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

Good morning. I'm Laura Martin. I'm the Senior Media and Internet Analyst at Needham & Company. I'd like to welcome to my stage, Tal...

<<Tal Jacobson, Chief Executive Officer and Director>

Thank you.

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

Jacobson. Okay, so he is the Chief Executive Officer of Perion Network, the global AdTech company that delivers integrated digital advertising solutions across search, social display, video, CTV, and programmatic channels. He assumed the CEO role in 2023 after leading Perion's CodeFuel search advertising business, where he transformed it into a significant driver of the company's market share and revenue growth. With more than two decades of leadership experience across digital media and technology, including senior roles at SimilarWeb, McCann Erickson, Watchitoo, and AOL, Tal brings deep operational and strategic expertise to Perion's evolution in a rapidly changing advertising landscape. His tenure emphasizes innovation and expansion of Perion's technology-driven offerings to better serve advertisers and publishers worldwide. Welcome, Tal.

<<Tal Jacobson, Chief Executive Officer and Director>

Thank you.

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

Nice to see you. So, for people not as familiar with the Perion story, why don't you give us an overview of your position with – Perion's position within the ecosystem, and how do you see Perion going forward?

<<Tal Jacobson, Chief Executive Officer and Director>

Yes absolutely. So, we've – at the beginning of 2025, we've made a huge pivot towards understanding there's a big, big problem in digital advertising. There's a \$1 trillion going through the pipes. There is no one company that is trying to see things from the advertiser's standpoint. Everybody's optimizing for their own inventory. So, Google is great, but they're optimizing for the Google and YouTube inventory. Meta is great. Amazon is great. The Trade Desk is great. But they're great for their own inventory. We're not thinking about the inventory. The inventory is just inventory. We're thinking about the advertiser. So that's the customer. That's the person.

Those are the people who spend \$1 trillion a year. And we're building an ecosystem, the only ecosystem currently, that's going to unify everything into one centralized platform. We're not going to replace DSPs. You still need Google. You still need Meta. You still need everybody else. But you need to activate that from a centralized place so you would understand what's going on. And you would know if you need to switch budgets between one channel to another channel. Because even though everybody's great, they're not going to tell you to push the money to their competitors. And we will. Because our job is to make advertisers make money, nothing else.

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

Okay, so this is the Perion One idea?

<<Tal Jacobson, Chief Executive Officer and Director>

Yes.

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

You guys have a really strong out-of-home presence.

<<Tal Jacobson, Chief Executive Officer and Director>

Yes.

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

So sort of what it sounds like you're doing now, so DoubleVerify has this thing called Scibids, which compares DSPs, specifically DSPs, to figure out who's giving you the best deal and who's not. So Perion One feels like it's an auditing layer, like it's another layer of, I'm going to call it overhead or take rate, to determine whether one walled garden is better than another than the open internet. So are people really adding layers of?

<<Tal Jacobson, Chief Executive Officer and Director>

It's an interesting way to – so I would look at it differently. So we bought a company called Greenbids six, seven months ago. It's now called Outmax. And that's the activation layer for everything. So we're not an extra layer. We're saying, just like with stocks, where you have high-frequency algo trading, right? This is high-frequency algo trading for media. So activate with Outmax, which is our AI algorithm. Let it do its job. So every single impression, every single click on your campaign, Outmax will go back to DSP and say, I need more of those. I need less of those. Change this. Change that. Every single impression. Now, it's not about verifying after the fact if that was good or not. It's within the campaign itself optimizing to make sure that you're getting better results.

And we have already proven to our customers that with the algorithm, you can get up to 40% better yield on the exact same budget than without the algorithm. Now, we're deploying that

algorithm to all the channels. So Outmax is soon going to be also available for out-of-home. It's already available for CTV, for Meta, for YouTube, for web. We're deploying it to more channels. Deploy that through the algorithm to make sure that you're getting a better yield.

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

Okay, but my confusion, so 40% is actually pretty typical of what people are seeing in terms of improvement when they use some kind of generative AI optimization tool. The confusion I have, as you mentioned, Meta and I think you mentioned Google, actually, also. So I get why somebody should use your platform that's an AI tool on your platform that's optimized. I don't understand why anyone would hire you to tell Trade Desk that they should be doing something different. Their DSP does that. Their DSP finds the best.

