

# Q3 2018 Financial Results



Investor Presentation  
October 2018



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.

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 1, 2018, including the Risk Factors set forth therein and the exhibits thereto, the Company’s Quarterly Report on Form 10-Q filed with the SEC on August 2, 2018, and the Company’s Quarterly Report on Form 10-K for the quarter ended September 30, 2018, which will be filed with the SEC, 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.

# Compelling investment thesis



1

## Large market opportunity

Digital advertising is large and growing fast

2

## Clear vision

Become the advertising platform for the open Internet

3

## Competitive moats

Technology  
Scale  
Neutrality

4

## Proven track-record

Client growth  
90% client retention for full-funnel products

5

## Attractive financial profile

Plan to return to Growth  
Increasing profitability  
Strong cash flow

**We are  
building the  
advertising  
platform for  
the open  
Internet.**



# The online ecosystem has many stakeholders



# Criteo aims to complement the retailer advertising playbook



SEARCH



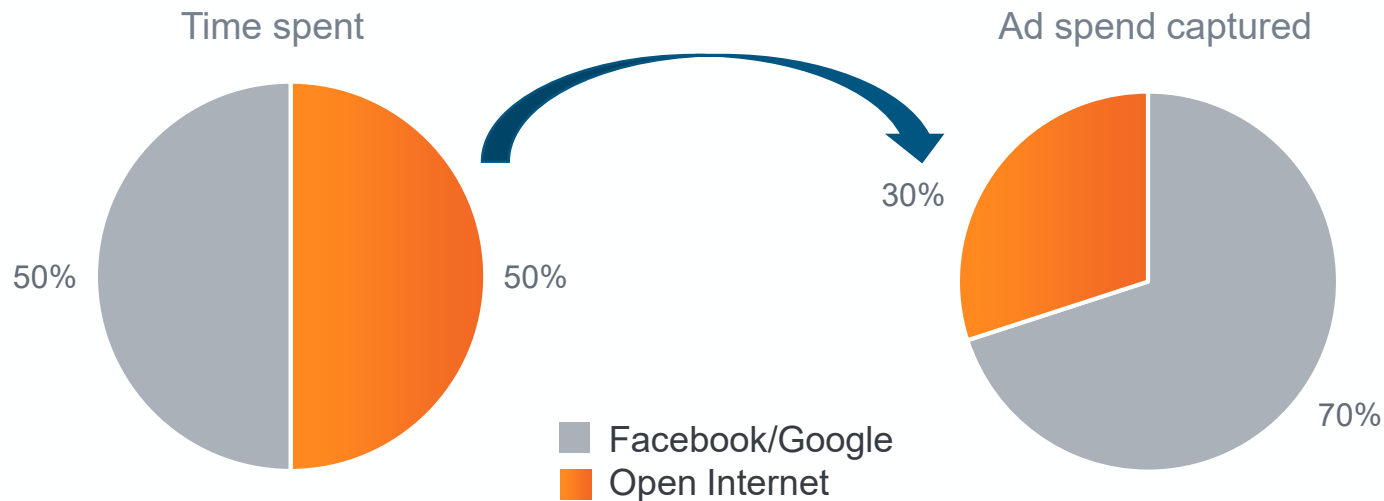
SOCIAL



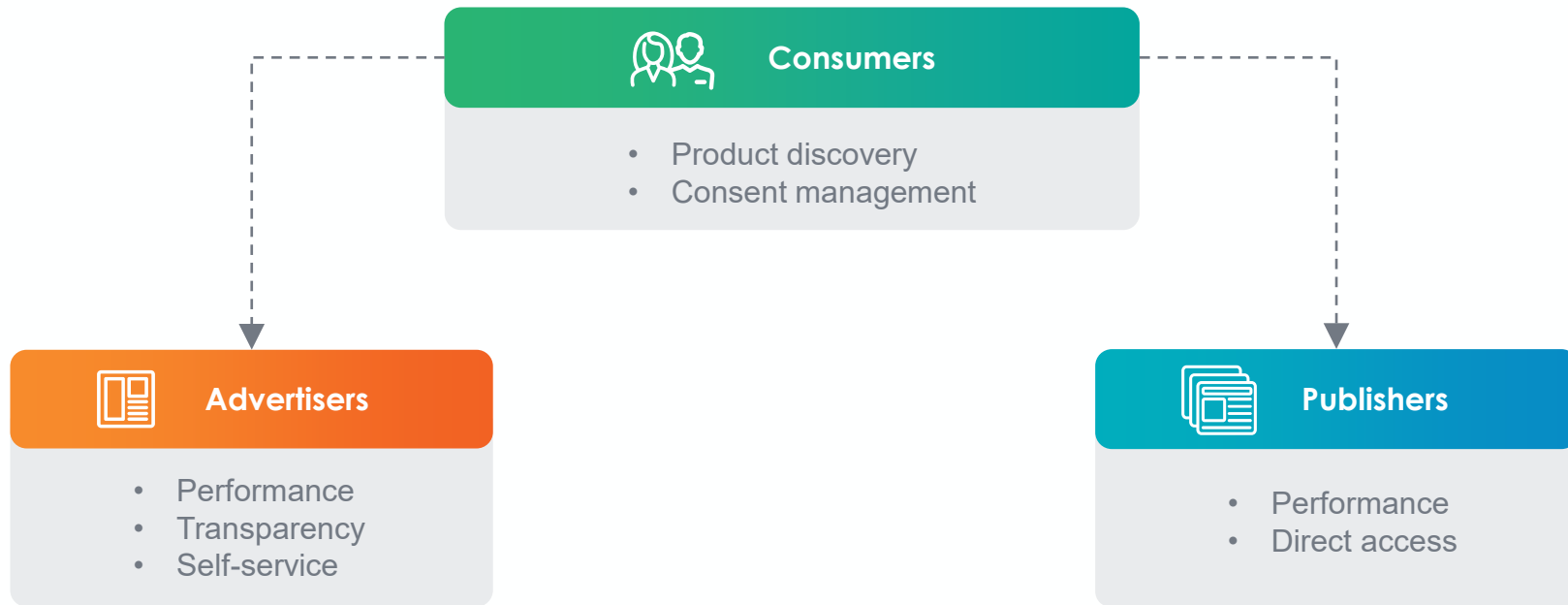
OPEN INTERNET



# The open Internet is highly under-monetized creating a huge opportunity for Criteo



# We create value for all stakeholders





# Direct relationships with many premium commerce and brand clients



## Commerce: Retail, Travel and Classifieds



Booking.com

ESPRIT

La Redoute



DEBENHAMS

Rakuten

3 SUISSES



OTTO

CarCurus

bon  
prix



Neiman-Marcus



## Brands



Kellogg's



Coca-Cola

SAMSUNG



19,000 clients\*

# Direct partnerships with large, high quality publishers



## All Major Public Exchanges, Global And Local



## Preferred Access To Premium Media Inventory



## Preferred Access To Retailer Inventory

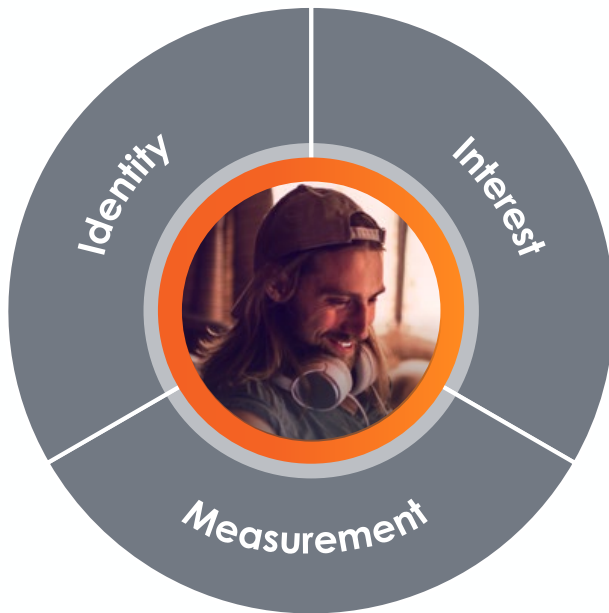


# Criteo Shopper Graph

A unified understanding of a shopper's online journey and real-time intent data



- 4B+ global device IDs
- ~80% clients participating
- Deterministic foundation



- 120+ shopping intent signals evaluated per shopper
- 4B+ products
- 21B product interactions per month
- 600TB daily shopper data

