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Perion Network Ltd.

First Quarter 2023 Earnings Conference Call

May 3, 2023

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PRESENTATION

Operator

Hello, everybody, and welcome to the Perion Network First Quarter 2023 Earnings Conference Call.

Today's conference is being recorded.

The press release detailing the financial results is available on the Company's website at 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. As in prior quarters, the results reported today will be analyzed both on a GAAP and non-GAAP basis. While mentioning EBITDA, we will be referring to adjusted EBITDA. We have provided a detailed reconciliation of non-GAAP measures to their comparable GAAP measures in our earnings release, which is available on our website and has been filed on Form 6-K.

Hosting the call today are Doron Gerstel, Perion's Chief Executive Officer; and Maoz Sigron, Perion's Chief Financial Officer; and Tal Jacobson, General Manager of CodeFuel and Perion's Chief Executive Officer effective August 1, 2023.

I would now like to turn the call over to Doron Gerstel. Please go ahead.

Doron Gerstel

Hello, everyone, and welcome. Thanks for joining Perion first quarter of 2023 earnings call.

Together with me on the call Maoz Sigron, our CFO; and Tal Jacobson my successor CEO as of August 1. It's rare to be excited about being repetitive, but this is one of those times. I say that because today is the twelfth time in the last three years, I have used the same headline describing our financials, our momentum continues.

It's not the first time you have heard (inaudible) and restate that our unique diversification strategy is what's behind our ability to deliver business results that are sustainable and predictable. Our continuing agility to grow top line and bottom line, no matter the state of macroeconomic conditions and has been demonstrated over the last three years, as you can see from the slides. Even most recently, where the industry has been challenged by reduction in digital advertising spending, in fact, our strategy of supporting the three main pillars of digital advertising is especially relevant in these time when advertiser under pressure and grappling with uncertainty.

In fact, just last week the Federal Reserve described the economy as rocky and bumpy. The unavoidable results of this dynamic environment is that budget are continually in flux, more dramatically than ever before. Advertiser shift between channel, they shift between awareness campaign and performance campaigns, and the shift between omni-channel objectives, in other words between online sales and driving food traffic. Perion is perfectly poised to capture these sudden moves in advertiser spend preference proactively not reactively. We don't need to scramble as the wind shift. We are prepared whenever and wherever the market moves, because we have the platform and the infrastructure in place to support it. The strategic advantage of being ahead of the market is due to our investment in technology.

This allows us to compete, win, and gain market share in the most pioneering cutting edge ethics sector where innovation matters. I'll go in more detail when we look at the growth driver. I also want to point out before I get to the specific results that there are three pillars provide us with another competitive advantage that makes our predictability and sustainability possible.

Supporting those pillars provide us with a valuable insight about consumer behavior and advertiser preferences. We are then able to react immediately our R&D and product team analyze this insight and bring innovative solution to the market. This agility is our primary core competence.

Now, I move on discussion of our specific results and revenue first. We continue to outpace the category with a year-over-year goal of 16%, which is higher than the digital advertising market. I point out that we had robust and healthy growth across all our pillars and sub pillars.

At the same time, our growth has come from both new clients and extended engagement with current ones. For me, this is an essential signal that we are doing the right thing, demonstrating our efficacy with current clients and using it as a lever to break new ones. Also, important to note, as I pointed out earlier, that we are growing in areas that are the most sophisticated from a technology point of view.

That includes video and CTV, SORT our cookie three innovation, retail media and search. I say search yes, which I must not have said a year ago because of the transformation being created by OpenAI and ChatGPT-4, which is being driven by Microsoft being our long-term strategic partner.

You may remember last quarter when I opened the kimono and talked about how we are using the exploit and explore framework to guide our strategy and execution. This is what has happened with search, more specific with some of the business opportunities we've seen emerging within search. Thanks to the disruptive possibilities of integrating AI into search, we have a whole new initiative now firmly in the explorer quadrant.

Next, I'll discuss our EBITDA, which exceed Q1 of last year by 38%. In other words, almost $0.50 of every dollar of net revenue is profit. We are particularly proud of this accomplishment, given everything I've talked about in terms of macroeconomic and rocky and bumpy ride we're on.

