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# EDITED TRANSCRIPT

CRTO.OQ - Criteo SA Enters Into Exclusive Negotiations To Acquire  
IPONWEB M&A Call

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## PRESENTATION

### Operator

Good morning and welcome to Criteo's conference call. (Operator Instructions) Please note, this event is being recorded. I'd now like to turn the conference over to Edouard Lassalle, Senior Vice President of Capital Markets and Investor Relations. Please go ahead.

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### Edouard Lassalle - Criteo S.A. - SVP of Market Relations & Capital Markets

Thank you, Jason. Good morning, everyone, and welcome to the conference call to discuss Criteo's proper strategic acquisition of IPONWEB, accelerating our plans to shape the future of commerce media.

Thank you all for joining the call on short notice this morning. Joining us today are our Chief Executive Officer, Megan Clarken; Chief Product Officer, Todd Parsons; and Chief Financial Officer, Sarah Glickman. To accompany this call, we have posted a set of slides on our Investor Relations website.

Before we get started, I'd like to remind you that our remarks today will include forward-looking statements, which reflect Criteo's judgment and analysis only as of today. Actual results may differ materially from current expectations based on a number of factors affecting Criteo's business.

For more information, please refer to the risk factors discussed in our latest earnings release as well as our most recent Forms 10-K and 10-Q filed with the SEC. Except as required by law, we do not undertake any obligation to update any forward-looking statements discussed today. We'll also refer to certain non-GAAP financial measures of our performance. Definitions and reconciliations to the most directly comparable GAAP metrics may be found within our public filings and other materials available on our website.

Finally, please note that today we'll limit our comments to a discussion of our proposed acquisition and will not answer questions relating to our operations and current trading in the fourth quarter and fiscal year 2021.

With that, Let me now hand it over to Megan.

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

Thanks, Ed, and good morning, everyone. Thank you all for joining us today, and thank you for your patience as we had connection areas upfront there.

Building upon the strong momentum in our business and company transformation, I'm very pleased to announce today that we're well placed to reinforce our leading position in Commerce Media with our planned acquisition of Icon Web, a leading global AdTech company providing advanced technology platforms and products for marketers and media owners. This strategic acquisition would accelerate our Commerce Media platform vision, strengthen our first-party data capabilities, further reducing our reliance on third-party cookies and other identifiers and enhance Criteo's position to drive sustainable growth and long-term shareholder value.

On our call today, I'll discuss the strategic rationale for the proposed acquisition and how it fits our company vision. Todd Parsons will then walk you through the value that IPONWEB brings to accelerate, expand and scale Criteo's Commerce Media platform. and Sarah will close by discussing the financial highlights of the transaction.

Now let me start by putting the proposed acquisition in the context of our long-term strategy. As you know, Criteo focuses on commerce media a future of digital advertising that leverages commerce data and AI to target consumers throughout their shopping journey. Criteo differentiates itself by delivering the best performing commerce audiences at scale for the marketers and media owners that we serve on the open Internet.

Our Commerce Media platform activates the world's largest set of commerce data to drive sales for our 22,000 marketers and valuable ad revenue for the thousands of media owners we have direct access to. With the combination of our unique data, media access, AI expertise and measurement capabilities. We deliver a highly relevant, highly performing commerce audiences translating into around \$40 billion of commerce outcomes for our customers.

Over the past couple of years since I joined Criteo. We've made significant strides in our company transformation to meet the needs of brands, marketers retailers and media owners and the evolving commerce landscape and drive long-term sustainable growth. Today, we're ahead in the rates for marketing and monetization based on first-party data with unmatched scale and commerce audience capabilities. We're now -- we've now returned to double-digit growth, and our Commerce Media Platform strategy positions us for continued success in a post third-party cookie world.

With the proposed acquisition of IPONWEB, we'll achieve an important milestone in accelerating Criteo's strategic plans to shape the future of Commerce Media on the open Internet.

We're building upon our position as a global powerhouse in Commerce Media supported by our strong first-mover advantage and highly defensible moats. These include our global consumer reach of 650 million daily active users across our media network, extensive scale in first-party e-commerce data and access to over \$900 billion of e-commerce sales from our 22,000 marketer customer base. A differentiated retail media offering and 15 years of expertise in commerce focused AI.