**The world's  
largest open  
shopper data set**

- >\$760B annual ecommerce sales
- >\$33B annual post-click sales

# Proven machine-learned technology

Shopper-level optimization to drive CTR, CR, Order Value, or Product Margin



## Criteo Engine

Predictive Bidding

Product  
Recommendations

Kinetic Design

> 30,000 tests/year

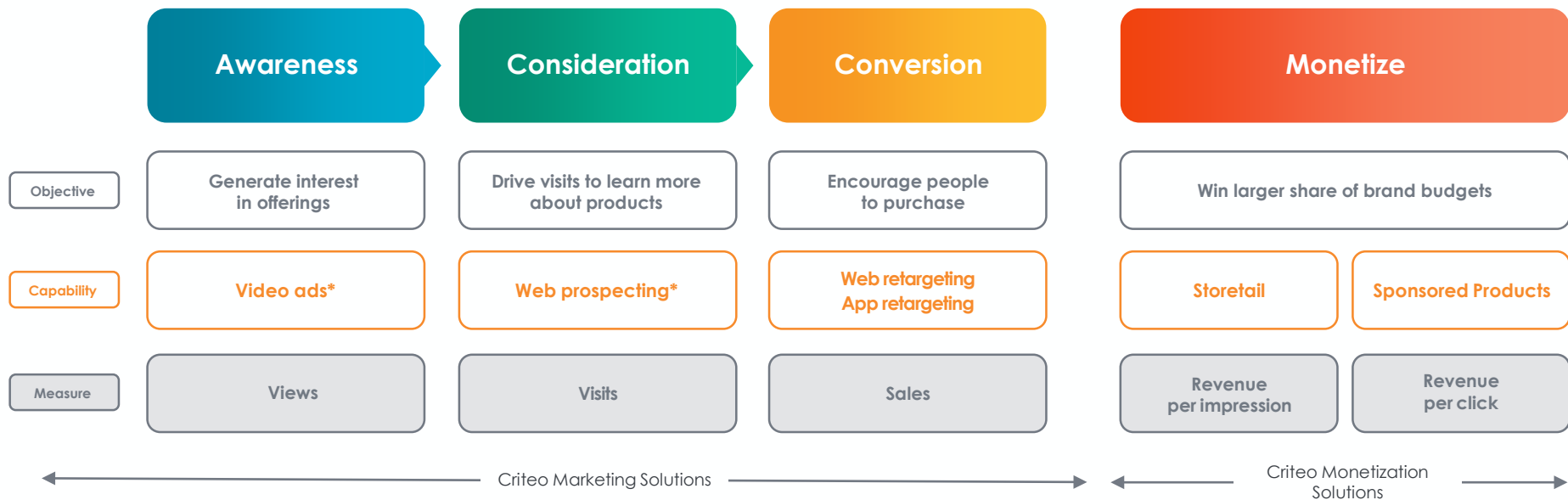
run on new performance algorithms and variables

