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<<Laura Martin, Analyst, Needham & Company>>

Laura Martin, I'm the Senior Media Analyst from Needham & Company. I'm going to introduce Maoz, from Perion. So I'm happy to welcome to my stage, CFO of Perion, Maoz Sigron.

<<Maoz Sigron, Chief Financial Officer>>

Thank you.

<<Laura Martin, Analyst, Needham & Company>>

Maoz has served as the CFO of Perion since February of 2018, and he served as the VP of Finance beginning in September of 2017. Prior to joining Perion, Maoz served as a finance, leadership and senior accounting positions in – Tnuva Dairy Company.

<<Maoz Sigron, Chief Financial Officer>>

Tnuva.

<<Laura Martin, Analyst, Needham & Company>>

Allot Corporation, Stratasys and as a CPA with PWC. He holds a B.A. in Accounting and Economics from the College of Management Academic Studies in Israel. Okay. So, Maoz, I'm asking everybody to start with – thank you very much.

<<Maoz Sigron, Chief Financial Officer>>

Thank you. Thank you...

<<Laura Martin, Analyst, Needham & Company>>

There you go. Okay, so my first question is, let's just do a personal journey question, which is, if you had to look across your life and knowing what you know now, what advice would you give to your 18-year-old self, or what's the best professional advice you've ever gotten?

<<Maoz Sigron, Chief Financial Officer>>

So actually, there is two. Hi everybody. And good morning. So, maybe two questions one, what I will advise my 18 years old self, be yourself and try to think what are the

value that you can really bring to the area that you operate and try to follow that, and not to answer what other people are expecting from you, just be yourself.

<<Laura Martin, Analyst, Needham & Company>>

That's your advice. And you still train, don't you still train once a year 18-year olds?

<<Maoz Sigron, Chief Financial Officer>>

Yes, this is exactly what I'm doing in my second job. 50 days a year.

<<Laura Martin, Analyst, Needham & Company>>

50 days a year is so long.

<<Maoz Sigron, Chief Financial Officer>>

So yes this is...

<<Laura Martin, Analyst, Needham & Company>>

What do you tell them? What do you train?

<<Maoz Sigron, Chief Financial Officer>>

I'm doing a military reserve in Israel. So, let's say, 50 days a year in the last...

<<Dudi Musler, Vice President, Investor Relations>>

It's more.

<<Maoz Sigron, Chief Financial Officer>>

Yes, you know, Dudi. This is what I'm counting.

<<Laura Martin, Analyst, Needham & Company>>

Okay. So 50 days, and you advise those 18 year olds to do things for themselves and not for others. Did I hear that correctly?

<<Maoz Sigron, Chief Financial Officer>>

First, in order to really contribute, you need to do something that you really like and you have to have passion. And this is something that, I think, helping you to do it better and to give the value that people are expecting from you. This is, I believe, important element.

<<Laura Martin, Analyst, Needham & Company>>

Okay. And best advice anybody has ever given you.

<<Maoz Sigron, Chief Financial Officer>>

So the one which as the CEO of Perion which, I believe, a part of few well known, and I much appreciate at the beginning of my journey here in 2017 mentioned to me that I really care about people with passion, that care about their job and like their job. And back then, 2017, it was important but the situation in Perion was much different. It was more difficult to bring new people that will join the team and will be part of management. And we really emphasize that, and we really try to find the right people that will be part of management, part of my team, the co-point. And I must tell that after five years journey, the people that are still here is the people that joined because they had – they were interested to be part of this journey, to do the turnaround together, to be part of a team that is doing something that is big, moving things from A to B and not just keeping things the same. So, I think that was really the best advice to look for people that have a passion.

<<Laura Martin, Analyst, Needham & Company>>

So look for people that wanted to be part of the journey because then they stay longer. Is that it, or...

<<Maoz Sigron, Chief Financial Officer>>

Definitely, because they are part of the journey, they are part of the success. They want to stay, they want to be part of the next things. And I think that always we see that we're saying that we are at the midway, this is really a midway because always there is more to do.