I'm often asked by many of you and at conferences about how we are able to continually generate results, which appear to challenge the laws of gravity and physics. This is especially compelling even that Achilles' heel of many techs is their inability to drive the top line and still maintain a high profitability.

The answer is that we're able to capture and analyze data signal from all channels and from both sides of the open web into our central hub. We're using advanced AI to develop a bidding system that maximize our unit revenue, while reducing our video costs. By doing this, we uniquely combine efficient bind with the ability to meet our customer ROAS, Return on Ad Spend expectations. At the same time, when advertiser under extreme growth pressure, this is a true competitive advantage for us.

I've mentioned this before, it is a paradigm that investors and venture firms have applied to identify the markers of the healthy growth for tech-driven software company. Even though, it's not common for evaluating as a company. We at Perion see ourselves at the forefront of incorporating AI technology in our solution and thus need to be benchmarked with small sophisticated high-tech company.

To restate the formula, you should add your trailing 12-month growth rate in percentage terms to your EBITDA margin. If the result is 40 or more, you are doing great. You can see how we measure up right here. It's something we look at all time, a fiscal discipline the drivers, because I said before, if you over index to top line and ignore profitability, you put your self on a slippery slope that is extremely difficult to correct.

I'll move to search advertising now. It has been reliable and significant growth driver for Perion, and it will become even bigger contributor based on recent investment Microsoft has made in ChatGPT.

With that in mind, I'd like to quote Satya Nadella, CEO of Microsoft, who said on the recent earnings call last week, when talking about Bing and ChatGPT-4. He said, we are making progress in share gains. We continue to innovate with the first of its kind AI power features. We see that when people use their new AI feature, their engagement with Bing goes up. We look forward to future where chats become a new way for people to seek information. This is a generational shift in the largest software category search. This is truly profound and it's just the beginning. It means that ad search category, that has been mature and faced a slow growth, is now one of the most dynamic categories in ethics.

Our first quarter reflected search numbers were boosted by a significant increase of 29% in the number of publishers. They sense the potential and want to be part of it. As a result, average daily traffic increased dramatically by nearly 50% year-over-year and are now close to a 30 million monetized search a day on an average basis.

We believe that the massive media attention to ChatGPT-4 has driven a material portion of this and that will continue to see growth that exceeds our normative projection. Microsoft Bing has a real competitive advantage now and that cascade immediately to our business.

Next, I'd like to provide some context and visibility into our retail media commerce business, as I see it as a very important growth driver behind the Company. I'm sure you know that just about every major retailer, from Albertson's to CVS to Target, has launched their own media network to compete with threats from Amazon and Walmart.

What we've built at Perion is an AI-driven platform that enables these retailers to maximize the value of their inventory with ad units that identify consumer signal and respond with timely and personalized promotion and content. For example, if the weather is lousy and its good day to cook at home, our intelligent platform delivers ads like that, as you can see it on the screen.

We can personalize at scale and can do it in an omni-channel fashion across all screens. As you can see it from the following example. From the moment you wake up until you go to bed, we consolidate multi-data sets including retailer first party data, external signal like weather and location, and AI-driven decisioning within our ads as a platform solution.

While coupling this with our award winning creative on an omni-channel basis, in other words synchronizing our messaging according to the consumer journey across display, video, CTV and digital out of home, using a dynamic messaging delivery. We delivered 14 times return on ad spend to Albertson's and others, driving results digitally replacing all school print circulars, even allowing retailers to shut off promotion if it gets to a negative margin.

Our retail platform is changing the business dynamics of our clients, shifting from transactional campaigns to always on. That's improving the sustainability and predictability of our business. Our commerce platform has grown by 60% year-over-year in terms of revenue and by 32% in terms of new customers. You can see some of the logos at the bottom of the screen. With a total addressable market of $46 billion in 2023 and virtually little innovation in retail media, you can see why we are so bullish on this innovation. Retail media is one macro trend we are capitalizing on. Privacy is another.

