$13 million and approximately \$10 million for signal loss, as that part of the expected Q2 impact shifted to Q3. We expect adjusted EBITDA of \$48 million to \$53 million.

Despite a challenging macro environment, we have a broad and diversified client base, and differentiated assets that give us confidence in our ability to deliver solid growth, healthy profitability and solid cash generation again this year. Looking ahead, we believe that our strategic acquisition of IPONWEB will accelerate our strategy of creating the world's leading Commerce Media Platform to drive long-term sustainable growth and shareholder value.

Our IPONWEB acquisition combined with our growth investments, new business wins and recent partnerships are setting a strong foundation for growth in 2023.

Finally, please save the date for our upcoming Investor Day that will be held in New York City on September 26. You'll get a chance to hear from our leadership team, experience our Commerce Media Platform, and we plan on providing an update on our mid- to long-term financial outlook. We hope to meet with many of you in person, and we will webcast the event live.

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

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Today's first question comes from Richard Kramer at Arete Research.

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

My first question, Megan, can you give us a little taste or foresight of what you think the outcome of your discussions with Meta might be? It strikes me that you would be able to tap into a very large pool of potential additional inventory for retargeting [when the business] is clearly under pressure right now. So can you talk through the stages of that and how that might progress?

And then I guess, equally, with IPONWEB coming on board, you're going to get a lot more SSP capacity and publishers on board. Can you talk about the longer-term opportunity to improve margins as you sort of build out the end-to-end or full stack offering? And could this over time, given IPONWEB's ability to do the contract programming you mentioned, reduce Criteo's overall R&D to sales burden?

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

Yes. Richard, good to hear you. Let me take the first one. And as you know, Todd is with us in the room. So in terms of sort of a longer-term product view of SSP, the SSP capability, I'll pass it across to him. And he may be able to finish my sentences on Meta as well.

On the Meta front, it's been a long time since we've been out of that platform. And so it's exciting to us to now be -- to be able to rejoin with Meta, I guess, as partners to be able to offer our services across their assets. The stages here, though, are we have to reimplement the tech that we have had there in the past, which already exists, but we have to renew the relationship with the tech folks on their side. We need to dust off that tech, and we need to see whether or not there's anything else that we can add to that.

And that's going to take us a little bit of time. It's hard to say exactly how long that's going to be, but it's certainly not sort of heavy lifting in terms of T-shirt size, it's just being able to get in there. But it's early days and so establishing the relationship and the right people and then doing the scoping work is sort of immediately ahead of us.

And again, we don't -- again, it's been a while since we've been on that environment. So the size of the opportunity will unfold. It's not for us at this stage, at this early stage, to make predictions around that. But certainly, as we get on that and we see the uptake of their assets as a supply source to us and what that return brings to, I guess, them and us, we'll be able to give you a little bit more color into the actual size of that opportunity. Do you want to talk about the SSP?

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

Definitely. Good to hear from you, Richard. So just to finish on the Facebook question, partly the Meta question. It is a global partnership that we're looking to restart just to give you a sense of scale, which would ostensibly bring us [community] targeting across the 2 billion Facebook users and the 600 million Instagram users in the way that Megan described.

I know that Facebook would like to do a lot more with us in terms of how we might use the relationship to reach their audiences, to bring commerce experiences into Facebook. So the upside could go from a product perspective quite beyond what we were doing before. But as Megan mentioned, we're just getting into the nitty-gritty details of restarting that relationship with a focus on what we've done successfully before while exploring those bigger opportunities. Just a little bit to add to Meta.



On the SSP thing, I think you know as well as anyone maybe on the call that the MediaGrid, SSP was very central to our investment thesis and getting together with IPONWEB. And we are certainly going to take advantage of cross-selling opportunities around MediaGrid going forward and combining the opportunities we have with our direct bidding partners into that product [regime].

So it's a way for us to take what we have that's established on both sides of the company. I should say, both now one company, but both sides of the teams pull them together and begin selling pretty early on here. And again, just we're right at closing here. So we'll get busy with that. So that the next call, we'll have something material to discuss.

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#### Operator

Our next question today comes from Sarah Simon at Berenberg.

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

I'm now trying to read my notes. So question first of all was on similar audiences. I think you referred to it at some point in the prepared remarks, when you were talking about testing in Chrome, if I'm not wrong, but I wonder if you could have a bit of an update on the testing you've seen there and anything more.

And then as far as the delay to cookie deprecation is concerned, do you -- I mean -- are you seeing marketers and other partners slow down the shift away from cookies given the delay to the timetable? Or do you think people have now kind of hit the ground running and now it's just we're going to do this and sort of who cares about the time line?

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

Okay. All right. Sarah, just to address your question specifically about testing with Google, we are able to test -- we're testing 3 ways right now. The attribution API, the Topics API, which is running across all of our advertisers and publishers. So we're collecting a lot of topics through that. And obviously, FLEDGE, which is most interesting to us, at least from a core business perspective because it's retargeting oriented.

What I would say is while we can do testing end-to-end, the volumes of those tests are still relatively low. As Google opens up more opportunities for us to get to Chrome populations, then obviously, we can expand and move from there.