<<Laura Martin, Analyst, Needham & Company>>

Okay. All right. So that's your best advice. Okay, great. Let's move to the company now. So, I think let's start by explaining that Perion has this – you have couple of unique things about Perion, you have Bing, which is like 30%, 40% of revenue, and then you have a hub-and-spoke system. So why don't you start by explaining SORT of the structure of Perion, because it's unique in the ad tech space.

<<Maoz Sigron, Chief Financial Officer>>

Okay. So, thank you for that. So, the Perion business is separated two main areas, one area is the search business 45% and the other side of the business is the advertising business with 55%. Both of them performing very well during the last years and the turnaround was around these two main areas. The hub was something that we established

two years ago at the beginning, it was actually at the beginning of 2021. We have many assets around demand and many assets around supply. They were running separately without many synergies internally. And we found out that there are many unlocked value internally that we can just capture and get benefit from. We established the team and we started, as mentioned, this at the beginning of 2021.

I think that when we started, we said, said, okay, let's just have the synergy internally in order to benefit from that. And then it took us time to understand that there are three main benefits for the hub. One is our ability to actually improve our media margin dramatically, because when you have exposed to the demand and to the supply, you can improve margin dramatically. If you are looking on our report in the last two years, you can see the improvement of the margin quarter-over-quarter, the IAB, is the main part. This is first.

Second, it's about our customer. We are able today with the nice margin that we have to absorb part of the pressure that the advertiser has with the current situation in the market, with rise of cost of goods, we are able to absorb part of this pressure and to actually share with them part of our margin and to help them to get to this unique time.

And third is about the data. Data is everything. We have a lot of data, a lot of signal that we are getting from the demand side and from the supply side, our ability to capture all the data into one place is part of the reason why SORT is so successful. With all the data that we have, we are able to improve the SORT result. And this is a flywheel, an improvement that we see quarter-over-quarter including Q4.

<<Laura Martin, Analyst, Needham & Company>>

Okay. So those are the two...

<<Maoz Sigron, Chief Financial Officer>>

Just maybe to give, we just announced last week the fresh number. I can tell you that 7% from the EBITDA that we shared, the \$131 million is just direct contribution from the IO.

<<Laura Martin, Analyst, Needham & Company>>

From the hub?

<<Maoz Sigron, Chief Financial Officer>>

Yes.

<<Laura Martin, Analyst, Needham & Company>>

So 7% of EBITDA came directly from the hub.

<<Maoz Sigron, Chief Financial Officer>>

Exactly.

<<Laura Martin, Analyst, Needham & Company>>

And how much are search signals adding to the value of the hub and adding to the value of your data?

<<Maoz Sigron, Chief Financial Officer>>

The search signals are a part of the hub and part of the data that we are using, but they are – if again I look everybody is, I believe, aware of what we are doing with the SORT, but there are three source of signal to the app, first party, third party and the contextual, the data that we are getting from the search is the first party that we have that we are using in order to improve the result of the SORT. So this is indirect contribution of, I will say, the search to the advertising part of the business because we are not using SORT on the search, the SORT is using only on the advertising side of the business.

<<Laura Martin, Analyst, Needham & Company>>

Okay. You are going way too fast for this audience. Okay. So, you've moved on to SORT, which is a product you have, but let's go back. So, we're talking about three values of signals added to the hub. What I heard you say is that in the hub first party data, which comes from Bing, your deal with Bing, which is 45% of revenue adds first party signals to the hub. Then there is third party data. Where does the third-party data in the hub come from?

<<Maoz Sigron, Chief Financial Officer>>

We are getting data from everywhere, again, from the supply.

<<Laura Martin, Analyst, Needham & Company>>

Supply is first party.

<<Maoz Sigron, Chief Financial Officer>>

And from the supply side and from the demand side and all the data that we are getting, including what we're getting from the search is actually everything is in the app. And this data is what help us to predict. Again, we'll get to the SORT, I believe, in a few minutes, and maybe it will be good to elaborate about that. But this is what part of the reason why we are able to achieve better result with SORT.

