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<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

Good afternoon, everybody. Thanks for joining us for a fireside chat with Perion and the company's CEO, Doron Gerstel. Doron has some slides, he's going to present. For those of you not familiar with the company, then I'm going to jump in with some questions and I encourage you to use the chat function as part of the webcasting to put some questions in there and then I will get to them.

So with that, Doron, thanks for joining us and floor is yours.

<<Doron Gerstel, Chief Executive Officer>>

Thanks so much. Okay. Just to set the tone for those who didn't participate on the earning call that we did a week ago. So that's a revenue snapshot of the company, \$147 million in the second quarter that represent 34% year-over-year growth. From a revenue – the revenue is breaking to two. We talk about display advertising and search advertising and you are able to see the progress of the, say pink part of this circle, which represent the display advertising.

So while we see a great news from the search advertising, very much has to do with the DR. I'm sure that Jason will talk about it later on or ask the question. Nevertheless, we see that from the overall weight, the progress of display advertising is getting to a 56%. That was 53 a year ago, when two years ago it was only 31, very much has to do with huge increase on video and CTV.

With that regards, I just want to give you the overall three years and 2022 is estimate very much has to do with the guidance that we provide. We're showing the 39% CAGR from 20 to 22. The EBITDA was even more impressive with the 99% year-over-year growth, but I think the one that we are proud mostly it has to do with 47%. This 47% represent the EBITDA to revenue Ex-TAC, which in spite of the latest great news, I think from our peers this is, I can say it's maybe not the best-in-class, but probably somewhere there.

That's the margin, the margin is growing and it's you can see that the media margin is now 41%. It was 40% and 39%, which is really helping us, it has to do with few things, but I will focus on the way we are very much able to connect all our very much asset into one, which is the things that put us and differentiate us from the others' ability to connect all the three main pillars, as well as demand asset and supply asset into the hub, which gives us three main benefits as the company. One is the operational manager benefit. The other one is very much the media benefit. And the last one is the customer benefit.

From a customer benefit standpoint, SORT is a good example of it, of the customer benefit that we provide. I think that we need to talk more about the Google recent announcement that delaying the cookieless solution till 2024. What does it mean for our industry? Just as a brief, I will definitely say that we are very, very much behind the quote here that is coming from All Labs that Perion SORT technology perfectly achieve our need for a solution that protects user privacy.

Keep attention to the user privacy, where we basically see more and more advertiser currently, 126 in the second quarter that adopted the SORT technology that recognized that consumer increasingly favor brands that protect their privacy. That's a very, very important factor that distinguished SORT from other cookieless technology that overcome from a technology standpoint, the lack of cookies like the Unified ID 2.0, but there's nothing to do with the user privacy.

That's an important distinguish. That's the advertising, very much the advertising revenue, very much thanks to the video and the CTV. That video grew by 273% year-over-year, become 44% of advertising revenue where consumer consume more video asset, and as a result, advertiser shift their spend. CTV is going nicely 90% year-over-year. I mentioned SORT, the Vidazoo platform, it's the latest acquisition that the company did back in October 2021 with 145% year-over-year increase in the number of publisher and 45% year-over-year increase in average revenue per publisher, where publisher is very much taking the Vidazoo platform as a one and only all kind of holistic solution.

I will skip the demos and will jump all the way to the search business. This is the search advertising business, few figures here to notice, other than that \$65 million, which are present 26% year-over-year growth. On the search, I think that the key factor is here. The 43%, the 43% represent the RPM increase, which translated into advertiser are willing to pay more for cost per click. That's the interpretation of it. And I think it represent very much the fact that more advertiser are shifting their budget into the DR concept.

And there is nothing which is more I think valuable than chase consumer that expressing the highest possible intent as a type in search expression. In that regards, I must say that travel is definitely back. We are evaluating 18 million to 17 million searches a day. Then we definitely see where is consumer mind are. And it is getting back from a travel search perspective to where it was before COVID, which is definitely a very important factor into our business.

That's a slide that we added that has to do with the trailing 12 months. I added here two factors, the trailing 12 months from the revenue growth standpoint, those are the blue and added the net margin. The percentage then altogether we are in a very, very good shape as a company, we're in the last I can say six quarters. We are above the 40 line. And the idea is to continue and be way above the 40 line.

Cash from operation, I would say that we reach a \$353 million of net cash with \$25.7 million of net cash this quarter, which represent 76% year-over-year growth. That comes

into my last slide, which it has to do with the guidance that we provide with The Street. So we kept our revenue growth on 32% year-over-year and midpoint of \$630 million. While on the EBITDA side, we took the upper limit that was before and we make it as a minimum. And we are showing a \$102 million at least as an EBITDA, which represent 47% year-over-year growth from an EBITDA or 41% EBITDA to revenue Ex-TAC on the 2022.

