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Perion

Fourth Quarter 2023 Earnings Conference Call

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Jeff Martin, *ROTH Capital*

Eric Martinuzzi, *Lake Street Capital*

Mauricio Munoz, *Raymond James*

PRESENTATION

Operator

Hello everybody, and welcome to the Perion Network Fourth Quarter and Full Year 2023 Earnings Conference Call. Today's conference is being recorded.

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 than 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 Maoz Sigron, Perion's Chief Financial Officer.

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

Tal Jacobson

Welcome to Perion's Q4 and full year 2023 earnings. I'm excited to unveil our performance for the quarter, reflect on a year of substantial achievements, and provide a glimpse into the future.

Before we look at the numbers, let's take a minute to align on our mission. Perion unlocks advertising possibilities across all screens, platforms and locations. We are powering our magic by advanced technology. Perion is an ever-growing ecosystem - cross channel, AI driven, locally optimized, and most importantly, we exist naturally along the consumer's journey.

Today's consumers lead a dynamic and diverse lifestyle, having multiple interactions with the technologies around them. Each journey is different, constructed by a multiverse of multiple touch points. We make sure our clients have the solutions for each of those touch points. We enable advertisers to interact with their consumers naturally, regardless of the platform they use to achieve maximum impact. Perion's technologies and solutions live naturally across the consumer's journey.

Picture this - a typical day in Danielle's life. The day begins when she sips her coffee while scrolling through her favorite social app. Our dynamic video ad appears, feeding naturally into her experience, a subtle yet effective touch point. As she commutes to work, our AI-driven digital audio ad, WAVE, tailors messages to her preferences. This makes her interaction unique and personal. As she looks at the road, she sees our extra-large video ad on the side of the road. Those moments are not coincidences. They are carefully crafted touch points in our journey with the consumer.

As the day goes by, Danielle remembers the messaging we presented to her across the channels. She decides to look for that product on her search engine. This is where our Search technology and the partnership with Microsoft comes into play. When Danielle decides to take a coffee break and read some news online, she sees our well optimized dynamic video display and high impact ad on her favorite website. Of course, we will meet Danielle again on her way to her favorite store through our digital out-of-home ads and continue to interact with her even within the store.

As the day winds down, our technology doesn't. Our CTV dynamic ad solution continues to present personalized content. Our technology is an immersive cross-channel ecosystem that accompanies consumers throughout their daily journey.

I'm pleased to report continued profitability for Q4. Once again, diversification proved to be the right strategy. In the fourth quarter, we see a notable growth in Search, CTV and Retail Media. Additionally, our strategic acquisition of HiveStack in December expanded our geographical and channel reach. Looking ahead at 2024, a key aspect of our strategy is to enhance our touch points across the consumer journey using cutting edge technology. Hence, we're increasing our investment in technology through our in-house R&D team, including the newly joined HiveStack team.

We are also actively seeking inorganic opportunities that align with our vision. With a strong cash flow from operations of over $150 million a year and a total cash of over $470 million, Perion is well positioned to execute additional acquisitions.

In Q4 2023, we achieved robust top and bottom line growth. Our revenue and Adjusted EBITDA reflect on our financial strengths and our operational efficiency and markets competitively.

Turning to our full year performance, the same key indicators underpin our excellence. We've maintained constant focus on revenue growth, profitability and operational optimization, yielding outstanding results throughout 2023.

Central to our success is our cutting-edge technology that enables agility throughout the consumer's journey.

Now let's see where some of our technologies met consumers in Q4.

The Perion CTV solutions are gaining momentum with advertisers. According to eMarketer, CTV ad spending is on the rise. Impressively, Perion's results stand way above their growth projections, demonstrating our ability to execute and conquer any channel and vertical we aim for.

One of our innovations in the CTV space is pause ads. In partnership with DirecTV, we have created yet another opportunity for a branded moment on TV. It is also one of the few ways to guarantee that commercial message is noticed in both linear and CTV. When viewers pause content, the CTV ads come into play, offering segmented audience targeting and increasing consumer engagement. Those ads are both noticeable and actionable.

This ad by Shipt is a great example. We build those ads in short repeating loops so that viewers are virtually guaranteed to see them. Our paused ads run across nearly every TV network on DirecTV inventory, both linear and streaming. This includes TV networks without any ads in linear such as HBO and sports networks like ESPN. Brands that already use our pause TV ads include Paco Rabanne, Con Edison, Shipt, Twilo, Eversource, Triple A, and more.