# Standard full-funnel framework

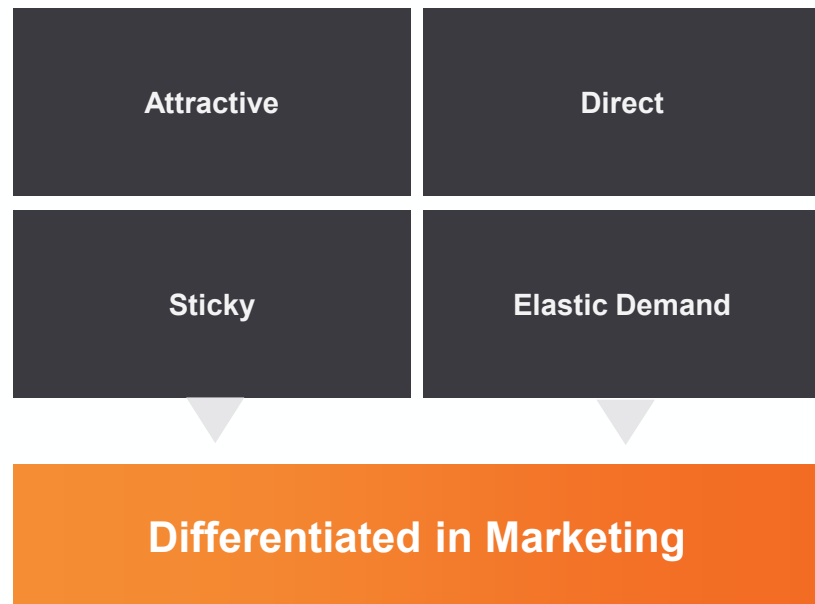


	Awareness	Consideration	Conversion
ADVERTISING OBJECTIVES	<ul style="list-style-type: none"><li>• Reach</li><li>• Views</li></ul>	<ul style="list-style-type: none"><li>• Traffic</li><li>• App installs</li><li>• App engagement</li></ul>	<ul style="list-style-type: none"><li>• Web sales</li><li>• App sales</li><li>• In-Store sales</li></ul>
MONETIZATION OBJECTIVES	Monetization		
	<ul style="list-style-type: none"><li>• Revenue per impression</li></ul>	<ul style="list-style-type: none"><li>• Revenue per click</li></ul>	

# An example of Criteo as a strategic partner for retailers



# Our business model has unique attributes



**480**  
Net client additions  
per quarter<sup>1</sup>



**90%**  
Client retention rate<sup>3</sup>



**75%**  
Direct relationships  
with clients<sup>2</sup>



**76%**  
Of Revenue ex-TAC from  
uncapped budgets<sup>4</sup>

<sup>1</sup> On average over the last four quarters through Q3 2018

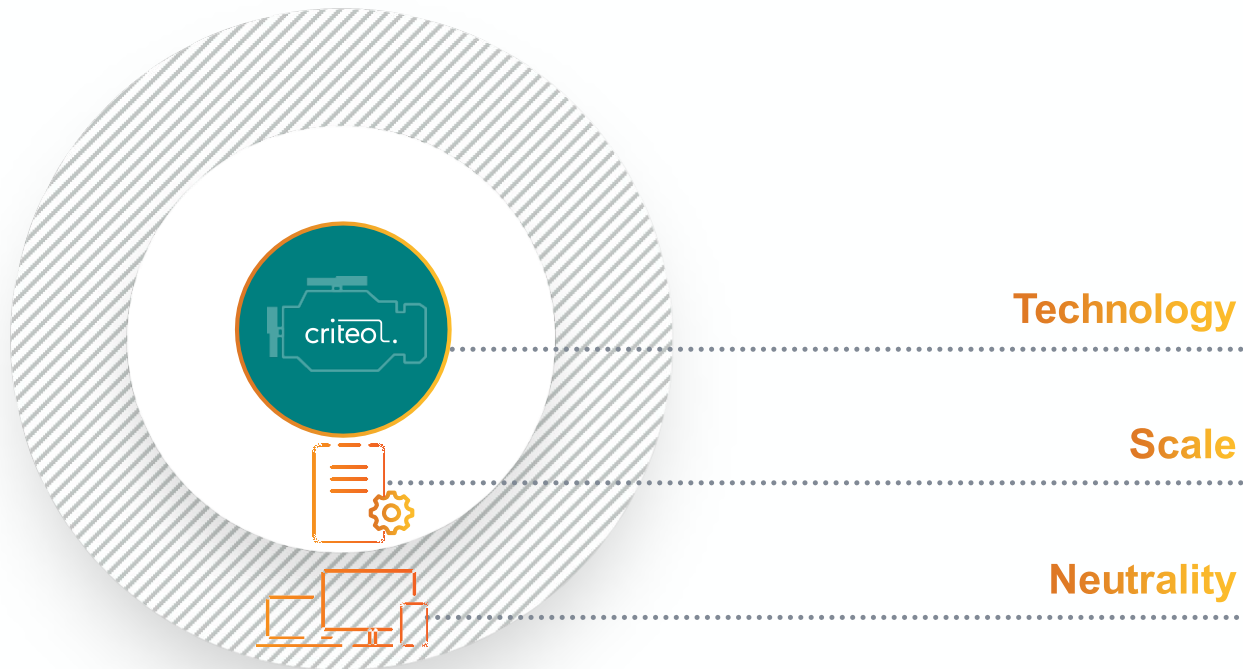
<sup>2</sup> Last twelve months to Q3 2018; excluding Criteo Sponsored Products

<sup>3</sup> Quarterly retention rate, excluding Criteo Sponsored Products – close to 90% for 34 consecutive quarters

<sup>4</sup> On average over the last four quarters through Q3 2018; excluding Criteo Sponsored Products. Represents uncapped

15 • budgets of our clients, which are either contractually uncapped or so large that the budget constraint does not restrict ad buys

