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<<Laura Martin, Analyst, Needham and Co.>>

Let's get started. I am Laura Martin. I'm the Senior Media and Internet Analyst here at Needham & Company. And I'm here with Tal Jacobson, who is the CEO of Perion. Welcome, Tal.

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

Thank you for having me.

<<Laura Martin, Analyst, Needham and Co.>>

Thank you very much. And we were at CES together, and he is one of my favorite people, so you'll notice that from the talk. I'm going to start with a personal question, which is what hidden skill do you possess that doesn't go on a resume that you think has been mission critical to your professional success?

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

Great. Well, I think, being a CEO, I see that the hidden skill for CEO for that – having that creativity of thinking big dream, but also have your feet on the ground to validate that this dream is not an illusion. So how do you dream big? How do you break it down into first principle elements? How do you validate that? And how do you build an actionable plan to execute? So a lot of time you would see people that dream big and you see other people that execute. I think CEO should have those two parts, those creative parts, and those very logic parts. I think that's a hidden skill.

<<Laura Martin, Analyst, Needham and Co.>>

Okay, great. And let's turn to CES, where you and I had an hour conversation in a bar, which was one of my favorite venues for a conversation. So tell me what I sent you a list of provocative statements that I took away from CES. Give me one that you agreed with or disagreed with.

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

I think, and I have told you this, the websites are – it's not there yet, but it's going to be this thing of the past. I think websites is not the future. I think open web is not the future. I think Chat AI is going to transform the way we interact with information, so we wouldn't necessarily go through a search engine to ask questions, and we would get the answers within the Chat AI, so we wouldn't go to websites and user behavior changes not going to websites. So where do people want to spend their time? Not on websites, they're going to spend time more on social, on their TVs or CTV for us, out of home, outside. So I think, especially for ad tech, open web is great,

but that's not the growing part. I think for ad tech, TV, phones, out of home, social, those are the growing parts.

<<Laura Martin, Analyst, Needham and Co.>>

Okay, which explains why you did an out of home acquisition...

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

Yes.

<<Laura Martin, Analyst, Needham and Co.>>

...right? If you think out of home is going to be... okay. So do you think the app world is dead too? Or you just think websites won't have the visitation because they're not going through search which provides links and so people. So is the app world in your view also going to be shrinking?

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

Well, it depends which apps, right.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

I think I've spoken with pretty much all the executives at big major publishers websites and they're counting a lot on organic traffic from search engines. If that goes down then just – if they have a very loyal user base on their app...

<<Laura Martin, Analyst, Needham and Co.>>

Yes.

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

...like the information or Vox has different apps, then that's going to stay. But they can't continue to count on those organic searches. So apps for specific very loyal consumer base, that's going to stay. Anything else? I think that's going to drop...

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

...in the next couple of years.

<<Laura Martin, Analyst, Needham and Co.>>

Okay, great. What were your key takeaways from CES from all your meetings because you were doing as many meetings as me? What else did you think was interesting about CES...

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

So I saw a few things. Obviously I was impressed with the Universal Ads that Comcast announced at CES. I think that was a great announcement. I think that shows how major media channels are now becoming more available for the small media markets, the mid markets. I think everything goes towards performance which Universal Ads also answer. And we just discussed this, so many companies now going through releasing their own glasses...

<<Laura Martin, Analyst, Needham and Co.>>

Yes.

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

...like Ray-Ban with Meta and Amazon and that's going to be an interesting year to see how that goes into play into the mass market.

<<Laura Martin, Analyst, Needham and Co.>>

Yes. Universal Ads is actually launched by Universal Studios, not a product name, but it is confusing.

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

It is.