The Perion Retail Media solution continues to grow and outpaced both our internal expectations and industry benchmarks. This is a testament to our effective strategy and execution in this rapidly growing space. As part of our Retail Media solution, last quarter we launched our generative AI audio advertising technology, WAVE. The campaign with Albertsons was the first one we revealed; now, I'm happy to share that WAVE is adopted by additional leading brands, running on leading platforms such as Spotify, iHeart Media, Audioboom, and many more.

This time we're sharing the Pep Boys campaign. To our non-U.S. audience, Pep Boys is a leading U.S. automotive service provider operating in more than 900 locations across the U.S. Let's listen to this generative AI ad.

(Advertisement)

This generative AI audio ad creates communication between brands and potential consumers, offering relevant solutions in a tone that sounds natural and appealing. This approach is a prime example of how we leverage AI to revolutionize consumers' interactions, making every message both heard and acted upon.

We are very proud of the partnership with Amazon that we've announced this quarter, in which we integrated Amazon Publisher Services into our Vidazoo platform. With this integration, publishers now have access to a wider range of ad demand for more precise targeting and enhanced campaign performance. Some of the notable publishers that are already working with us using the Amazon Publisher Services include IMDb, Valnet, Bored Panda and Publisher Collective.

Following our strategic acquisition of HiveStack, we shared our plans to expand into new markets. I'm proud to announce, we're delivering on that commitment with a major partnership in Brazil. We've joined forces with Eletromidia, one of the largest media owners in Brazil's vibrant media landscape. While this partnership is not just about the numbers, the addition of over 46,000 digital screens is certainly impressive. It also presents exciting opportunities for our high-impact Display and creative solutions. The Brazilian market offers a dynamic and rapidly growing advertising landscape. With Eletromidia, we're positioned to make a significant impact.

One of our recent successes in our digital out-of-home technology for retailers and CPG companies, is this campaign for Helena Rubinstein in Hong Kong, promoting their new Powercell product. The campaign's core strategy involved advanced proximity geofencing to plan and activate campaigns, targeting specific physical locations in the proximity of a Helena Rubinstein store in Hong Kong. Let's take a look.

(Advertisement)

Our digital out-of-home platform's advanced geofencing feature, along with audience targeting increased product awareness and store visits significantly. The success of this campaign is another example of how immersive the consumer journey becomes with the use of advanced technologies.

To conclude, our focus on diversified technologies that power the consumer's journey and strategic acquisitions continues to drive Perion's impressive growth and success.

And now, Maoz, our CFO will provide a more detailed financial analysis.

Maoz Sigron

Thank you, Tal. Good afternoon and good morning to those of you joining us from the U.S.

2023 proved to be a meaningful year, demonstrating the agility and resilience of our business model at Perion. Strict execution of our diversification strategy and cost control measures were key to our success in delivering healthy profitable revenue growth and margin expansion.

Perion is among the most diverse companies in the ad tech space, therefore we were able to quickly respond and capitalize on our customer spending allocations by delivering the right product mix. We successfully harnessed efficiency and innovation to exceed internal expectations for both profitability and margin growth.

Perion achieved year-over-year revenue growth of 16% to $743 million and 28% growth in Adjusted EBITDA, reaching $169 million with a 23% margin and an impressive 55% ex-TAC margin. Perion's strong and consistent cash flow from operations and our significant net cash position generated over $20 million in financial income in 2023. That, along with our cost efficiency and tax optimization, resulted in a year-over-year growth in GAAP net income of 18% to over $117 million and 40% year-over-year increase in non-GAAP net income to over $167 million. For the year, cash flow from operations increased by 27% year-over-year to $155.5 million.

Our diversified business model and product mix allows us to quickly respond to shifts in the market, in essence - following the money with the right solutions. Among the top growth drivers in 2023, Retail Media stood out, far exceeding our internal expectations with a year-over-year revenue increase of 114% to nearly $50 million. CTV revenue also experienced strong growth of 56% year-over-year as more and more customers adopted our high-impact CTV solution. Search grew by 23% year-over-year, boosted by advertiser budget shift to high intent advertising.

Key to our success is our ability to develop new innovations that address the needs of our customers. In parallel, we consistently find new ways to improve the efficiency of our operations.

In the fourth quarter, we completed the acquisition of HiveStack, a global innovative, programmatic digital out-of-home solution, also known as DOOH. This transaction is expected to significantly contribute to Perion's diversification strategy. It will allow us to establish a considerable footprint in the fast growing digital out-of-home channel. According to PQ Media, it is expected to show a three-year CAGR of 15% for 2024 to 2026.

