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<<Maria Ripps, Analyst, Canaccord Genuity>>

All right. Good morning everyone, and welcome to the first session of the day. I'm Maria Ripps, Internet analyst here at Canaccord Genuity and I'm joined today by my colleague Matt Weber. And it's our pleasure to introduce Tal Jacobson, Perion's CEO. Tal, thank you so much for joining us today.

<<Tal Jacobson, Chief Executive Officer>>

Thank you for having me.

<<Maria Ripps, Analyst, Canaccord Genuity>>

Awesome. Maybe just to start, your company went through quite a transformation over the past several quarters. Maybe talk to us about your platform, sort of high level, how it has evolved and how are you positioned today in the broader digital advertising ecosystem?

<<Tal Jacobson, Chief Executive Officer>>

Yes, absolutely. So as you said, our company went through a big transformation. I've been with the company for seven years now. Until now we were focusing in advertising, on technology, for managing inventory - so the supply side. And now we're shifting strongly into the demand side. So this happened for one major reason. We see that even though digital marketing is – there's a trillion dollar going through the pipes of digital marketing, it became impossible for people that are running that - CMOs - to actually run and manage those budgets because it's too fragmented. So our company basically creates a unified centralized platform for CMOs to manage all their funds, all their media investment. It's kind of like Salesforce for CMOs. We're the platform for CMOs, right, and we're agnostic. They can buy whatever channel they want. They can buy Meta, they can buy YouTube, they can buy Open Web. It's all good. Everything is there.

<<Maria Ripps, Analyst, Canaccord Genuity>>

Perfect. Perfect.

<<Matthew Weber, Analyst, Canaccord Genuity>>

And then Tal, you just – Perion just reported Q2 results on Monday. What areas of the business are you seeing the most momentum and what are you most excited about?

<<Tal Jacobson, Chief Executive Officer>>

So as I said, we're now focusing on CMOs, right. So our eyes is really about how much budget we're seeing going through our system, what's our actual ex-TAC, what's our profit and is it actually growing? But within that, we see shifts between channels, right. So we're the biggest platform for Digital-out-of-Home (DOOH) worldwide. We're working in 40 countries. It's a very exciting channel. It grows very, very fast, especially the programmatic part, which grows very, very fast worldwide. That's actually the only channel on the planet that is growing faster worldwide versus the U.S. In the U.S. everything else grows very fast, (as for) DOOH - APAC and EMEA grow way, way faster. So we have thus far the DOOH programmatic. We have CTV. We just launched our performance CTV. And obviously, we have social, we have web and we have Search. And those parts are growing.

<<Maria Ripps, Analyst, Canaccord Genuity>>

So that leads into our next question. And I feel like you sort of touched on that a little bit in your opening sort of question, which is Perion One. Can you maybe talk about that offering? Talk about key sort of capabilities and functionality. And what inefficiencies are you trying to solve sort of in the market? Maybe expand on that a little bit more.

<<Tal Jacobson, Chief Executive Officer>>

Yes. So the major inefficiency we see in the market, I don't know if you guys saw the statistic that CMOs in the U.S. are now getting replaced every year.

<<Maria Ripps, Analyst, Canaccord Genuity>>

Right.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Right.

<<Tal Jacobson, Chief Executive Officer>>

Now, those are the people who are in charge of a trillion dollar every year that will go through the pipes. So you give a trillion dollar to a C-level of CMOs, but they're getting replaced every year, right. Now, in the past few years, CMOs are transitioning their state of mind into becoming investment managers, right. They're getting their money from a CFO and they need to invest that money and to show yield like you guys, right. A CFO has a very hard time understanding what the CMO actually did with the money. And it's not because of the CMO. It's because one, there are too many platforms, right. So any platform by itself is great, but there are just too many to translate what actually happened.

So you have Meta and you have Google and you have the Trade Desk and you have Magnite and you have Pubmatic and you have out-of-home and you have a lot, right? And then on top of that, you have a lot of agencies. And every agency would send their presentation saying, we've done an amazing job, which probably they did. But then when you need to translate that into a CFO

language, you do not have the right metrics because our industry does not provide the metrics that a CFO can understand, like how many people saw the ad or how many people clicked on the ad.