On top of that, the -- you mentioned similar audiences. Obviously, we're doing a tremendous amount of testing on similar audiences in non-Chrome environments. We talked about iOS testing and hundreds of those being complete on the last call, still showing very positive results.

So it's important to note that whether it's the Privacy Sandbox with Chrome, our existing solutions for building cohorts, that those are just a couple of approaches that we're taking to address cookie deprecation and that will continue with our strategy unchanged despite the fact that Google has given the ecosystem more time. And us as a partner to work with them to see whether the Privacy Sandbox solutions will work for consumer privacy and also add to the business value of marketers and publishers that we serve.

So we don't see any slowdowns, the final part of your question. I think that the exposure people have had -- in the ecosystem to iOS has been enough to have everyone at attention and moving forward. So we're -- I would say we're less worried about slowdown than maybe we would have been in the past.

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

Yes, Sarah, it's Megan. I think it's important to note that the use of cookies is sort of saturated through our client base. They use it for all sorts of things. So it's very difficult for us to have them stop doing it unless we can show them either a drop-dead date when they can't use it anymore or a reason to move.

And while Google continues to move the date that first part of the drop-dead date is sort of out of our reach. But the test that we're doing is -- part of the strategy of the test that we're doing is to actually show them the results of using the different formats, the different tactics that we have to find audiences on environments that today don't have signals where they are blind.

And as we move them across to use these tactics for those environments, they may get some taste, they may get some experience in exactly what we can do once Google does actually flick the switch. So it's all part of our plan to accelerate away from the -- any kind of alliance for our clients on third-party cookies across Chrome.

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**Operator**

And our next question today comes from Matt Thornton at Truist.

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

Maybe 2, if I could. Just coming back to Meta. Can you give us the puts and takes of what's changed since you were last buying on that platform? I mean obviously, their user base has gotten a lot larger. But I just can't recall. I think the prior agreement -- was global. I think you were buying on Facebook as well as Instagram. I guess are there any other puts and takes now versus maybe what the opportunity was back in 2018 and before?

And then just second question, maybe for Sarah, on the buybacks. Can you remind us -- I know I think you said \$151 million remaining in the authorization? Can that increase post the acquisition of IPONWEB? I'm trying to recall kind of what the dynamics could be there. Any color would be great.

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

Let me take the -- how are you doing, Matt? Let me quickly address the Meta question. What has changed outside of user numbers on Facebook side or on the Instagram side, is Criteo has changed. Criteo was doing mostly user targeting and optimizing our bidding for user-based interactions in the past chapter of our relationship. And of course, we look forward to doing that where we're joining marketer first-party data with Meta first-party data as this opens back up.

What's different about Criteo is that we are now a full funnel solution for marketers in such a way that us being able to take acquisition capabilities in Meta and utilize them as part of our partnership is an important consideration of the upside. So when you have some 3 billion people to work with, the idea of being able to do much better acquisition -- customer acquisition in addition to all of the retention that we've been doing in the past is very appealing.

Let me give you 2 examples to be specific, Facebook offers collaborative audiences and also a feature that I've worked with in the past called value-based lookalikes. It's very similar to our own web similar audiences. Those are 2 places that we're looking to validate in our partnership as quickly as we can to add to any kind of retention tactics we would do in Facebook using them as a partner. So we look for the partnership to expand if we're able to do so to meet our new strategy.

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

And just to add on to the share buyback. So yes, we have a current authorization remaining of \$151 million. And given that we've now closed IPONWEB, that gives us a lot more capacity to be able to buy back. We actually had stopped buying back just prior to the AGM in June. So we anticipate restarting and doing that in the typical, I would say, balanced approach between now and towards the end of the year. And that will be our program. And then as and when we see that it makes sense for us to increase that authorization, that would be a Board of Director authorization we would be seeking.

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**Operator**

And our next question today comes from Mark Kelley at Stifel.

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

Sarah, I'm sorry to make you repeat yourself, but on the IPONWEB Contribution ex-TAC number, it looks like based on your guidance, it's like a \$120 million annualized run rate. Can you remind us the growth rate again that they put up last year? I think it was in the low 20%. So I just want to make sure that's right.

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

Yes, it was 20% in 2021. So yes, it was 20% in '21.

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

Okay. Perfect. And then my second question is this is probably splitting hairs, but it looks like you're potentially seeing slightly less of an impact from Apple and the privacy changes, you kind of wrap the range around the incremental headwinds now. Again, splitting hairs, but maybe could you talk about is it getting a little bit better? Is it kind of in line to what you're expecting? That would be great.

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

Yes. So we had anticipated overall privacy headwinds to be around \$20 million, and our experience was around \$16 million. And most of that was iOS. And so the privacy headwinds as a total for the year is still within the same range. There are some new privacy restrictions that have come in. So that's what we're expecting more for the Q3-Q4 time frame.

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**Operator**

And our next question today comes from Doug Anmuth with JPMorgan.

