



Perion Network

Perion Update Webcast and Conference Call

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C O R P O R A T E P A R T I C I P A N T S

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C O N F E R E N C E C A L L P A R T I C I P A N T S

Jason Helfstein, *Oppenheimer*

Andrew Marok, *Raymond James*

Laura Martin, *Needham & Company*

Mark Kelley, *Stifel*

Jeff Martin, *ROTH Capital Partners*

Eric Martinuzzi, *Lake Street Capital Partners*

P R E S E N T A T I O N

Operator

Hello everybody, and welcome to the Perion Network Conference Call. (Operator Instructions)

The press release with respect to the acquisition of Hivestack is available on the Company's website at www.perion.com.

Before we begin, I'd like to read the following Safe Harbor statement. Today's discussion includes forward-looking statements. These statements reflect the Company's current views with respect to future events. These forward-looking statements involve known and unknown risks, uncertainties and other factors, including those discussed under the heading Risk Factors and elsewhere in the Company's Annual Report on Form 20-F that may cause actual results, performance or achievements to be materially different, and any future results, performance or achievements anticipated or implied by these forward-looking statements. The Company does not undertake to update any forward-looking statements to reflect future events or circumstances.

While mentioning EBITDA, we'll be referring to Adjusted EBITDA. We have provided details of non-GAAP measures and ROEs, which is available on our website and has also been filed on Form 6-K.

Hosting the call are Tal Jacobson, Perion's Chief Executive Officer, and Maoz Sigron, Perion's Chief Financial Officer.

I'll now turn the call over to Tal Jacobson. Please go ahead.

Tal Jacobson

Hello and good morning, everyone, and good afternoon. I'm excited to share the news of us acquiring Hivestack and its vast full-stack technological global digital out-of-home company based in Canada.

I would like to start with a short video to show exactly what the company is all about.

(Video presentation)

Female Speaker (Video presentation)

Brands. Agencies. Media owners and omnichannel DSPs use the Hivestack platform to activate programmatic, digital out-of-home with precision, globally. Custom audience targeting, unprecedented measurement capabilities drive real world business outcomes.

Tal Jacobson

Out-of-home advertising has been around for over 200 years, but there is a new era where technology is changing everything. Digital out-of-home is everywhere around us in the public domain, from retail stores, buses, train stations, roadside billboards, in airports, hotels, office buildings, malls and so much more.

Out-of-home ads aren't static. They're dynamic, powered by advanced technologies, changing in real-time, responding to the environment and even to the people who view them. It is unskippable and unmissable, but very much measurable. The power of digital out-of-home lies in its use of cutting-edge technology, and even more sophisticated enhancements through programmatic capabilities. We're talking about advanced targeting, real-time content delivery and detailed performance measurement.

The digital out-of-home channel represents an attractive opportunity predicted to increase from \$21.5 billion worldwide in 2023 to \$30.7 billion in 2026, globally. It is one of the few areas of adtech where there's still tailwinds, and the competitive landscape is still evolving. Digital out-of-home also feeds into our overall diversification strategy and aligns with our mission to use technology to connect advertisers to consumers.

Let's talk a bit about Hivestack as a company. Based in Montreal, started in 2017; in retrospect, not a great year to start an out-of-home company, as we all know, a few years after, we all went into quarantine for over two years. But the company continued to invest in their technology and the global expansion, even during those challenging times. With 154 people and offices around the world, we feel confident in their execution abilities and continued growth.

Hivestack's impressive platform is trusted and utilized by some of the world's most prominent media owners, agencies and brands, including companies like Uber, Colgate and LEGO, as well as major players in advertising like GroupM, dentsu, Xandr and The Trade Desk.

The Hivestack platform is deployed in 32 countries: in North America, APAC, EMEA and LATAM. This global footprint enabled Perion to capitalize on the economic trends impacting advertising budgets globally. One great example is the Shibuya Crossroads in Japan, which is equivalent to the New York Times Square, where some of the boards that you see in front of you are operated by the Hivestack technology.

Hivestack offers a full-stack digital out-of-home platform for both the seller and the buyer side. Media owners enjoy a range of technologies like digital out-of-home Ad Server, SSP and Header Bidder to manage, deliver and optimize advertising and enhance yield and source demands efficiency. For media buyers, the Hivestack digital out-of-home DSP provides robust capabilities for sourcing optimal inventory and maximizing effectiveness and ROI of digital out-of-home campaigns. Precise targeting and measurement tools is another layer across the entire platform. All can be managed and accessible via the platform dashboard, accessible from everywhere.