IPONWEB is well known in the AdTech market for building advanced technology platforms. Over the past 2 decades, IPONWEB has acted as a trusted architect of the entire AdTech ecosystem with accolades from multiple industry experts.

IPONWEB has an impressive track record of enabling world-class enterprise solutions for media owners, agencies and marketers. While architecting real-time omnichannel tech platforms used by some of the world's largest global technology players and AdTech companies, including walled gardens.

Today, IPONWEB activates close to \$1 billion of fast-growing media spend for its demand and supply customers by operating one of the largest media trading infrastructures in the world. They also work with large ad agencies and marketers and have built direct integrations with more than 300 of the largest publishers and media owners.

Led by an industry pioneer, Dr. Boris Mouzykantskii. IPONWEB has about 460 employees, including 275 world-class product and R&D experts.

Paired with our equally impressive Criteo team and assets, the proposed acquisition provides significant scale and state-of-the-art capabilities to accelerate our vision and create enhanced and fundamental components for our platform to deliver on our massive commerce media opportunity.

Now let me share with you how the proposed acquisition fits with our ambition to shape the future of commerce media.

First and foremost, Criteo and IPONWEB have been long-standing partners and share the same vision. IPONWEB's open technology and culture are perfectly aligned with Criteo's our purpose to support a fair and open Internet where technology enables discovery, innovation and choice for consumers and marketers and media owners.

Secondly, this proposed acquisition accelerates the execution of our Commerce Media platform vision, bidding scale, complementary products and first-party data capabilities.

Starting with scale. IPONWEB has immediate access to about \$1 billion of fast-growing incremental media spend annually, addressed through 280 demand and supply integrations. Together with Criteo's current media spend, this would translate into \$3.6 billion of media trading globally, making Criteo one of the largest media buying platforms on the open Internet. With strong media buying power, we believe we would further broaden our access to unique Media, expand our consumer reach and enhance our distribution and activation capabilities of first-party data. To drive the highest performing commerce audiences at scale on the open Internet with a network effect of attracting more advertising demand.

IPONWEB also brings highly complementary products. For example, IPONWEB's demand-side platform capabilities would enable us to address off-site retail media use cases, providing us with access to more inventory and brand-friendly ad formats like video, more flexible campaign management capabilities and the ability to embed these capabilities into our existing self-service campaign management tools for brands and agencies.

Next to that, IPONWEB supply side platform, their capabilities will allow us to tap into new third-party demand for our direct media partners, media owner partners. This combined with our existing retail media SSP will provide us with another meaningful differentiator versus the more traditional AdTech players, and ultimately position Criteo as a powerful supply-side advertising technology for all media owners, including retailers.

IPONWEB's custom development capabilities would provide us with the R&D resource, demand expertise and business processes necessary to address the custom solution needs of our largest enterprise retailer, brand and agency customers.

Importantly, with broad media activation, a growing base of marketing clients and more ways to directly integrate with the ecosystem. We would further transform our position to best operate in ways independent from third-party identifiers, significantly expanding our direct integrations with media owners, and offering monetization of first-party audiences, as we've done for retailers, would accelerate our first-party data position on the supply side to match our leading first-party data, position with marketers on the demand side. Our media access to 280 trading partners would enable us to immediately monetize audiences tied to this first study data. In other words, adding more direct connections with media buyers and sellers globally, a product set expanding our direct integration with premium publishers, combined with world-class tech infrastructure for superior first-party data activation and measurement would allow us to drive the best performing commerce audiences at scale without any third-party identifiers, whether cookies or IDFA.

In short, with even larger scale and media spend, leading complementary products and extended first-party data capabilities. We would further accelerate the delivery of our audience first advertising solutions for mid and upper funnel marketing, including through CTV to best serve our large enterprise marketer clients and their agency partners or capturing additional ad spend. We'd also open up new business opportunities immediately, by expanding our monetization capabilities for media owners and providing key services for first-party data management across the ecosystem. And Todd will talk in more detail about the value IPONWEB brings to Criteo and to the entire ecosystem.

Third, we expect this acquisition to be accretive to our revenue growth, adjusted EBITDA, EPS and cash flows, adding over \$100 million in annual revenue ex-TAC as well as positive cash flows from day 1. Importantly, as part of our transformation, this would accelerate our new solutions growth and further diversify our revenue to drive long-term sustainable growth and enhance our resilience in the market post third-party identifiers.

