Perion Q1 2025 Earnings Call | May 13, 2025

Moderator:

Hello everybody and welcome to the Perion Network fourth quarter and full year 2024 Earnings Conference Call. Today's conference is being recorded and an archive of the webcast will be posted on the Company website.

The press release detailing the financial results is available on the company's website at www.perion.com.

Before we begin, I'd like to read the following Safe Harbor statement:

Today's discussion includes forward-looking statements. These statements reflect the company's current views with respect to future events. These forward-looking statements involve known and unknown risks, uncertainties and other factors, including those discussed under the heading Risk Factors and elsewhere in the company's Annual Report on Form 20-F, that may cause actual results, performance or achievements to be materially different, and any future results, performance or achievements anticipated or implied by these forward-looking statements.

The company does not undertake to update any forward-looking statements to reflect future events or circumstances. As in prior quarters, the results reported today will be analyzed both on a GAAP and a non-GAAP basis. While mentioning EBITDA, we will be referring to adjusted EBITDA. We have provided a detailed reconciliation of non-GAAP measures to their comparable GAAP measures in our earnings release, which is available on our website and has also been filed on Form 6-K.

Hosting the call today are Tal Jacobson, Perion's Chief Executive Officer and Elad Tzubery, Perion's Chief Financial Officer.

I would now like to turn the call over to Tal Jacobson. Please go ahead.

Tal Jacobson:

Good morning, and thank you for joining us on the earnings call for the first quarter of 2025.

Every C-Suite Executive needs a platform that powers the right business outcomes:

CROs have Salesforce. COOs have Monday.com, CTOs have Jira. And now, CMOs have Perion as their go-to Platform.

Perion One gives marketing leaders a platform that delivers what truly matters - better business outcomes at scale.

AdTech is often misunderstood, and sometimes it is viewed by investors as complex, crowded, and fragmented. Yet, the past few decades tell us that Ad Tech companies that are growing through technology can change the world and more importantly, Ad-Tech companies have been using advanced technology to boost value for investors. From DoubleClick and Google, to Meta, Amazon, AppLovin, and The Trade Desk, companies that are viewed by many investors as 'tech companies', are truly ad-tech companies at their core.

All these businesses mastered how to connect brands with consumers more efficiently at scale. They built their foundations in ad technology, generating tremendous value for investors. We believe Perion is on the same trajectory.

Building Perion One as an outcome-driven platform allows us to create a long-term value for CMOs and for our shareholders.

Perion One platform is an outcomes-driven infrastructure for modern digital advertising. It is aimed to provide measurable outcomes, with channel agnostic, supply neutral, and fully flexible to work with any agency tech stack. By integrating creative, insights, and AI-powered optimization under one roof, Perion One delivers a unified and intelligent brand experience - from planning to results.

The first quarter of 2025 was a strong start to the year on all four essential pillars: Our Business Performance exceeded the results that we initially expected, and we enjoyed an increase in all of our growth engines that continued to outperform the market.

This quarter, we advanced our product by creating a new integration partnership with The Trade Desk, adding UID 2.0 to the Perion One capabilities. This fosters inter-operability across the industry, enabling more seamless and effective solutions for our clients.

Recently, we were happy to announce a double-digit audience engagement with our first-to-market AI-powered chatbot, offering brands a new way to create interactive, high-impact experiences that drive real outcomes.

As we announced this morning, we advanced our AI capabilities by acquiring Greenbids, a cutting-edge AI company that significantly enhances our technology. This new advanced custom algorithm for leading DSPs and closed gardens allows us to dramatically increase our total addressable market.

And finally, Industry Recognition. Our innovation and culture continue to be recognized - from campaign finalists at The Drum to winning Ad Age Best Places to Work.

All our growth engines continued to show positive momentum - Digital-out-of-home, CTV and Retail Media, all outpacing the market growth. We are encouraged by the increase in all of our growth engines, especially the Digital-out-of-home, which grew by 80%. The consistent growth in Our Digital out of Home activity proves that our methodology of buying and integrating companies, in this case - HiveStack - is working.

With that, I'm happy to announce the acquisition of GreenBids. This is one of the most exciting moments of this quarter - a bold step that advances our platform in a meaningful way.