Study of the study reveals that consumer will choose brand, which protects their privacy over brands the don't. In fact, more than 80% of consumer care about their privacy. That's the power and the appeal of SORT. SORT is our cookieless totally anonymous solution that protects consumer privacy in a unique and honorable way, which is why we are attracting brands who want to be associated with the privacy-first principles.

Those include brands that transform Mercedes to the United Nation. In fact, 48 new customer adopted SORT in the first quarter of 2023 and in total, there are 157 customers that are using our privacy-first technology. That's just one reason SORT is exploding. It is also the results and the ROI we deliver. SORT has been verified by third-party researchers to deliver superior results to cookies themselves.

That's why existing SORT customers spending are increasing their spend by 93% year-over-year. That's one more critical point to make here. That's the connection. There is one more critical point to make here, and that's the connection between privacy and ESG, environmental, social and government.

To live up to ESG standards means that you have to protect user privacy. We're seeing investor, legislator, and regulators, paying unprecedented attention to this essential right. This is why we believe SORT will continue to be a major contributor to revenue and EBITDA. From that, Growth Driver 4, as you can see by the number right now, 26% year-over-year growth, an increase of 63% for the new publisher added to our video platform. (Inaudible) is on fire. Our end-to-end platform is meeting a large and growing need for publishers who are looking for fast results and lack the internal resources to build the complex time maintenance internal system.

The platform advantage is what's behind our lend and expand sales growth engine. It is proof of that, revenue from retained video platform publisher increased by 71% and average revenue per publisher increased by 22%. To unpack that for you, what our sales team are focused on is getting initial traction. A modest yet extendable footprint, which enable us to prove our capabilities and go forward. These display on the slide in our full suite video platform service. Each and every one of these components, as you can see it in the bottom half of the slide, is independently valuable and collectively powerful. We aren't asking clients to commit everything at once, because we are confident of our power of the holistic platform as they learn more and more about it. To conclude, the more they experience us, the more service they consume.

Growth number 5 and the one that I think is making the most impact on our business is our iHUB. As you know, our iHUB is the key to our differentiation. We spend tens of millions of dollars to build the mode, which connects all the signal across our platform. This provides efficiencies which have led to unique business advantage on many levels.

Before describing the benefit of the iHUB, we must reiterate the score important. Without having all the pieces of the business connected, we would be managing a very costly, inefficient, fragmented business. On a given day, we capture into iHUB data lake billions of data requests from various media channels. One example of effectively leveraging this amount of data is creating an AI driven bidding strategy that optimizes the match between supply and demand to maximize our profit.

At the same time, it assures the highest performance to our customers. Our iHUB open architecture is a foundation that enable us to make acquisitions, which are instantly optimized because they plug into the center of our ecosystem. As FX grows more complex and multi-dimensional, the value of our iHUB will only become way more meaningful.

With that, I will turn the call to Maoz. Maoz?

Maoz Sigron

Yes, thank you, Doron. Good afternoon, and good morning, to those of you who joining us from the U.S.

I am happy to be here today to present a strong result for the first quarter of 2023. The strength of Perion business has been evident for the last two years, building great momentum on both the top and bottom line. These strong trends have continued in the first quarter of 2023, even as the market has been impacted by slowdown in advertising activity, driven by microeconomic challenges.

Here on diversified business model, technology differentiation and innovation focused approach continue to enable us to navigate our way to market changes. Quarter-after-quarter, we are increasing revenue while media margin and EBITDA margin are improving dramatically. This is the result of our continuous efforts to improve our performance and to improve operational efficiency.

Let's look at the main financial achievements for the first quarter. Revenue grew by 16% to $145.2 million. Gross profit grew by 20% to $65.3 million with 45% margin compared with 43% last year. Adjusted EBITDA grew by 38% to $31.3 million with 22% margin compared with 18% last year. Net income of $23.8 million, increased by 54% year-over-year. Non-GAAP diluted earnings per share increased by 36% to $0.60 per share.

