Q2 2020 Financial Results

Investor Presentation

July/August 2020

criteo

Safe harbor statement

This presentation contains "forward-looking" statements that are based on our management's beliefs and assumptions and on information currently available to management. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, projections, competitive position, industry environment, potential growth opportunities, potential market opportunities and the effects of competition and other actions by our counterparties. Importantly, at this time, the COVID-19 pandemic is having a significant impact on Criteo's business, financial condition, cash flow and results of operations. There are significant uncertainties about the duration and extent of the impact of the virus. The dynamic nature of these circumstances means that what is said in this presentation could materially change at any time.

Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements represent our management's beliefs and assumptions only as of the date of this presentation, and nothing in this presentation should be regarded as a representation by any person that these beliefs or assumptions will take place or occur. You should read the Company's most recent Annual Report on Form 10-K filed on March 2, 2020, and in subsequent Quarterly Reports on Form 10-Q, including the Risk Factors set forth therein and the exhibits thereto, as well as future filings and reports by the Company, completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

This presentation includes certain non-GAAP financial measures as defined by SEC rules. As required by Regulation G, we have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in the Appendix slides.

criteo

- Current Business Context
- Q2 Performance
- Criteo Strategy
- Online Identification
- Operational Priorities

Megan Clarken

CEO

Commerce Trends

1

Retailer sales are shifting online, eCommerce growing from 16% of total retail sales today to 23% by 2023

2

Ecommerce growth benefits non-large platform retailers and Direct-to-Consumer, especially in midmarket

3

Buy online, pick up in store (BOPIS), or click-and-collect, is growing, especially in the United States

4

Marketers move large parts of trade marketing to digital, mainly targeting and retargeting

Better than expected Q2 performance

Revenue ex-TAC

$180 million

21% above the high end of initial guidance at constant currency

Adjusted EBITDA

$39 million

$30 million above the high end of initial guidance at constant currency

* Revenue ex-TAC, Adjusted EBITDA, and Free Cash Flow are not measures calculated in accordance with U.S. GAAP. We have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in the Appendix slides.
** At constant currency

Q2 COVID-19 Context and Business Recovery

- **Midmarket business remains resilient** and continues to grow, especially in Retail
- Large customers in **Travel, Classifieds and brick and mortar retail** remain deeply affected
- **Direct response and targeted marketing remain key**
- Higher commerce triggered by COVID was **positive for Retail Media**
- Net impact of **COVID in Q2 was lower** than expected, positive for Retail Media and Midmarket
- Pace of **recovery may be much slower** than anticipated
- **We may not see a full recovery before sometime in 2021**

criteo

OUR MISSION

To power the world's

MARKETERS

with trusted and impactful advertising

criteo

Strategy

Build and operate a world-class demand side platform (DSP), specifically for commerce companies.

With this platform, we want to earn additional marketing budgets from existing clients and win new consumer brand and commerce clients.

We have unique assets to win

Advertisers & Publishers

Over 20,000 commerce clients and retailers

Incl. **1,000+** brands

4,700 direct publishers

Commerce Data & Reach

2.5B users in ID Graph

120+ intent signals per shopper

Retail Media Platform

For brands and retailers

criteo

Four strategic pillars drive our 2020 execution roadmap

1

Strengthen the Core

2

Expand Product Portfolio

3

Explore Strategic Game Changers

4

Drive Tech & Operational Excellence

criteo

Strengthen the core

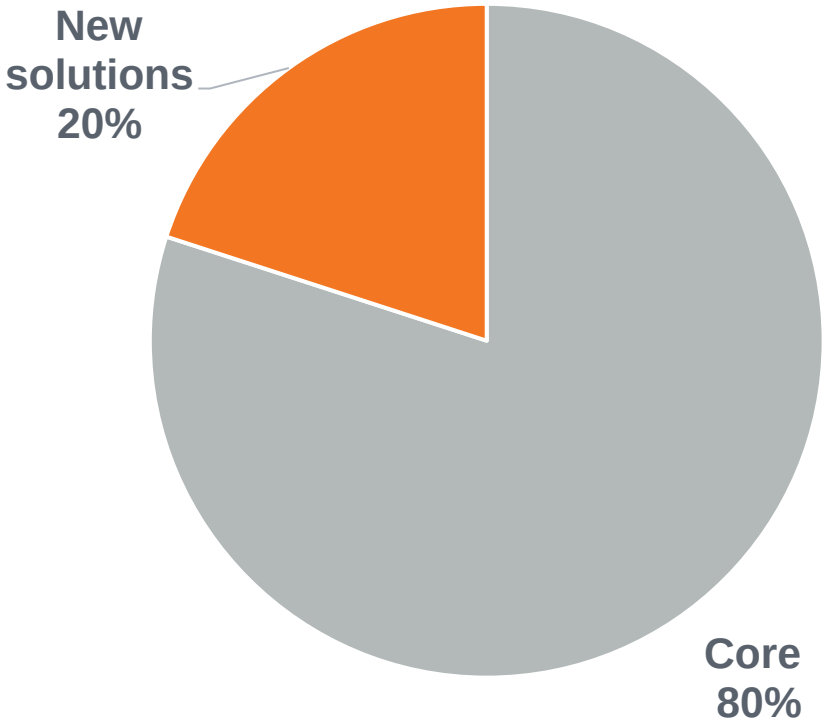
- **We added new DSP capabilities to our platform:**
  - Enhanced **Commerce Audience Targeting** – allows to group more product categories and brands for additional audience segmentation
  - **Reporting Dashboards** – provide additional transparency on the performance and measurement of their campaigns