Last but not least, the acquisition of this highly strategic asset for \$380 million through a mix of cash and treasury shares are evidence of our disciplined approach to M&A and capital allocation. Sarah will talk about the financial highlights of the proposed acquisition.

Before closing, I'd like to emphasize the importance of our shared values and purpose at the core of this transaction. Just like Criteo, IPONWEB is an open, independent innovative AdTech company. We both power a fair, open and diverse Internet ecosystem for the shared benefits of consumers, marketers and media owners. Critically, we share a deep engineering culture to innovate and solve complex problems at scale based on sophisticated data sets and world-class AI. And we're both global companies with European routes, diverse talent, and technology grounded in the highest industry standards of privacy-focused personalized advertising.

In short, we're really excited about the value we can unlock together to provide the best commerce audiences at scale across the open Internet. More than ever, Criteo is uniquely positioned to win in Commerce Media in the future is wide open for Criteo.

So now I'll turn the call over to Todd.

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

Thank you, Megan, and hello, everyone. I'm fired up by this acquisition, which makes tremendous sense for Criteo.

I'll walk you through how we'll expand and scale our Commerce Media platform together with IPONWEB, and how this would accelerate our product road map. As Megan said, at a high level, this proposed acquisition brings larger scale and media spend, a broader product suite and extended first-party data capabilities to our marketer and media owner customers. While these things directly complement our existing capabilities, they also further strengthen Criteo's network effects. Before talking in more detail about the value to Criteo. Let me start by overviewing how the proposed acquisition would unlock value for our entire ecosystem. As we've laid out at our Investor Day in June.

We're moving towards the next level as a platform that powers partners across our ecosystem, and we're doing it openly and transparently. Together with IPONWEB, we'd enabled the world's biggest brands, marketers and retailers and the agencies that they partner with to best reach and monetize their commerce audiences throughout the customer and consumer journey. This is anchored by first-party retail media, through a fully featured DSP and the full-service advertising that marketers and their partners need while providing increased access to curated audiences and media. For agencies and third-party DSPs.

Specifically, we provide platform-agnostic access to our best commerce audiences for brands, providing our platform new access to brand budgets for commerce advertising and making audience activation, packaging and targeting far more intuitive and easy for agency and DSP partners while providing enhanced analytics and measurement tools for optimization. For media owners, we'd expand demand with close to \$4 billion worth of media buying scale, and enable them to best monetize their audiences and media by adding a full-featured supply-side platform on top of our existing network of direct integrations with the world's largest publishers and retailers. And with deep supply and demand integrations, we'd make first-party data fully interoperable in privacy-compliant ways across the advertising ecosystem.

This would significantly strengthen our first-party media network and further power Criteo to shape the future of Commerce Media on the open Internet. Let me unpack this a little bit. Megan talked earlier about our added scale and why scale matters so much in our business. I can only emphasize how critical this is to our product strategy. With close to \$4 billion of media buying scale, we'd further expand our benefit to unique media, broaden marketers consumer reach and enhance our access distribution and activation potential for first-party data.

We think that this would unlock new advertising demand for our commerce media platform and further diversify our revenue base, accelerating, in particular, the growth of our new solutions for audience first targeting. Moving now to our broader product suite. We'd add 4 highly complementary product capabilities. First, BidCore, IPonWeb's customizable, self-service demand-side platform would expand the breadth of our full funnel marketing offering, in particular, for mid- and upper funnel advertising, including on video and CTV.

This would also boost the expansion of our retail media offsite business, a significant growth area and focus for Criteo. Second, the MediaGrid. With this advanced supply-side platform enabling highly curated media inventory, we'd significantly expand our direct publisher footprint and enhance

our first-party data distribution and activation potential. Third, for enterprise marketers and agencies, IPONWEB's highly flexible technology and robust customization capabilities would support the bespoke deployments of our Commerce Media platform to address unique needs of our most strategic customers. And fourth, BidSwitch. Combining Criteo with IPONWEB's media trading marketplace, which adds 130 demand and close to 150 supply partner connections on top of our DSP and SSP would significantly broaden the distribution of commerce audiences across the open Internet, making first-party activation, interoperability and measurement more seamless in the post third-party identifier world.