Now, let's move to the quarterly results in more detail. The revenue of the first quarter of 2023 was $145.2 million, an increase of 16% year-over-year, reflecting a strong continued three-year CAGR of 30%. First quarter display advertising revenue increased by 16% year-over-year to $79.9 million, 55% of total revenue. This was driven primarily by the continuous market adoption of our holistic video platform, the increase in SORT retail media and CTV.

Video revenue increased by 26% year-over-year, representing 44% of display advertising revenue compared with 41% in the first quarter of 2022. The number of video platform publishers increased by 63% year-over-year from 46% to 75%. The revenue from retained video platform publishers increased by 71% year-over-year, average revenue per video platform publishers increased by 22%.

Our innovative cookieless targeting SORT solution is being increasingly adopted by the market in line of consumer growing awareness and increasing regulatory pressure on companies to protect consumer privacy. The number of SORT customer was 157, representing an increase of 142% year-over-year. SORT customers spending increased by 93%, representing 17% of the display advertising revenue compared with 7% last year.

CTV revenue increased by 12% year-over-year, representing 8% of the total display advertising revenue. Retail media revenue increased by 60% year-over-year, representing 8% of display advertising revenue compared with 6% last year. The number of retail media customer increased by 32% year-over-year.

First quarter search advertising revenue increased by 15% year-over-year to $65.3 million, 45% of total revenue. The strength of our search business was driven by a sharp increase classic due to consumer interest in ChatGPT, which continued to rise, being ecosystem is benefiting from that exciting change.

The strong increase of 49% in average daily searches and the 29% increase in publisher, more than offset the 22% decline in RPM rates for this quarter. The first quarter display advertising revenue accounted for 55% of total revenue, with search advertising accounting for 45% of total revenue.

Revenue excluding tax was $65.3 million or 45% of revenue compared with 43% of revenue in the first quarter of 2022. Our media margin continued to show year-over-year improvement quarter-after-quarter, intelligent HUB we have developed, leverage data bank power to control and improve the overall media bank results. This was resulted in better selling and buying power, translating into a continuous improvement in media margin.

We take great pride in our ability to implement efficiency measures and progress in our day-to-day operation. Each and every efficiency measure shows a continuous improvement over the last three years. OpEx plus COGS accounted for 26% of revenue this quarter compared with 28% in the first quarter of 2022 and 32% in 2021, 6% improvement over the last three years.

During the same period, EBITDA per FTE has risen from $18,000 in 2021, to $45,000 in 2022, to over $62,000 in 2023. This impressive achievement is a clear demonstration of our ongoing increasing productivity and reflects execution of our business strategy and the disciplined manner in which we run our operation. Over the past few years, we have invested in innovation and automation, creating the infrastructure that allows incremental top and bottom-line growth on a lower cost basis. We have improved our budget control and are consistently looking for new efficiency initiative. This shows how our efficiency and cost control measures, coupled with focused growth in high margin business, translate into impressive bottom-line growth.

First quarter adjusted EBITDA was $31.3 million, reflecting 38% year-over-year growth. Adjusted EBITDA margin was 22% compared with 18% last year. Adjusted EBITDA to revenue, excluding tax, increased from 42% in the first quarter of 2022 to 48% in the first quarter of 2023.

On a GAAP basis, first quarter net income was $23.8 million or $0.48 per diluted share, an increase of 54% compared with $15.5 million or $0.33 per diluted share in the first quarter of 2022. Importantly, our net profit includes two additional profit sources worth highlighting. First, is our strong cash position and discipline cash management, which help here to generate $3.4 million financial income during the first quarter. Second, we also enjoy a low effective tax rate of around 15% due to our disciplined tax planning. This means that more of our pre-tax income converts to earning.

On a non-GAAP basis, first quarter net income was $29.9 million or $0.60 per diluted share, an increase of 44% compared with $20.7 million, or $0.44 per diluted share in the first quarter of 2022.