<<Laura Martin, Analyst, Needham & Company>>

Okay? But forget SORT for a second. Staying on the data, your SSP, your sell-side is first party data, right?

<<Maoz Sigron, Chief Financial Officer>>

Right.

<<Laura Martin, Analyst, Needham & Company>>

Your Bing first party data.

<<Maoz Sigron, Chief Financial Officer>>

First and third, not everything is first party data, part of the publisher that we are working with them, they are publisher, they have the data is their data. This is first data for the publisher, for us this is not data that we have. This is a signal that we are getting from them.

<<Laura Martin, Analyst, Needham & Company>>

So, the signal you get from them isn't first party. They have the first party data but to you it's third-party?

<<Maoz Sigron, Chief Financial Officer>>

Exactly, this is not the first party this is another end. This is not our data, this is the publisher data.

<<Laura Martin, Analyst, Needham & Company>>

Okay. But you don't share in that, you don't step into their...

<<Maoz Sigron, Chief Financial Officer>>

No.

<<Laura Martin, Analyst, Needham & Company>>

Okay. All right. And then your third-party data comes from the DSP. Where are you getting third party data from the DSP?

<<Maoz Sigron, Chief Financial Officer>>

From everywhere, it can be from the DSP, it can be from other vendors that are making this as available data for everybody, not only for us.

<<Laura Martin, Analyst, Needham & Company>>

Okay. So, the hub has first party data from search and then third-party data from the SSP, the DSP...

<<Maoz Sigron, Chief Financial Officer>>

First party data from the owned and operate side that we have as part of what we have on the supply side is owned – we have our owned and operated sites.

<<Laura Martin, Analyst, Needham & Company>>

Okay. So that's more first party data. Okay. Is there another source of data besides the Bing and your owned and operated first party data?

<<Maoz Sigron, Chief Financial Officer>>

It's contextual, you have what you read, during the session you interact with – during the session you interact with the session and based on that, you can actually know how the user is behaving based on that we offer the right ad.

<<Laura Martin, Analyst, Needham & Company>>

Okay. So, the hub then has all these sources of data coming into it. And then what does it do with that? Has all this data now coming in, is what it does with that, you've productized what it does with that into something called SORT, S O R T all capitals that you now sell to third parties or you just use in making your targeting better?

<<Maoz Sigron, Chief Financial Officer>>

So, second, we are doing better, we are targeting with SORT and actually better than the cookies. The CTR for SORT is three times versus Google benchmark, which is around 12%. Maybe again, to just explain the SORT is a solution that we build internally in – we started this in 2021, we launched a product in September, 2021 and what we are doing is actually we are taking three, as mentioned before, three source of data. One, is the data that we have internally, the first data that we have from the campaign that we are running; second, is the contextual, as we mentioned before; and third, is the third party.

The combination of all of them help us to build a solution that know to do better targeting. It means that we, based on a group of people, different group of people, we know to predict how the user will interact with the ads. And based on that, we know do offer to our advertiser a campaign with better result. The advertiser today recognizing that consumer care about privacy, expecting from them to be more sensitive to privacy. And this is not anymore a question or not anymore something that the consumer tolerate and they are very – care about is we did the survey 95% from the consumer expecting from the advertiser to respect their privacy. So, I think this is not a question and nobody

is really waiting for Google to announce that the cookies will not be here anymore. It's already there.

And the SORT is a product that we are already running with. I can tell you that we just closed Q4 with more than 190 customers already using SORT. This is data from Q4, which mean around 50%, more than 50% from our customers already using SORT as part of their campaign. And I think after a bit more than a year [of running SORT], again, it was September 2021, five quarters, and we are already with 190 customers that are using SORT, I think it speaks for itself.

Part of what is important to mention also about SORT, is the fact that we are not charging for the SORT. We are not charging any dollars for the SORT. The SORT, in our view, is another capability that we are giving to the advertiser, not because we are running business to be a [non] profitable organization, but we believe that if they will be happy, if the KPIs of the campaign will show a good result, and this is exactly with the CTR, which is 1.5%, we will have - this customer will spend with us more dollars, and the number of customers that we will have will increase. And I think that part of also what I can say about Q4, and we'll talk about this more during the earning call, is the fact that the average deal is going with very nice percent in Q4, the number of customers is growing.

