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PRESENTATION

Justin Tyler Patterson - *KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst*

All right. Thank you for coming here today. I'm Justin Patterson. I lead the Internet Research team at KeyBanc. Really excited to have Megan from Criteo here with us this morning. Welcome.

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

Good to be here. Thank you. Thank you for having me.

Justin Tyler Patterson - *KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst*

Yes, of course. So to kick things off, 2023, exciting year for Criteo. You made a lot of progress with the Retail Media. The retargeting exposure continues to shrink. So just talk a little bit more about just some of the milestones you achieved in 2023 and where you're looking to invest in 2024?

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

Yes. Well, 2023 was a big year in terms of just putting the pieces together. And I think when we came out of 2023 and certainly, in our last earnings call and listening to our shareholders, our analysts on the back of that call, things fell into place. It was a bit of an ah-ah moment that most people could see clearly about the path we were taking and the things that we were doing as evidenced by the performance.

So firstly, we talked about our Commerce Media platform, and that platform is now in place. So you could see the platform working end-to-end and for the different types of clients that were coming on to the platform. Secondly, we sort of called out -- well, we had our second year of double-digit growth, which was big for us, particularly given where we come from when I started. And we topped the \$1 billion mark in terms of our revenue, which was exciting for all of us and a big milestone for Criteo internally.

On the Retail Media side, we lit up the stack. We lit up the DSP, we lit up the SSP. We continued to invest in the pieces in the center to help retailers go online with advertising. We brought in more and more big retailers throughout the course of the year. We now have 6 out of the top 10 retailers in the U.S. and half of the top 25 in Europe with a big expansion going on in Asia Pac.

So all of that started to really shine. And then on the targeting side of our business or the performance side of our business, we did what we said we were going to do, which was to increase the capability around retail media to be full funnel, to go middle funnel and upper funnel and introduce what we call commerce audiences, which were the ability to target based on what people buy as opposed to the sites that they go to, which is a unique differentiator for us.

And so now with these 2 very specific sides of our business in Retail Media and performance media, we've now -- it's pretty clear what it is what we're doing here in terms of creating an ecosystem around retailers and creating a new ecosystem around the open Internet. And so for everything that fell into place during 2023, you could really see it come to life from the story that we told coming into 2024. And so we're excited about that. That's the first step.

As we go into 2024, it's about the fact that these things have been built. They've now been positioned, they're out there in front of clients. They're gaining momentum. And so it's all about scale. It's bringing more and more retailers on, bringing in more demand into the retailers for retail media, expanding into a broader story for those retailers. On the performance side of the targeting side, just getting better and better around the precision that we're bringing all the way up the funnel, not just to the retargeting side but all the way up the funnel. And then using our AI to do both of these things.

So really putting our AI to work across both sides of the business to bring performance in, bring self-service in, bring better ways to make sure that we can be profitable with those product sets, more productivity. And then the last part of it for 2024 is just buckle up for Google's cookie deprecation and move our way through that seamlessly for both ourselves and our clients. And we're right where we need to be in terms of that.

QUESTIONS AND ANSWERS

Justin Tyler Patterson - KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst

Great. So let's -- there's lots we can unpack there. Let's start just with the product side. We've been talking about retail media for quite some time. Walmart's proposed acquisition of VIZIO is just one more example of advertising becoming much more of a focus across a lot of these retailers. Just how is your conversation with the retailers marketplace has really evolved as you broaden the assets that Criteo can bring to market.

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

Yes. Some are extremely sophisticated. And so we introduced this notion of sort of Retail Media 1.0 and Retail Media 2.0. For some clients, it really is Retail Media 2.0. And that's because there's real dollars here as evidenced by the moves that Walmart are doing to get themselves, I guess, closer to in the same sorts of assets that Amazon may have today. This notion of gathering data to get share of life, a data set that helps them understand the person's life or person's actions, person's buying behavior where they go, where they shop.

And so this here is in itself sort of a signal to other retailers that they: a, have to be there and b, should be there because the margins on that business -- the advertising business is so high and it's theirs to take if they're ahead. So our clients are sitting in a couple of buckets. There are some that are well and truly on their way there. They've been doing this for some time. They know what they're doing. They're looking to us to bring in more sophisticated tools to drive more demand for them. And they look to things like, for instance, we acquired a company at the beginning of last year called Brandcrush, which is an omnichannel company. And it really focuses on the planning capabilities between in-store and online.