<<Laura Martin, Analyst, Needham and Co.>>

So Comcast, which owns Universal and NBC they also own, has launched a platform called Universal Ads as in Universal Studios ads. And it's a self-service platform that allows small and medium enterprise or small and medium business, SMBs, to actually for the first time buy NBC inventory as a small and medium business. Usually television inventory has been really only available to the top 200 advertisers. And now on a smart TV, a small and medium business can put money to work probably in the thousands of dollars instead of the tens of thousands of dollars. So it's not \$20 like Facebook, but in the thousands of dollars you can now do – run an ad as long as you have an ad. And that's the piece that's missing. A lot of small and medium businesses don't have a video ad that they could run. But in theory this platform allows a small

and medium business to create a 15 or 30 second high quality video ad and then buy it on NBC content. And so – and one of the things that I heard from three CEOs is that connected television advertising in 2025 will come from small and medium businesses and Comcast saw this and therefore has launched this platform because they want to get some of that money into NBC on a smart TV. So that's what he's talking about that. That was really intriguing this year and I agree 100%.

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

Yes.

<<Laura Martin, Analyst, Needham and Co.>>

I hope that's right.

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

Yes. And to your point, we saw a lot of success toward – throughout the years because we have pretty robust DCO, which is...

<<Laura Martin, Analyst, Needham and Co.>>

DCO?

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

...dynamic content optimization.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

So our algorithm builds the creative and a lot of time, especially for local businesses, we do not have that creative for CTV.

<<Laura Martin, Analyst, Needham and Co.>>

That's true.

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

But we – our technology does that. So we're going to ask them, okay, so give me your logo, give me your – a statement, give me your whatever images. And our algorithm actually builds in the creative that can run on TV ads, right, on video ads, on display ads. A lot of times agencies are

using us. They're going to say, my advertiser wants to run a campaign now and we don't have time to build a creative for them.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

Can you help us? And we're going to say, absolutely, just send us whatever you guys have. We're going to let the algorithm decide on the layout and we're going to show you how that's going to look like and we're going to run it.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

So within a few hours, they have a creative and they have the attribution and they have the ability to activate...

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

...without having that robust production.

<<Laura Martin, Analyst, Needham and Co.>>

And is that an AI generated?

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

It is.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

Yes.

<<Laura Martin, Analyst, Needham and Co.>>

And can you also tell the audience how – in what other ways you're using generative AI to like either lower cost or drive revenue upside through new business acquisitions?

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

Yes, yes, absolutely. So we have two points. We have a pretty strong AI lab. Most of them are based in Israel. And the way we use it, we use it for two different ways. One, the efficiency of our company. How do we become more efficient? How do we drive faster results for our clients without adding more people, right? So generating reports, generating decisions, how to move budgets from one channel to another. That's one part. The other part is generative AI for creative. So we've launched almost a year ago a product called WAVE, generative AI for audio ads. So audio ads in the U.S. is roughly \$8 billion a year. Almost all of it is being generated in a studio with a person. I think I haven't seen another company does that, but we're generating that through data. So we're getting from retailers like Kroger a database of hundreds of thousands of promotions locally.

The GenAI, the WAVE product, is actually generating audio ads and then getting distributed into Spotify, iHeart being very specific – using very specific targeting for each ad. And then we're getting a feedback loop from the retailer saying, okay, so I actually saw an uplift in sales because of that. So we're using AI a lot for creative, I think I've told you this, we had a great campaign for Uber and for Estée Lauder in Hong Kong. They're using GenAI to generate different versions of creative based on environmental condition, based on specific targeting, based on the channel and then seeing how that performs. And since it's generative AI and works on deep learning algorithm, it gets better and better the more you actually use it.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. Are you using it for cost savings in any way? Are you cutting costs in any way with using generative AI?

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

Yes, absolutely. Yes, absolutely. So a lot of the work that we have for account managers and analysts is now being shifted towards AI, Generative AI. So we're connecting our databases of all our data so they can just run queries, just asking in natural language the database.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

So that actually removes a lot of the time-consuming tasks...

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

...which means we do not need just to add more and more people to scale up.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. How much money as a percent of the cost structure do you think Generative AI will be able to save you, 10%, 20%, 2%?

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

Well, I think it all depends on what do we do first. This year – last year we focused on a lot of optimizing, time consuming tasks. This year since we're unifying our infrastructure, we used to have different products and now we're unifying everything to a single product. I think that would run faster and I think the more we're going to use that, especially in the upcoming years, the more we're going to be more efficient and save more money on our operation.

<<Laura Martin, Analyst, Needham and Co.>>

So you think 10% of – you think you could not increase costs.