<<Tal Jacobson, Chief Executive Officer and Director>

Yes, absolutely.

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

Ad solutions...

<<Tal Jacobson, Chief Executive Officer and Director>

So even the Trade Desk invested in two algo companies that are sitting on top of Trade Desk and optimizing the algorithm of The Trade Desk for the customer. They invested in two companies. So custom algo for specific campaigns on top of DSPs has become a part of life.

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

It's standard.

<<Tal Jacobson, Chief Executive Officer and Director>

Yes. Now, if you use their AI, great. You get the optimization of maybe 40% of what they have. If you use us, you'll get an extra 40%. Us, other algorithms. Because it optimizes that specific campaign. What DSPs have is kind of a vanilla algorithm for everybody. It's the same algorithm. We have an algorithm specifically for that specific campaign, for that specific brand. The algorithm will behave differently for another campaign. So custom algorithm is a whole new thing in the past year and a half, maybe. Trade Desk invested in two companies in that. I think we're seeing us versus the competition. We do feel very comfortable about our results. We have pretty significant results with our technology. And now we're deploying it to other platforms. So Trade Desk is one. But Meta, if you want to buy Instagram and Facebook with high-frequency trading algorithms, I think we're the only company that does that.

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

How do you get access to deliverables in the Meta walled garden?

<<Tal Jacobson, Chief Executive Officer and Director>

We work with them. We work with them and with the customer itself, who owns the account of advertising, right? So we do always, we constantly look at what the campaign does. We also have the attribution of the customer. Did a person see that ad and then went on and downloaded an app or bought a shoe or completed a video, right. And then we go back to the campaign and say, okay, we need to change this. We need to improve this. We need to finalize that. We need to remove those. We constantly optimize on the fly, which up until the AI era, that wasn't possible. It's too much data. It's too much work. Now it's possible.

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

Okay. So, would you call this a new product? Would you call Perion One a new product, maybe like 12 months old or something?

<<Tal Jacobson, Chief Executive Officer and Director>

Yes.

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

So, stepping away from that new product and going back to the core business, one of the things you guys have always had at Perion that differentiated you is you had a DMP. You had both sides, SSP, DSP, and you had a DMP in the middle. And then you had like SORT, which was like a data kind of thing.

<<Tal Jacobson, Chief Executive Officer and Director>

Yes. It's a targeting...

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

Similarly, under your predecessor, the idea was to take SORT and then sell it externally, which didn't work.

<<Tal Jacobson, Chief Executive Officer and Director>

No.

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

So when we think about things that you're doing internally, let me call it the core business, not the new product. What's happening in the core business in terms of growth, in terms of out-of-

home, which has been a big bet you made on out-of-home? What's happening in that part of the business?

<<Tal Jacobson, Chief Executive Officer and Director>

All right. So in the past year, we've really pivoted everything. So one, we took all our products. Everything that wasn't performance-driven, we either sunset or rebuilt to focus on performance. We know that advertisers need to drive performance if you want to make sure that they're coming back, right. So the whole stickiness part of the platform is about performance. So we shifted even the core parts. We just shifted them, rewrite them, and they're now part of Perion One. So it's part of the platform. The only legacy part is the old search that we have. But anything else either got rewritten or sunset.

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

But search is pretty performative, wouldn't you say?

<<Tal Jacobson, Chief Executive Officer and Director>

It is. It is.

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

So you didn't have to touch it because it was already in a performance silo.

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

Yeah. It is. But in 2026, our supply search part is only based on our Yahoo agreement.

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

Yeah.

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

So – and since we do not think there's a possibility to add more agreements, it is what it is. We're going to put the effort needed to make sure that that works. But it's not part of the strategy. No, it's not.

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

Okay, got it. Okay. And what parts of the business were not performance before? Because I always think of you guys as a performance engine.

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

Right.

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

So I'm – what wasn't performance?

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

So the previous undertone which the company Perion bought 11 years ago was a high impact ads for web, which basically is brand awareness that no one interacted with them. But you would see on your entire page Home Depot, which is great, brand awareness, great. But now even that specific product is now shifted towards attribution and performance. So if it appears there and nobody clicked on that and nobody bought anything, it will not continue to appear there, so even that goes into worst performance.