So that if you're a retailer, you have a relationship with a brand, you're doing in-store advertising, you can more easily send that campaign across to a digital store and then provide end-to-end closed-loop measurement across both sides. That's sort of a perfect example of retail 2.0 and the sorts of conversations that we have with retailers who are at that end of the spectrum.

But then there's the other end of the spectrum, which are retailers that are not necessarily small by no stretch, some of them are the biggest in the world. But their maturity towards going there is waiting for them to push the button to go. There is no doubt in our mind that the language that they use, the things that they do, the things that they're asking us to do for them is right in the wheelhouse of them going. But it's a slower burn as we watch for them to really utilize the strength of them as a retailer and their ability to scale to just move.

So 2 sides of it. There's no doubt in my mind or in Criteo's mind, that this notion that Retail Media as an advertising channel will be somewhere as big as somewhere in between search at the top and social underneath. There's no doubt that that's what's going to happen here. Just waiting for these things to get scale and grow.

Justin Tyler Patterson - KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst

Right, right. And I like the way you juxtapose those 2 different client journeys within there. So for the side that is learning more about the category right now might not be as sophisticated. What do you think is really the tipping point there? Is that something from the product side that you can control? Or is that more of a go-to-market evangelism effort?

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

It is more the latter. So ultimately, it's money, money talks. So everywhere that you see a Walmart doing something that's actually driving them from \$1 billion to \$4 billion and upwards. You can hear the momentum in the market start to go, okay, I got to get behind that. And so money does talk. I think it's also that for some of them, they have other priorities or they're structured so -- the structure inside of those organizations is so different. There's so many moving parts that they need to put into somewhere else, plug into somewhere else to make it work. But it just takes longer than just blink of an eye. I'm going to turn on an e-commerce site and put ads up there.

It's not that at all. They're buying from different places. They have trade marketing relationships. They don't have agency relationships. They look to us for those. They have to understand how to move trade marketing across to their stores. They need sophistication put in place. And most often, they need to reorder themselves internally and understand how that's going to work externally to be able to set themselves up to do it. It's not going to get in their way. They will do it.

Justin Tyler Patterson - KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst

Got it. And then I like the fact that you usually come back to commerce media as opposed to Retail Media in there since the e-commerce opportunity is much broader. You do have marketplaces like Uber that you have partnered with. So when you step back and just consider that whole opportunities that the marketplace is out there. How are you thinking about that as just a growth vector over the next few years?

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

I think it's a trend, certainly. And I think it's an example of where different retailers are following suit, looking to an Amazon to see what they're doing or commerce players as opposed to retailers looking to find ways to very quickly give themselves some scale. I think it will work really well for some. It's not necessarily for all, but it will work really well for some. It's an aggregation and it's like a portal, you can go back into the 90s and say, "Hey, we've seen this sort of play before, how is it going to pan out?" For some it will pan out very, very well.

Justin Tyler Patterson - KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst

Got it. And since you invited it earlier with the words buckle up, my t-shirt is somewhat asking for it.

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

Did you wear that on purpose?

Justin Tyler Patterson - KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst

I did. It's either that -- it's either I wore it on purpose or my toddler dresses me, it's 1 of the 2. Could be both.

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

Right. I loved it.

Justin Tyler Patterson - KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst

So with the deprecation of the third-party cookie, obviously, a broad range of outcomes. If there's one thing that's true with ad tech, there's always some unknown and that's hard to predict. How are you bracing for the range of outcomes this year and preparing yourself for the life in the post-cookie world?

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

Well, firstly, we've been doing this now for 4 years plus bracing ourselves, and so we're a little bit braced in. We know all the scenarios that are out there. We know what could happen to what part of the ecosystem and what that would mean to the other part of the ecosystem, where new share could come to us because some aren't ready, where we have to make sure that we work with a client base that has to be ready because it has an effect on us plus everything else. We've been working closely with the CMA and the IAB and everybody else that's got a way in here to make sure that we're in good shape.

But here's the thing that I think is missed when it comes to Criteo. We have worked so hard on this one that we have -- I have a team in place that are all over the privacy sandbox. That's all they do, addressability and privacy sandbox. We have a 3-pronged approach to how we will replace cookies, the minute they switched off and nobody is going to take them away until they switched off, but we're ready to roll in. We have transformed our business from a place of being 100% relying on third-party cookies to now today, less than 10% of our business is going to be impacted, potentially going to be impacted. And every day that goes by, that becomes less.