# Our core competencies are difficult to replicate





# Our growth strategy is based on two strong pillars



## Grow the customer base

- Evolve go-to-market strategy for large and midmarket clients
- Further scale and automate midmarket operations worldwide
- Add new brand clients globally



## Increase our value for clients and partners

- Enhance AI/Deep Learning technology
- Grow and leverage Criteo Shopper Graph
- Enhance self-service capabilities
- Expand Marketing Solutions & Monetization Solutions
- Broaden quality supply of inventory

# Go-to-market & client service

Transforming our go-to-market to best serve our clients across all solutions



## Objectives

- 1 Adapt sales organization to a **multi-solution** offering
- 2 Provide the **right level of service** to each client segment
- 3 Scale **operations** and enhance **profitability**

## New tiering



# We invest in growing areas in digital advertising – and beyond



## Advertising/ Monetization objectives

- Complete expansion of solution portfolio
- Build flexible monetization platform



- **Awareness\*, Consideration**
- **Data and audience monetization for retailers\***

## Shopping environments

- Leverage strong growth of apps
- Omnichannel advertising



- **App**
- **Store-to-web retargeting\***

## Media

- Incremental inventory



- **Video**

# Key Figures – Q3 2018



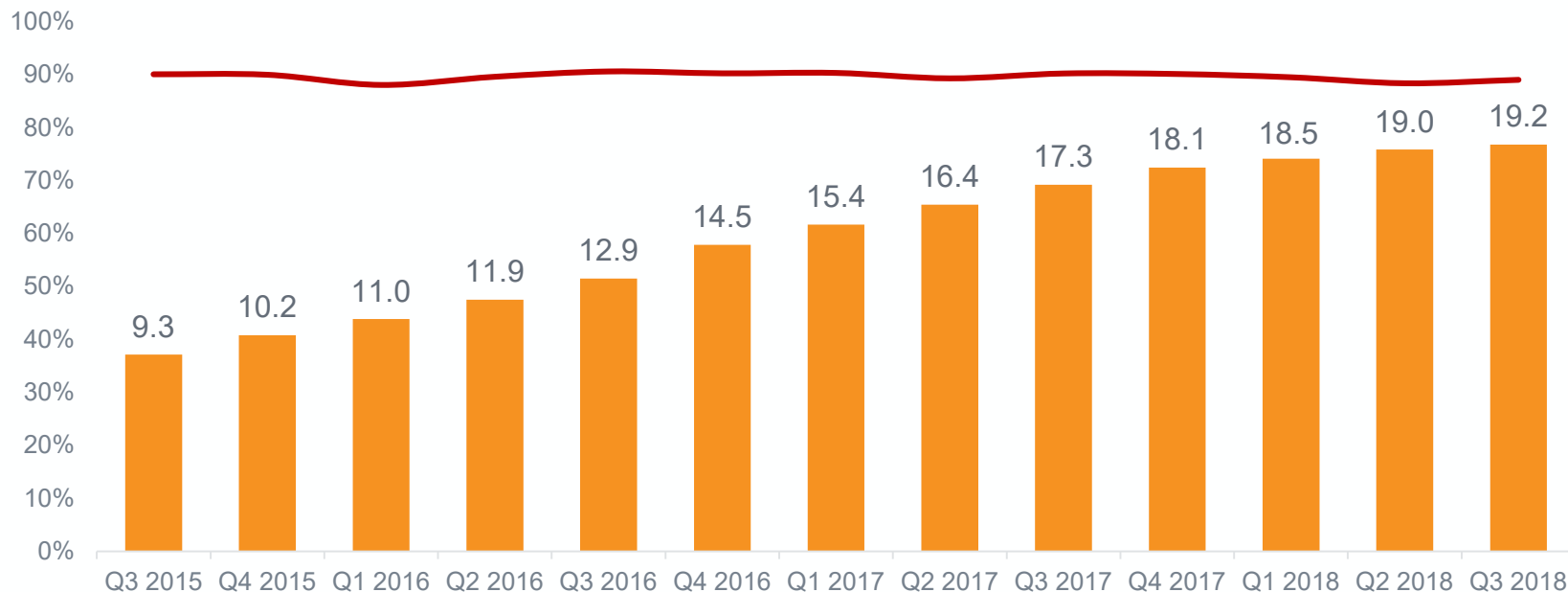
- Revenue ex-TAC was **\$223 million**,  
Adj. EBITDA was **\$70 million**,  
Free Cash Flow was **\$21 million**
- Ended Q3 with 19,000 clients and maintained **client retention at close to 90%** for all full funnel products
- Criteo employees stood at **2,700** across 30 offices worldwide
- Revenue ex-TAC from **CCA, CAM, CSP and Storetail** grew 82% year over year\* to 7% of total Revenue ex-TAC
- Revenue ex-TAC from **mobile application business** grew 67%
- **Criteo Direct Bidder** now deployed with 2,600 large publishers worldwide

