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<<Matthew Weber, Analyst, Canaccord Genuity>>

All right, okay. Thank you everyone for joining us today. I am Matt Weber. I cover Perion here at Canaccord Genuity. And it is my pleasure to introduce Tal Jacobson, CEO of Perion. Tal traveled a – and his team traveled a long way to be here, which we very much appreciate, so thanks for joining us.

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah, thank you for having me.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Just to start off, you've – you described previously 2025 as a year in which Perion changed everything but its name. The business is now unified under the Perion One platform. For those in the audience less familiar with the story, can you walk us through how your company has been repositioned, and where does Perion sit within the digital ad ecosystem today?

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah, absolutely. So as you said, beginning of 2025, we unified the company. We totally pivoted the company. We realized digital advertising is a huge industry, running a trillion dollars. Two of the biggest companies in that name, I think all of the investors are actually investing in, which is Google and Meta. So everybody is investing in our industry. But what most people don't realize is it's extremely complex. Advertisers, which are the people that are driving that trillion dollars, are extremely frustrated with their ability to understand what's going on in between all the platforms. So we're actually building a layer above those platforms with AI that can help you run across everything smoothly, and then get the insights, and then basically maximizing your media investment.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Yeah, that sounds like a compelling value proposition, given how fragmented the industry is.

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah.

<<Matthew Weber, Analyst, Canaccord Genuity>>

You just reported Q2 results yesterday. Could you maybe give us the highlights, what areas of the business are seeing the most momentum, and what are you most excited about?

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah, absolutely. So, as I said, we totally, completely pivoted the company into the new platform, Perion One. Within that, we have all the new technologies, our digital out-of-home, our CTV, our retail media, our AI agent, which we call Outmax, and all of those new things showed amazing growth. Perion One, and when I say growth, I mean by spend, so that's how we measure adoption. Perion One, as a whole, showed 15% growth year-over-year. And then we saw like retail media 60% year-over-year, CTV 56%, out-of-home 45%, Outmax 130-something percent. So all in all, we're extremely happy about the adoption rates. And we do think that's going to continue to accelerate.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Got it. Yeah. Yeah. So, maybe let's dive a little deeper on Perion One. Could you spend a minute just unpacking a little bit more some of the inefficiencies the offering is addressing and how you go about filling those gaps?

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah. So, again, at the end of the day digital media is all about data, right? When you spend so much money, big brands are spending so much money over so many platforms. It is extremely important to understand the data. They understand all the bits and pieces within the data and then optimize across everything. So only now with AI we have the ability to go through that enormous amount of data, understand what's going on, and optimize in between platforms, in between creatives, in between audiences, in between all the KPIs, and then produce a suggestion, or say, you've completed that campaign. Here is what you should do next. So you, up until now, you ran on digital out-of-home, CTV, YouTube. We think you should add TikTok, or we think you should add that creative or remove that creative to get a better result. So that's how we are using AI to remove inefficiencies in our industry.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Got it. And at the center of that story is Outmax, which you just mentioned more than doubled spend in Q2 on a pro forma basis. So where does adoption stand across your advertiser base today and where does the product go from here?

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah. So, again, Outmax, over 130% growth, we're adding more and more channels into it. We're seeing good adoption. We're seeing that a lot of our customers are, once they start, it's easier to basically we call it a land and expand model, where they start small, and then they grow year-over-year-over-year. We think Outmax is extremely sticky. It's all about performance, all about outcomes. So the moment we get into that business, the moment we understand what drives their business, our customer's business, it is extremely – it's easier than any other product that we saw out there to continue to increase the budgets within that product.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Got it. Got it. Yeah. Makes a lot of sense. So, on Monday, you shared that two strategic agreements tied to a very large agency are now signed and onboarding, and material contribution to the financials is expected in late Q3.

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Can you talk about what these partnerships involve, and what the path looks like to replicating them with additional clients?