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

So if you move the whole structure to CPC, when you say performance-based?

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

No. We're not – we didn't move it to CPC because we are buying that inventory on a CPA base from publishers on behalf of our customers. But our algorithm, exactly like our Performance CTV, the algorithm decides where to place those ads based on performance, right? So at the end of the day, we're being measured, our technology is being measured. Does it work, right? Exactly the same thing like Meta or Google, you would place more and more money into their systems if it works. If it doesn't work, you're going to take it elsewhere, right?

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

Yeah.

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

So that's how we're thinking about it.

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

So you guys have historically focused on large clients, whereas Google and Meta really specialize in \$5,000 budgets, \$10,000 budgets...

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

Yeah.

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

...like small and medium businesses, but really 10 million advertisers on Meta, so really small.

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

Yeah.

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

Is that something are you doing self service projects, so you can go down to those kind of budget levels?

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

Yeah. So the way we're thinking about it, you're absolutely right. I think Perion One, we do have the majority of our customers which we call enterprise big brands. We're now getting more and more into the SMBs. But within this year we're going to put two focuses on our platform. One, a lot more self-serve. And for that we don't think people have the patience to do training on platforms anymore. So a lot of the self-serve is actually going to go on Gentec [ph].

So you would go online and say to that agent, which is already in the works, I have \$100,000 of budget. This is what I'm trying to get those I'm trying to get people to sign up for a form for a new car insurance in New York. Those are the ages. What do you suggest? And the agent would say, we can do CTV, we can do out of phone, we can do web, we can do TikTok, we can do Meta, we can do YouTube.

Here's how I'm thinking about it. You would tell it, okay, so go. And then when you say go, our DCO, which is our technology for building creative is going to play and our Outmax, which is our activation component, which knows what would work better and constantly improve it will go into action and then you'll have your insights and then you'll see, okay, that made sense. Let's approve this, let's change that. That's how we're thinking about. And once this is ready, definitely long tail will be able to join. So – but that's going to take a bit of time. But that's the roadmap.

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

Okay. And are you – so let's talk about like the big growth products right now in AdTech or CTV, Retail Media, and I'm forgetting the other one. So let's talk about those products. It sounds like you're pivoting towards performance, which I think is great.

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

Yeah.

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

But you're not getting paid on a CPC basis. So it's not being paid on your performance. It's arguing that your products make their ad budget more performative, okay? And can you charge more for that because it is tied to performance. Do you find your take rates going up or can you get better?

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

So we feel that with everything we've done in the past six months with Outmax, which is the algorithm for performance, we see that we can charge more but more than that we get a lot more budgets. So people are just pushing more and more budgets pretty much automatically because it just – it works.

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

Yeah.

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

You don't need to convince them, right? So yeah, on CTV, you're absolutely right. That's the growing part. Q3 we saw 75% growth, which is great. I mean the market grew...

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

In CTV?

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

In CTV, market grew 14%, we grew 75%, so...

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

But it's small. In fairness, it's a small.

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

Absolutely, absolutely small. But we did launch a few new products for CTV this year, so Performance CTV, which is aligning attribution. So you would know if somebody looked at a TV ad were they doing something after that, installing an app, ordering an Uber, whatever it was, right? So that's kind of new. And the algorithm itself will shift between channels and deploy more budgets on channels that are more performative. So that's great. The other thing is Outmax, which the biggest, which works on YouTube. The biggest CTV channel is actually YouTube. And Outmax works perfectly for YouTube. That's...

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

I'm surprised the biggest CTV is. I'm surprised that's the trade case. But okay, what's driving so in CTV, why you just said it was up 75%. So let's stay on that. What do you think is driving the growth in CTV for Perion?

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

I think its performance. It's actual performance.

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

So when I think of performance, I think of Mountain, right, who we'll have on stage later, which is doing Performance CTV.

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

Yeah. Yeah. Well, Mountain is self-serve...

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

Performance CTV.

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

Performance CTV, yes.

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

So how is yours different?

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

So we – again, we would work with the enterprise clients and not middle market smaller ones. We do not take \$5,000 campaigns. Our campaigns would be tens of thousands to hundreds of thousands for campaigns. But within that you do have the customizable elements like DCOs, right. If I'm watching a TV ad and that would say...