Expand our portfolio

New solutions grew 67% year over year

- Of which **Retail Media grew 84%**
- **App Consideration grew nicely**
- And **Omnichannel (instore) grew 120%+**

Revenue ex-TAC by Solution



Strategic game changers

We continued to grow our partner network to build a full stack DSP

- Extended **partnership with Yahoo! Japan** to include our **Consideration solutions**
- Signed **partnership with Zaius** to strengthen **audience capabilities for online and in-store targeting**
- Broadened **partnership with Lengow** to strengthen **offline targeting**

Drive tech and operational excellence

- **Tech**
  - Enhanced our platform with **new DSP features for audience targeting and reporting**
  - Strengthened our **contextual targeting** capabilities
  - Invested in our **identity solutions**
- **Operational**
  - Promoted David Fox to **Chief Commercial Officer**
  - Hired **Todd Parsons** from OpenX as **Chief Product Officer**
  - **Exceeded plan for cost containment**

criteo

Online identification

Changes bring more consumer privacy but challenges for the open Internet and consumer experience

Our assets that set us apart from other Adtech players.

Ability to do contextual and cohort-based advertising

First-party footprint – integrated with over 20,000 advertisers and 4,700 publisher

Consumer data & ID Graph with 2.5 billion unique users

criteo

SPARROW

Secure Private Advertising Remotely Run On Webserver

In May 2020, to **address shortcomings of Google's TURTLEDOV proposal**, Criteo proposed **SPARROW to expand capabilities** in Chrome's three areas of focus:

1. **Audiences**: Adding the ability to drive awareness by creating lookalike campaigns based on interest groups.
2. **Technical execution**: Instead of browsers executing real-time bidding, we recommend safeguarding users' data by having an independent party, known as a gatekeeper, execute real-time bidding. A gatekeeper could be a cloud service provider or a Supply Side Platform (SSP).
3. **Reporting**: SPARROW proposes granular reporting for more transparency into campaign management, billing, fraud prevention and brand safety while also providing more control over fraud detection, campaign optimization, and A/B testing.

Revocable ID solution

- Allows **users to build their own privacy profile** and adapt it as their preferences evolve
- Personal profile **available across all Web and App** environments
- **Not owned by any commercial entity**, not limited to a software, operating system or device

Short and mid-term priorities

1

Ensure employee safety and business continuity

2

Support clients with Direct Response marketing

3

Align organization and cost structure to support strategic plan

4

Develop enduring, industry-leading solutions for online ID

5

Execute against full-stack DSP strategy

criteo

criteo

- Q2 Performance
- Guidance

Dave Anderson

Interim CFO

Covid-19 impacted Q2 2020 Revenue ex-TAC by $41 million

	Reported number	YoY decline at CC	COVID impact
Revenue ex-TAC (RexT)	$ 180M	-18%	19 points*
Retargeting RexT		-27%	20 points*
Same client RexT		-14%	21 points*
RexT Americas	$ 70M	-15%	$14M
RexT EMEA	$ 70M	-18%	$16M
RexT APAC	$ 40M	-24%	$11M

* Points of year-over-year growth

criteo

Operational Highlights – Q2 2020

Revenue	**$438 Million**
Revenue ex-TAC	**$180 Million**
Revenue ex-TAC margin as % of revenue	**41%**

New solutions represented **20% of total** RexT, **growing 67% yoy**

Excluding COVID, retargeting **only declined 7% at CC** (vs -27% unadjusted)

Net client additions were flat, ended Q3 with close to **20,400 clients**

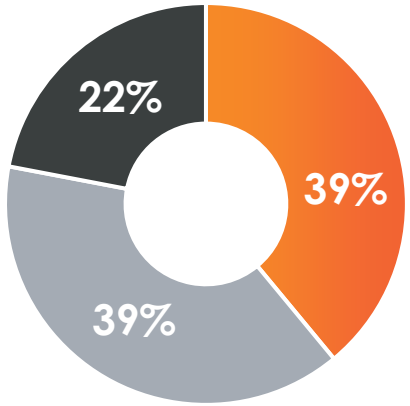
Same client RexT declined **14%, 21 points attributable to COVID**