These product capabilities are all directly complementary to what Criteo already does today. By combining BidCore's DSP for mid and upper funnel marketing to our existing strength in retargeting and retail media DSP capabilities. We make our Commerce Media platform proposition even more compelling for all marketers and agencies because it would cover the entire consumer buying journey. And by adding the MediaGrid SSP to our existing direct bidder and powerful retail media SSP, we make our platform even more attractive to all types of media owners.

This way, we better serve large enterprise marketers and their agency partners while capturing additional spend by significantly accelerating the delivery of our audience first advertising solutions for mid and upper funnel marketing. Including, as Megan mentioned, through emerging channels such as CTV. Importantly, too, IPONWEB has also developed a significant pool of world-class product and R&D talent, that are additive to our already broad engineering capabilities and would enhance our product and technology development process. Let me highlight the benefits of the proposed acquisition for our first-party media network.

As I discussed at our Investor Day, our first-party media network is foundational to the commerce media platform and key to our sustainable long-term growth. As we've said before, once the industry finally moves beyond third-party identifiers. Connecting first-party data will become the only way for marketers and media owners to effectively advertise and monetize commerce audiences on the open Internet. And in other words, connecting first-party data from both ends the supply and the demand side will become increasingly critical in the future. As you know, we already have privileged access to the first-party commerce data of virtually all of our 22,000 customers. This is a huge asset and differentiator likely underappreciated by market. Next to that, we've started securing first-party data from media owners via our first-party media network and retail media. Constantly increasing our direct integrations as part of our evolution to a full supply side platform. With IPONWEB, we'd be set on a fast forward path. Together with IPONWEB's large media trading marketplace, DSP and SSP, we bring media owners much larger scale of media spend and first-party data access. A critical component of our product strategy, this would get us closer to premium publishers to marry their first-party data assets with that of marketers first-party data assets for superior activation, interoperability and measurement in the post third-party identifier world.

In other words, accessing more first-party data from media owners, combined with our superior technology infrastructure would allow us to make first-party data more easily interoperable within our commerce ecosystem, and make our commerce audiences, and measurement more universally acceptable to a broader range of media buyers and sellers. In short, we'd be uniquely positioned to provide our customers with the reach and solution breadth of the walled gardens, but for the open Internet. While continuing to drive higher performance than our competitors, thanks to our powerful and sophisticated AI and our rare capabilities for first-party data activation and measurement.

By expanding commerce audiences on the open Internet, we put our Commerce Media platform in a much stronger position to shape the future of commerce media. Before closing, I want to reemphasize the heightened benefits that the broader and larger scale distribution our Commerce Media Platform would bring to the entire ad ecosystem. As you know, we already do 1/3 of our business through ad agencies. With this proposed acquisition, we work even more closely and deeply with agencies across the marketing funnel, as well as with third-party DSPs, either directly or through agencies. This way, we'd expand our platform distribution across multiple channels and provide multiple access points to our Commerce Media platform.

With this more pivotal position in the ecosystem, our Commerce Media platform would power a multifaceted value exchange, enabling marketing investments along the consumer journey and making our unique commerce data and AI even more open to the ad ecosystem in a truly collaborative way. By adding significantly more scale to our access distribution, activation and measurement of first-party data across both advertising demand and supply. We'll make first-party data interoperable and flow seamlessly across the entire ad ecosystem in privacy-compliant ways for the benefit of everyone on the open Internet.

Finally, from a market standpoint, the acquisition would significantly strengthen our ability to serve and increase our presence in our \$100 billion total addressable market, in particular, around retail media. With that, I'll turn it over to Sarah.

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

Thank you, Todd, and hello, everyone. I'll talk briefly about the financial aspects of the transaction. First, as Megan indicated, this proposed acquisition would be accretive to our revenue growth, adjusted EBITDA, EPS and cash flows. Today, IPONWEB activates close to \$1 billion of annualized gross media spend translating into \$100 million of revenue ex-TAC. With new revenue streams, the acquisition would enable the acceleration of our revenue diversification, a key pillar of our transformation. Besides the immediate financial contribution, we expect our combined complementary product portfolio and capabilities to generate incremental revenue and long-term sustainable growth. We expect to communicate our longer-term revenue growth profile in early 2022 following the close of this transaction.