Now, allow me to show you a few examples of how the Hivestack magic works in action.

(Video presentation)

Female Speaker (Video presentation)

Uber Taxi provides commuters with more control over the way they travel around the city of Hong Kong. Long-known for its anytime, anywhere mobility service, Uber Taxi needed to drive awareness and consideration of its app to new audiences, at scale, using programmatic digital out-of-home. They did exactly that through their latest campaign, Go Live Your Way.

Uber Taxi used the power of programmatic digital out-of-home and its robust targeting capabilities. This included custom audience targeting, contextually-relevant, advanced moment targeting, as well as in-flight optimization, including real-time monitoring. This enabled Uber Taxi to optimize their budget against the best-performing audiences and screens.

By the end of the two-month in-flight, the campaign generated over three million impressions and achieved a 59% audience concentration rate. But don't just take our word for it. Programmatic digital out-of-home created new opportunities for Uber Taxi to reach new audiences on the go, providing choice when and where they needed it most, allowing audiences to Go Live Their Way.

Tal Jacobson

This is the first example of how Uber in Hong Kong used the very smart moment targeting of Hivestack, on weather, day of time, traffic jams, a very successful campaign.

The next campaign we're going to show is the Haze campaign in London, which again used real-time data around the billboard itself.

(Video presentation)

Female Speaker (Video presentation)

Renowned Scottish craft brewery and pub chain BrewDog activated the first-ever Haze-based campaign in London in order to drive awareness and sales for their Hazy Jane beer. BrewDog tapped into London's unique summer weather by launching a programmatic digital out-of-home campaign called Summer Haze.

Combining Hivestack's moment targeting feature with data provided by Flux, BrewDog created a custom Haze moment to activate the campaign only when the sky was hazy. This custom trigger was a first of its kind. It was created by aggregating data from Flux's global environmental and air quality partners.

The campaign ran on 10 iconic billboards and urban panels across Greater London, including the M4 Torch, Holland Park Tower and The Shoreditch Showcase, with over one million impressions delivered in

two weeks. The success of the Summer Haze campaign persuaded BrewDog to raise their glass and plan additional campaigns for the future.

Tal Jacobson

In the last example, we'll show how Colgate used Hivestack in Singapore on their campaign in using their brand's safety technology.

(Video presentation)

Female Speaker (Video presentation)

After more than two years of masking up, the Singapore government ended mask mandates on February 13. To celebrate the moment and remind everyone to smile freely again, Colgate launched the Free Your Smile campaign. From concept to execution, the campaign took 48 hours to develop, and launched island-wide on Valentine's Day.

Colgate built a programmatic digital out-of-home campaign by the Hivestack DSP in order to target audiences using time of day and location capabilities supported by Instagram ads. These ads were strategically located at bus stops, train stations and areas with high footfall traffic during peak travel hours, reminding people to smile strong.

Brand safety measures were also applied in order to exclude at-risk locations such as hospitals, pharmacies, clinics and nursing homes. Instagram ads extended the campaign's online reach, prompting commuters to look up from their phones and celebrate with a smile. After three days, the campaign was featured on 927 unique screens and resulted in over four million impressions, a 320% uplift in ad recall and a 67% increase in brand awareness.

Thanks to programmatic digital out-of-home, Colgate embraced the importance of a moment we can all celebrate and smile about.

Tal Jacobson

With the addition of the advanced digital out-of-home product offering, Perion now offers a full suite of products for advertisers. It now has a full suite, 360 offering. You all know our video solution, the Wave solution for audio that we released about a month ago, our famous high-impact ads. But now, with retailers specifically, we also have the audience when they leave their home, from large-form ads on the road to parking lots of retailers and even within the store itself, interactive ads. Of course, when they get back home, they have our famous interactive CTV ad.

We've showed here a day in the life of a consumer of our brands, how at every touch point, he actually meets Perion technology, and now worldwide. But we've talked about all the advantages of Hivestack. I wanted to emphasize that this will bring us market growth, advanced technology, expertise, global scale, synergies. Hivestack is very strong in Europe and in Asia while we are very strong in the U.S. Of course, this goes hand-in-hand to our diversification model.

A few words about the deal structure; we've acquired the company for \$100 million in cash and we've placed \$25 million towards the next three years for retention and performance, and the performance are based on the targets, \$56 million across three years in EBITDA and \$212 million in revenue minus TAC.

With that, we'll move over to the Q&A.