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

DCO is dynamic content optimization.

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

Yes, yes.

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

Audience knows.

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

Yes. So the technology that knows how to place element on the screen, right? And it also treats a TV as a computer. So you have through that you have all the elements that you would have available on the computer you're going to have on TV. For example, you would say why cook your dinner goes to Golden Corral, which is just five minutes away from your house. Here's a map, right? You won't be able to do that with, I think with platforms like Mountain, which they're doing a great job, but the whole dynamic or we know it's raining outside. Order something through Uber Eats, right? Here's a QR code just because it's raining.

How would you know it's raining? Because we have that DCO. The DCO knows what's happening around you. It knows where you're based because it's basically a computer. Just so you're not going to be surprised when you open your Google Maps on your computer. You knows where you are, right? Why would people be surprised where the TV knows where you are? So we're taking all the elements that you have in your computer to the TV.

And by that, we do show companies like Golden Corrals, but others that this is very performative. People do order things through that, people do take action through that. And that's – I think that's driving...

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

TVs are stupid like their margins are like 3%, like they're dumb and they keep pulling costs out of them. And TVs are like \$200 now. I mean, they're so expensive.

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

The TV itself.

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

The TV itself so.

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

Yeah.

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

Telly, I understand because it's got this smart brain down below.

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

Yeah, yeah.

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

But I don't understand how you're bringing these kinds of interactive capabilities to dumb screens their televisions.

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

Well, they're not dumb. This thing is basically a mini computer. So it does have the capability of understanding where this TV is at location.

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

You need the IP address, not the TV, but the IP address that ties into the Internet.

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

And you can open an HTML page, which basically is a browser. And a browser can show you a map and can show you the weather and can show you whatever you want. So it's not as dumb as you would think, because if it can run a browser, they can run everything.

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

People don't use their TV like this. I mean, this is the whole vision of Vizio, the vision of LG, now the vision of tele, oh, we're going to make this big, huge screen central to the home. It's going to be an agent. And everybody's talking about voice, like Alexa kind of capabilities coming out of your...

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

Yes.

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

I don't know. But I just don't think consumers do that. They use a TV to lean back and be entertained.

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

No, you're absolutely right. I think – you're absolutely right. People do not use their TV as a computer. But AdTech capabilities are taking advantage of what the TV can offer technically. So even though, you're watching Netflix, our capability of running ads, creative ads, dynamic ads within Netflix, are as if it is a computer. You don't know that, because you're thinking TV is just a TV, but in fact it has the capability of a computer, less computing power. But we're not running anything that you need to compute. We're just showing you images, right? But every person we see something different.

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

So this is a – there's a long sort of pendulum swing towards personalization. So it sounds like you're personalizing. Usually, people are telling me that they're using AI – Gen AI to do creative. I'm going to call it versioning, like, in Coke, I was going to use Coke. You can't, because they would never let you do it JetBlue, something a little more avant-garde. They'd say here's three ads we've done. Go ahead and make 10,000 ads, using Gen AI to make it more personalized. So there's 10,000 ads, which is not – it's more personalized than having three ads or one ad. But it's not person to person. You're not seeing a different ad than I am, right. It's cohorted in a way.

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

Yes, yes. So we're not using AI to create ads because we do not think especially on the enterprise level like companies like Nike or United...

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

Versioning, not even for versioning...

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

Versioning, we have to use that for versioning. So we would take seven different versions and would let the AI figure out what works best for people at that screen size in that neighborhood when it's raining. Absolutely.

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

But it's not creating the seven. Some human created the seven. But that is where the world's going is letting Agentic create...

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

I think at enterprise, so companies like Mountain, absolutely, if I'm a hairdresser and I don't have a lot of budget, I'm not going to hire publicist for this, right, and I'm going to hire a creative person. I just need people to see my store and a beautiful girl with nice hair and say 50% off or whatever.

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

50%, yeah.

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

Yeah, great. For this...

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

For that is doing this too, because self service, content creation.

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

Absolutely. But we're a bit different. I think what we're trying to achieve is getting AI to make decisions to create better yield on your media investment. We're not trying to compete on the creative part. We're trying to make sure that if you're spending \$100,000, you should get the result that you need. And if you're not, then we'll switch channels, then we'll switch versions, then we'll switch attribution until AI can figure this out. So that's – I think that's the power.