First quarter operating cash flow was $17.8 million compared with $23.6 million in the first quarter of 2022. Operating cash flow was affected by about $8 million customer collection shift from March to April 2023, and the one time change in working capital needs. As of March 31, 2023, our cash and cash equivalent, short term deposit, and marketable securities, amounted to $436 million up over $6 million since the previous quarter. The $6.7 million increases primarily a result of $17.8 million in cash from operations, partially offset by $13.3 million cash paid in connection with acquisition.

This concludes my financial overview, and now I will hand over to Doron. Doron, please go ahead.

Doron Gerstel

Thank you. Thank you, Maoz. I will wrap up with guidance for the balance of the year. This confidence is based on everything I have shared with you, together with Maoz. As I said earlier, the markers of a successful at the companies are both the ability to drive revenue growth and profitability.

Therefore, we're increasing our guidance as we're expecting another strong performance here. Increasing our revenue output to $735 million, which represent 15% year-over-year growth, and increasing our EBITDA guidance to at least $155 million, representing a 17% year-over-year growth. As you see in an industry where it's easy to tab the results by paying too much for traffic and getting squeezed on margin side, our EBITDA is projected to grow at a greater pace than our revenue. Our model is built and tuned for revenue and profitability.

Since this is my last earning call, allow me to conclude on a personal note. It's been a privilege to lead this Company for six years and to work with the most talented team I have ever worked with before. A special thanks to our customer and partners who believe in us. Last but not least to you, our investor community. It's been an honor to stand before you to tell our story and to answer your question. I couldn't be more excited to turn the baton and the podium over to my friend and Tal Jacobson. Now for the last time, I will turn it over to the floor. Operator?

Operator

Thank you. (Operator Instructions) Our first question is come from the line of Laura Martin with Needham and Company. Please proceed with your questions.

Laura Martin

Good morning, spectacular numbers you guys. Congratulations. Let's start with AI. You guys are in one of the best positions to benefit from AI. Generative AI is what I'm focused on both in Bing, but I'm also interested. I'm interested in what kind of client reception you're getting now, because Bing is really going into ChatGPT more aggressively integrating that. But also, when you think about your business, the rest of your business outside of search, how do you think about the role of generative AI in your display business? That's my first question.

Doron Gerstel

Yes. Thanks, Laura. First and foremost, I think that our publisher, and this is something that I mentioned on our call, is really exciting about what's going on. Yes, it's not being translated too much to action with them, but they want to be part. Just to mention, the process of approval, the publisher, between us and Microsoft is matter of month. It has to do with going to a very rigid quality process and the moment that they heard that Microsoft is going to invest heavily around it, they putting their search technology as a first example to use or to utilize their investments, they're coming. I must say that at this point, without having any evidence or even more than that, how the ChatGPT can help them. That's one.

From an audience perspective or for consumer perspective, it's the same. I think that at this point what they're doing, and we know very what's going on here is very much using the ChatGPT behind the scene. It's not yet something which is being translated as much to gain market share as they pointed out that every point on market share on search is worth $2 billion for them. What consumer is doing is, first of all, it's a great PR for Microsoft Bing. Adopting the search browser. I think we mentioned it on the last call, at this point, they have a 3% market share and there is a huge, huge runway for them to take, especially the amount of investment that they're doing.

Having said from discussion standpoint between us and Bing, I can tell you without disclosing much, because we are in a very strict NDA, that there is a huge corporation between the two companies. One of my calls there was from (inaudible) able to get it here. She's running – currently she's running the Microsoft Advertising and she basically said that's Bing is going to be definitely something very attractive for their partner.

Now to other part of your question, I think that it's beyond what we able to imagine, what the ChatGPT is going to make. It's quite a transformation. Quite a transformation, and I would say that the search interaction as we've seen an experience in let's say the last 20 years, is not going to be the same. We will have a chance to look at it two years from now, it would be completely different interaction, user experience, engagement between consumer and search engine. No doubt about it.

Laura Martin

Okay. Then my other question was on CTV. I was really interested that the CTV revenue grew 12%, but overall video grew 26%, which is quite a slowdown in CTV. Could you actually speak to, in more detail, why is video revenue growing so much faster than CTV revenue in the first quarter?