GreenBids allows us to embed a custom AI-based algorithm into Perion One, extending our optimization capabilities across walled gardens. These include: YouTube, Facebook, and Instagram, alongside leading DSP platforms, such as The Trade Desk and Google DV 360. GreenBids custom algorithm is focused on reducing waste in advertising budgets and increasing business outcomes. The GreenBids algorithm targets and bypasses inefficiencies in the advertising ecosystem. This is how we win and grow profitability for advertisers. For us, Greenbids is more than a strategic fit. It's a significant leap forward.

We're thrilled to welcome the world-class team of Greenbids to join us at Perion. They share our vision and bring elite AI and ad tech talent to our company. GreenBids is a trusted platform used by over 80 top global brands — and by applying our scale we can accelerate its reach even further. We didn't just acquire tech. We gain talent and momentum from day one. Together, we are poised to unlock the next phase of intelligent advertising

Historically, our strength has been in top and mid-funnel environments on the Open Web, helping brands reach broad audiences and drive consideration. With Greenbids, we're expanding into the lower funnel, where purchase decisions are made, and we are gaining deeper access to performance budgets across social and video walled garden platforms. This significantly increases our addressable market and creates more ways to deliver value to advertisers.

It's always rewarding when strong execution translates into stronger numbers — and that's exactly why we're raising our guidance today. It is essential to state that even without the GreenBids acquisition, we would have raised our guidance, as our Q1 results were very encouraging. With GreenBids, we expect this growth to be even stronger. Based on our Q1 performance, the financial contribution we expect from the Greenbids acquisition, and our continued confidence in execution - we are raising our full-year 2025 guidance. This reflects our strengthened position and the growing market opportunities ahead.

As we grow, we remain committed to what drives long-term value: continued investment in our customers, our people, and our technology.

Before I hand it over to our CFO, Elad Tzubery, I'd like to personally invite you to meet us at one of these upcoming events.

Today, we'll be at the Luma, Needham events. Next week at the Oppenheimer event, and of course at Canne Lions next month - ready to connect, share more, and show you how Perion is shaping the future of outcomes-driven, intelligent advertising.

Elad - over to you.

Elad Tzubery:

Thank you, Tal, and thank you all for joining us on the call today.

Four main factors allowed us to exceed our expectations for the first quarter of 2025: our performance was hallmarked by solid execution, the market's positive response to our new Perion One platform and strategy, our continued operational discipline, and our continued focus on growth on both top and bottom lines. All these factors give us the conviction to increase our 2025 full year financial guidance.

In the first quarter, our core growth channels — DOOH and CTV — continued to outperform the market, growing 80% and 31% year-over-year, respectively. These channels now represent 31% of our total revenue. In addition, our Retail Media vertical grew by 33% year-over-year, also outperforming the broader market. This reflects the growing alignment between our strategy and the evolving advertisers demand.

Moving to our financial results for the quarter: Total revenue for the first quarter was $89.3 million. This is higher than our initial expectations as a result of outperforming in CTV and DOOH channels, and continued growth of our Retail media business. Adjusted EBITDA was $1.8 million, also higher than our expectations, reflecting a continuous operational control and margin discipline. Our cash position remains strong with nearly $360 million in net cash. We remain focused on profitable growth, operational leverage, and strategic reinvestment where we see long-term return.

Perion's revenue mix reflects where the market is headed. We remain focused on our core growth channels, including Digital Out of Home and CTV which outperformed in the first quarter. DOOH increased by 80% year-over-year, reaching 19% of the total revenue, up from 6% last year. CTV increased by 31% year-over-year, representing 12% of revenue, compared to 5% last year. Web revenue declined by 28% year-over-year representing 46% of the total revenue, compared to 37% in the same quarter of last year. We expect Web revenue to stabilize on a year-over-year comparison starting next quarter. In the past three quarters, we have been seeing the Search revenue stabilizing at approximately $20 million per quarter. For the first quarter of 2025, Search revenue represented 22% of the total revenue, compared to 52% in the same quarter of last year.

In the first quarter, the Contribution Excluding Traffic Acquisition Costs Margin was 44%, compared with 38% in the first quarter of 2024. This is primarily due to the changes in our product mix that is now centered around more profitable solutions.

Adjusted EBITDA for the first quarter was $1.8 million, representing 5% of contribution ex-TAC. During the first quarter of 2025, and as part of the ongoing implementation of our Perion One strategy - we continued to take structural steps to optimize our cost base that align with our unified operations. These actions included a reduction in headcount, tighter expense controls, and improvements in sales and marketing efficiency. These efforts are directly tied to our broader transformation — creating a more agile and scalable organization designed to drive long-term growth and profitability.