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

I don't know. I am a CFO here is the numbers.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

He is my watchdog.

<<Laura Martin, Analyst, Needham and Co.>>

Yes. Okay. I mean it's hard because it's like you won't lay people off, but you just won't have to grow. You can grow the revenue without having to grow people as fast because automation is going to do some of this.

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

Yes.

<<Laura Martin, Analyst, Needham and Co.>>

So, it's probably hard to say like how much you're savings because you're just not going to – your costs won't go up as fast, they won't scale with revenue, they'll be able to stay flatter while revenue goes up. Yes, I get how it's hard. Okay, great.

So, when you think about upside value drivers, and let's define that as revenue, upside revenue drivers in 2024 – 2025, what are you most excited about?

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

So, we've – going back to the acquisition of Hivestack, we bought this as the center of this universe and we're very excited about bringing all the products we have into that single product and introducing this in 2025 into the major retailers in the U.S., the major retailers in Asia, introducing out-of-home as a more holistic solution, not just out-of-home as a separate channel.

So, we just launched, I think. a month and a half or two months ago a new product called Anyplace TV, which is us taking CTV budgets and now asking our advertiser, do you want to extend this? You already have the video asset. You want to extend this into video screens outside the house, maybe within malls, maybe within subways, maybe within Ubers. And obviously we're doing this in a very transparent way. So they would know exactly where it runs, they would know does it have audio or doesn't have audio when obviously ratings are based on what they get. But they now have the ability to use the same asset, the same video asset on a lot more channels in a very location based manner to push more performance towards specific locations.

So I think that's – as we go into 2025, I think, location base is going to be key. I think to do a lot more focused campaign in specific locations to see the actual uplift for retailers and advertisers, that's going to be key. We also announced a month ago a partnership with Experian to have that identity graph being fed directly into our technology. So we now have the ability to understand that your phone, your laptop and your TV is probably the same person that is looking to buy a new car or looking to buy a cruise vacation. Right. So all of those pieces are such so much more power to our platform in 2025. That's what we're excited about.

<<Laura Martin, Analyst, Needham and Co.>>

Okay, so one of the questions I have about out-of-home, because I know that's a big bet you're making and I like the idea of extending in-the-home connected television assets, take the same ad and put it out-of-home. I like that idea a lot is measurement and attribution. It's really hard for out-of-home to tell how effective it was. So I get that it's free because they don't have to create a new asset.

But how do you solve the measurement and attribution problem of billboards and out-of-home screens?

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

Yes, well, I think it's a great question. So two parts to that answer. One is out-of-home has been around since 1830. So 200 years, right? Coca-Cola... 200 years back U.S. had out-of-home ads. The issue with out-of-home, may be all advertisers on the planet know out-of-home is a great channel, but you're right, it's very hard to measure, right? With digital out-of-home, programmatic out-of-home, we're now adding so many different layers and that's why we're connecting this into retail media. Because we're asking companies like Kroger give me all the promotions locally, right.

So might be Hoboken, New Jersey a promotion for stakes at 7:00 p.m. So we're going to run this locally out-of-home and then we're going to get the feedback back from Kroger saying we actually saw an uplift in sales, right. And that's how we prove that this actually works, right?

We've done the same with Pep Boys. We took over audio ads and gas stations around the stores, again, location based, even audio ads and we got the report back from them, which stores actually saw an uplift and that's why they came back and said, okay, so let's do this again within those stores, right? So, we're using all the – we're using the online methodology of measurement in out-of-home but actually connecting the retail data into us.

Another thing on out-of-home, either you probably saw this, T-Mobile just bought Vistar \$600 million, right? For us, this is great news. It means that the industry now realizes that out-of-home is the next big thing. It is the next big thing. You have impression multiplier, which means that one ad can get to 50,000 people in Times Square. Not one ad to one person, right? It's becoming programmatic and it drives sales.

The fact that we looked at Vistar at the same time we looked at Hivestack and we chose what we thought was a better fit. But the fact that T-Mobile spent \$600 million on probably the same product that we have, for us, that's a great validation point that this is very valuable and the market needs that. So we're extremely happy about this move. It just shows that we've made the right move.