In addition, with a purchase price of \$380 million suggesting a 3.7x multiple of estimated revenue ex-TAC for 2021. This acquisition is financially attractive, especially in light of IPONWEB's strategic value, scale growth and profitability. With \$305 million paid in cash and \$75 million or about 20% of the acquisition price paid in treasury shares at closing the funding structure is compelling for all stakeholders. Based on Criteo's closing stock price as of December 7, 2021. The treasury shares that we intend to use would have been repurchased at an average price of \$25 and therefore generates a 168% return on investment, crystallizing immediate value accretion for creation for our shareholders. As is customary for transactions in France, this proposed acquisition requires a consultation of Criteo's French Works Council before execution of the purchase agreement. Criteo has entered into a call option agreement with IPONWEB whereby IPONWEB has agreed to sell its business to Criteo upon Criteo's exercise of this option at the end of this work council consultation process.

We expect to close the proposed transaction in the first quarter of 2022 and subject to regulatory approvals and customary closing conditions. Importantly, with more than \$600 million of expected financial liquidity left, after completion of the proposed transaction, we would maintain ample flexibility to pursue our strategic transformation and invest in our multiple growth areas. Looking ahead, we will maintain our robust capital allocation process with the primary goal of investing in organic growth and leveraging M&A to accelerate the execution of our Commerce Media Platform strategy while continuing to return cash to shareholders with our share buyback program. In fact, following the close of the transaction, we expect to have more capacity to accelerate our stock buyback program in 2022.

In closing, we're really excited about the value we would unlock to provide the best commerce audience across the open Internet. We continue to drive momentum in our business and to deliver with focus, grit and conviction along our strategic priorities of growth, execution and first-party data. Finally, we are pleased to reaffirm our financial guidance for 2021 and as provided on November 3. We are well on track to deliver double-digit growth and strong profitability for the year. More than ever, Criteo is well positioned to win in commerce media. As Megan said, the future is wide open for Criteo. And with that, we'll now open up the floor to your questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question comes from Dan Salmon from BMO Capital Markets.

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**Daniel Salmon** - *BMO Capital Markets Equity Research - Analyst*

I have 2 questions. Maybe first for Todd and then second for Megan. Todd, I think what investors -- thank you, you walked us through the product suite at IPONWEB, but I think what investors will find out what you've known for a long time is IPONWEB is the company behind a lot of companies out there is really an enterprise provider in this space. And so if we go a step beyond their DSP offering or SSP offering to their technology, what are the things that make you most excited they're machine learning tools, server side connections. It does seem like the activation of first-party data is ultimately key to this. But take this one level deeper into what has been a special company in the ecosystem for a long time.

And then second, Megan, for you, Similarly, Dr. Boris has been a bit of a legend in the industry for a long time because of IPONWEB's role behind the scenes. I know he's been a bit more of a public profile recently. You guys were on a panel together so together at a conference recently, but maybe tell us a little bit more about how your relationship has grown with him? How the deal came together? And in particular, what role you can see for him at the company going forward?

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

Dan, I'll start. It's good to hear from you, and I appreciate the preamble there. We all do. The -- what excites us, I would say the first thing that's important to hit on before we get to technology is just the trust and credibility that Boris and the team have built over the years with an ecosystem that needs to feel good. about who is helping them operate their most treasured asset, which is their first-party data and not violating it in some way, either from a data security or privacy perspective.

I think Megan pointed out, they have built technology from nearly every major player and advertiser in the ecosystem, and they have built that trust one brick at a time. And we feel like that's maybe the most powerful thing there. Beyond that, just to get more specific about the technology question, there are 2 things that really immediately stand out. One is the MediaGrid, which pulls a variety of full-service capabilities closer to our first-party data relationships for both marketers and media owners and makes that transaction into the programmatic world, the less clunky, and more of a direct path, not a path that requires constant SPO or supply path optimization scrutiny. And the other one is the [U] platform business, which was behind all of those large relationships over the years, that business is not going to slow down.

Many, many companies are building their own retail media networks. They're building their own audience networks, and we are very well positioned to help those companies not just with our DSP and our SSP and expert professional services now, but we can help them do bespoke things that we couldn't before to make sure that they're always a healthy contributor to our network.