Operator

Thank you. (Operator Instructions)

Our first question today is coming from Jason Helfstein from Oppenheimer. Your line is now live.

Jason Helfstein

Hey everybody. Congratulations on the deal; happy to see you finally using some cash. I guess three questions. First, I'll just start on I think you just said \$56 million, that's a three-year contribution, is that right?

Tal Jacobson

Yes.

Jason Helfstein

Right? If I just divide, let's say, call that \$18 million roughly a year, we're talking \$125 million divided by \$18 million, is that the math? It's about 7x, give or take?

Maoz Sigron

Yes. If we're looking on the next three years, this is definitely right. As we are here talking about 2023 as the first year, then the EBITDA will spread over the (three) years, not the same. It will be, of course, more in the last years of the model. We're starting with a few million dollars EBITDA in 2024 as part of the model, more in '25 and more in '26. The cumulative number is the \$56 million.

Jason Helfstein

The \$56 million, that's after whatever synergies you get from reducing their corporate overhead and all that?

Maoz Sigron

Yes, that's combining everything. There is actually—they are finding their business in Europe and APAC, in addition to what they have in the Americas. The synergy here is a bit different from other acquisition we did in the past. When we're talking about the U.S., definitely we have many synergies between the two companies. When we're talking about Europe and APAC, you're talking more about business opportunities we have that can open more markets and can help us to be there as well. This is more business opportunity and a less OPEX on the optimization.

Jason Helfstein

Got it. Then, I guess then twofold, I mean, the size of the acquisition obviously is much smaller. You probably could've bought something three times the size. I guess, is it just the idea that, let's say the two other areas that you've historically been interested, CTV retail media, was it that the size of the acquisition in those areas was too big, or the multiples didn't make sense, or...

Maoz Sigron

No, no.

Jason Helfstein

...this was opportunistic? Just help us understand, you still have a good chunk...

Maoz Sigron

Right.

Jason Helfstein

...of cash after this. What should investors assume you do with that cash?

Tal Jacobson

Absolutely. I think that's a great question, and it goes back to our strategy. Our strategy is to become one of the biggest companies in our industry, and this is just the first step. As we speak, we're speaking with other companies and we're definitely going to buy another company in 2024. This is not the last M&A. In fact, this is the first M&A towards that strategy. Our goal is to continue to use our cash to grow even faster, to more markets with more technology.

Jason Helfstein

Okay. Thank you.

Tal Jacobson

Thank you.

Maoz Sigron

Thank you, Jason.

Operator

Thank you.

Our next question today is coming from Andrew Marok from Raymond James. Your line is now live.

Andrew Marok

Great, thank you for taking my question.

I wanted to dig in a little bit on the full-stack nature of Hivestack. I know that you had, presumably, plenty of opportunities, plenty of candidates that you were evaluating while you were going through this process. Was the full-stack nature something that you specifically wanted out of an acquisition target, or did you just like the opportunity to get into digital out-of-home and the full-stack nature was kind of incidental to what you liked of other things about Hivestack?

Tal Jacobson

Right. Thanks for that question.

Absolutely. When we're looking at companies and we actually talk—when we're looking at a specific vertical, a specific channel, we're looking at all the companies out there. Having a meaningful technology, and full-stack is part of that, is very meaningful to us. We want to be able to have both sides of the channel. The fact that they have the DSP and the SSP, the relationship with the agency, the connection with companies like The Trade Desk, and also be able to gain revenue on the media side is very important for us. It's a strategic move; it's not opportunistic in any way.

Andrew Marok

Great. Then, my other question was, I think in the past, under some more recent acquisitions, although it has been a little bit of time, is that you operated under that kind of one-third cash, two-third earn-out structure.

Tal Jacobson

Yes.

Andrew Marok

This one's going to be a little bit more cash-forward. Is that just evaluating the opportunity, is that a change in how you're thinking about payment for M&A going forward, just what's behind that?

Tal Jacobson

It's not the rule from now going forward. This company has built meaningful technology up until now. They also have meaningful relationship and they had a lot of investors in it. We thought that this is the perfect combination, with the structure of this specific deal. It doesn't mean that all the years going forward it will be structured that way. Every deal has its own nature, and we think the company is advanced enough to earn that part of the cash. But again, every deal would have its own dynamic and structure.

Andrew Marok

Got it. Okay. Thank you.

Maoz Sigron

Thank you.

Operator

Thank you.

The next question today is coming from Laura Martin from Needham & Company. Your line is now live.