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

Okay. And you're getting larger budgets. What you're finding is as you optimize, it doesn't hurt you, because I mean there's a lot of benefit in your – because you get paid as a percent of the media spend. It's bad to optimize at some level, because if you only can spend 50% as much to reach the million target impressions, suddenly you got paid less. But you're saying that you're getting higher budgets because of the optimization.

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

Yes. So the way our algorithm works or optimized is on results. Because we know that if you get the results, we're going to get more budgets. It's not about how do I extract more margin through that. Because we need to get into that place where we can scale our business, right? So 2025, we're pivoted to business. 2026 is about scale. How do we scale this? How do we get more customers? How do we get more budget through the customers we have now. And that goes through what we believe – how do we add more value? Adding value is, if you're a customer, you're looking for new customers to buy a car, a vacation, a cruise line, whatever, that's our goal. Our goal is to make you happy because we know you're going to come back. So that's what we're focusing on.

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

So this pivot that you're talking about sounds like it doesn't involve out of home at all.

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

It does. It absolutely does. So as part of the mix, the media mix, we will always give you the option to activate our phone. And we do see a lot of companies, a lot of advertisers are now seeing out of home as a performative channel, which is something...

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

How is that possible?

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

So we do...

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

Walking by a billboard and somehow, like...

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

So we do see and if you guys are interested, go into our website. We have a lot of case studies how that works for specific brands. But an example that I always love giving as we've done Uber, used our systems to buy all the video screens in Hong Kong. And because they use our DCO, if you are on a bus station...

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

Dynamic content optimization.

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

Remember that. And it was raining, the DCO decided to put somebody with an umbrella and saying, stop standing in the rain, order an Uber. Or if it's heavy traffic, the DCO would replace that and see somebody looking at the watch and saying, you're going to be late, order an Uber. And Uber saw a huge lift in orders, right. But we have so many different examples on our website. Estée Lauder saw a huge lift in buying their anti-age new face cream in Hong Kong as well.

Burger King, we have an amazing case study with Burger King, with Lululemon in Germany, we know how to measure success and out of home. But even more than that, as you said, retail media is really, really growing and now out of home is starting to be within stores, within malls, within on your way to a store, right? So how do we make sure that if you're on your way to target, we want to make sure that you're going to actually end up in target and not go into the competition. And we want to make sure that you know, it's 50% off on what we want to sell you. So how do we use out of home to make sure that you're going into the store and you are aware that there's a big sale now, right? So out of home now becomes part of the offline retail journey. And in the U.S., it's I think over 85% of people still buy physical stores and not online. 85%, which is a big number. So out of home plays perfectly into that.

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

It's just so funny, because you said you jettisoned everything that wasn't performative and I don't think of out of home as performative. But you guys have figured out a way to link performance to it. And performance, do you get paid differently on this? Because sometimes when people – when companies link to performance, they get a percent of the cost savings like they change their business model. You're still doing a take rate as a percent of ad spending, ad budget spending.

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

So we're sticking with the exact business model that Meta has, Google has, push as much budget as you want through our pipes. If it works, push more. But we're only going to take a cut out of the media. That's it. We're not – there's nothing else, right? Google doesn't take a success fee, right? So we have the exact business model that Meta has and Google has...

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

And that you guys have always had. This isn't different than your historical...

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

No, it's a same thing.

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

...fee structure.

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

Yeah, yeah.

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

Okay. Any pressure on take rates to the downside.

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

I think as we're going to scale up, we might need to incentivize customer to spend more money on bigger volume commitments. We might see lower take rates, but that should come with volume commitments. Just – not just...

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

Like, volume discount, sort of like you'll have stair step functions our take rate is this and if you hit this benchmark, it steps down to here like that. That's your thinking.

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

Yes. And when you think about it, most ads platforms have that, right? Trade Desk has that, Magnite has that, right? Buy through us this, we'll give you a discount, right?

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

Yes. Volume discount. In this pivot of products, did you end up losing a lot of customers? Because a pretty big pivot.

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

So when we started this, we did find a few products that didn't make sense that we didn't want to continue with. We shut them off and by that we did – said our goodbyes to a few customers, but that wasn't a profitable part of the business anyway.