Last note and I will keep it to the end is what very much set our part. And we talked – it has to do with our ability to achieve the sustainability and the predictability on this AdTech business, which is known for its volatility, very much has to do with diversification strategy that we are able really to implement it in a most effective way.

With that, I will turn it to you, Jason.

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

So first question and it's broad, like why did search accelerated versus the second quarter. Now we've now seen actually I think IAC reported last night, this morning and specifically in their shareholder letter, they called out that enterprise companies or large companies who spend on brand there, we're seeing a pullback there because they're anticipating a slow down. Whereas when the ads are directly tied to a purchase or e-commerce, there's less of a slowdown or not a slowdown because consumers are still purchasing in especially in the U.S., but it's been in most countries. So there's a – you have a lot of different businesses in your search. It's really a performance category, we call it search, but it's really a performance. So just maybe talk about kind of why the growth actually accelerated, was this new advertisers, was this more spend per advertiser like what was the driver?

<<Doron Gerstel, Chief Executive Officer>>

Yeah. So right on, we've seen an noticeable industry tech trend towards direct response marketing. That's clear and it's a change. And the main indicator, as I mentioned, it has to do with the RPM. RPM increased and as you are familiar with the search advertising, this is I think the best indicator to how much advertiser is willing to spend to be upper on the page and get the engagement and the tension of those consumer that are typing in. There is nothing better than that. So when we are comparing categories, typing categories that was a year ago to this year in one very tiny element, which is how much the advertiser is willing to spend a year ago to this year for the same category.

We see a huge shift. So it very much has to do with the fact that there is noticeable trend. And over the last few months, I can tell you that we are now deep into the third quarter and the trend is very much continue. What we are – our discussion with advertiser has to do that. The pressure is very much on and they are more receptive into spend dollars into immediate kind of return on ad spend rather than investing more on a long-term.

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

Right, on a brand where there's a time that you...

<<Doron Gerstel, Chief Executive Officer>>

Exactly, exactly. So the pressure is very much, and they need to show by the way, in this case, when they're doing it on search advertising, if you're not click, you're not paid, so it's even better than...

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

It's true performance, it's what basically Google has trained them to do and performance. So let me add on the question there. So your search or a lot of your performance does connect to Microsoft, right, to Bing. Microsoft is now going to play what looks like a bigger role in the ad market with its relationship with Netflix. We'll see if ultimately that also helps Xander. Yeah, the old ad NEX is going to find, it's putting a bit more, I mean, just talk about what the Microsoft relationship could mean to Perion like longer term because of what Microsoft is thinking about?

<<Doron Gerstel, Chief Executive Officer>>

Yes. So first of all, being is part of Microsoft advertising and this reorg is happened I think two years ago where they connect all to one and definitely understand that. From an advertiser standpoint, those are different, those are channels and their location between search advertising and now display on the Xander. They did the retail acquisition that just before. So they're very much all – they're very much all in, in my opinion, that has to do with the advertising.

We are trying very much to leverage the fact that we are, let's say top five vendors when it comes to the search advertising would mean and leverage it into other areas. It will not hurt the – didn't hurt the fact that we want being their partner of the year. And that's definitely an advanced discussion that has to do with, to what extent we're able to integrate and be part of their Xander and offering and also enjoy, is it a bit early because for them, they want to understand very much what it takes. But we are all looking about the quality in inventory – CTV inventory that has to do with the Netflix partnership, quality in sense of advertising.

Definitely our advertisers are looking that as a prime inventory. And we are very much would like to get a portion of this buy, in line with the fact that our advertiser are looking to add more and more CTV line as part of their overall spend. Keep in mind that those are high – very high CPM dollars. So it's not a CTV only, especially in prime broadcaster. They mix it with some lower CTV because advertiser is looking about the average CPM on the entire IO. But that's a very, very important factor.

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

So let's talk – keep talking about video. So Vidazoo both kind of the timing and the execution of the acquisition looked quite smart. And I think you're seeing some real synergies with Undertone. So maybe just talk about from a business standpoint, like what are those synergies?

<<Doron Gerstel, Chief Executive Officer>>

So first and foremost, when it comes to the app, keep in mind that every request that is coming from the pub side that we need to match from the demand site, get into and analyzed by the hub. This is something which is behind us. And based on that there's whole bunch of optimization and business rule that are saying, okay, how we're able to optimize it between the two sites of this open web, the demand and the supply, which gives us a great opportunity to keep lowering our margin. This is very much there.