Laura Martin

Hi there. Congratulations on the deal. Could you talk about the fact that, you mentioned that most of your existing businesses in the U.S., and this really, this is—you gave us an example, London, Hong Kong and Singapore. Talk to me about—you guys now have two DSPs. Do you collapse those into one? Are there synergies there, sort of making best use of the best tech stack, or because of the geographies not overlapping, you have to run two separate DSPs now?

Tal Jacobson

Thank you, Laura, for the question.

First of all, you're absolutely right. At one point, we'll need to figure out, how do we combine this. But for the time being, we're looking at the synergies mostly on geolocation. Through the relationships and the salespeople that Hivestack has in Asia and Europe, we're going to be able to push more of our current offers, and through our relationship in the U.S., we'll be able to push their offers. But eventually, everything will be combined into one platform.

Laura Martin

Okay. Would that happen over a year or two? Because usually, there's a lot of cost savings when you combine DSPs. What period would that happen in?

Tal Jacobson

Well, we don't have the specific plan, but that's definitely on the roadmap.

Laura Martin

Okay, cool. Then, one of the things when you were talking, you were talking about that fabulous intersection in Tokyo.

Tal Jacobson

Mm-hmm.

Laura Martin

How do they work with these billboard companies? It sounds like they're a tech back-end. Do they have to do deals for access to these large, huge, prestigious billboards out there? Because that would make it hard to do 24-hour campaigns like they did in Singapore. Can you talk about the typical timeframe for this company, or do they actually control assets that they can put on at any time?

Tal Jacobson

Let me see if I got it right. Let me answer and let me know if I got it right. They work with the media owners, right, so the real estate or the billboards owners are integrating all the system of Hivestack. Think of it, some kind of an operating system for ads, which is the Ad Server. That runs at the back of the screen itself. Through that, they can bid on those screens.

Now, in Japan, they integrated that with a company that owns most of the screens there, and that's how they work. They don't own the screens; they own the technology that operates the screens.

Laura Martin

Okay, so they have contracts with these companies that own these physical assets.

Tal Jacobson

Yes.

Laura Martin

Was that true in the 24-hour campaign that you were talking about in Singapore? When there was...

Tal Jacobson

Yes, that's always true, yes.

Laura Martin

Okay. Very interesting. Okay, congratulations on the deal. I'll be interested to see how you fold this into your other operations. Thanks.

Tal Jacobson

Thank you. I appreciate that.

Maoz Sigron

Thank you.

Operator

Thank you.

Our next question today is coming from Mark Kelley from Stifel. Your line is now live.

Mark Kelley

Hey, great. Thanks very much.

Just a couple quick ones. The first one is, rough ballpark, how much of the Hivestack buys are actually executed through the Hivestack DSP versus some of the other partners that you highlighted? That's the first one.

Then, related to that, I guess, are you expecting to kind of step on the gas to have more folks buy through the Hivestack DSP, and if so, what does that do to that low 70% contribution ex-TAC markets?

Maoz Sigron

Thank you, Mark. I hope I get the first question. They are working sometimes directly and sometimes indirectly with other SSPs or DSPs. Again, we are not talking yet about the allocation, how exactly this is allocated. But again, it depends mainly on the region, on the country specifically, how they are operating and how they are partnering with others. This is about the first question.

About the second, we are today seeing the 70% as a stable number. This is an average. The number that we have here is a combination of deals that they are doing with fees, which is a net revenue, and part of the deals that they are doing with media, which is a 100% from the transaction, is going to the revenue. This is the combination of the two, and this is the way we're seeing it in the next few years. The 70% is

very much the number that we see in the model for the first, second and third year that we have in the model.

Mark Kelley

Okay, thank you.

Then just a quick follow-up, in terms of Adjusted EBITDA, pretty close to breakeven this year. Have they ever had positive Adjusted EBITDA on an annual basis? Then I guess, is it fair to assume that that business is profitable in Q4, and then maybe the first three quarters are not profitable?

Maoz Sigron

Q4 is—no, we are getting to the end of the quarter and we are very active with their performance during the quarter and what they are expecting to achieve. Again, I don't want to get here to details before we are closing the year, about their EBITDA specifically for the quarter. What I can tell you, that this is a technology company, a new company with new solutions. This is the year when they start to see how they are getting to breakeven, small to breakeven within minus three (\$ million adj. EBITDA). This is the first year. We're definitely seeing the trajectory for profitability in the next year and more than that, as you can see from the projection that we did together with them. We're feeling very comfortable with \$56 million for the first, second and third year, but no, 2024 will be the first year that they will be with positive EBITDA.