4,700 Direct publishers web and app deployed with Criteo Direct Bidder

criteo

Regional performance – Q2 2020

Q2 2020 Revenue ex-TAC Mix by Region including COVID impact



Growth* by Region:

-15% Americas
+2% excluding COVID

-18% EMEA
+1% excluding COVID

-24% APAC
-3% excluding COVID

* At constant currency

criteo

Expenses and Adjusted EBITDA

Reduced total expenses by

$34 million (GAAP) and

$27 million (Non-GAAP)

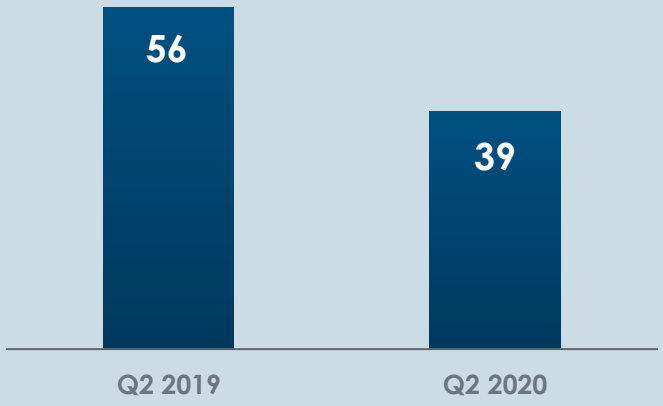
Operating expenses declined

22% (GAAP) and

20% (Non-GAAP)

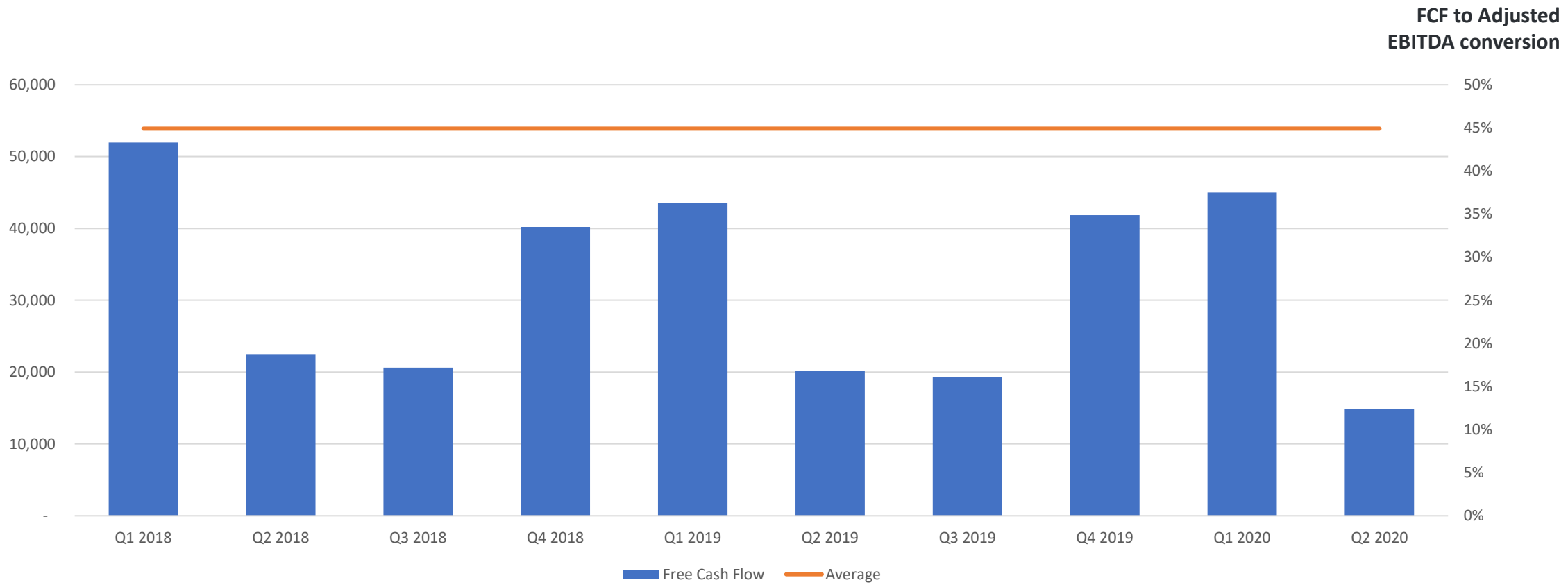
Adjusted EBITDA* ($M)