And the reason why is because we looked at that part of the business, and we said, okay, how do we mitigate against and we built commerce audiences. So we went into a full funnel targeting capability with retargeting just one tactic down the bottom, and I'll come back to that. And we went full on into Retail Media over here, which has nothing to do with third-party cookies. So we mitigated ourselves completely over here. If I come back to that retargeting piece at the bottom of the funnel, it's a tactic that people like. So there's no point switching it off but it's becoming smaller and smaller to us. And if you think about the fact that cookie deprecation only affects chrome, now we've got a sliver of that retargeting and we can retain 60% of that sliver.

So now you've got even more of a sliver. So we're not the poster child for cookie deprecation, we have well and truly got in front of this thing. But like every company that's going to face some change that may affect the ecosystem, we all have to be ready, whatever business we're in, we have to be ready for what might happen, and that's the position that we're in today. We've got our business to a place, we're well and truly mitigated. We know exactly what that piece looks like, and we have plans in place for everything around us that may be done to the ecosystem. And I think that's important.

Justin Tyler Patterson - KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst

Definitely. And I think it's something that got lost in the discussion before. If I step back and consider it, signal loss is nothing new. You've been there through GDPR, Apple ITP, IDFA, Mozilla, Safari, have also deprecated cookies within there. So I think it does speak to the R&D first focus of your organization, the tuck-in acquisitions you've done along the way to future-proof the business. So when you kind of step back and consider just the product investments to make going forward, the continued boosting signal, what are really the 2 or 3 things you're most focused on even beyond this year?

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

Yes. Good question. We're focused on sort of anything that helps drive demand. So if you think about the stack and the fact that both sides of our business sit on the stack, they can be decoupled from, but they sit on this commerce media platform. And so they enjoy the technology, the tech capabilities from the entire stack. At one end of the stack, you could say we have a DSP and that the other we have an SSP. So we've created an

ecosystem, if you like. And so for us, what makes an ecosystem really healthy is just continuous drive to look for ways to drive demand to bring advertisers into the ecosystem.

So anything that we can find that is helping us continue to drive demand, which by -- is enormous when you think about the activated media spend that we send through our system, it's enormous today. We want to focus on making sure that, that just grows and grows and grows because of what we offer across both sides of the stack. And ultimately, to all of the 18,000 clients that we have, 86% of them are retailers. So there's a cross-sale capability that is happening here.

On sort of the performance side, again, anything that is helping us to retain continuity around addressability. There may be changes down the road. But more importantly, we want to maintain and exploit the position that we have currently around addressability. So anything we can do to bolt on to that. And then the exciting thing is on Retail Media within yield -- Commerce Yield, which is the sort of guts that the Retail Media play, as we did with Brandcrush, things that our clients are asking for that helps them to become more and more sophisticated, are things that we're interested in, either investing in organically and inorganically.

Justin Tyler Patterson - KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst

Got it. Got it. So shifting gears toward the financial side. Lots of moving parts here, retail media growing faster, retargeting facing some headwinds in there. How do you think about just the growth profile both for this year and then beyond?

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

Well, we've given our guidance for this year, we feel good about that. And we're going to chase that down. We have clearly our own internal view of year 2025, '26, '27 and still refining that. But if I stand back from all of that, I think it's an exciting year for Criteo because we're performing well. The stack is in place, it's about to scale. Cookie deprecation is coming, and I've started for a while to see it as an opportunity as opposed to risk. And so with it brings some growth potential that we see in 2025 and Retail Media is still a baby.

We are still cutting through the long grass, if you like, in an area that's not being owned by anybody before, ad tech for Retail Media. Our competition is not where it was in the past. So we're right here, making a market ourselves. And with that, there's an enormous opportunity. If you think about the size of the TAM that's talked about. If you think about the size of Retail Media in terms of it as an advertising medium, so one notch down from search, one notch up from social. And so it should be given cookie deprecation and the fact that it has access to first-party data.

It has access for brands to get to the shopper at the shopping cart just before they make the sale. It is truly an amazing environment to be advertising in versus some of the others and the ability to provide end-to-end closed-loop measurement to brands to know that they got what they paid for. And I think that all of these things just look at fantastic growth opportunities for Criteo. We have to sort of manage ourselves and make sure that we're going after the right things. We are a small company, we are a mighty one.

Justin Tyler Patterson - KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst

Great to hear. And hopefully, that little baby can skip the terrible too. So just go right productive adult within there.

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

Yes. Yes. And the 12s get rid of them.