# We add many clients while maintaining high retention



Client Retention Rate<sup>1</sup>

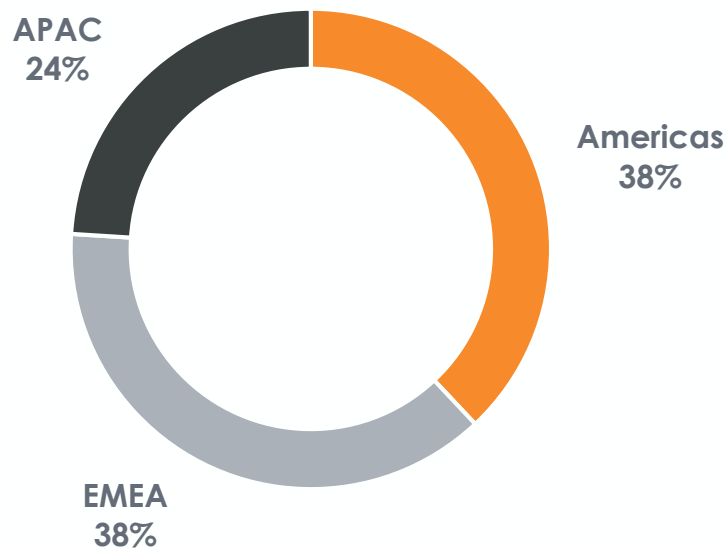
Number of clients (in thousands)<sup>2</sup>



# Regional performance – Q3 2018



Q3 2018 Revenue ex-TAC mix by Region



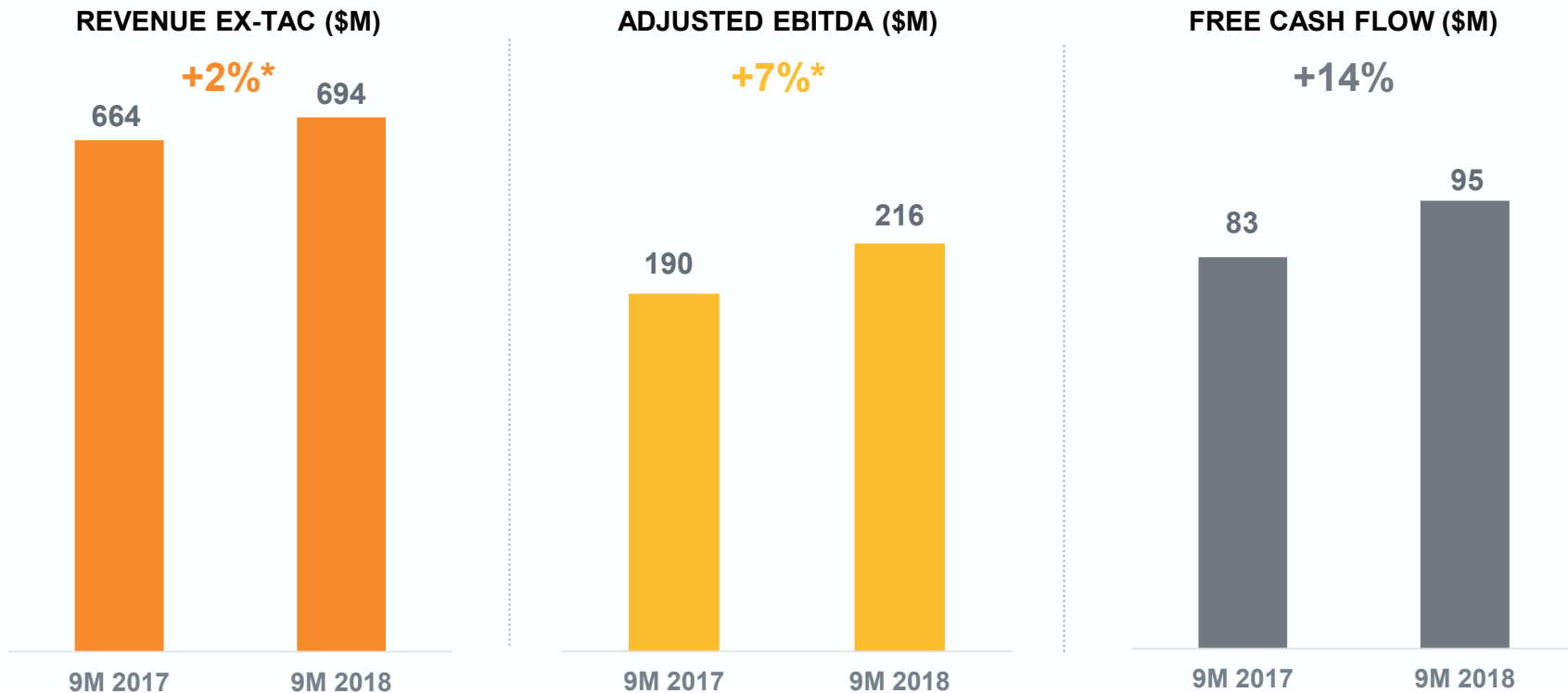
Q3 2018 Revenue ex-TAC Growth\* by Region