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

Yes. I'll jump in on the second part of it, Dan. So I think it's important to say that we approached them for a broader partnership and then ultimately coming together as we have today. They've been partners with us for some time. So we've always had a healthy relationship with them. They were content like their business, they're in good shape. They've been, I think, in business for 20 years, and they're strong and they were quite happy where they were. So there was nothing, but wouldn't this be a great idea to strengthen the partnership and then we went that a little bit further.

Boris -- when Dr. Boris, as you know, he's coined, he's called the godfather of AdTech. I've seen him call that in a few places, and it really is an absolute honor to have him come into Criteo. It's a huge, huge win for us. I spent a little bit of time, not a lot, not as much as I'd like a little bit of time as we've been going through this process together, talking to him about coming on board as our Chief Architect, which he has accepted. And he's already in the conversation, he's already in problem solving modes and in growth mode and in future modes. And I love that. That's a huge asset for our business to have Dr. Boris come on board.

Look, I'll give you for a little bit of fluff fees. We talked last night when we signed, and we said how much we trusted each other through this process. And this has been a successful negotiation and close because of the trust that we had formed between each other, I think, personally through this process, which is also a fantastic way to start sort of both of our new chapter together. He believes in our future, the 2 companies together and the Commerce Media Platform vision. And he believes that we will see an execution of that much faster, much more accelerated than we would have if we were on our own doing that.

And for all of the reasons we've talked about in our opening comments, this is a fantastic win for us and a fantastic win for IPONWEB, very exciting.

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**Daniel Salmon** - *BMO Capital Markets Equity Research - Analyst*

If you could just allow me just one follow-up. You mentioned it there, Megan, you said you signed just a quick clarification on the wording in the press release of exclusive negotiations. I assume if we're all doing this, we do expect this to be a consummated deal.

And then Sarah, just as a follow-up, you mentioned that you expect to give a little bit more guidance on your longer-term outlook and growth outlook for the company. Can you just add a little bit of color on what you expect to tell us? Is it sort of a mid to longer-term revenue growth outlook for the company, that would be great.

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

Yes. I mean just on the transaction, it's -- as a French company, we have a French Works Council. So there is a -- There is a legal requirement to have a consultation with our French Works Council. And we've already started that consultation. So that's the reason why we have the language have is very custom within France. And of course, then we'd have the normal regulatory approvals as well. In terms of the 2022 outlook, we had, as you know, in May in our -- I'll say, June in our Investor Day, talked about the future, we did not at the time, and that was, obviously, with [Chrome] right ahead of us to give a longer-term view.

We feel much more confident about our view as well as the additional incremental accretion that we'll have from IPONWEB. So as soon as we close that transaction, we intend to give, I would say, it'd be a 3-year kind of outlook high level. I'm not going to get into the weeds of modeling, but 3-year high-level outlook of how we see the future. And we do see the future is bright, and we're very excited about it.

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**Operator**

The next question comes from Sarah Simon from Berenberg.

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

I've got a few questions. So I mean, on the revenue ex-TAC, just so I understand, is this actual take rate or is this technology fees that you are generating on the media spend that's passing through the tech. That would be the first question. Second one is on the public direct publisher integrations, how many of those 300 are ones where you've also got a direct integration, i.e., how much is actually incremental.

And the third one, I mean, this sounds like kind of the dream deal, but the price does not look particularly excessive. You obviously haven't told us about EBITDA, but how did you manage to sign such a good deal? Because I'm assuming that other people were probably interested as well.

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

Okay. Well, I can take -- I mean, just on the revenue, it's really a mix because there are a number of different services that IPONWEB provides. So the \$1 billion is their billable revenue. And we haven't done the full assessment of how that revenue recognition would work, but it is a mix of license fees, DSP fees, trends, mainly transactional-based license fees or flow through. So it's probably about 50-50 or maybe 60-40 on between those 2. And it is more transactional based with volume. So as we close, we'll provide more information on that. But I would -- that's the way the model would work. And we'll obviously assess whether that's gross or net kind of closer to the time.

Yes. And in terms of your second question on the 300...

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

Yes, Sarah, the overlap is actually much smaller than you would think. I don't have the exact count here, but I can say that we are picking up material additional partnerships on a direct basis by doing this.