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah. So, both agreements took many months of testing. They wanted to test our technologies with different KPIs, different campaigns, different creative. And it showed – it actually proved that our technology works very well on different platforms, on different channels, and that's how we were able to complete those agreements, now signed, and we're ramping up through that. We do think that this model, even though not as easy to close, even – we do think we can continue to replicate that. We're actually feeling very positive about the fact that it's hard to close because we think the fact that the barrier for entry is so high. It's going to be hard for others to duplicate. So once we're in, we feel comfortable about this continues to grow.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Got it. Yeah. And that's a good point. And then this quarter you also launched Ask Perion, which is sort of a chatbot within your platform that streamlines some functions for your advertiser base. And then your team is also working to deploy Outmax on platforms like ChatGPT and Google Shopping, while building towards agent-to-agent buying. So how do you see agentic advertising developing, and what role does a cross-channel optimization layer play in that world?

<<Tal Jacobson, Chief Executive Officer and Director>>

Right. So, yeah, we launch Ask Perion, which is basically an agentic interface for clients for our clients…

<<Matthew Weber, Analyst, Canaccord Genuity>>

It's a better way to describe it than how I did.

<<Tal Jacobson, Chief Executive Officer and Director>>

…for our clients to interact with us, get their campaigns in, optimize, keep asking our agent, what can I do better. How did that campaign go? And you don't – they don't need us 24/7. They can ask our system on their way to the work what else can I do, how else can I improve my numbers. Within that, as we continue to add more and more channels, now while Ask Perion is the interface, you know, Outmax is basically the engine, right? So as we continue to add more and more channels into that, obviously, in our future, we're going to add things like ChatGPT, Gemini, Snapchat, and others, but Outmax would be able to actually look at all of those and say you know what, they're – for your specific product and your specific audience we do think that's – that's a niche or that's a channel that will like work better for you. Again, our platform is very flexible. And we're building it in a way that is extremely flexible, so it will adjust to any brand and any specific action you want to get out of it.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Yeah. That's important in an AI world.

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Let's shift gears and talk about channels. So digital out-of-home is your largest channel today, with spend up over 45% in Q2.

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Beyond programmatic, you have a digital out-of-home player that is – positions you as an operating system for the screen. What has adoption looked like since launch, and how should we think about the sustainable growth rate for this channel?

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah. It's an interesting thing. One, we are – there are not a lot of companies out there that can do the full stack out-of-home like us and maybe another company and a half. But we work worldwide. We just completed the integration with Best Buy Canada. So we're actually operating the entire technology for their in-store inventory which is great. And that's something that we're looking to even expand more, the in-store inventory.

We think retailers, especially with commerce and other big verticals, want to advertise at the moment where the client makes a decision to buy, right? So that's like you can't get any closer than that. You can't get any more intent than that. Like, a person looks at your – at the shelves of your vertical, you want to make sure that you're there. That – I think that can contribute a lot to our growth going forward. We're just – we have over 1.6 million screens in over 40 countries. It's not our screen, but we're connected to those screens. And we're going to continue to add more and more screens. So our advertiser can just, through us, get to any screen worldwide.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Yeah. Yeah. Makes a lot of sense. And then turning to CTV, you saw nice momentum in Q2, I think 56% year-over-year spend growth.

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Your approach leans on performance and dynamic creative. How is that resonating with enterprise clients, and how large do you think CTV can become in the mix over time?

<<Tal Jacobson, Chief Executive Officer and Director>>

So, again, CTV is one of our fastest-growing products. This is a product that we built organically. We didn't buy anything. So, organically, we've developed this. We grew this over the years and it continues to grow very nicely, again 56% in a quarter. We do think the market is going to continue to grow. We do think we're going to continue to grow with it. We obviously grew way faster than the market while we see a lot of other opportunities within CTV, right. So YouTube is one of the biggest CTV platforms out there, and Outmax can do CTV for YouTube, but can also do CTV for Disney, Hulu, HBO, so everything. So the fact that we have one agent that can reallocate between all those channels, that will help us grow even faster, I believe.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Yeah, yeah. Definitely. And then closing the loop here on the high growth channels, you've got the retail media verticals spend across that vertical growing 60% year-over-year in Q2.

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah.

<<Matthew Weber, Analyst, Canaccord Genuity>>

And Best Buy Canada just selected Perion as its end-to-end in-store retail media technology partner. So, you've now got partnerships with Amazon, Walmart, Mastercard, and now Best

Buy. So what are the top strategic priorities for that vertical, and how does your retail media strategy tie together with digital out-of-home?

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah. We always thought that retail media has two different positions, right? You have the online part, which we obviously, we started from online, where everything we do is digital. But in the past few years, we realized that 87% of Americans still buy at physical stores, right? For a convenience store like CVS, it is over 90%.