CFO doesn't care about how many people saw the ad, right? He wants to know if I'm Nike, how many shoes I actually sold through that investment. So while the market is expanding, ad tech is expanding. There is still a fundamental issue within that market. There is no centralized platform. And with AI coming and we're putting everything we have on AI, the major thing a company needs is data. Now, when your data sits within so many agencies and so many platforms, it's almost impossible to optimize across the ecosystem. So when you have everything in a centralized place, AI can actually start working for you because it can optimize. It can say, you know what, maybe for that specific campaign, less TikTok, more Instagram or Snapchat or whatever it is.

But for you to be able to shift in between the channels, you have to put everything in one place. So there is a gap in the market. We're aiming to become part of this huge solution and provide that to the market.

<<Maria Ripps, Analyst, Canaccord Genuity>>

So what are some functionalities that sort of Perion One is offering to address that gap, to close that gap?

<<Tal Jacobson, Chief Executive Officer>>

So as you know, we're a company that is in transition, right.

<<Maria Ripps, Analyst, Canaccord Genuity>>

Right.

<<Tal Jacobson, Chief Executive Officer>>

So, we have all the moving pieces, we have probably the best solution out there for digital out-of-home, with planning, location based planning, data, we're connected to all the data layers, so Experian, Mastercard, you name it, right. We have CTV Performance solutions, we have high impact for web, we have video, we have social, we have everything. Now we're in the phase, and we just launched this new strategy and the new executives on that team, six months ago. Now we're in a phase where we're consigning everything into one data lake and a layer of AI that can actually speak to each other, right.

Now we've announced this transformation, this new platform six months ago. We're seeing an amazing traction. It got us very optimistic to the point that last quarter we actually raised our guidance because we saw better traction. And we believe that's going to get accelerated, the traction.

<<Maria Ripps, Analyst, Canaccord Genuity>>

And do you feel like there is a specific type of advertiser that this solution will be particularly appealing to?

<<Tal Jacobson, Chief Executive Officer>>

So at first stage we're targeting the bigger brands, brands that have multiple agencies, multiple platforms, right. Next phase will go to the SMBs and the third and the last phase would be to actually self-serve small businesses. So that's how we're thinking about the business.

<<Maria Ripps, Analyst, Canaccord Genuity>>

Got it. That makes sense.

<<Matthew Weber, Analyst, Canaccord Genuity>>

And then one of the most exciting new product additions was the acquisition of Greenbids, which brought custom-based AI bidding capabilities. Could you talk about how that enhances your optimization capabilities and broadens your TAM as well?

<<Tal Jacobson, Chief Executive Officer>>

Yeah, absolutely. So what happens is when you buy media through any platform of media, right, if you buy it through Google, if you're buying YouTube or you're buying through Meta, or you're buying through TikTok, or you're buying through the Trade Desk, they're all great by themselves. But you need to remember they have one algorithm that optimizes for the DSP. This is not because they're doing something bad, this is just because it's a vanilla type of algorithm so it would fit to everybody, right. But in reality, every campaign and every brand has to be customized to the performance you want to get out of this specific campaign.

So if I'm Nike, what am I trying to get out of this specific campaign? Is that brand awareness? Is that actual leads? Is that actual people to come to my store? What am I trying to get? And every campaign has different goals. Right?

So this AI algorithm sits between the client and the platform. And in real-time constantly optimizes the results. Right. So we are now connected into platforms like the Trade Desk but we are also connected to walled gardens like Meta and Google and we're working with others to continue to deploy on other platforms and that helped us to increase our TAM. So now we're pretty much connected to 70% to 80% of the market.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Right. And yesterday on your earnings call you highlighted \$1 million in booked business from existing Perion clients through Greenbids. Is that a function of the those TAM expansion capabilities or just kind of what's driving that?

<<Tal Jacobson, Chief Executive Officer>>

So, we just bought them three months ago. We're now integrating them into the company. But we saw a lot of excitement through our existing customers, our existing Perion customers, not the Greenbids customers about what is that algorithm, how does that work? And we started to get a lot of orders to start deploying that. And that's what got us excited. I mean we haven't completed the integration, we're starting, we're already starting to see synergies in between that. And the synergies actually we reported the synergies of Perion customers wanting to use the algo but we haven't reported – well – and I don't have that number out of my head but we actually see the other way around as well. We see Greenbids customers asking to start using our CTV, our out-of-home.

So the cross-pollination in between the solution, in between the companies was an immediate synergy that we saw and we're excited about it. We feel that this is another confirmation that the acquisition was the right acquisition and it had a very strategic fit to our company.