Justin Tyler Patterson - KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst

I didn't talk about adolescence in there, dreading that day. But -- so turning over towards just margins and cash flow. You can admit all of these investments, you still have very healthy EBITDA margins, have a lot of free cash flow. How do you think about just deploying that? I know you have the buyback in there right now, but is this an environment where you might see more opportunities because of all the disruption?

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

Well, we do have the buyback, and we continue to buy, we're usually always in market. So we're looking for opportunities to buy back at the right times when we have access to that. And we're a huge believer in the potential value of our stock. And we think we're highly undervalued right now, as I think most people do. So it gives us a great opportunity to get in there where we can. We also are investing organically in our team. But we have to do that carefully because we're in a transformation. So we're moving a 3,500-person organization towards a future state from where they have been before.

And so it takes careful investment, but at the same time, it's always about refreshing and making sure that margins are kept intact and that the business is running how it should be.

So there's careful investment in organic. And then on an M&A front, we talked about that before. There's always opportunity for us to invest in something that we see as being highly valuable to the business, is going to give us the returns on that investment that we're looking for, is something that our shareholders will agree that, that has a great spot within Criteo and it's going to give the returns that we say we're going to get to the shareholders. So very careful in terms of the way that we spend our money.

Justin Tyler Patterson - KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst

Got it. So I'll pause there and see if we have any questions from the audience. And otherwise, I can round it out. All right.

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

Let's ask anything.

Justin Tyler Patterson - KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst

Okay. So one thing I think could be interesting to just dive into towards the end. Like you said earlier, we have been talking about the privacy sandbox for quite some time. You did feel like a lot of advertisers were slow to move, consider just alternatives for this new world. So just how have your conversations really changed to start the year now that, that first 1% was deprecated and some publishers, some advertisers are looking at more ways to manage through those headwinds?

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

Yes. It's different courses for different horses here, actually. And it was funny coming into this year at CES. It was the talk of the town, whereas a year ago, it was somebody else's problem. So I think cookie deprecation has really hit sort of its strides in terms of people being ready. And the different industry bodies have really stepped up to the table and said, okay, we're going to represent as they should. Advertisers have forever sort of aired on the side of somebody is going to solve it for me. It's okay. As long as I spend my advertising dollars, the tech players will solve it for me. And there's a little less of that going on. There's a realization that if we don't lean in, it may not be solved in the way that I want it to be solved.

So there's some more control coming from the advertisers themselves. On the publisher side, there is definitely a wake-up call. There's a wake-up call that says, if you're not trying to get some other form of addressable signal from your consumer, from your audience, you're going to miss out.

There's no way anybody is going to get to you. And so there's this notion now of sort of leaning into the different ways in which addressability can play out for them. And again, some are more advanced than others. I'm going to come back to this one. This one is interesting.

Some are more advanced than others. The agencies, I think, are sort of in the same boat as the advertisers. So as long as somebody is solving it, we'll get the ad dollars out there, first pass the post is going to get all the ad dollars, which is sort of raising the heckles amongst a lot of the players because that's more likely to be the walled gardens because they have addressability already sorted out.

So there is this kind of risk going on to -- for everybody to get their thing in place. The publishers are really interesting for a couple of reasons. One is that they may take different flavors in which to be able to identify their audiences. So for Criteo, that means we have to have different flavors to be able to connect with them. We can't rely on this one. We just need to make sure that we can speak to as many as possible.

Number two is that this is a global issue. And what tends to be forgotten is that there are companies out -- I was in Australia 3 or 4 weeks ago. And the news just spread that, I mean they know exactly what to do. However, they're like missing pieces, big pieces because unless they're news and they connected to Fox or unless there are some Google connected to get there, they're off -- because media is quite local actually, still around the world. And so if you're not connected to something, you're not getting the news.

And so I think that if I put my sort of global ecosystem head on, it is just so critically important that this be seen as a global issue and a global attempt to make sure that there is connectivity, there is addressability when the old-fashioned -- is he elmo or a cookie? He is the cookie monster. When the Monster goes away, that they can still keep eating those things. And so I think I tend to look at that as well because it has a knock on effect to the economy.

Justin Tyler Patterson - KeyBanc Capital Markets Inc., Research Division - Director of Internet and Media Equity Research & Lead Senior Analyst

Well, I think we both are in agreement. We look forward to talking more about chocolate chip and oatmeal raisin next time this year versus the never-ending cookie deprecation. Megan, with that, we are out of time. Thank you so much.

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

Yes. Pleasure. Thank you.

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