<<Laura Martin, Analyst, Needham and Co.>>

It sounds to me like you just got a much more bigger competitor that's going to be not as focused on profitability. And T-Mobile is a telephone company, hardly smart money. If you told me a private equity guy bought it like Apollo, I'd be like, oh shit, like this must be a great place, but T-Mobile, seriously, I don't know, feels like they might be putting money to work. I'm not sure any of that's good for you, but if you think it is, okay.

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

I think out-of-home, I've been doing ad tech for almost 30 years. I've never saw anything like the out-of-home space.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

Such as... they have their own dynamics, out-of-home, agencies, own agencies, it's different. The fact that out-of-home is getting so much focus, it just means that within the holding companies, it's going to get more focused, it's going to get more budgets.

<<Laura Martin, Analyst, Needham and Co.>>

That's true.

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

And we're going to ride that wave.

<<Laura Martin, Analyst, Needham and Co.>>

Right.

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

If T-Mobile is going to convince everybody that out-of-home is the next big thing, that's great.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

There are only two products on the planet for that, us and now T-Mobile, there's only two products. I would be happy for T-Mobile to spend as much money as possible convincing people that programmatic out-of-home is the next big thing, for us, good news.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. That makes sense to me. Okay. But let's stay on that thing you just said, which is the first, the statement right before that you said, you're going to convince people to take money from their CTV budget and put it in out-of-home. What you just said is these are really separate budgets. They're completely different buyers.

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

Right.

<<Laura Martin, Analyst, Needham and Co.>>

So – and we have had a big problem in ad agencies, even getting television people to move money into Facebook or search...

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

Right.

<<Laura Martin, Analyst, Needham and Co.>>

...because it's social or digital is a totally different silo. So how do you overcome the inertia at the ad agencies or the siloing at the ad agencies? How do you actually get a CTV buyer to say, oh, by the way, let me have some of your money over here and out-of-home. How do you actually do that?

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

I think that's a great question. I think, when you look at the agencies now they're condensing the teams. It used to be social, search, TV and now they're trying to combine those teams, right. I guess efficiency for agencies. But since the out-of-home teams, they didn't have a lot of budget, we're trying to get the CTV budgets extended into more screens, right. Those are different teams and we have different pitch for each team, right. We also have an extended offer saying, what you're running CTV, let us do the exact same thing on YouTube. We're doing YouTube CTV, but let's do YouTube web as well, right. So all of a sudden we're now getting the social budget from that TV team, right, because each team would just love to extend the offer they have and not send that and not send the client to another team.

<<Laura Martin, Analyst, Needham and Co.>>

Yeah.

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

And so far, it works great.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. Okay. I see what you're saying. So you're basically can even, so I guess where I got wrong is, a connected television guy has \$1 million to spend, and you're saying, look, just take your money and put it across more screens. You're convincing him. He doesn't have to give the money to a different guy over and out-of-home. You're saying, just extend your CTV buy into more screens. And he's happy to do that because probably lower cost. He's lowering his average cost of reach because out-of-home is cheaper than connected television, which is \$20 CPMs. Can you give us – do they sell on CPMs in out-of-home?

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

Yeah. They are, but they have impression multiplier. So we would know on average how many people are looking at that screen...

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

...on average, right? So we don't know the specific person. But we would know that at any given time in the specific building, in an elevator, you have two people, while in Times Square you have 50,000 people, right. And that's how the impression multiplier works, and it became standard. So Google is using the same thing.

<<Laura Martin, Analyst, Needham and Co.>>

Why is it called a multiplier? Isn't it just impressions, one's two and one's 50,000? Why – what's the multiplier for?

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

Multiplier means one impression is one time, the ad showed.

<<Laura Martin, Analyst, Needham and Co.>>

Yeah.

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

But you need to multiply that by the amount of people that actually look at it, right, everywhere else – put out-of-home aside, everywhere else, one impression is usually one person.

<<Laura Martin, Analyst, Needham and Co.>>

Yes.

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

Right.

<<Laura Martin, Analyst, Needham and Co.>>

Yes.

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

Out-of-home is different.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

Because one impression at Times Square is not one impression in an elevator, right...

<<Laura Martin, Analyst, Needham and Co.>>

Right.