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

This is Katy on for Doug. I just wanted to ask a little bit more about the Retail Media business. You've obviously had a presence in omnichannel and marketplaces. So could you just talk a little bit more about opportunities with other marketplaces (inaudible) traditional platform on the back of the Deliveroo deal?

And then secondly, just on the macro backdrop, is there anything you can share on advertiser behavior and macro trends through the course of 2Q from April versus June and now into July? And then just as we look ahead, you previously talked about ambitions to accelerate growth next year. So how are you thinking about that now given the volatile macro backdrop?

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

I'll take the beginning piece here in terms of Retail Media for other types of client base. I think last time we talked about Flipkart. And Flipkart is actually pretty exciting for us. We've had our first campaigns launched on Flipkart since we spoke last. (inaudible) up, I guess, with us something called -- it's actually a product, product performance ads which helps them to offer our services to -- they call them merchants or whatever they call them on Flipkart. So it truly is a marketplace where we're helping them with their full funnel off-site capability.

And then now to add to it, Deliveroo. And of course, we have a good relationship with Shopify. And we'll continue to look for opportunities as more and more marketplace providers or other clients or opportunities for us like Deliveroo come on to the scene.

Our ability on the Retail Media front to expand out the products that we offer there into -- as we go into more capabilities around sponsored ads off-site, extending out our ability to target audiences and retarget audiences through acquisition and retention of audiences, all of the pieces that we're building on top of our Retail Media platform and now bringing in the capabilities of IPONWEB just continue to expand what we can do with clients in Retail Media.

We anticipate that it will bring all sorts of clients that aren't traditional retailers to us as they look to expand their potential into media and being able to offer advertising on their platform.

So it's an exciting proposition for us and one that I know I've got the team sort of laser focused on looking for other clients or potential clients that look like clients that we have so that we can service the broader industry and bring what we do to more clients that are out there.

Sarah, do you want to talk macro?

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

Yes. So overall the macro, we are seeing, and I think everyone is experiencing a slight worsening month-on-month. If we think back even 6 weeks ago, there was much less discussion of recession, let's talk about large customers issuing some profit warnings.

We're seeing some impact of strategic large customers pulling back on spend as well as in our growth business as well, some smaller customers spending slightly less dollars than they would have done in the past. And I would say July was slightly worse than June and June was slightly worse than May. We're not seeing a landslide downward, hence, why we still have [a growth view] for Q3 and the rest of the year. But certainly, more difficult to get to the budgets and more requests in, as you would expect, for performance, which is good for us as well as the focus on converting to sales.

So all in all, we're focused on this. We talk to our clients all the time. We feel we're in a very good position and a great economy as well as in a softer economy to deliver for our customers. The bottom line there is clearly less dollars overall, and that impacts us as well as everybody else.

**Operator**

(Operator Instructions) Our next question comes from Tim Nollen at Macquarie.

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

I'd like to follow up on the topic of brand versus performance marketing. And if you could maybe elaborate a bit, please, on sort of where Criteo is positioned now versus the old Criteo, which may have been more performance [specific of retargeting]. Maybe just help fill in the blanks a bit on what you're doing now with the upper-funnel work and how that brings in more brand advertisers? And what sort of budget do these come from on the advertiser side? Just sort of how does this play out if we go into a deeper (inaudible)?

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

Yes. Nice to hear from you, Tim. Look, (inaudible) make no mistake, our expertise and our legacy -- legacy is the [wrong word], but our heritage is in performance. I mean we see \$40 billion in annual commerce outcomes run through our pipes. That's -- it's a very big number, and that's clearly a number that we're very proud of and particularly during this time because during this time, it is all about performance.

It is all about doing 2 things: customer acquisition, which is our targeting capability, which can be anywhere in the funnel, on top of the funnel and the brand space or middle of the funnel. And retention, the bottom of the funnel and making sure that those customers can come back again for our clients.

As we extend out the notion here is that we're about offering a closed-loop capability, measurement capability for our clients so that if you imagine a retailer has an offline store, has a digital store, has sponsored ads in a digital store, has display ads in a digital store and then wants to go outside to extend their reach out to the open Internet to both acquire new consumers, or retain new consumers or remind them that they came to the store last week. And all of this did run through a single platform, with the DSP and SSP capabilities to manage it and offer closed-loop measurement. That is what the Commerce Media Platform is all about.

And we are -- so we're there. We're offering that for our clients today, and that's our -- that's our strategy, and that's where IPONWEB continues to help us.

We do all this, by the way, and I said it earlier on in my remarks in a transparent way in a non-competing way. We don't own -- we're not a media company. We don't own media. We're not a retailer, we don't own a retail store. We're not an agency. And so all of this is what is exactly what we're going after.

If I bring that back to this economy, having clients that are trying to make it in this economy who want to pivot, who want flexibility to go to performance from brand, from brand advertising to performance or back again, the platform enables us to do that.

So the acquisition of full-stack DSP, the platform that we're building out enables them to quickly pivot from one to the other to offer flexibility. So you just kind of nailed it with that question. Thank you. That's what we're here to do.

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**Operator**

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

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

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

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

Thank you.

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**Unidentified Company Representative**

Thank you.

## Operator

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

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