Doron Gerstel

Yes. Hold on for a second. I need to mute here and move up –we have some technology glitch. When it comes to the CTV, and especially with the publisher business, so let's distinguish. There is a low hanging fruit here and that has to do with the market our video platform. This low hanging fruit is as described as following this concept of lend and expand, where we are landing with one component and then adding the others. We are very much meeting a need in the marketplace for publisher that is looking to increase substantially the ability to monetize their business. That's our main effort at this point in every publisher, and I mentioned a very important and a key KPI for us is the retention, retention dollars. Retention dollars is very high, and every publisher that we able to take and use our platform, it's the lifetime value of this publisher is huge.

From a Company standpoint, we make a decision that we're very much would like to focus on this area and capture as much as we can more market share. We are gaining market share and we are very happy with this progress, as I mentioned on the call.

Now from a CTV perspective, that's a very interesting question. Perion, as a Company, is looking to maximize its margin period. I think that we are reaching a point in CTV where prices is being dropped, margin is being dropped, it's become, I would use the word commodity. When it comes to the CTV, we are very much focusing on live CTV events, which we are able to grow, yes, in a modest way, but the most important for us is to keep the margin. We're probably not interest by the large percentage of CTV, from a growth perspective. What we are doing is very unique at this point that is giving us as I mentioned a great margin.

Laura Martin

Thank you very much.

Doron Gerstel

Thank you.

Operator

Thank you. Our next question is come from the line of Jason Helfstein with Oppenheimer. Please proceed with your questions.

Jason Helfstein

Hey, thanks. First, is Doron (inaudible) to with what's next? It's been a pleasure working with you, and I look forward to keeping the team in line. Two questions. First on, just on the search side, I think one of the questions people are going to have is why you didn't see a tailwind from kind of improved CPCs out of Bing. I mean, while they are getting meaningfully more usage, it's not having an impact on broad CPCs and just some—and given you didn't really raise, I don't think we're taking up search numbers that much for the year, are you kind of not assuming that there's a kind of benefit to CPCs at some point this year? That's the first question.

Then second, you guys were very successful integrating SSP capabilities and how it both allowed you to kind of better target ads as well as say fees. Do you think you could kind of bolt on additional SSP capabilities in the current form or do you also need to bring additional DSP capabilities as well to kind of match both sides? Thank you.

Doron Gerstel

Thank you. Thank you very much. Can you hear me?

Jason Helfstein

Yes.

Doron Gerstel

Okay, great. To your first question, when it comes to the ChatGPT as a driver, I must tell you that at this point, it's very, very difficult for us to simulate and our numbers for this year is not taking the ChatGPT extra, let's say, tailwind into the number, not according to our model. That's definitely something that we believe will impact substantially our business. As I mentioned before, it's really difficult for us to translate it into tangible model engagement and how it can be translated to a monetization. We are very cautious here and we are not taking it into the model, as I mentioned. That will be on top. That's the gravy here.

Now, as far as the SSP, DSP connection, right on, right on, I mean, definitely that's one of the areas where we are investing the most of integrating, especially with more SSPs. We are facing a huge demand on one side that needs to be always balanced with the other side. We are very much trying doing it on our own. That's the preference, because we are saving quite a chunk of intermediator that are very expensive to get. What is more important as you can imagine, that in case that we don't have the supply, we need to get the supply. No matter what it will cost, because otherwise we disappoint our customer, and we want to keep us with us, and God forbid will not able to deliver. They will go somewhere else.

This is a very, very important, very strategic for the Company to increase the number of SSPs that we integrate. The same time, since we have on the supply side, for instance, we very much connected to quite different DSPs. That's the beauty of the model. Yes, the priority is our own demand that is coming from Undertone, but guess what, they very much working with others, some of the big ones that are looking to get quality first, second tier publisher that are part of the Vidazoo network. It goes both end on the SSP side and on the DSP side.