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

...or in an Uber.

<<Laura Martin, Analyst, Needham and Co.>>

It's true.

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

So that's...

<<Laura Martin, Analyst, Needham and Co.>>

That's why it's two in an elevator, and the multiplier is 50,000 in Times Square. That's what you mean by impression multiplier.

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

Yeah.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. Okay.

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

So it's – again, it's cheaper by the impression.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

But the multiplier is higher. So you're actually getting more money on that specific.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. Okay.

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

So – but you're paying less per person.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. Yep. Got it.

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

So you have a bigger reach, which is cheaper.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. Is it viewed a reach – is it viewed as a reach medium? Is it top of funnel? Must be, because it doesn't have performance, okay.

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

Yeah. We add QR codes to make it more performance. That actually works.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

But it is top of funnel.

<<Laura Martin, Analyst, Needham and Co.>>

And when you add a QR code, so one of the things I learned at CES is that QR codes on a television where it requires you to put up a phone. The only 0.001% of people who saw that QR code actually put up their phone. Now we had Flowcode on stage, which is a QR company, and he said he can get 5% to 6% if on sports, because those are fandoms.

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

Right.

<<Laura Martin, Analyst, Needham and Co.>>

So – and he has a specific product that lets him put the logo in it. So if the LA is playing New York, they'll put the logo of LA in the QR code. They'll get very high. That gets them higher interaction because they'll put the New York guys for 15 minutes and then they'll go to the LA guys. And so they get much higher. But is that what you – what kind of like percentages of people put up in front of an outdoor screen their phone and actually read the QR code? What are your percentages?

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

So out-of-home, I don't have any specific percentage, but out-of-home usually advertisers would want us to use QR codes.

<<Laura Martin, Analyst, Needham and Co.>>

Right.

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

It's pretty common. On CTV, we also use QR codes. That gets way less. When you're watching TV, you're not in a very active mode.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

You're not looking for your phone. You're not...

<<Laura Martin, Analyst, Needham and Co.>>

But that's true of out-of-home too. You're walking by, right?

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

Yeah. But if you look outside...

<<Laura Martin, Analyst, Needham and Co.>>

Yeah.

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

...most people go outside with their phone in their hand.

<<Laura Martin, Analyst, Needham and Co.>>

Yeah. That's true.

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

It's already there.

<<Laura Martin, Analyst, Needham and Co.>>

Yeah. It's in their hand already. Yeah.

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

Yeah. So it doesn't take a lot of effort.

<<Laura Martin, Analyst, Needham and Co.>>

So are you getting 1% click through rates on your QR codes outside?

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

I don't have the data but...

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

I know a lot of advertisers actually ask for QR codes within that.

<<Laura Martin, Analyst, Needham and Co.>>

Yeah. But I'm just wondering if they're effective or not.

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

I don't know.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

I can ask.

<<Laura Martin, Analyst, Needham and Co.>>

All right. Okay. So when you think about Hivestack this year, you had the lovely benefit of owning it and had a bunch of quarters of non-same store comp. You reported really robust growth in part because you had Hivestack in this year and you didn't have it in the prior year. As we go, as we anniversary the HiveStack acquisition, what's your best guess on what sort of fundamental growth is at Perion now that once you've owned HiveStack for a whole year?

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

What's our growth rate...

<<Laura Martin, Analyst, Needham and Co.>>

Like yeah, your growth rate of revenue.

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

Listen, this year specific year is a bit skewed.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

Anything that happened with search. So it's anything's a bit skewed.

<<Laura Martin, Analyst, Needham and Co.>>

Because of the Microsoft thing.

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

Yeah.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

But in two or three weeks, three weeks, we're going to have earnings, we're going to have...

<<Laura Martin, Analyst, Needham and Co.>>

Okay. But for the whole year, do you have like a normalized growth trajectory for the business over a three-year frame like just normally?