Mark Kelley

Okay. All right, thank you.

Maybe, sorry, can I sneak one last quick one in?

Maoz Sigron

Of course.

Mark Kelley

If you said this, I apologize, but what did they do in terms of revenue in '22, just so we can get an idea of the growth rate thus far?

Maoz Sigron

Again, we didn't share this number; we shared the 2023 number. I can tell you that the trends that we see, which is a CAGR of 40%, what we have in the model for the next year is relatively conservative to the actual number they have for the historical years. They are growing very fast, and again, more than the 40% that we have in the model, so I believe you can get into the number. They are growing very fast and more than what we have in the model for the next three years.

Mark Kelley

Okay, great. Thanks very much, guys.

Tal Jacobson

Thank you.

Operator

Thank you.

The next question today is coming from Jeff Martin from ROTH. Your line is now live.

Jeff Martin

Sorry, I had that on mute. Good evening, guys. Wanted to get a sense of the customer base; you have a customer count, is there a customer concentration? Given what looks to be a size presence in Europe and Asia-Pac, what does the presence look like in North America currently, and what does it take to ramp up in North America? Are they already established, do they have to build those relationships, get that network of screens on board? Any color there would be helpful.

Maoz Sigron

As we shared, this is part of—what we like here is the geographic (footprint). We have a company, that they have activity and business in different area. U.S. and Canada, they are there. They have already business there for years, and they are also working in APAC and Europe. There is a lot of potential.

I think that when we'll get more into the details, and I am not sure that this is exactly the time. They have very nice growth. They know how penetrate specific countries and to get to very impressive revenue in one or two years, this is based on what we've seen in doing the due diligence.

They started in Canada. They have very nice activity in the U.S. and more in Europe and in APAC, but again, we have the slide that we shared exactly the number, but this is just the beginning. The potential there is huge. The potential of the synergy between the two companies together, Perion and Hivestack, is huge. This is exactly part of the focus of the PMI. There is a lot of potential. We are far from getting it to the full potential of Hivestack; more to come.

Jeff Martin

Great. Then, my other question is around the \$25 million performance-based plan. How much of that is retention and how much of that is performance-based, and is it all or none? Could you give us a sense of the breakout of those two components within that? That'd be great.

Maoz Sigron

One-third is retention and two-third is performance-based. It would be aligned with what we shared, the next two years model. Every year, we have first, they need to—retention is the first element. The second element is the performance of their revenue and EBITDA. Their target here is not revenue, this is the contribution ex-TAC, or 50/50.

Then, there is a correlation between the contribution of the year to the amount that they are getting, so they are getting more then and less at the beginning. This is part of our motivation to align between the results and the money they're getting from the deal.

Jeff Martin

Thank you.

Operator

Thank you.

The next question today is coming from Eric Martinuzzi from Lake Street. Your line is now live.

Eric Martinuzzi

Yes, sorry for the delay there. Curious to know, on the media owner relationships, if we just look at the revenue number for 2023, the \$45 million, do we have any concentrations there amongst a Clear Channel, Lamar, Stroer?

Maoz Sigron

No, there is no concentration here. With the fact that we have many countries and many industries that are working with us, or with Hivestack, there's no concentration or someone that is responsible for most of the activity. We're talking about a few percent for each customer from both sides, on the buy side and the sell side.

Eric Martinuzzi

Okay. Then, who would you identify as Hivestack's top competitors?

Tal Jacobson

In the U.S., it's Vistar.

Maoz Sigron

Vistar in the U.S., as mentioned. We have a few other companies that, again, they aren't private, we can share the name. We don't have all of them now in front of us, but they have, I would say, for each country there is someone that is very much dominant in the market. Vistar is dominant in the U.S., and also in the rest of the world. I think this is the one that is actually similar to Hive, but...

Tal Jacobson

Hivestack is stronger everywhere else, or at least very stronger in the U.S.

Maoz Sigron

Exactly.

Eric Martinuzzi

Yes, thanks.

Tal Jacobson

Sure.

Operator

Thank you. We have reached the end of our question-and-answer session. I'd like to turn the floor back over to Management for any further or closing comments.

Tal Jacobson

Thank you for joining us this morning or this afternoon. We're extremely excited about this first acquisition and a new journey in our strategy. We continue to invest in technology, in more channels, in more customers, and of course in giving a full-stack solution for our clients.

Thank you. Have a great day.

Operator

Thank you. That does conclude today's teleconference and webcast. You may now disconnect your line at this time, and have a wonderful day. We thank you for your participation today.