So how do we get more people towards those stores and help our brands win more customers towards their store and other competitors, right? And that is where we made the move to buy out-of-home. Out-of-home, we think is the best channel for retail media, physical retail media. That's where we are now doubling down, not only on out-of-home, but also on in-store inventory. I think that will complete – that will complete the entire journey.

So we have everything, mobile, desktop, CTV, out-of-home, and now within retail, within the physical stores, so you get the complete experience end-to-end.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Yeah. It's a great offering, tying the two ends together. And then I just want to ask about, you've begun expanding through exclusive reseller agreements, I think as a way to enter new geographies with limiting the upfront investment.

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah.

<<Matthew Weber, Analyst, Canaccord Genuity>>

So how do these arrangements work in practice, and should we expect similar deals in other regions?

<<Tal Jacobson, Chief Executive Officer and Director>>

Yes. So while we're working now in 40 countries, we're trying to see if we can expand into more countries and more verticals, but without the financial burden of just continuing to hiring more and more people and having those bets, right?

<<Matthew Weber, Analyst, Canaccord Genuity>>

Right.

<<Tal Jacobson, Chief Executive Officer and Director>>

So we do think a reseller model, the same model that Microsoft or Google has for years or Amazon, would work great for us. Now we've added – I think we added four or five resellers in the past year. We're going to continue to add more. But again, the majority of time goes into vetting those resellers. How do we make sure that they have the ability to push us forward, even though it does not come with any financial burden, but it does come with focus.

So that's what we're focusing on. How do we add more to expand faster? So it is basically a distribution channel.

<<Matthew Weber, Analyst, Canaccord Genuity>>

What qualities or characteristics do you look for in a partner?

<<Tal Jacobson, Chief Executive Officer and Director>>

So we do evaluate their relationship with agencies, with brands, the ability to sell technology, the ability to provide good customer service to their clients. Those are the kind of things that we are looking at.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Got it. Yeah. That makes sense.

Before we move on to financials, I just want to touch briefly on Search. That business remains under pressure as you continue to transition away from Microsoft. What are your expectations for when it stabilizes, and how are you thinking about the role of that segment going forward?

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah. So our Search business is basically stable at this point. The longer we can continue to keep it sustained and get the profits out of it, so we can continue to invest in our growth engine or even in our buyback program we'll continue to add that. But that's a very profitable and stable part of the business.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Got it. Makes a lot of sense. So let's touch on the outlook. Yesterday, you narrowed the full-year contribution ex-TAC guidance at the upper end and maintained your adjusted EBITDA outlook at the midpoint.

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Profitability is expected to inflect nicely in the second half. What are the key assumptions behind these ramps, and what are the swing factors between the low and the high end?

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah. So as you said, we just signed those two strategic agreements. I think that should have an impact on our annual guidance. Within our specific company, seasonality is a big thing. So even if you look on last year, the majority of revenue in EBITDA came on the H2 of the year. That's not going to be different this year. That's basically the natural seasonality of a company. So we do expect H2 to be way stronger than H1. Again, this is an extremely natural thing for our company.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Got it. Got it. And then you have 2028 targets that call for Perion One spend CAGR of at least 25%, contribution ex-TAC growth of at least 20%, and adjusted EBITDA reaching 28%. And you reaffirmed those on Monday.

So can you walk us through the bridge? And to reach that 28% margin, how much of that depends on operating leverage from growth versus AI-driven efficiencies across the business?

<<Tal Jacobson, Chief Executive Officer and Director>>

It depends on all of those, right? So we're seeing the growth with our spend, which we just saw now, which is growing nicely. With EBITDA, we're also seeing an improvement on our EBITDA margins, even within the adjustment that we just made. But going forward, we do believe AI would provide more efficiency. As we continue to grow our revenue in ex-TAC, we do not believe that we will need to continue to grow our headcount, because AI is going to start getting more and more of those pieces. We are now implementing different pieces.

Even Ask Perion is, while it has an interface with clients, it also has an interface with our own operation. So they are asking Ask Perion to do a lot of the internal tasks. To run some of the internal things that Perion does. Within all of that, we believe we will get to the 2028.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Okay. And then maybe just touch on what underpins the 25%, the spend growth.