22% of Revenue ex-TAC



criteo

Robust free cash flow and strong conversion into Adj. EBITDA



FCF to Adjusted EBITDA conversion	67%	33%	30%	38%	63%	36%	30%	38%	76%	38%

Q3 Guidance

We expect a slower pace of recovery from the Pandemic

Revenue ex-TAC

- July Revenue ex-TAC performance: -20% year over year, August and September expected to be slightly more positive
- Expected net COVID impact on Q3 Revenue ex-TAC: **$40 million**
- Headwinds from iOS14 and more stringent consent banners in Europe
- **$171-$173 million, or decline of 20%-21% year over year**

Expenses

- Non-GAAP expenses expected to be **$17 million, or 9% lower** at CC yoy

Adjusted EBITDA

- **$31-$33 million**

criteo

FY 2020 Outlook

We are not in a position to quantify the COVID-related impact beyond Q3 2020

We withdrew our 2020 guidance on April 1, 2020.

Current Q4 Revenue ex-TAC assumptions

- Little economic recovery
- Early impact from iOS14 starting mid-September
- Increase adoption of explicit consent in Europe
- **high 10% to low 20% decline range**

Current Q4 assumptions for expenses

- Reduce Non-GAAP expenses by **$77 million compared to 2019**

criteo

Further Questions? Please contact investor relations

IR@criteo.com

Edouard Lassalle

VP, Market Relations
+33 1 7621 2166
e.lassalle@criteo.com

Clemence Vermersch

Associate, Investor Relations
+33 6 7599 6751
c.vermersch@criteo.com

Appendix

Foreign Exchange impact on actual results and guidance

	Q2 2020 Actual					
USD million	@ Q2 2019 FX	**FX impact**	Actual	@ Q2 2020 guidance FX	**FX impact**	Actual
Revenue ex-TAC	$ 183.2	**$ (3.3)**	$ 179.9	$ 177.7	**$ 2.2**	$ 179.9

	Q3 2020 Guidance		
USD million	@ Q3 2019 FX	**FX impact**	Guidance Midpoint*
Revenue ex-TAC	$ 175.4	**$ (3.4)**	$ 172.0

** Based on FX assumptions for Q3 2020 published in the July 29, 2020 earnings release*

criteo

Revenue ex-TAC reconciliation

$ in thousands	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20
Revenue	564,164	537,185	528,869	670,069	558,123	528,147	522,606	652,640	503,376	437,614
Less: Traffic acquisition costs	323,746	306,963	305,387	398,238	322,429	304,229	301,901	386,388	297,364	(257,698)
Revenue ex-TAC	**240,418**	**230,222**	**223,482**	**271,858**	**235,694**	**223,918**	**220,705**	**266,252**	**206,012**	**179,916**

$ in thousands	2018	2019
Revenue	2,300,314	2,261,516
Less: Traffic acquisition costs	1,334,334	1,314,947
Revenue ex-TAC	**965,980**	**946,569**

criteo

Adjusted EBITDA reconciliation

($ in thousands)	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	2017	2018	2019
Net income	**21,090**	**14,707**	**17,948**	**42,134**	**21,401**	**12,537**	**20,557**	**41,474**	**16,428**	**6,150**	**96,659**	**95,879**	**95,969**
Adjustments:													
Financial (income) expense, net	1,325	1,006	1,007	1,746	1,974	1,354	900	1,521	334	1,003	9,534	5,084	5,749
Provision for income taxes	12,386	8,638	6,821	18,299	10,018	5,683	7,913	15,822	7,040	2,636	31,651	46,144	39,496
Equity awards compensation expense	19,303	20,245	17,261	10,267	13,882	14,391	11,700	9,089	8,503	7,159	72,351	67,076	49,132
Pension service costs	434	419	419	419	394	391	388	383	538	539	1,231	1,691	1,556
Depreciation and amortization expense	23,646	23,560	25,619	30,675	19,296	21,315	22,388	30,489	24,138	20,208	90,796	103,500	93,488
Acquisition-related costs	-	-	516	1,222	-	-	-	-	-	-	6	1,738	-
Restructuring	(252)	199	-	-	1,890	728	303	10,661	2,209	1,216	7,356	(53)	13,582
Total net adjustments	56,842	54,067	51,643	62,628	47,454	43,862	43,662	68,025	42,762	32,761	212,925	225,180	203,003
Adjusted EBITDA	**77,932**	**68,774**	**69,591**	**104,762**	**68,855**	**56,399**	**64,219**	**109,499**	**59,190**	**38,911**	**309,584**	**321,059**	**298,972**

criteo

Free cash flow reconciliation

($ in thousands)	Q2 2019	Q2 2020
CASH FROM OPERATING ACTIVITIES	**52,964**	**33,377**
Acquisition of intangible assets, property, plant and equipment	(28,812)	(29,471)
Change in accounts payable related to intangible assets, property, plant and equipment	(3,980)	10,939
FREE CASH FLOW	**20,172**	**14,845**

criteo