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

Elad? (Elad Tzuberly, Perion's CFO)

<< Elad Tzuberly, CFO, Perion >>

Double-digit growth.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. Okay. That's the normalized growth rate of the enterprise's double digit growth. Okay. Okay. Sounds high to me, but okay. Okay. Great. One of the things that Wall Street is madly in love with right now is advertising tied to purchase. And that's being driven by Amazon taking 100% of their ad inventory exactly a year ago on January 24 and turning all of their Prime Video subscribers into ad driven units. So they're now matching ads to actually purchases on Amazon fast forward. Walmart was finally able to close its Vizio deal. And next steps are, when you show an ad on Vizio, Walmart will tie that to an actual purchase in-store and online to that ad. So let's call that a retail media network with closed looped attribution, right. My question is, and Wall Street is madly in love with this idea. So my question is, do you have any play in this? Is there anywhere where you actually tie your ad units to an actual purchase?

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

Yes. So we've – I think two months ago, we released our product, our retail media network product for publishers.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

Which is for publishers we've done this with a360media, they own a lot of websites.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

And for them to use our technology to run their own retail media network.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

Now Amazon is doing that with retailers on the AWS. We're doing that. So Amazon, their biggest strength is data.

<<Laura Martin, Analyst, Needham and Co.>>

Yeah.

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

Our biggest strength is how do you run omnichannel and creative dynamically.

<<Laura Martin, Analyst, Needham and Co.>>

Right.

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

And we're now in the process of figuring out also how do we combine this? How do we – because I think the Amazon solution is great. That's absolutely great. But they do not have that piece that we have, which is the creative part, which is convincing Macy's to run on websites, but also have run that on an omnichannel base, not just one website after another. So I think we can provide a more robust solution than what's available now.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. And I do show that you reported that your retail media revenue grew 62% to \$21 million in the Q3, just in the quarter alone.

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

Yeah.

<<Laura Martin, Analyst, Needham and Co.>>

So is – that's being driven by the creative optimization tools? What's driving the growth there?

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

Yeah. So one of our things is creative measurement and the fact that it's omnichannel, that's not only open web.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

I think that the fact that we added out of home into the mix under one planning tool that really – that really helps.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. Let's turn to Microsoft. So search revenue were down 76% in the third quarter. So what I'm wondering is, is the worst behind you? And by the end of 2025, do you expect that segment of your business to start growing again?

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

So, the worst is behind us, touch wood, you can never say that...

<<Laura Martin, Analyst, Needham and Co.>>

Yeah. So true, it can always get worse.

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

But yeah, the run rate that we have now is a normalized run rate. So...

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

We feel comfortable with this.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

And again, I think search is not a very strategic piece for our company. Our strategic part is our platform, our advertising focus, getting budgets. As long as we can continue to extract cash from search, we're going to continue that.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. And that's mostly Yahoo now, right? Microsoft is gone?

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

Yes.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

Well, it's not gone, but, it's not...

<<Laura Martin, Analyst, Needham and Co.>>

It's normal. It's stable. Okay. Great. And what did Microsoft just, like – what happened? What did Microsoft do? It affected everybody. It wasn't just you guys.

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

Yeah.

<<Laura Martin, Analyst, Needham and Co.>>

What did Microsoft do that changed, like the world for you guys and for everybody else? What decision did they make on their own?

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

Well, I can give you my two cents

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

I do not want to speak on behalf of Microsoft. They have their own... so that's my own thinking and thoughts. But after COVID everybody had budgets going around, everybody just wanted more inventory, right. The more inventory the better everybody had enough budgets. Now, in the past year, there are less and less budgets and everybody's focusing on ROI.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

And if it's less budgets, then they do not need extra inventory.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

Obviously, the inventory that came from us came with the rev share.

<<Laura Martin, Analyst, Needham and Co.>>

Yes.

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

This is just me making one-plus-one in my head saying, if I don't have enough budgets, why would I need that extra inventory? I would rather use my own organic inventory and not pay so much on it.

<<Laura Martin, Analyst, Needham and Co.>>

Yeah.

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

So that's what I think happened.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

That's not a statement that we got from them, but that's how I think it came about.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. Cool. When you look at – let's turn to your connected television. Connected television up 19% and about and so when you think about the connected television growth rate, is that – is that driven by this out of home idea where you're extending to out of home or what's the connected television?

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

So now, Q3, the CTV that we reported is only TV.