On a GAAP basis, our first quarter net loss was $8.3 million, or 19 cents per diluted share; versus net income of $11.8 million in the first quarter of 2024, or 24 cents per diluted share.

On a non-GAAP basis, net income was $5.4 million, or 11 cents per diluted share; versus $22.6 million in the first quarter of 2024, or 44 cents per diluted share. Our ability to remain profitable on a non-GAAP basis despite the loss of Search revenue is a testament to the operational efficiency of our business.

In the first quarter of 2025, Cash used in operating activities was $7.1 million. Adjusted free cash flow was a negative $7.4 million. The first quarter cash from operations was temporarily impacted by $8 million of collections that shifted from March to April. We remain confident in our ability to return to a high cash flow conversion rate. We expect full-year adjusted free cash flow to be closely in line with our adjusted EBITDA guidance.

As of March 31, we had on our balance sheet $358.5 million in cash, cash equivalents, short-term bank deposits, and marketable securities. We continue to maintain a very strong financial position. Our cash balance provides us the flexibility - to execute our inorganic growth strategy, invest in innovation, and return capital to our shareholders.

We continued to execute on our capital allocation plan with discipline. On March 10, our Board approved an expansion of the share repurchase program to $125 million, reinforcing our long-term confidence in Perion's value. Since the beginning of the buyback program until the end of the first quarter of 2025, we've repurchased almost 6 million shares at a total amount of $53.3 million. In March this year, Perion adopted an accelerated share repurchase plan, and to date, in the second quarter, we already repurchased additional 3 million shares at a total amount of over $26 million.

Earlier today, we announced the acquisition of Greenbids – a cutting-edge AI platform focused on custom bidding algorithms across walled garden platforms, Including: YouTube, Facebook, and Instagram. This strategic acquisition allows Perion to expand our total addressable market into new lower-funnel performance opportunities. It introduces us to brand-specific, KPI-driven optimization capabilities that enhance client retention. It also enriches our Perion One platform with incremental data and intelligence, improving our automation and measurement capabilities over time.

The transaction terms include $27.5 million in cash paid at closing, a $22.5 million cash earnout over two years – tied to performance milestones, and a $15 million retention package in cash and equity, structured over three years. The transaction is expected to be accretive to adjusted EBITDA already starting this year, with early synergies contributing to profitability. Looking ahead, the contribution to both adjusted EBITDA and revenue is expected to significantly accelerate from 2026 onward, driven by incremental synergies across - technology integration, go-to-market expansion, and platform scalability. This is fully aligned with our M&A strategy: minimizing upfront risk while maximizing strategic value and synergetic with our core business, ensuring seamless integration.

Turning to our 2025 guidance. Based on our strong performance in the first quarter, our organic growth expectations, along with the onboarding of Greenbids - we are revising our full year 2025 guidance upwards to reflect our improved outlook and stronger market position. We are increasing our revenue guidance for the year from a range of $400 to $420 million, to a new range of $430 to $450 million, reflecting an increase of 7% at the midpoint. In addition, we are increasing our adjusted EBITDA guidance from a range of $40 to $42 million to a new range of $44 to $46 million, reflecting an increase of 10% at the midpoint.This updated guidance demonstrates our ability - to grow efficiently, unlock synergies, AND CONTINUE to deliver meaningful value for our shareholders.

To summarize, we started the year strong and we positioned ourselves to maintain this momentum going forward. We remain disciplined in execution - prioritizing value for our customers, employees and shareholders.

With that, I will now turn it back to the operator for the Q&A session. Thank you

Moderator:

If you would like to ask a question, we ask that you use the raised hand function at the bottom of your Zoom screen, or if you have dialed in, please press star nine. Our first question comes from Jason Helfstein at Oppenheimer. Please unmute your line and ask your question. Thank you.

Jason Helfstein:

Thanks. Hey, everybody. So, I'll do two questions. One, obviously, the guidance has a significant pickup in the business over the next few quarters. I guess you alluded to part of it. You've addressed the decline in open web, or I guess in display, so maybe just talk a little bit about why you feel comfortable that display has stabilized, and then just maybe some of the other factors you're thinking about to drive the acceleration in advertising for the rest of the year. And then just, can you review the impact of the acquisition on revenue on the full year guide? Thanks.