<<Maria Ripps, Analyst, Canaccord Genuity>>

Yeah, it seems like there is a lot of cross-sell opportunity there. So switching gears here a little bit, sort of focusing on channels for a minute. I think yesterday you announced new CTV performance solution. Maybe talk about some of the key capabilities of this solution and how is it different from what's available in the market?

<<Tal Jacobson, Chief Executive Officer>>

Yeah, absolutely. So up until now our CTV solution was mainly focused on high impact and within that we have something called DCO, so it's the Dynamic Creative Optimization. So it means that every person, even – imagine we are all neighbors, but every person, even though we live near each other would see something else because we have different layers of data, right?

<<Maria Ripps, Analyst, Canaccord Genuity>>

Right.

<<Tal Jacobson, Chief Executive Officer>>

So that's our high impact solution. We would know to say, well, maybe you should try eating your lunch at this restaurant. It's only five minutes, walk away from your home. It's not because we know who you are. It's because a TV is now basically a computer, right? And we have the IP and we know it's Google Maps, basically, right? We would know this location, from this location takes five minutes, right? And it's not violating privacy, it just looks personal, but it's not. So that was the original solution we had.

Now, we took all our AI algorithm of performance, we've matched that with our CTV solution, and we added attribution ability. So we would now know, let's say you're seeing an amazing campaign for Golden Corral and you're getting a QR code to say, maybe you should just order in or reserve a table. So from that attribution would know which channel was that initiated from, right? Was that Disney? Was that Hulu? Was that Discovery? And then we can start, the algorithm

would start to know which channel, at which time, at which location, out of which TV type you would get the most performance. And then the algorithm would shift budgets, so you would optimize your investment to get a better yield.

<<Maria Ripps, Analyst, Canaccord Genuity>>

Got it.

<<Tal Jacobson, Chief Executive Officer>>

That's pretty much it.

<<Matthew Weber, Analyst, Canaccord Genuity>>

And then focusing a little bit more on near-term trends, CTV came under a bit of pressure I think in Q2.

<<Tal Jacobson, Chief Executive Officer>>

Yeah.

<<Matthew Weber, Analyst, Canaccord Genuity>>

But I believe you reiterated your expectation to outpace the market in terms of growth, which I think e-marketers estimating about 13% for the year.

<<Tal Jacobson, Chief Executive Officer>>

Yes.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Could you just talk about what's underpinning that expectation? Is it how much of it is this new solution versus other dynamics?

<<Tal Jacobson, Chief Executive Officer>>

So, yeah. So in Q2, sorry, in Q2, we did see a very minor decline of 5%. But as a overall, we believe that as you said, 13% the market, we believe we're going to be above 20%, right? And we are already seeing, and I think we said that in the earnings, we are already seeing good traction, right? So Q3 is undergoing from everything we saw in Q3 up until now, we see good results. We see a very healthy pipeline. So it is bouncing back. So that's not a concern that we have, and it's not because we believe the new solution would bounce it back. We're always seeing the bounce.

But now we actually have more fuel. So we have the existing solution we had, we have the performance solution, which is another fuel into that engine. And then we have the Perion algo,

which is green beads that also needs to fuel YouTube campaign, which is basically CTV, right? Most of – a lot of the YouTube views are happening on a TV. So if you take all three and you take the pipeline and you take whatever we just saw through Q3 up until now, we feel very comfortable with that.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Got it. That makes a lot of sense. And then maybe switching to Digital Out of Home, another fast growing channel for you. You touched on this earlier, but I believe you acquired a company called Hivestack...

<<Tal Jacobson, Chief Executive Officer>>

Yeah.

<<Matthew Weber, Analyst, Canaccord Genuity>>

...a couple years ago you saw – you've seen strong organic growth of late, yesterday you announced expansion into EMEA and I believe Korean markets. So just talk to us about how you're thinking about that segment? What does the growth profile look like? And yeah, maybe just comment on that?

<<Tal Jacobson, Chief Executive Officer>>

Yeah. So in the U.S., Digital Out of Home grows roughly 8%, programmatic grows 15%. We're in the programmatic part, we're in the digital, but we especially specialize in programmatic, right? So – and programmatic means Out of Home ads with the layers of data, right? So the layers of data would say, would affect what the ad would show, right? So if its raining, the ad might show something like a person with an umbrella, right? So that's the programmatic part. So I can bid and have layers of data, which Out of Home never had. And you can see better performance just because of that.