<<Laura Martin, Analyst, Needham and Co.>>

Yeah. Okay. Just on TVs, not out of home.

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

Anyplace TV we released, December, I think.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

So it's not in the numbers yet.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. I gotcha. Okay.

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

And everything going forward, this the – the out of home part is going to be out of home and the TV part is going to be TV part.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

It's just our way of extending the ability to get more budgets.

<<Laura Martin, Analyst, Needham and Co.>>

Gotcha. Okay. So it won't sit in CTV even if the CTV guys, it will sit in out of home.

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

Yeah.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. That makes sense. Okay. Good. So open web video fell by 63% year-over-year, so what's going on there?

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

Two parts; one, as I said, open web is not a growing part of the world and not a growing part within us.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

Right, if you look at Google reports, I think that was a quarter or two quarters ago, they reported that the open web ads actually were minus 1%, but their CTV – their YouTube is up 12%. So a lot of video budgets are actually going into closed gardens. Obviously, Google is huge so for them 1% is a lot. For us, it's a lot bigger.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

But that's a whole industry trend. And for us, video two years ago was a bigger thing on open web. Since we're focusing more on budgets and take rate now, if we're getting \$1 million from Nike, we don't care, we don't necessarily care to put that on open web or something else as long as they get the results and come back with more money, right, so we're not pushing open web video.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. Got it. It's not out of focus. Okay, questions from the audience? Any questions? Okay.

Let's move now to your outlook for 2025 display and social advertising. How does TikTok, I mean, in four days in theory, TikTok is banned. How does that affect you?

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

Do you think that happened? That would happen?

<<Laura Martin, Analyst, Needham and Co.>>

I do.

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

Yeah.

<<Laura Martin, Analyst, Needham and Co.>>

I mean, they're saying Elon Musk might buy it. But I don't know who buys, as a company in four days. I don't know what board of directors its public would; Elon Musk could because he's the guy writing the tech.

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

If anyone can?

<<Laura Martin, Analyst, Needham and Co.>>

It would be him, but four days. They have four days, feels fast to me. So...

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

Listen at the end of the day, us in Adtech think that we control the world, and it's not us. It's user behavior. Users love TikTok.

<<Laura Martin, Analyst, Needham and Co.>>

They do. It's true.

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

And if that's going to be banned they would figure out different experience that mimic TikTok, might be Instagram.

<<Laura Martin, Analyst, Needham and Co.>>

Like reels? Like Amazon Meta Reels or YouTube Shorts, yeah?

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

Yeah. So it would just switch into a similar experience.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

And for advertisers that's fine. They have enough inventory to get whatever they need. People – the audiences are not disappearing, it's a different media so that's fine.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. So it doesn't really affect you? You don't think whether TikTok goes away?

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

No. No. And we're we are in the process of getting deeper in Asia. We started with out of home, which is pretty big for us in Asia. But we're in 2025 we're going to get into in with more products into Asia.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

And there TikTok is huge.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. And to there, yeah, TikTok is not going away there, okay. Any questions? No. Okay. So let's see. How are we doing on time? We have actually, okay we have time for one more question.

So if you think about what you want this audience to take away from that, you're most optimistic about in 2025, what would that be is your closing comment?

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

So in 2025 we're going to be very focused on advertising needs, on CMOs. There's a huge gap between the fact that \$700 billion is going through those pipes.

<<Laura Martin, Analyst, Needham and Co.>>

Yeah.

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

And the ability of CMOs, the people that actually control that money, their ability to execute, there's a huge gap there. And that's the gap we're trying to fill. So we're in a journey to actually not only grow our company, but change our industry. It's a big journey. We've spent a lot of time and a lot of efforts this 2024, getting all the pieces in place and getting the top CMOs in the U.S. in front of what we do. I think 2025 is a pivotal year for us.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

Getting more clients, introducing our new solutions to them, getting more adoption.

<<Laura Martin, Analyst, Needham and Co.>>

Okay.

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

We are excited about 2025.

<<Laura Martin, Analyst, Needham and Co.>>

Okay. Very good. I will call it there. Thank you very much.

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

Thank you.

<<Laura Martin, Analyst, Needham and Co.>>

Thanks. Bye.