And when you're asking yourself why, why they are increasing spend, why they are coming again. With the current situation in the market that everybody is well aware, I think, the answer is because we are providing better results, the results talk by them self and they are getting better KPIs.

<<Laura Martin, Analyst, Needham & Company>>

Okay. So, we just had a guy on stage who said that it's better to be a pure play because it represents a single side, and it's really loyal to, in this case, a DSP. Why is it you would argue it's better to have you – you have a DSP dot demand side, you have a supply side, and then you have search, why is it better to have that arrangement being an end-to-end ad tech provider compared to just a pure play SSP or DSP?

<<Maoz Sigron, Chief Financial Officer>>

So, if we are looking back to 2017 when we started Bing was 65% from the business, part of the first priority was to reduce the dependency on Microsoft Bing. Today Microsoft reflecting 40% from the entire business. And the idea was really to diverse the business. When we think about this, it was really from the Bing angle not to be highly dependent. And when we learned the business more, and we found all what is here under Perion umbrella we understand that we actually can do even better also on the advertising side and not to be a company that is only demand, only supply and actually to sit at the middle and to also benefit from budget that shifting from social to search or from a mobile to CTV or from any channel to the other channel, the fact that we are sitting in the middle is helping us to capture budget also, when they are shifting from one area to another.

And I think that again, what started with the search and the focus of reducing the dependency on Microsoft and now our focus on the entire business of Perion, which is really we are actually looking on our self as someone that providing a solution for advertiser. And the solution can be search, it can be a campaign that we are running with high-impact formats, which the product that we are offering is around video, CTV and display. And this is a holistic solution and not a point solution.

<<Laura Martin, Analyst, Needham & Company>>

Okay. So, I love that. So, one of the things I'm most excited about Perion is these interactive ads, is your interactive ads, where you're getting like \$100 CPMs. So let's talk about your high-impact ads. Let's talk about like category of ad revenue. Can you talk about your outlook in 2023 and what kinds of things you're going to be introducing in the high-impact advertising category in 2023?

<<Maoz Sigron, Chief Financial Officer>>

So, the high-impact is...

<<Laura Martin, Analyst, Needham & Company>>

You should tell them what it is.

<<Maoz Sigron, Chief Financial Officer>>

The high-impact is... actually, advertisers are looking for formats that create – that are getting attention, okay. They are impactful. I'm here sitting in front of you and talking with you and try to get your attention. This is exactly what I want - to get the user attention. If I am getting the user attention, I have a successful campaign. If not, I'm missing something. So, the high-impact is call for the impact. It means that I am presenting ads that they are impactful, that the users are interacting with ads, the users are, it's visible, you can see it. The creative that we are providing and the formats that we are using are formats that interact with the user. And this is exactly the area when we are operating providing the advertiser the solution.

The high-impact business include solution around display, which is the most, I will say, legacy products we are running for many years. The second is the CTV. There are many different ways to do CTV. Everybody talks about CTV, but there is interactive CTV and there is live CTV, and there is just a CTV format that are effective and more to come around the CTV. And the video that also is a very effective channel with the Vidazoo acquisition that we did. We added another capability to what we are calling high-impact solution, and all of them together are giving to the advertiser a solution that is very impactful. And this is exactly what they are looking for.

The potential here is align exactly with the trend that is happening now. Advertisers are shifting budget and moving away from a standard ad unit to an impact ad unit. And part of the reason why we are so successful in 2022, and part of the reason why we are very optimistic about 2023 is the fact that we have a unique solution and we see more and more budget that we are getting that are actually shifting, and we are getting them from the standard that moved to the high impact solution. And I think that this is really just the beginning. CTV started a few years ago. It's already reflect or if we're talking about where we are now, it's about let's say 15%, it's going to move up in the next year and we are going to have, and to enjoy from this trend and to have more and more dollars that are going to be a CTV dollar. I want to emphasize that we are not selling only CTV or only video.