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

So you got rid of revenue, but it didn't really have a profit margin with it. So it didn't hurt the business itself.

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

Yes.

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

Okay. Questions from the audience for Tal? Yes, sir.

Q&A

<Q>: Do you have any kind of business on a local side of media? How do you go out and make business? Do you go door-to-door?

<A – Tal Jacobson>: That's a good question. So currently, because our platform is a bit more complicated than just going business to business, we do go through the major agencies or the bigger brands that have the capacity. First of all, every brand has – comes with hundreds of thousands of dollars and not \$5,000. But again, I think part of our way of thinking about our roadmap is how do we get this to be as simple as possible. So even if you're a real estate agent...

<Q>: You mentioned the hairdresser...

<A – Tal Jacobson>: Right. I think the world is going to get there. And I think if we're the infrastructure of agentic AI, kind of think about it as a gateway to advertising and you don't need to be trained on Meta, you don't need to be trained on Google, you don't need to be trained on whatever. You just need to tell us what you want, give us the budget, tell us what you want, let's deploy it. So we're absolutely going to get there. It's a matter of priority what would provide us the bigger scale now. But that's definitely part of the roadmap.

<Q>: You talk about customer acquisition – is cost part of the model? Is it significant?

<A – Tal Jacobson>: It's not very significant. So currently we have our salespeople that are going to the major agencies or the major brands. So it's mainly our salespeople and marketing.

We do not acquire customers online. But as we would go into more and more self serve, that will get there.

<Q – Laura Martin>: Let's talk about your capital allocation approach. How do you balance investment? Yes, yes, go.

<Q>: I'm a shareholder. Empirically, you're the cheapest stock in the world at 1.4 times EV/EBITDA, can you please update us on your capital deployment, what are your thoughts there?

<A – Tal Jacobson>: Yes, absolutely. So we did just announce – last quarter, we announced that we're going to do – we're going to increase our buyback to \$200 million for \$400 million market cap that's quite big.

<Q>: \$200 million.

<A – Tal Jacobson>: \$200 million as total, yes. With that, I do not have the final number for Q4, and I'm not going to go into that. But I think we're over half of that was already bought in 2025.

<Q>: Over half of \$200 million?

<A – Tal Jacobson>: Yes. And we're refilling the – you're absolutely right, the stock is extremely cheap, extremely cheap. So we...

<Q>: You put your money where your mouth is...

<A – Tal Jacobson>: Absolutely. And within that, we also think we're generating a lot of cash. We're going to continue to generate a lot of cash. We're a very profitable company. Our DNA is to stay profitable. We do not know how to operate a business that is not profitable. Thank God.

<<Laura Martin, Analyst, Needham and Co.>>
There were some quarters...

<A – Tal Jacobson>: Profitable on an annual basis. Cash flow positive, generating money ethics should be about generating cash. Within that, yes, \$200 million buyback, \$100 million roughly already got through the pipe. The rest of our money, investing in our organic part, continue to invest in our system. We are becoming more and more an infrastructure for AI, investing in inorganic. So what else do we need? What more algorithms would we need to provide more value to our customers so we can scale faster, right? That's how we're thinking about budget allocation.

<Q>: I like that, thank you

<A – Tal Jacobson>: Thank you.

<Q>: Let's talk a little about 2027. You mentioned 2026 is an investment year in the dialogue. How can we think conceptually about growth opportunities once the investments have been made?

<A – Tal Jacobson>: Yes.

<Q>: Growth rate should accelerate, I assume.

<A – Tal Jacobson>: Yes, yes. So, we're defining 2025 was a pivotal year, 2026 we're still building our product. 2027 is really about scale, is all about scale. The product should be completely ready to really, really scale this. AI should accelerate our scale. And yes, 2027 is...

<Q>: And just for perspective, if we're successful in 2027, can we grow to be like the Zetas of the world, growing 20%, is that an opportunity for us?

<A – Tal Jacobson>: I can't give you guidance on this.

<A – Tal Jacobson>: But, yes, that's the goal. That is the goal. That's where our mind is at.

<Q>: Market leading growth...