Elad Zubery:

Yes. Hi, Jason. Good morning. So, regarding the guidance, we raise our guidance with our strong Q1 performance, first of all. Our organic growth, together with the Greenbids acquisition, allowed us to increase the guidance. We see a healthy pipeline going into the rest of 2025, also contributed from the web business as you indicated, and that's why we believe that the web will be stabilized already from the next quarter on a year-over-year basis. I think the entire guidance is taking into consideration both the Greenbid numbers but also the synergy that we already see taking place. As part of the acquisition, we checked some of the synergies that's possible, and we saw good traction on that, so we felt very comfortable to increase already the guidance, adjusted EBITDA guidance by 10% and on the revenue side, you see additional 7% at the midpoint, but everything is combined, first of all, from our organic growth. But in addition to that, for 2025, we have the Greenbids [acquisition], and to get aligned with the synergy that we see. I think it's important to say that in 2026, we will actually see even more contributing to our top line and the bottom line. We are investing more in Greenbids and we'll be able to see scale and to gain even more market share quite fast. So, the real impact that we'll see in the guidance even more will be in 2026.

Jason Helfstein:

Yeah.

Tal Jacobson:

Let me just echo a few of the things that Elad said. One, even though you're seeing Q1 numbers better than we expected, what we're really encouraged by is the fact that our pipeline is better than we expected, so we're actually seeing a healthy pipeline. Elad touched on that. But we also wanted to note that with Greenbids, we've started to form a partnership, working on a few things together, and now we're seeing those customers that Greenbids and us work together on coming back and asking for more. So, it's synergies from day one. And by our pipeline, their pipeline, and the immediate synergies, that's what makes us feel so comfortable about raising our guidance.

Jason Helfstein:

Thank you.

Moderator:

So, our next question comes from Eric Martinuzzi at Lake Street. You may now unmute your line and ask your question. Thank you.

Eric Martinuzzi:

Yes, I wanted to follow up on your comment about the contribution for the year. I just want to make sure I've got the impact of Greenbids as well as the performance of the legacy business understood. The midpoint of your revenue increased 30 million, and the midpoint of your adjusted EBITDA increased 4 million. How much of that increase is due to Greenbid?

Elad Zubery:

So, Greenbids standalone, despite being a young company, they're already profitable, I would say, on a single low digit. As I previously said, we see many synergies from day one in this acquisition, and we're looking at everything combined together. Having said that, we are planning to invest even more in Greenbids in 2025 in order to be able to scale and to get more market share starting from day one with that. And that's why we believe that the full impact of this acquisition, we'll see in 2026. They are, on standalone [basis], profitable, but together, we can definitely run to the market much faster and then to be their distribution with all of our global presence.

Eric Martinuzzi:

Well, since you won't answer my question, what about this? Maybe if I ask it this way, what was ... in 2024, what was Greenbids' revenue and adjusted EBITDA?

Tal Jacobson:

So, Greenbids is a fairly new company. It accelerated very fast. They are profitable as a standalone company, and they're growing fast. The reason why we're not breaking it down into what they're doing and what we're doing is we started to see synergies from day one, and it's going to be very hard to break them down into separate businesses. From day one, our sales team is going to sell them our technology, and their technology is going to be integrated. That's why we do not think we need to look at them as separate entities. But I can say that even as a standalone, they're growing very fast, and they're very profitable.

Elad Zubery:

And Eric, to your question on 2024, on a standalone basis, the revenue contribution was, I would say, the low double-digit, and the EBITDA contribution are low single-digit. But as Tal mentioned, they're growing fast, and together with us, we believe that they'll even grow faster.

Eric Martinuzzi:

Okay. Let me shift gears then. Is there going to be a timeline required to embed Greenbids' technology into Perion One? Is that why we're saying the 2026 better contribution?

Tal Jacobson:

No, it's not about the integration. The integration happens immediately, so the integration part is not going to take time. I think what we're trying to do here is, while they're extremely strong in Europe, we're now taking them to more American companies, American brands, and we're going to see the full impact within a few quarters. But even this year, they have a very healthy pipeline of new customers and a good base of existing customers. We just think that the acceleration is going to take a bit more time to get a bigger base of customers in the US.