**0%** Americas (+1% U.S.)

**-5%** EMEA

**-2%** APAC

# Profitable growth and strong cash flow – 9 Months 2018



# Solid financial model: doubled Adj. EBITDA margin since IPO



As % of Revenue ex-TAC	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	LTM Q3 2017	LTM Q3 2018
Revenue ex-TAC	100%	100%	100%	100%	100%	100%	100%
Other cost of revenue*	7.9%	6.6%	6.1%	6.4%	6.9%	7.1%	6.4%
<b>Gross margin</b>	<b>92.1%</b>	<b>93.4%</b>	<b>93.9%</b>	<b>93.6%</b>	<b>93.1%</b>	<b>92.9%</b>	<b>93.6%</b>
R&D*	14.9%	12.5%	13.4%	14.2%	14.7%	15.0%	15.0%
S&O*	43.6%	39.9%	39.8%	35.3%	34.8%	35.8%	33.4%
G&A*	16.0%	14.8%	13.8%	13.2%	10.7%	11.5%	10.6%
<b>Adjusted EBITDA</b>	<b>17.5%</b>	<b>26.2%</b>	<b>26.9%</b>	<b>30.8%</b>	<b>32.9%</b>	<b>30.7%</b>	<b>34.6%</b>
<b>Revenue ex-TAC margin**</b>	<b>40.3%</b>	<b>40.8%</b>	<b>40.4%</b>	<b>40.6%</b>	<b>41.0%</b>	<b>40.6%</b>	<b>42.1%</b>

\* Cost of revenue and operating expenses are expressed on a Non-GAAP basis, which excludes the impact of equity awards compensation expense, pension service costs, depreciation and amortization, acquisition-related costs, restructuring and deferred price consideration.

\*\* As a % of revenue



# 2018 is a transition year for Criteo

We expect -1% to +1% Revenue ex-TAC growth at constant currency



## ITP significantly impacts our business in 2018

- Reducing our year-over-year growth

In the short term, the company-wide transformation slows down our growth and drives up employee attrition

We are evolving to a **multi-solutions platform** ...

- Internal **reorganization**
- Offer technology platform in modular ways

...and adapting our **go-to-market strategy** accordingly

- More **granular client segmentation**
- **Re-allocate resources**
- New **hiring plan**

- We expect the transformation to take **6 to 12 months**
- We aspire to return to **double-digit growth in H2 2019**

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## Attractive financial profile

Plan to return to  
Growth  
Increasing  
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Strong cash flow

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# Appendix



# Foreign Exchange impact on actual results and guidance



Q3 2018 Actual						
<i>USD million</i>	@ Q3 2017 FX	FX impact	Actual	@ Q3 guidance FX	FX impact	Actual
Revenue ex-TAC	\$ 228.6	\$ (5.1)	\$ 223.5	\$ 225.2	\$ (1.7)	\$ 223.5

Q4 2018 Guidance						
<i>USD million</i>	@ Q4 2017 FX	FX impact	Guidance Midpoint	@ Q3 guidance FX	FX impact	Guidance Midpoint
Revenue ex-TAC	\$ 262.7	\$ (3.7)	\$ 259.0	\$ 264.0	\$ (5.0)	\$ 259.0