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

Okay. And I'll take -- thank you for saying we did a great deal. We agree with you. And I think Megan talked about Boris and his team. So far, is this is -- there's a lot of future value for him in the way that we've structured this. He'll have treasury shares and he will be part of our team, and we see a lot, as you know, a lot of upside in the future. So that's one very compelling, I guess, invisible ingredient and all of this is the marriage of our 2 companies and the Commerce Media platform. In terms of the actual transaction itself, going -- there's a number of areas, including the mix of revenue. And the -- I mean it is accretive to revenue to EBITDA.

So for one of the reasons that the valuation may be as well. I think it's just been well negotiated, and it is a mix of different types of revenue, some of which have, I would say, a higher multiple, some of which have a lower multiple. So we'll get into more details as we close the transaction. It's a good deal. We feel that it's a fair deal, which is obviously why it's been signed between the 2 parties, and we're very excited about it.

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

Yes. I think on this one sort of attest to. We've spoken before about how careful we are around our due diligence and that our M&A activity is -- we're extremely careful about going into acquisition or partnership. It has to make sense. And so this is sort of a testament to the due diligence and the value and the fairness, I guess, behind this deal. We think we've got it at the right price versus some of the others on the market that have multiple that are -- you don't think it's there. So we feel good about this.

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**Operator**

The next question comes from Matt Thornton from Truist Securities.

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

Megan Todd and Sarah. Maybe, Sarah, can you give us a little color at least high level how we can think about, one, the growth rate at IPONWEB on a \$100 million that you referenced.

Secondly, any incremental color on EBITDA margin. Third, anything that we should be thinking about in terms of cost synergies. Again, I don't think that's the rationale for this clearly, but just anything we should be thinking about into the cost side. And then just fourth, you talked about EBITDA accretion. I mean are you thinking about that immediate? Is that year 1? Does any time reference on that would be helpful.

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

So thank you for the question. I'm not going to address kind of detailed financial questions in that we haven't closed yet, so I don't want to provide a model deliberately being quite high level. The revenue of the equity is growing, and growing by 20%. And I think that's a good indicator. I'm not going to comment on their profitability or cash flows. But I would say that they're positive, and it's a strong business model, and we've got under the covers. But let's have that conversation and have full transparency when we close the transaction, and that would be the intention in Q1 next year.

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**Operator**

Our next question comes from Richard Kramer from Arete Research.

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

Sorry, not to hear Boris on the call. That would have been fun. Todd, first for you, I'm intrigued by how you see the BidCore piece fitting in, with what some of the large retail media clients that we've been speaking to might have been trying and perhaps struggling to build. We saw Beeswax acquisition by Comcast, FreeWheel and in a similar vein. Is this reflecting the fact that many of your clients are facing technical challenges and just trying to activate some of the inventory that they might be developing.

One for Megan, we know BidSwitch had quite a lot of activity with Google. How do you see that relationship carrying on going forward?

And maybe for Sarah quickly. I understand MediaGrid has a take rate around 8% or so. Can you tell us maybe confirm that and tell us a little bit about the breakdown between the 4 businesses that IPONWEB has in terms of what are the largest and smallest components of that?

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

Richard, I'll start. And I think you and your partners write-up on the relationship between retail media, the potential synergy between Retail Media and IPONWEB in a recent paper, what caught my attention, maybe everyone else's. Obviously, there's a multiplier there that we see. Not only our most large retailers trying to build an audience network and capture the power of retail media, but it's not easy to do it. We have an incredible footprint in on-site monetization with retailers. But what BidCore can do for us along with other trading assets of IPONWEB is to start opening up the off-site capabilities that go with those builds those audience network build. So you have the collision of 2 things. One is the technical difficulties of large retailers wanting to do things in the ad business for the first time. And then secondly, beyond the on-site monetization, which we have really led the world in, you have the off-site monetization that goes with that, that BidCore can play a huge role in unlocking with middle to upper funnel bidding.

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

Okay. Okay. And just -- I mean, I'm happy...

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

You want to take that? Or I can answer the Google one, too, if you want I'm sorry, you've got -- you asked 3 really good questions, Richard. The second one with Google is very interesting. And the reason for that is we already have been a great trading partner of Google in the past. And we would like to be much closer with the DV360 folks as well. And this actually pays a path for that, provided we continue to run an open and transparent and fair auction in bid switch and that we provide Google and other partners, more meaningful paths to commerce audiences and the retail media that we have a premium proprietary access to that gets pretty appealing to advertisers that use DV360. So we have a plus-plus factor going with -- I think, with Google. And of course, that's a conversation that we begun to have.