<<Tal Jacobson, Chief Executive Officer and Director>>

The spend.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Yeah.

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah. So again, you can see now that all our growth engines are growing fast, right. I mean from retail media with 60%, with CTV 56%. So we do feel comfortable about this.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Okay. And then I want to ask about capital allocation. So you have been buying back a good amount of stock. I think you have repurchased roughly $167 million against a $200 million authorization.

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah.

<<Matthew Weber, Analyst, Canaccord Genuity>>

You expect to complete the remaining by year-end. You still have a substantial cash position. How are you thinking about what comes next, a renewed buyback program versus M&A versus investing in the core business further than you already are?

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah. See now we've been doing this under that new pivot. We've been doing this for a few years now, and you can see by the pattern of our behavior that we're extremely disciplined in the way we're looking at M&A. And we bought – again, we bought two companies, Hivestack, which is out-of-home, and you can see the results that are continuing to grow quarter after quarter after quarter for the past three years. Last year, we bought Greenbids, which is Outmax, again, grew 136%.

So we're extremely disciplined. We don't want to buy companies just to buy companies. We want to make sure that we're buying things that are extremely synergetic, growing fast. The technology has to be the engine behind it. So we do continue to look at companies to buy them, but we're not going to buy anything if it's not super accurate for us. And obviously as you said, we're aiming to complete the buyback, the current program that we have, to complete that by the end of the year. Next year, we'll see how we can continue this.

<<Matthew Weber, Analyst, Canaccord Genuity>>

That makes sense. If you can talk about this, are there any areas of the business where you think if a good asset came to market, that there's a natural fit right now in terms of your business, improving or bolstering it via M&A?

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah. So the things we're constantly looking at are anything that will grow our CTV, our retail media, our digital out-of-home, and obviously our cross-channel activation, which is Outmax. So we're not looking to get into more areas or to diversify the things we're doing. We're trying to see how do we get the things that we have now that are going really well for us, how do we accelerate that? How do we double down on what works well to make it work faster?

<<Matthew Weber, Analyst, Canaccord Genuity>>

Got it. That makes sense. So is it fair to say that your channel mix with CTV, digital out-of-home, retail media, that is probably the core for the foreseeable future? Are there any channels that you would want to go into right now?

<<Tal Jacobson, Chief Executive Officer and Director>>

No. I mean currently, we are at any channel. With Outmax, we have social, we have everything.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Right.

<<Tal Jacobson, Chief Executive Officer and Director>>

We have audio on Spotify, iHeart. So we're not missing channels, we're just trying to figure out how do we accelerate our growth faster.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Makes sense. We have just a couple minutes left here. I just wanted to see if there's any questions in the audience. Nope, okay.

All right. Maybe just one on advertiser spend by vertical. It feels like there is a lot of – like the overall market is healthy, but there's volatility underneath and between the different verticals. What are you seeing and what are your expectations as we get into the Q4 political season, and then yeah, maybe just talk about that.

<<Tal Jacobson, Chief Executive Officer and Director>>

Yeah. So political was never as a factor for us. We're seeing good growth across commerce, healthcare, travel. Those are the kind of things that we're seeing very healthy growth within.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Okay. Got it. Maybe in the last minute or two here, is there anything that we didn't talk about that you'd like to highlight for folks?

<<Tal Jacobson, Chief Executive Officer and Director>>

Listen, we're extremely excited about how AI is going to transform the entire thing. Right? Again, people tend to think we do not invest in adtech, which is every time somebody says that to me, it is kind of funny because everybody invests in adtech. Google and Meta are basically adtech, so you cannot not invest in adtech. Adtech is the fastest-growing thing that moves economy.

I do think that AI – will make – will reshuffle the winners and losers within that, where the infrastructure that is going to try to make sense out of the mess. It is a complete mess. The customers that are driving this training down are very frustrated. They are in need for this product. And I think the growth that we are showing just says everything, right? The reason why people are trying it out and using it is because they need it.

So we are feeling really good about our strategy and the way our product are evolving.

<<Matthew Weber, Analyst, Canaccord Genuity>>

All right. I think we'll end it there. Tal, thanks so much. It was a great discussion.

<<Tal Jacobson, Chief Executive Officer and Director>>

Thank you.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Yeah.