But if you're going to look at APAC, which is the fastest growing in Digital out of Home, especially programmatic, they're growing very, very fast. So the whole APAC market is, I think next year, \$21 billion just in Digital out of Home. It's a huge market. Now, you need to understand Americans spend less time out of the house. So Americans would consume more TV and more web, while people in Asia, in APAC are spending a lot more time out of the house, right?

<<Maria Ripps, Analyst, Canaccord Genuity>>

That's the sad statistic.

<<Tal Jacobson, Chief Executive Officer>>

They're spending more time out of the house. So with that, Digital Out of Home actually has a huge potential. And that's why we're putting so much emphasis on Digital Out of Home. We have

an amazing partnership with dentsu Japan, where actually our technology operates, I think roughly 80% of the screens in Japan. We have amazing partnership in China, so we're seeing some money getting out of China, out of Chinese companies towards other markets, right?

So Chinese company would buy screens in Time Square. They would buy screens in Japan or in Korea to promote their products, right? So within that, because we're getting to become so big in Digital Out of Home, we're seeing money getting from different countries to other countries, right? Because we're basically when you think about it, it's like Google, right?

Even companies in Italy would spend money on TVs in the U.S., right? So you would get that movement of money. So, yeah, APAC is very important to us. We also, announced two partnerships in in EMEA, one in Italy, one in Germany. I think we actually have another one, I'm not even sure that we announced it, but we have another one, that we just signed.

But even though Digital Out of Home is growing very, very fast and we're the biggest company in that sector, it actually helps us in another strategic layer where we would meet agencies. And because we're the biggest at this part, because we're getting into the agency, now we can sell them our CTV solutions, our, web solutions, our algo solutions. So the cross selling opportunity is very, very big.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Got it. And then just maybe before we ask a question on financials and wrap up, I just want to touch briefly on the Search business. You outlined earlier how that came a little bit under pressure. How should we think about the trajectory for that going forward?

<<Tal Jacobson, Chief Executive Officer>>

Yeah. So as we said, we were one of the biggest partners of Microsoft in the past ten years, right? Unfortunately, for us and for Microsoft, web search is not a thing, it's not a – it's not a popular thing, right? I don't know how many times you guys actually used web search in the past three months. I'm using it less and less. So human behavior is changing. This has nothing to do with Microsoft or Google, it's about humans.

So we do think this specific sector would continue to decline. For this year, we're estimating roughly \$20 million every quarter from our search business. Having said that, we're not putting any R&D efforts into that. We're not doing any innovation. Our focus as long as search exists, that's great, we're going to make money out of that. But we're actually our eyes are in Perion One that's CMO centralized solution. We really want to be that Salesforce worldwide for CMOs.

<<Maria Ripps, Analyst, Canaccord Genuity>>

So let's, let's talk about your financials before, excuse me, before we wrap up. I think yesterday you reiterated your full year revenue and profitability outlook. Maybe just talk about what's kind of underneath that guidance, and how should we think about sort of revenue progression as we head into next year?

<<Tal Jacobson, Chief Executive Officer>>

So our – for this year we're roughly talking about \$440 million in revenue, I think \$44 million to \$46 million in EBITDA. That's our guidance for this year. We look at next year, and we're not going to give guidance now, and we're not going to actual numbers. You'll going to start, you're going to continue to see growth, not on the Search part, but on everything else. You'll see healthy growth. We believe double-digits, so on that part, I think we're going to have good trajectory.

<<Maria Ripps, Analyst, Canaccord Genuity>>

Got it. I think we have just about 30 seconds left here. Tal, is there anything that we didn't talk about that you'd like to highlight for our audience today?

<<Tal Jacobson, Chief Executive Officer>>

I think Perion is an amazing opportunity. So I've been with the company for six years. We've done one turnaround. I think the market changed. We're going to do another turnaround. I believe I personally believe that's, that's what's going to happen. But you need to understand this is what we're doing is bigger than Perion. It's a huge shift in the market. A \$1 trillion is not being managed by any company. Everybody's focusing on channels. We're focusing on the client. We're all AI-based, and AI is going to take over by storm, and we're going to be in the front of it. So it is a huge opportunity for investors and for us.

<<Maria Ripps, Analyst, Canaccord Genuity>>

Great. Well, with that, we're out of time. Tal, thank you so much for joining us.

<<Tal Jacobson, Chief Executive Officer>>

Thank you.

<<Matthew Weber, Analyst, Canaccord Genuity>>

Thank you, Tal.

<<Tal Jacobson, Chief Executive Officer>>

Thank you.