Fiscal Year 2018 Guidance *						
<i>USD million</i>	@ FY 2017 FX	FX impact	Guidance Midpoint	@ Q3 guidance FX	FX impact	Guidance Midpoint
Revenue ex-TAC	\$ 941.1	\$ 10.1	\$ 951.2	\$ 956.2	\$ (4.9)	\$ 951.2

\* Excludes the contribution of Manage

# Revenue ex-TAC reconciliation



(\$ in thousands)	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
<b>Revenue</b>	<b>401,253</b>	<b>407,201</b>	<b>423,867</b>	<b>566,825</b>	<b>516,667</b>	<b>542,022</b>	<b>563,973</b>	<b>674,031</b>	<b>564,164</b>	<b>537,185</b>	<b>528,869</b>
Less: Traffic acquisition costs	238,755	240,969	247,310	341,877	306,693	322,200	329,576	397,087	323,746	306,963	305,387
<b>Revenue ex-TAC</b>	<b>162,498</b>	<b>166,232</b>	<b>176,557</b>	<b>224,948</b>	<b>209,974</b>	<b>219,822</b>	<b>234,397</b>	<b>276,944</b>	<b>240,418</b>	<b>230,222</b>	<b>223,482</b>

(\$ in thousands)	2016	2017
<b>Revenue</b>	<b>1,799,146</b>	<b>2,296,692</b>
Less: Traffic acquisition costs	1,068,911	1,355,556
<b>Revenue ex-TAC</b>	<b>730,235</b>	<b>941,136</b>

# Adjusted EBITDA reconciliation



(\$ in thousands)	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	2016	2017
<b>Net income</b>	<b>18,527</b>	<b>13,339</b>	<b>14,724</b>	<b>40,740</b>	<b>14,518</b>	<b>7,505</b>	<b>22,269</b>	<b>52,368</b>	<b>21,090</b>	<b>14,707</b>	<b>17,948</b>	<b>87,329</b>	<b>96,659</b>
Adjustments:													
Financial (income) expense, net	1,317	94	570	(1,435)	2,333	2,094	2,886	2,221	1,325	1,006	1,007	546	9,534
Provision for income taxes	7,944	4,450	7,574	13,161	4,201	3,665	7,858	15,927	12,386	8,638	6,821	33,129	31,651
Equity awards compensation expense	8,370	7,695	13,965	13,229	14,940	14,918	22,028	20,464	19,303	20,245	17,261	43,259	72,351
Pension service costs	129	131	132	133	290	299	320	321	434	419	419	524	1,231
Depreciation and amortization expense	12,516	13,300	14,771	16,190	20,167	22,306	23,755	24,570	23,646	23,560	25,619	56,779	90,796
Acquisition-related costs	-	148	1,793	980	6	-	-	-	-	-	516	2,921	6
Acquisition-related deferred price consideration	40	44	3	(3)	-	-	-	-	-	-	-	85	-
Restructuring	-	-	-	-	-	3,299	-	4,057	(252)	199	-	-	7,356
<b>Total net adjustments</b>	<b>30,316</b>	<b>25,862</b>	<b>38,808</b>	<b>42,255</b>	<b>41,936</b>	<b>46,581</b>	<b>56,847</b>	<b>67,560</b>	<b>56,842</b>	<b>54,067</b>	<b>51,643</b>	<b>137,243</b>	<b>212,925</b>
<b>Adjusted EBITDA</b>	<b>48,843</b>	<b>39,201</b>	<b>53,532</b>	<b>82,995</b>	<b>56,454</b>	<b>54,086</b>	<b>79,116</b>	<b>119,928</b>	<b>77,932</b>	<b>68,774</b>	<b>69,591</b>	<b>224,572</b>	<b>309,584</b>

# Free cash flow reconciliation



(\$ in thousands)	Q3 2017	Q3 2018
<b>CASH FROM OPERATING ACTIVITIES</b>	<b>61,727</b>	<b>50,256</b>
Acquisition of intangible assets, property, plant and equipment	(20,999)	(60,627)
Change in accounts payable related to intangible assets, property, plant and equipment	(6,774)	30,971
<b>FREE CASH FLOW</b>	<b>33,954</b>	<b>20,600</b>