When we are starting a campaign with advertiser, this is not about, okay, I want to sell you CTV because I'm getting more dollars from the CTV, a \$40 or \$30 CPM. No, we need to understand what the advertiser are looking for. What are the KPIs that you want to achieve and how we can achieve it. Not always, this is with CTV. It can be with display, it can be with video, and it can be with different way how to win the campaign different creative. So again, CTV is major part of it. Video is major part of it from what we see moving forward. But important to say that when we are giving a – when we are building a solution this is a holistic solution and not something that is very specific around one product.

<<Laura Martin, Analyst, Needham & Company>>

So, one thing I just want to tell you, when they do an interactive CTV ad, the creative gets sent to them and then they'll put a QR code on it. So when you hold up your phone, you can interact with the ad, like you can buy now or you can learn more, but their CPM goes from like a \$20 or \$30 CPM to \$100 CPMs, and they get a fee whenever anybody uses that and clicks on that, right, because it's like for action?

<<Maoz Sigron, Chief Financial Officer>>

Yeah. Just think about our space again from awareness to performance. Awareness is the area when I'm reaching; again this is more the standard ad unit, which is more to be aware of the brand. And when we're talking about performance, this is really called to action. I want you to buy now Beyond Meat hamburger, Advil, for example. This is example we shared in the past and you can see it also in our presentation. And what is the idea? The idea is that when you are starting the journey, you are starting from the awareness. Let's take Beyond Meat as example. I'm sharing with you a display, it can be CTV, it can be video, it can be just a display, one of them and you expose to that.

And once you are interested, you have a box that you can or QR code that you can move directly from that ad unit to the cart. In this example, it was Wal-Mart and actually in one click you are moving from awareness to intent, and you can close actually the loop and buy Beyond Meat or to Advil and it can be anything else. And this is exactly part of what advertiser are looking for. They are, and with the example of the Beyond Meat, we're

talking about value, the cart, value was above \$1 million. So, think about, again I'm the CFO think about CMO or CFO and trying to understand the value of the campaign that they are running. And if I'm a CFO, and I'm trying to understand the effectiveness of the campaign, and I know that I spent, let's say for the example \$200,000, and the benefit that I'm getting is a \$1 million. The results are clear. This is not a question? This is not awareness campaign that you don't really know it was effective or not. Here, this is very clear KPIs. If I am spending \$200,000 and getting a \$1 million to the cart, there is no question. This is very clear result of the campaign and again part of the reason why we are so successful.

<<Laura Martin, Analyst, Needham & Company>>

Okay? I love that. So, I just had a guy off stage, a CEO off stage saying that he didn't like the campaign business because you have to cut. So, you right now are managed service, you get paid for ad campaigns, but those have to be renewed each time, and there's 60 to 90 days, very short-term; and all of your business is managed service. There's no self-service, and it's all based on ad campaigns, which are fickle. Companies right now are pulling back on budgets; so explain to me why that kind of business is better than having a self-service platform where you do less in the companies that hire you just do all the work?

<<Maoz Sigron, Chief Financial Officer>>

So first this is a combination. Not everything is a full manage service. There is a combination between self-serve to manage service, but definitely most of the business around the advertising is a full managed service organization. I think that yes company is trying to move away from that, but I think this is part of our uniqueness. I think that if you want to build the right campaign for the advertiser, this is exactly what you need. You need to understand what he is looking for? When he is calling you, you are answering. If I'm calling Google, probably they will not answer. If you're calling Perion, we will answer and we will provide the best service we can get end-to-end from the point that the campaign, getting the RFP and building the campaign to the point that we are deciding what are the product, the right product mix to the point that we are doing all the research before we starting the campaign.

During the campaign we are making sure that the campaign is improving, the KPIs are really met and we are changing during the campaign as we need. And we are getting to the campaign and sitting with the guys and doing the briefing together. What is good, what is not good and taking it to the next campaign? This is not something that you're doing with self-serve platform. You're doing it when you have the right people that all of them, people that are familiar with the space and know exactly what the advertiser are looking for. So I see it as advantage and not disadvantage.