Other than that, we are and that's what the thing that I very much try to mention in my call, Vidazoo has huge offering around their platform. And the whole idea in this business is to get to a point where a certain publisher is very much engaged with as many as product, which is part of the platform. That gives us a great opportunity for us, not just to add more publisher, but also increase the spend within each publisher.

So the main KPI from Vidazoo, other than the overall Video business, it has to do with the number of publisher that are engaging with the Vidazoo platform and get to a point where we are not just adding this number, but those publisher are increased their spend in the Vidazoo publisher from quarter-to-quarter. It's created a very high stickiness once you are implementing a player and you are very much relying on Vidazoo, the content and the marketplace of the content.

And you get eventually into a point where the switching costs of those publishers is so high that you get to a really long-term relationship. As we all like, what is helping us? It's helping us a lot from a modeling perspective that we are basically get into. So the economic model of the publisher is something now where we are having almost 70 of them that are using the Vidazoo.

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

Maybe, let me try to simplify it just for some folks, just because they may not. So to the extent that Undertone has relationships with advertisers who have goals, right? And Vidazoo has very interesting technology execute, right, like a video ad and that's ultimately synergy like again, it's bringing supply, not to say that Vidazoo is supply, it's not an SSP, but they brought more advanced capabilities to the built-in demand that Undertone already had and you're getting more budget from Undertone clients.

<<Doron Gerstel, Chief Executive Officer>>

Only because of one thing, when you are selling it to the advertiser, you are telling that yes, we are controlling the destination. So the end to end is a huge part of the script and the selling value proposition where we are not selling you the capability to serve your demand, your campaign, but also can control the entire pipe.

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

So I want to talk about iHUB. So when I think about iHUB, I kind of look at it as a basically SSP supply side technology. However, you're not using it for external publishers, you're basically using that matching internal, is that the best way to think about iHUB?

<<Doron Gerstel, Chief Executive Officer>>

It's internal publisher, which is part of our asset publisher that we're managing and optimizing their domain, but also something else through the Vidazoo that have a network of publisher it's in a way for us, the proxy to get it as part of the hub, even though we're not controlling them there is quite a large network that we see it as part of the hub, because it's done through the Vidazoo video platform. Make sense?

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

Yeah. And then, let's talk about SORT. So basically SORT is your kind of cookie list targeting technology to bring in kind of acceptable kind of personalizable customizable information. So there's no PII, but basically able to bring in targeting information in a privacy compliant way it sits on your system. One would think this is exactly what advertisers will want once cookies are fully depreciated, which now is not till 2024. So I mean, now that Google has pushed out the cookie deprecation and Chrome to 2024, do you think this slows down kind of the demand for SORT type product? Or is the writing on the wall and no better time like the present?

<<Doron Gerstel, Chief Executive Officer>>

So first of all, the back is not against the wall and sort of speak because there is no threat, and usually when there is a threat and there is more demand, excitement and advertiser need to take an action, which solution they will choose. So now there seems that there is no immediate threat. I don't think that, first of all, it's a question of if, it's a question of when. I don't think that they will keep responding it forever.

Even though I must tell you that there must be a reason and not technological reason behind it. So I read all kind of blogs that they keep saying it has to do with integration, it has to do with, we need to work with all our ecosystem and whatever. They're the main beneficiary of using cookies. And I think it's the things that works them the most it has to do with the financial implication once they put this in bet. Okay. And they are worried about this aspect. And I don't think they're able to simulate the hit that they will able to get once this is being...

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

Yes, probably better to execute this change when we're not in a recession.

<<Doron Gerstel, Chief Executive Officer>>

All right. Very much so. So the question is, what we are doing. So we are basically saying that that gives us a longer runway to be prepared and we need to be prepared. That's why we are putting in front, even though the whole thing was cookieless and we want to avoid the third-party cookie. We put here two other things, which I think you need to pay attention.

Our solution not require any integration whatsoever with publisher. I'm not asking the publisher to get your email, I'm not asking the publisher to hash your email. I don't need any integration with you publisher. That's a very important factor. And I'm not asking any integration with the consumer, not their email, not consent, nothing.

Now that's why we're basically saying yes, performing on par or better than cookies was a must have. No one will give us SORT budget if we able to compromise on results. But what we put in front, and this is very, very important for us is that work privacy first and achieved here privacy first and stand behind their privacy first, because the whole thing is a real time targeting capability and not store any kind of information, I think will give us a huge advantage.

I can tell you that, as I mentioned in the quote, that what advertiser believe it's definitely has to do with consumer that feel comfortable of purchasing product for advertiser that not stalking them, that's one, but there is another thing. We keep hearing more and more brands that are applying or comply with ESG. The environmental, social and governance is getting more and more traction from companies that very much wants to comply with it.