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

Yes. On the financials, I'm conscious this is a private company. So I'm conscious of kind of what we should and should not disclose. We haven't closed 2021, yes. But in terms of share of the businesses, I mean, they're relatively equally spread between the different business model. It is transactional-based. So there's kind of some ebbs and flows depending on kind of the cycle. And I would say, fairly stable. So that's what we've seen and that's what we like. If I just spend, I guess, one more minute on what we saw in due diligence and why we're very comfortable with the kind of the model, strong revenue line, strong media spend line, strong net revenue line. We expect around 20% increase in 2021.

EBITDA positive and decent, I would say, in terms of an adjusted EBITDA margin and free cash flow, very strong free cash flow practices and that's what we've seen. We're very happy going through the financials and going through the products and the growth and the customers in terms of stability strength of the kind of -- from contracting side, from a relationship side from visibility to the numbers. So all good and more to come. So very conscious of the questions you've asked, we'll make sure we address them on close.

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

Super. Are you going to keep the Russian -- are you going to build up the Russian business for that IPONWEB has the capability they have there and make it sort of a separate site for Criteo the way you have in France and a few other places?

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

Yes. I mean yes -- Todd...

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

I mean we have probably 2 different stories here. From a product and R&D perspective, obviously, we're excited about building on that presence and have already started to look at how to give a bidirectional relationship between France and our other offices in Moscow. So we're very excited to have diversification in our product and tech capabilities and different cultural viewpoints feeding the way we think about the advertising ecosystem, we'd be crazy not to feed them.

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

Yes. And from a revenue standpoint, most of the revenue is actually outside of Russia. So Russia is definitely seen as being a strong pillar alongside with Paris as Todd said, in terms of the commercial arrangements, those are all outside of, I mean, mainly in the U.S. and in Western Europe. So that's where the commercial arrangements are set.

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

Look, I think what's also exciting is that there's a talent shortage around -- particularly around tech and R&D. And IPONWEB comes with amazing talent and that we can provide opportunities for mobility and for growth within the combined companies and all sorts of things to just nurture that talent and continue to attract talent into our combined businesses. So we're a global company.

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

Jason, I think we'll take our last set of questions.

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**Operator**

The next question comes from Nick Jones from Citi.

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**Nicholas Freeman Jones** - *Citigroup Inc., Research Division - VP & Analyst*

I guess, can you maybe elaborate a little bit more on how you see the CTV opportunity? I know there's a lot of focus on retail media, but it seems like this could potentially be an accelerator for Criteo to be able to win more share in CTV? And are you able to talk about what kind of -- what's the mix towards CTV today for the business?

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

Yes. Nick, I'll comment first on the opportunity. I mean, obviously, as you think about how marketers, our 22,000 customers want to address people throughout the entire buying journey. You think about the household first and people who are reachable in lean-back mode where they can discover a brand or think about a new product, maybe for the first time as being really important to delivering that experience. That's where CTV plays an incredible role, brand discovery, product discovery, while people aren't necessarily doing their shopping. So it's like hand in glove to what I described before with upper funnel.

And so we're going to benefit more on the numbers, we're going to benefit from BidSwitch exposure to CTV, video and mobile because as you get down the funnel and you're leaning in with video on a mobile device, that's a big deal. Today, 30% of bid switch spend is video. 5% is CTV, but it's growing. And of course, it's going to grow a lot faster when we are able to service the full buying journey for our many, many customers.

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**Edouard Lassalle** - *Criteo S.A. - SVP of Market Relations & Capital Markets*

Well, Thanks, Todd.

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

Thank you.

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**Edouard Lassalle** - *Criteo S.A. - SVP of Market Relations & Capital Markets*

Thanks Megan, and Sarah. And thanks again, everyone, for attending the call on short notice. And I would like to apologize again for the small technical hiccup at start. IR team is always available for any follow-up. So we wish you a good day, and thank you. Bye now.

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

Happy holidays, everyone. Thank you.

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

Happy holidays.

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**Operator**

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

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