<<Laura Martin, Analyst, Needham & Company>>

But it feels a lot like, like a creative agency, not like a tech stack. A tech stack is supposed to scale globally and you invest in the tech stack and then basically all the revenue just falls to the bottom line. That isn't what this is. This has very high variable costs associated with it?

<<Maoz Sigron, Chief Financial Officer>>

No, not – it's not; again you can see our financial as we ended the year with more than 50% EBITDA to net revenue. I think the number speak by themselves. We are very focused on efficiency. We're also part of our team. The team now aware and one of them is there, the efficiency is part of our DNA. We know to run this business with high efficiency and more to come. I think that from the way we are managing our media buying and the way we are running the efficiency of the organization and our ability to keep the OpEx level more or less on the same level when the, any additional dollars that we're getting to the top line translate directly to the EBITDA contribute. And part of the reason why we ended the year with the number that we, we shared with you.

On the flash, this is again part of our DNA. I don't think that this assumption is right. I think part of scale of business is to know with the current team to increase the business by just improving efficiency. Yes, two client partner can do more when the businesses scale. Why? Because [we are](improving the processes. You're improving the system. You're doing automation. Yeah, you're doing more things online, and I think that, again more to come, but this is – I don't see it as a disadvantage.

<<Laura Martin, Analyst, Needham & Company>>

Okay. Questions from the audience, and then we'll go back to mine. Any questions for Perion from the audience? No. Okay, great. Okay, good. So we did your strongest fundamentals, I think so you actually grew faster than trade desk, and our EBITDA margins are the highest in the industry. They're even higher than trade desks, which should be scalable because it is 100%, self-serve. So, when you think about those fundamentals; as the CFO, what percent of your revenue do you think of as recurring? Meaning you get the same ad campaign every year. Is that 20% of your revenues recurring, 50% like soft recurring? It's not contractual, but your guys get it every?

<<Maoz Sigron, Chief Financial Officer>>

Good point. Yeah, this is a very good point. We are really not a subscription company, so we don't have a recurring – in the way our people think about recurring but as they – as we just ended the process around 2023 budget, and this is really the way how we are thinking about the business, what is here and what is – where we are today, and what we think about 2023. And I can tell you that let's say a round of 50% of our business around the advertising side is business that we have. This is a network, this is how we calling it. This is a network based on the network that we have today and actually build based on long relationship that we are running many years backwards.

I'm talking about few that they are more than five and six years working with us. So when we are measuring, if I'm talking about 2022, just to give you as a parameter, their attention percent. Our attention percent in 2022 is close to 100%. It means that most of the business is actually business from publishers and customer that know us for many years. This is what make our model predictable, sustainable and predictable. Again, we are sharing with sweet every quarter of our guidance. And part of the reason why at the beginning of the year, we know well to model and to think about what we're doing next is because we know to predict well, based on the network are we expecting to end the quarter and are we expecting to end the year? So again, this is not a subscription, but definitely our set partners that working with us many years, there is very close relationship. And we based on discussion with them, we know what they're expecting for 2023 or in 2022 case 2022 and based on this discussion, we know to model very well our business.

<<Laura Martin, Analyst, Needham & Company>>

Okay. So 50% is the amount of recurring revenue based on that?

<<Maoz Sigron, Chief Financial Officer>>

Yes.

<<Laura Martin, Analyst, Needham & Company>>

Okay. All right. So you still have to come up with the other 50%.

<<Maoz Sigron, Chief Financial Officer>>

That's fine.

<<Laura Martin, Analyst, Needham & Company>>

But so far, so good based on the numbers, okay. Okay. And no notion that you want to move towards self-serve or move to long-term contracts. You're just going to keep doing it. Let me call it on a project by project basis, that's the plan?

<<Maoz Sigron, Chief Financial Officer>>

Yes. No, we are – we are very happy with the way our – the business is running and of course M&A is part of what we are doing and the way how this businesses operate maybe will change in the future, but additional angle to the business and the M&A is part of what we're doing on a regular basis. But what we have organically is definitely we are expecting to keep and run this business as we are running it today. We find it very successful and we know how to run it very efficiently.