The S on the ESG, very much has to do with the safety. And we are very much in this direction. So it'll be a point in time where more and more brands will say that they want to have on their QVL, the Qualified Vendor List vendor that are applied with ESG and this is very much our intention because we are putting the privacy first. So all in all, I'm very happy that we are going in this direction. And you know what, I think that we have more time very much to get more traction if it'll happen in 2024. And if not, I think we'll see more and more brands Jason, that would like to be associated without compromising on results with the fact that we keep the consumer privacy.

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

So there was a question online. I think I know the answer to this, but I guess, do you have any intention to offer SORT through other DSPs?

<<Doron Gerstel, Chief Executive Officer>>

Absolutely.

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

Was that...

<<Doron Gerstel, Chief Executive Officer>>

Absolutely.

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

And then when do you plan to do that?

<<Doron Gerstel, Chief Executive Officer>>

Okay, so this is something that we are working right now on what is internally described as a SORT-as-a-Service, SORT-as-a-Service to publisher, SSPs and DSPs that we're looking for this solution. I can tell you that we're working currently with design partners on it. We are getting great response. I hope that we are able to do it commercially on the first quarter of next year.

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

And I guess, you're not going to tell us who those design partners might be, would you?

<<Doron Gerstel, Chief Executive Officer>>

No. We are in a very strict MBA and I don't want to damage it.

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

Okay. So it seems like, look broadly we're all looking at the opportunities in retail media for what that is. Not really an area necessarily you play in, but you have an expanding CBG in retail on the direct response. So do you see an opportunity to kind of tie more of your CBG in retail to the demand that retail networks are generating? Just kind of how do you think about the opportunity to expand to our CBG in retail as a percent of the total?

<<Doron Gerstel, Chief Executive Officer>>

So at this point, we are working and this something, I definitely can say that our main retail customer is Albertsons and we're working closely with them with all kind of solutions, solution that has to do for instance, to what extent we are able to integrate direct response into the CTV. I showed few example about our connected cart the ability



to very much use the QR code, but the most important is not the QR code, is the ability to hope all the way from your big screen by scanning it all to the guest shopping cart in this case to the retailer and that's was in Walmart.

But the other more important thing is our ability to develop endless amount of video permutation. And I showed that in a very nice way on the Safeway example that we did and that we identify with Safeway five type of different persona. And we able from one click is to customize or let's say personalize the same video roll material asset into 904 stores in 17 states. That was very, very effective campaign that that we're doing with them, which is basically take the what is known as a circular to the level of personalization that was not before.

I think that there – I will end and say that there is one thing that push retailers to invest more, to be way more openminded is they're facing increasing pressure from Amazon. They must react. Otherwise, they will very much lift.

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

Yeah. And one more thing, basically every major retail chain is going to have some version of their own retail media network. And then it'll be, how do they use that versus what do they do on external sites and the data. Let's shift back to CTV for a minute. Obviously, the growth is very good, but it's only 6% of revenue. I mean, how do you make it bigger? I mean, what is the – what's the impediment to over time getting to a higher percent of your revenue?

<<Doron Gerstel, Chief Executive Officer>>

That's just to do with acquisition, which may be another segue to the next...

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

Well, that was going to be my last question. So feel free to – we can merge this into one last question.

<<Doron Gerstel, Chief Executive Officer>>

That's it. Our effectiveness is important here. So I think that we reached a point that with what we have – so everyone can look at the 90%, but I'm looking at the 6% and I'm looking about the huge market opportunity that has to do with the CTV. I think that we are way more knowledgeable now by working very, very closely with Brent, what they're asking for. We know exactly what we should look for. There are great technology business – technology business out there. We are in a perfect situation where we have, by the end of the year close to \$400 million of net cash to make a move.

I think we proved in the last four acquisition that we know how to acquire with the responsibility and ability to integrate well into our business, we are showing a great

synergy between the different parts of Perion to the new acquire. And CTV is definitely one of the top target. Hope that it will happen this year, we are working day and night and on that opportunity. And there are some great opportunity out there.

I think that the good ones, unfortunately are not – the valuation drop that is happened on the public market didn't reach. At this point, the good ones, the good private ones that we are looking at. But that's fine. I think as long as the model supported, and we're able to show how the synergy that we bring into the table allow us to justify their cost.

<<Jason Helfstein, Analyst, Oppenheimer & Co. Inc.>>

Good. So I think we're going to leave it at that. Hopefully by the next time we do this, we'll be talking about that acquisition. But appreciate your time. Thanks everybody for joining us. And we'll talk to everybody soon.

<<Doron Gerstel, Chief Executive Officer>>

Thanks again. Bye-bye. Thanks you.