Jason Helfstein

I mean, I was saying inorganic, when I was saying acquire, I didn't mean acquire traffic, I meant acquire other companies, given that you guys have a ton of cash and are looking for M&A in the market. Would you look at buying an SSP or to make it work, you'd also have to buy DSP is kind of what I'm asking. Can you buy one side right now given your scale or do you kind of need to buy both if you're going to go in that direction?

Doron Gerstel

That's a very good question. Be honest, the preference is always going closer to the customer. In this case, being more on the demand side, because I think it's more precious Being close to the customer, the preference is doing it direct, and not through an agency, and that's very much where we are looking at. We are not looking on the SSP side, that's become quite commodity, and I don't think by doing this acquisition to differentiate ourselves, especially with the latest movement that some of the large DSPs already announcing that they can offer an SSP capability, and in a way, reduce the cost for the customer. To your question, our preference is the demand side of the house.

Jason Helfstein

Thank you.

Doron Gerstel

Thank you.

Operator

Thank you. Our next question is come from the line of Andrew Marok with Raymond James. Andrew, you're free to talk.

Andrew Marok

Great. Thanks for taking my questions. Doron best of luck in your next chapter. Two if I could, please. One on search and one on SORT. What can you tell us about the new search publishers that are coming online with the 29% year-over-year growth? Is there any notable concentration in vertical type of publisher, et cetera? Then on SORT, any progress on the monetization plans? Thank you.

Doron Gerstel

Yes. There is not something in common. They're not coming from any kind of vertical. The only thing is that all of them, with no exception, has a very loyal customer base. Basically, the only way for those publisher to be able to monetize their effort is through search, and that's why they're moving. I suspect that they're moving from other search companies to Bing. It's not within the Bing, let me put it this way. This is something that we know for sure.

We don't know where they're coming, but you can guess, and they would like to add. It's not exclusive their relationship. In other words, I suspect that they're working with couple search providers, but the fact that they added Bing into the mix is a very important signal in the market. Because every search that they provide to you is not the search that they provide to the Bing competitor.

It's a very important win for Microsoft Bing on their ability to gain market share and that's very much clear. Now, in terms of SORT, we are making a headway in terms of SORT as a service. Not significant yet in terms of revenue. We are defining it as a three-phase approach. The first one is that we're using SORT internally in our owned and operated site. That was done. We were checking the technology. I mentioned the importance of latency time. That will not end the latency time once we were site the publisher is calling SORT to get verification or to get better targeting.

The second is performance. Every test like this requires a benchmark with cookies using cookies tactic as a benchmark of SORT and we test this one. First phase using our owned and operator. The second is very much moving outside of our own and operator and working with other at this point, not charging. Third phase is very much defining what is the business model. I must tell you that once we are now having discussion with external publisher, we tend to believe that the outcome, and that has to do because of the very bad let's say financial situation of publisher, that instead of them paying, they will pay for us with an inventory, which is equivalent for dollars for us. I mean, it's the same. It's not cash that they need to spend with us. It's equivalent, but at the same time, we are able to provide them direct demand and as a result of it, they're giving us a reduced price of their inventory. In this way, it's a win-win situation.

Andrew Marok

Understood. Thank you.

Doron Gerstel

You're welcome.

Operator

Thank you. Our next questions come from the line of Jeff Martin with Roth. Please proceed with your questions.

Jeff Martin

Thanks. Hello everyone, good to see you. Doron wanted to check in with you what you're seeing competitively on the SORT front. You've been in the market with it for over a year now. I would imagine there's a lot of competitors out there trying to come up with a similar solution. Curious what you're seeing out there competitively on SORT?

Doron Gerstel

Yes, right on. The market is in a very interesting situation where everyone is saying what Google will do. That's the big news at this point. They keep postponing their solution. At this point, I think it is 2024 or even later than that. I truly believe it's not a technology challenge.

I think it has to do with a business challenge, and I think they passed this point where they simulate the day after, where they will pull the plug of cookies and how this is going to impact their revenue. I think they are trying to find an alternative that will allow them to not get the hit financially. I can tell you that I'm very skeptical as far as them finding a solution that will on one hand protect user privacy, on the other hand will not impact the revenue.