<<Laura Martin, Analyst, Needham & Company>>

Okay. So M&A, do you...

<<Maoz Sigron, Chief Financial Officer>>

We have a question if you want to get on the...

<<Laura Martin, Analyst, Needham & Company>>

Yes. Go.

Q&A

<Q>: You clarify the retention metrics that, that you just gave? Is that client retention or is that dollar retention?

<A – Maoz Sigron>: Dollar retention.

<Q>: Dollar retention?

<Q – Laura Martin>: But it's also clients. You don't lose clients, do you?

<A – Maoz Sigron>: I'm not. We are not losing clients, but when we are measuring retention, we are focusing on the dollars because the upside of, there is very always there – there is upside from existing clients. So if you are measuring only the client, you can think that it's not aligned with the dollars that you're providing. And this is always a combination between retention of client to retention of dollars. The retention of dollars is very important, mainly with the fact that there are always, there is upsells that you can do as part of the discussion with again the partner that you're working with them is what their expectation and how I can get more from their traffic. And if we thinking about, I don't know the video solution, you want to make sure that your video solution is almost 100% from the network and not 50%. And this is part of the reason why we're measuring it with dollars and not a number of clients.

<Q>: Can you benchmark how tangible you are with large advertisers?

<A – Maoz Sigron>: Again?

<Q>: How penetrated the businesses with large advertisers?

<A – Maoz Sigron>: No, I think that we are gaining more and more market share. I think part of what we did and part of the reason why we are improving is not only due to the macro because we're penetrating and able to gain markets from our competitors. This is right for the search. We increase the number of publishers in Q4 to more than 150. And as mentioned also on the advertising, the number of clients is increasing. We are getting

more and more – we are running the business with the existing, but also able to attract new customer and new partners.

<Q – Laura Martin>: And I would answer that differently. They're very small, right? Their total revenue is \$300 million in the advertising side, plus \$400 million in sorry, \$300 million in search and \$400 million in display and social and trade desk is \$2 billion and net revenue it's \$8 billion gross. So like these guys are around 150 clients; there's Fortune 1,000 clients, so they're tiny, but growing really fast.

Okay. So M&A, we need to talk about M&A. So when you think about product roadmap for 2023 and whether you want to, instead of buy versus build, you're going to buy rather than build; tell us about 2023 outlook?

<A – Maoz Sigron>: So the area that we are focusing are first, this is really efforts that is running. We ended the 2022 without closing a deal. And we mentioned few times that we're going to do it, but the market is changing and we are – there is no rush from our point of view. We want to find the right audience and to make sure that it's fair to what Perion is looking for. The area that we are focusing is first is the CTV. This is the area that is very interesting. More capabilities around CTV. Second is around the digital outperform. Very interesting area that is developing fast and we believe that there is a lot of things that – good things that are happening around digital outperform. We believe that it's going to work automatically.

And third is around the retail media. As we mentioned, this is another focus. We are building it internally and we can tell you that in Q4 we get to 5% from the advertising is retail, but this is still very small. And we are still – while we are developing internally, we are still thinking about maybe new acquisition around this area. So these are the three main areas that we are focusing. We are looking for M&A that is transformative. And as mentioned before, we'll change the way how Perion is operating today. And we have different criteria that we have defined together with the board.

I think that after a few rounds, we are more focused and know exactly what we are looking for, not only from the business and what we are looking, also from the type of the company, who are the founders, what is the size of the business, how much is going, is it profitable business? We are profitable business. We're running our business. We are growing very nice and we are keeping an improving profitability. We want to make sure that the target will be aligned more or less with this objective. We want that they will be leader in their space. And other important element that I agree with the board is the main criteria that we are looking when we're talking about M&A.

<Q – Laura Martin>: Okay. So we expect a big transformative – what I heard you say is transformative acquisition in 2023, assuming the sellers get the pricing, bring their prices down, okay. Okay. And specifically...