<A – Tal Jacobson>: Yes, yes, yes. We're really thinking about how do we consolidate everything into one platform. We want marketers to use only this. Do not use anything else, just use this. The same budgets, the same everything, we'll show you better results. We'll show you – you need less people on your team and we need you to be able to shine to your CFO. That's the goal. So that's how we're thinking about it? Yes, without going into guidance, yes, that's exactly how we're thinking about it.

<Q – Laura Martin>: So Tal, this pivot you're talking about for 2025 sounds like a remake of the entire company. So what was going wrong? What was the catalyst that you basically threw out what came before and pivoted so hard into PerionOne product?

<A – Tal Jacobson>: Yes. The old Perion, so let me just say, Perion exists since 1999, been on the market, stock market since 2006. It's a very long time for a company that kept pivoting and kept buying more and more things. I think within that time we also had four or five different CEOs. I'm not saying anything bad about anyone. They all had their own idea. That's fine. But when I started this journey, the...

<Q – Laura Martin>: Revenue halved...

<A – Tal Jacobson>: Yes. When the Board asked me to take that seat, I said one, we have to stop being a holding company. It's just not efficient. So 2025, we restructured our entire cost structure. We all are very high paying people that were just duplicates had to leave. So in 2025, we replaced nine out of 10 executives. Nine out of 10 executives?

<Q – Laura Martin>: [Question Inaudible]

<A – Tal Jacobson>: Yes. Nine out of 10 executives got replaced in the past year and a half, which for a public company it's a big deal to replace everybody. So change a cost structure. We pivoted away from managing inventory. I don't think it's the future unless it's your inventory. If you're a closed garden and you own YouTube, great, it's yours. If you're just reselling CNN.com then what's the value there? Everybody, if you want to buy this thing.

<Q – Laura Martin>: CNN.com is the value there..

<A – Tal Jacobson>: For CNN, not for everybody else.

<Q – Laura Martin>: There's a take rate on that. If you're representing CNN and you're in SSP, there's a take rate on that?

<A – Tal Jacobson>: So if you want to buy CNN or you want to buy Disney, you want to buy Hulu, you can buy through me, you can buy through 300,000 other companies. There is no unique value...

<Q – Laura Martin>: There's no exclusivity. That's what you're saying? Okay.

<A – Tal Jacobson>: There's a reason why Google and Meta are really, really growing. They have the unique asset that nobody else can sell. Since we do not have an asset on the inventory part, we didn't see why we should continue to invest in that. The only asset we see is the one that nobody actively sees. I don't know why it's – I cannot get my head around it the customer. There are customers that are spending a \$1 trillion a year. Nobody's focusing on them.

<Q – Laura Martin>: Sorry, Trade Desk's Jeff Green says, that the main asset is the buyer, the guy that's putting money to work. That's just what you're saying? There you prefer DSPs to SSPs.

<A – Tal Jacobson>: Again, I'm not going against Jeff Green or anybody else.

<Q – Laura Martin>: No, he's agreeing with you that the primary asset is the customer.

<A – Tal Jacobson>: I agree. But Jeff Green or Trade Desk, which are doing an amazing job on open web, they're focusing on open web.

<Q – Laura Martin>: That's true. You're not wrong.

<A – Tal Jacobson>: If open web grows, doesn't grow. That's human behavior. That has nothing to do with Jeff Green or anybody else. Humans are not going to continue to read editorial websites for the next 10 years. That's going to change because AI is changing it. But advertisers and brands are always going to continue to look for customers and they're always going to spend more money on advertising. I do not care if now it's TikTok and tomorrow it's VR and the next day it's whatever spaceships. I don't care. I want them to be able to log into one place now and in 20 years from now and manage everything through their AI agent, which is customizable to

Nike, because it knows Nike and it constantly works with Nike. That's what I want. I do not want to focus on open web or this or that inventory. I want to focus on the customer.

<Q – Laura Martin>: Okay. So a year ago, I asked you on the stage what was the most controversial thing you were saying. You say, the open web is dead, and at the time you were 100% open web revenue stream. So this pivot is a result of that belief that you've moved sort of to the DSP side. You sort of agree with single sided DSPs that the customer who has money to spend is the primary asset. That the open web might be under threat from search links being replaced by answers. Maybe traffic falls in the open web and or there's commoditization and take rates squeezing out of take rate in the ad tech ecosystem. So you're pivoting away from the open web. So this is the answer to my catalyst question.