Eric Martinuzzi:

Okay. Well, the technology definitely sounds interesting and leading edge, so we'll be looking to see what you can do with the acquisition here, but congratulations on landing it.

Tal Jacobson:

Thank you very much.

Elad Zubery:

Thank you. Thank you, Eric,

Moderator:

For our next question, I'm going to head back to Andrew Merrick and see if our audio line is clear. Andrew, please unmute your line and ask your question. Thank you.

Andrew Merrick:

Hi. Apologies for that earlier. Is now better?

Moderator:

Yes, loud and clear. Thank you so much.

Andrew Merrick:

Great, thank you. Just one for me, please. So, as the Perion One concept has rolled out here and you've added capabilities like UID 2.0 and now Greenbids, how is that message to CMOs coming across in terms of familiarity, excitement with the unified offering, and the opportunities that you can see coming out of that? Thank you.

Tal Jacobson:

Yeah, thank you. Thank you for your question. So, the way we've actually thought about Greenbids is… as you know, Stephen Yap, who was leading all the sales of Google DV360 for 17 years, he left Google to come to Perion to push this towards more CMOs. And the process with Greenbids actually started from a partnership, but then we've sent Stephen to speak with CMOs, and the response was so positive about this is what the market needs, this is what ... on the Perion One and with the custom algorithm through AI to reduce waste. So, I think CMOs are excited about both Perion One and the custom algorithm through AI and the actual results of Greenbids with customers. And they're actually telling us that a unified solution under one platform makes a lot of sense, as they do not want to continue to handle so many platforms. So, all in all, it's been very positive responses both on Perion One and the Greenbids custom algorithm solutions. And we're thinking that now, combining both of them is going to drive it even faster. I hope that answered the question.

Andrew Merrick:

Excellent. Great to hear. Thank you. It does. Thank you very much. Appreciate the caller.

Tal Jacobson:

Thank you.

Moderator:

Our next question comes from Jeff Martin at Roth. Jeff, you may now unmute your line and ask your question. Thank you.

Jeff Martin:

Thanks. Good afternoon and good morning. I wanted to dive into the expanded TAM opportunity. Is that fairly easy to achieve capitalization on that expanded TAM? And if you could, elaborate on the details of the strategy to go after that expanded TAM.

Elad Zubery:

Yes. So, Greenbids is actually working today in the walled gardens, and it brings us much more new capabilities, including in YouTube, in Facebook, and Instagram. We are expanding… part of our roadmap is to expand very much quickly into even new platforms. So, overall, it gives us more lower funnel and performance capabilities into those platforms. When there are uncertainties in the market, we see budget shifts towards performance. So, it actually gives us the right time to do this acquisition. It opens up, really, the doors, and the fact that they are really able to bring the brands better ROIs, show them [the brands] how they are reducing the waste on non-monetized spend, combining everything together, it definitely gives us more and more possibilities and offerings in this market. And as Tal mentioned, I think that combining everything together, going with the brands that we're working with today, showing them those capabilities ... we already started to see, and we believe that we'll actually be able to see more and more opportunities diving into those platforms, the walled gardens. In the next, I would say, few quarters, we'll see more traction in that.

Tal Jacobson:

Absolutely, and I think it's important to note that all the agencies and brands are looking to shift more dollars towards performance-based campaigns. So, while Perion historically was amazing on the upper funnel, so brand awareness, with Greenbids, we're actually getting into an even more interesting segment, which is performance-based. It's reducing risks. Especially now with all the uncertainty in the markets, the more you can show actual performance, the more traction you can get with customers. And the second thing is, at the end of the day, the majority of money goes into the walled gardens, not the open web, so Google, YouTube, Facebook, and others are holding the bigger parts. So, we're actually entering those two parts, the performance space and the walled gardens, so it's significant. For us, it is a significant move.

Jeff Martin:

Thank you.

Tal Jacobson:

Thank you.

Moderator:

There are no further questions on the line, which concludes today's Q&A session, so I'll now hand the call back over to Tal Jacobson and Elad Zubery for closing remarks. Thank you.

Tal Jacobson:

Thank you very much for joining us today. We're excited about the future. We're advancing our technology and raising our guidance, we think the Perion One platform and strategy is the right way to continue our path.

Thank you for being part of our journey and supporting us, and we hope to see you in the next quarter. Thank you.

Elad Zubery:

Thank you.