This is in this case, I think that a lot of companies is no matter when this is going to happen, they are getting prepared for this day. A lot of homegrown type of solution. Few solution is being built with the notion of marketed outside. It's kind of using it as a product. This is SORT is something that we did from the first line of code with the notion of selling it or installing it outside of our domain.

Yes. We need to went through a very rigid process to eat our own dog food. But the product was designed to be used by third-party, and it's architecturally being used or consumed as a service rather than internal product. I'm not seeing many like this in the market, so I don't think that the pointer is a competition.

The question will be what will happen when publisher will be forced to use this type of solution? Currently it's a luxury. Currently it's not something that they're being forced to use because they have an alternative. I think that when this will come the competition will be far more furious.

Jeff Martin

Great. Then my second question relates to your land and expand strategy. It's a pretty significant customer growth in the quarter. Does that suggest you could see revenue growth acceleration as we progress throughout the year as those customers expand with you?

Doron Gerstel

Definitely. The interesting part here, and Maoz smiling because they developed a very efficient forecasting system where they able to see what is the progress of expansion of a given publisher in a course of first year, second year, so on and so on. That's what gives us a great visibility into our revenue growth. It gives us a visibility of the lifetime value of a publisher.

Of course, we need to sort it by tiers of publisher and because the bigger, the more complex one definitely are going to consume more products. Put aside the fact that they're going to pay more because of scale. This model is one of the main factors behind our ability to increase visibility beyond the actual insertion order that we are getting from agencies and brands.

Jeff Martin

Great. Thank you, and good luck in your next venture, Doron.

Doron Gerstel

Thank you. Thank you.

Operator

Thank you. Our next questions come from the line of Eric Martinuzzi with Lake Street. Please proceed with your questions.

Eric Martinuzzi

Yes. I wanted to dive in on the video growth within the display revs. You talked about video, I forget what it was 20%-something overall, but the CTV…

Doron Gerstel

Twenty-six percent.

Eric Martinuzzi

Twenty-six percent. Okay. But CTV was up only 12%. I would've thought that CTV would've been on the higher growth side of that that 26% number.

Doron Gerstel

Yes. I think I answered this question. I think that don't get—Perion is looking for margin. That's the story. Even though dollar of CTV seems to work more than other dollars, I think that there is a cost for it and the margin of CTV, and if we go broad CTV not any kind of unique vertical, there is a huge price reduction and that's impact the margin.

While we are looking to optimize our margin, we are very much defined an area, a vertical within the CTV market where we are gaining substantial market share, that's live CTV, mainly on sports event. This is an area that we specialize with our creative and ability to drive greater engagement than it was before and keep high margin. It was by design, the fact that we're not all over the CTV market. That's very, very easy for us the Company to do. It's quite difficult to keep the margin when you were doing it.

Eric Martinuzzi

The Vidazoo success that—maybe I need to better understand Vidazoo, is that more kind of traditional web publisher not pointed at CTV or the success Vidazoo…

Doron Gerstel

Vidazoo business is all over the map, whatever video they're doing, but Vidazoo's concept is offering their platform, and the platform has many components. The whole idea of this is that publisher, broadcaster, whatever, they will eventually move all their technology assets or technology vendors around video to a single platform.

That has a huge advantage for them to have a single point or ability to see everything at once. There is a lot of interaction between the component. We are happy that we are able to educate the market towards, and I mentioned it in a way that it's not done over—we are not coming to a new client and sell the platform. We sell the platform concept, but we urge to take one, two components in the first phase and then move along. That's very much the strategy that's applied to all type of screen.

Eric Martinuzzi

Okay. Thanks for taking my question.

Operator

Thank you. There are no further questions at this time. I would now like to hand the call back over to Doron Gerstel for any closing comments.

Doron Gerstel

Guys, thank you very much. As I mentioned, honor. See you in the next venture. Bye-Bye.

Maoz Sigron

Bye-bye.

Tal Jacobson

Bye-Bye.

Operator

Thank you. This does conclude today's teleconference. We appreciate your participation. You may disconnect your lines at this time. Enjoy the rest of your day.