<A – Tal Jacobson>: Yes.

<Q – Laura Martin>: That you come to a decision about the future of the open web. So you've moved the positioning of the company away from the open web.

<A – Tal Jacobson>: Yes. And you know you asked me that a year ago in CES.

<Q – Laura Martin>: I did.

<A – Tal Jacobson>: And a year ago that was for me to say, open web is about to die When the entire company was open web...

<Q – Laura Martin>: It was controversial.

<A – Tal Jacobson>: But I've done what I believe. I believe that I shouldn't think about today. I should create value for the long run. I should create the infrastructure that's going to stay here, and that's how we're building our company.

<Q – Laura Martin>: So as you pivot away from open web, how do you define this? What business are you now in if you're not open web?

<A – Tal Jacobson>: Well, you can buy Open Web through us. You can buy CTV, you can buy social, you can buy whatever you want. We're not focusing on the open web specifically. We're focusing on – you have \$100,000. What do you want to get? Well, I want to get customers that are doing this. Great. Let's see if open web answers that need or not. If it does, great, then Outmax will buy it on open web. If it doesn't, we'll buy it on Meta. If it doesn't, we'll buy it on YouTube. If it doesn't, we'll buy it on Out of Home. If it doesn't...

<Q – Laura Martin>: How do you buy YouTube? I thought the point of a walled garden is you couldn't get to their inventory without going through them.

<A – Tal Jacobson>: No. We definitely go through them, but the algorithm sits on top of them and optimize what they suggest.

<Q – Laura Martin>: Okay. So the algorithm optimizes across the open web and the walled gardens. But if you decide that the walled garden is a better place to spend money, you still have to use the Facebook interface or the Google Ads DV360 interface.

<A – Tal Jacobson>: So the customer doesn't need to use anything because Outmax will do that for them.

<Q – Laura Martin>: I get it. Your tech does that. Yes. Okay. So, okay, so instead of just figuring out and telling people where to spend money, it goes and spends the money for them and optimizes.

<A – Tal Jacobson>: Yes.

<Q – Laura Martin>: Okay. And when you say performative, since you can't get any feedback loops from any walled garden, assuming they just pick a number, if somebody gives you 100,000 and 50,000 gets spent in a walled garden, Amazon, Google or Facebook, how do you then tell the customer it was performative?

<A – Tal Jacobson>: No, we can. We can absolutely do that because the person who implements attribution at the walled garden is the customer. That's Nike. That's how Nike knows if Meta works, Right?

<Q – Laura Martin>: No, I think you lost me.

<A – Tal Jacobson>: Okay. If I'm an advertiser, if I'm Nike or Uber or whatever, and I place an advertisement on Meta, my own team placed that on Meta, then I would let meta know what is conversion? So let's say, conversion is somebody opens Uber and order a ride and I would place a code that goes through Uber to Meta and say that worked, that didn't work, that did work. So that attribution Uber needs to set up, Uber already has that. The only thing we do - so Uber already tells Meta what works, what doesn't work. What Outmax does is it sits on behalf of Uber and says, okay, now that you told Meta if it works or didn't work, let me work with Meta on real time basis milliseconds and say it worked, it didn't work. I want more of that. I want less of this, this, that, that. Because Meta is optimizing on margin. I'm not optimizing on margin for Meta, I'm optimizing on results for the customer. We have different...

<Q – Laura Martin>: Versus other channels, if you will.

<A – Tal Jacobson>: Yes, yes.

<Q – Laura Martin>: And percent of this total revenue you think is going to be CTV versus basically desktop and mobile.

<A – Tal Jacobson>: I think CTV is getting more and more...

<Q – Laura Martin>: Even with this product. The Perion One product.

<A – Tal Jacobson>: Yes, yes, absolutely. I think CTV is definitely going to...

<Q – Laura Martin>: It feels unperformative if the whole idea is we're moving to performance, Out of Home feels unperformative. And CTV, those feel like objectives that are not performative. They feel like at odds with the strategy of moving towards performative.

<A – Tal Jacobson>: Yes. So we're seeing more and more app companies that are driving performance to download their app through TV. So that is becoming performative.

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

I'll call it there, because we're against time. Okay, thank you very much.

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

Thank you very much.