<A – Maoz Sigron>: The market is very interesting, and the multiples are becoming more reasonable, so definitely...

<Q – Laura Martin>: Okay. So digital out-of-home, CTV, kind of which is Connected Television, and retail media networks are your three top priorities in a sense.

<A – Maoz Sigron>: Yes.

<Q – Laura Martin>: But you're starting to build the retail media network internally. Okay.

<A – Maoz Sigron>: Yes.

<Q – Laura Martin>: Yes, that was all – that is all the range retail media networks right now. Okay, great. Okay. So cookies – post cookies world, do you think – my question is, you're using SORT as your substitute for cookies even today. 50% of your clients have already adopted SORT – my – and you're not charging for it, which means it's not valuable. If it was valuable, you would charge for it, my opinion.

<A – Maoz Sigron>: I don't agree.

<Q – Laura Martin>: Okay.

<A – Maoz Sigron>: The number – I think I can convince you in a different call and to show you the model. We're modeling it, by the way, this is not a magic. And of course, as a CFO, the question was why not to charge?

<Q – Laura Martin>: Yes.

<A – Maoz Sigron>: And again...

<Q – Laura Martin>: I agree with you. What's your charge?

<A – Maoz Sigron>: This is right. Why not to charge, but then the question is what you – what is – what was before and what is after and we can see a clear benefit from that. There is no question.

<Q – Laura Martin>: Okay.

<A – Maoz Sigron>: I'm telling you it as CFO, clearly value.

<Q – Laura Martin>: Okay. So, one of the questions I have is that Trade Desk is now going direct to a lot of publishers and there is a lot of focus on squeezing out waste in the middle of the ad-tech ecosystem because it's like 50% fees. So my question is when you think about ad-tech generally, do you have a point of view on sort of take rates and margin pressure in the industry?

<A – Maoz Sigron>: There is – I think that our industry is definitely ad-tech. If you're looking on the LUMA landscape, you can find many, many players and many different solution that are available and consolidation and technology consolidation is part of what will happen in the future. And definitely we'll see companies that providing additional capabilities, additional solution based on the acquisition that they are doing. And this is, of course, will give more pressure. I think this is not a question of if this is will happen. I think that the Trade Desk is sitting in a very interesting position, but I believe that still the competition is there. They are not the only DSP. There are other available DSP in the market and I don't think that easily they will be able to move directly to the publisher and avoid the SSP at the middle. We believe that there is a lot of value to the SSP and they are here to stay because they are the one that really understand the publisher needs and what they are looking for. And we see as someone that's sitting in the middle, the value that they are giving to us and to our clients. They are important and they are – we believe that they are here to stay.

<Q – Laura Martin>: The SSPs.

<A – Maoz Sigron>: The SSPs and the other DSP. We don't think that the trade is going to be the monopoly of the DSP.

<Q – Laura Martin>: Oh, yes, sorry, I'm writing that Trade Desk is going to eat the world. That's what he's responding to that he thinks these other DSPs can survive. Although being end-to-end really does help you increase your margins.

<A – Maoz Sigron>: Of course.

<Q – Laura Martin>: Okay. Good. Any other questions before we call it? Okay, my last one is boldest prediction for 2023. What is the most controversial prediction you're making for 2023?

<A – Maoz Sigron>: So, we are – we will provide a full guidance on the earnings call, which scheduled for February 8th. We are very happy with the result of 2022. And what we said is that – that it will – the year will be able to deliver. And when we are thinking about 2023 now high level, let's say, mid-teens growth next year makes sense to us. We will follow carefully the result of January, but again so far so good. And there we are very happy with the way how we are starting the year. We have a lot of opportunities and the pipeline is very strong. So we are very optimistic about the year. I think mid-teens growth is reasonable assumption, but we will give more color during the earnings call.

<<Laura Martin, Analyst, Needham & Company>>

Okay, great. I'm going to call it there. Thank you very much for being here.

<<Maoz Sigron, Chief Financial Officer>>

Thank you. Thank you, Laura.

<<Laura Martin, Analyst, Needham & Company>>

Great.