Our plan is to leverage the synergies between our Retail Media solutions and HiveStack's digital out-of-home capabilities and offer complete, compelling solutions to our customer base. While Perion is strong in the U.S., HiveStack is strong internationally. Together, we can open new markets. We expect this transaction to result in significant cross-sales opportunities and geographic expansion to fast growing markets.

I would like to stress that the ongoing conflict in Israel has not materially impacted our operations and business results. Nearly 100% of Perion's revenue is generated outside of Israel, and only 45% of our cash and cash equivalents are held in Israel. Our employees who were drafted to military service are mostly back to work, and business continues uninterrupted.

Now, let's review the financial highlights for the fourth quarter.

Revenue increased by 12% year-over-year to $234.2 million. Contribution ex-TAC was $90.6 million and increased by 3% year-over-year, delivering a 39% margin. Adjusted EBITDA was $53.9 million, increased by 12% year-over-year, delivering 23% margin and 59% ex-TAC margin. Non-GAAP net income increased by 19% year-over-year to $52.9 million. Non-GAAP diluted earnings per share increased by 16% year-over-year to $1.04.

Our diversification strategy created opportunities that resulted in continued impressive growth. On a yearly basis, the revenue was $743.2 million, an increase of 16% year-over-year. Our two-year CAGR was 25%, demonstrating the strength of our product mix. On a quarterly basis, the revenue for the fourth quarter was $234.2 million, an increase of 12% year-over-year, and our two-year revenue CAGR was 22%.

Turning now to the Display Advertising.

For the fourth quarter, Display Advertising revenue decreased by 3% year-over-year to $119.8 million, accounting for 51% of total revenue. The quarterly decrease in Display Advertising revenue was primarily due to a 33% year-over-year decline in Video revenue. This is due to shifting of inventory from Video to Display, to gain higher profit.

Our Retail Media results continued to exceed our internal expectations with quarterly revenue of $20.2 million, an increase of 196% year-over-year. This accounts for 17% of Display advertising revenue compared with 6% in the fourth quarter of 2022. Our quarterly CTV business continued to expand, growing by 69% year-over-year, representing 12% of Display Advertising revenue compared with 7% last year.

Turning now to our Search business, the quarterly Search revenue significantly increased by 33% year-over-year to $114.4 million, representing an impressive 41% two-year CAGR. During the quarter, Average Daily Searches increased by 37% over the same period last year, and the number of publishers grew by 4% year-over-year. During the last two years, we have seen budget shifts to direct response. This is a result of Perion's unique position in Search, and we have been able to capitalize on that.

For 2023, our Media Margin was 42%, which was on par with 2022 and consistent with our expectations. We were able to maintain this strong margin due to our product mix and the media buying optimization of our supply and demand assets. For the fourth quarter of 2023, the Media Margin was 39%, down from 42% in the same period last year due to product mix change and our efforts to gain market share in a competitive environment.

We are very proud of Perion's ability to direct resources to high growth and high margin areas in 2023. In addition, our unrelenting emphasis on operational efficiency and profitability allowed us to achieve strong margin growth for both the full year and the fourth quarter.

Adjusted EBITDA for the year was $169.1 million, an increase by 28% year-over-year with 23% margin compared with 21% in 2022, and 50% in 2021. Adjusted EBITDA to contribution ex-TAC margin was 55%, up from 49% in 2022 and 37% in 2021. Adjusted EBITDA for the quarter increased by 12% year-over-year to $53.9 million, reflecting a 23% margin. Adjusted EBITDA to Contribution ex-TAC margin was 59%, up from 55% in the fourth quarter of 2022 and 45% in 2021. This is among the highest in the ad tech industry.

On a GAAP basis, fourth quarter net income increased by 2% to $39.4 million or $0.78 per diluted share. This is in comparison with $38.7 million or $0.79 per diluted share in the fourth quarter of 2022. The increase in net income is mainly due to acquisition expenses, retention, and change in fair value of contingent consideration. On a non-GAAP basis, fourth quarter net income increased by 19% to $52.9 million or $1.04 per diluted share. This is compared with $44.7 million or $0.90 per diluted share during the fourth quarter of 2022.

On a GAAP basis, full year 2023 net income increased by 18% to $117.4 million or $2.34 per diluted share. This is compared with $99.2 million or $2.06 per diluted share in 2022. On a non-GAAP basis, net income increased by 40% to $167.4 million or $3.33 per diluted share for 2023. This is compared with $119.8 million or $2.46 per diluted share in 2022.

Over the past years, Perion has consistently improved its profitability. This is mainly thanks to our adoption of operational excellence and strict cost control measures throughout the organization that increased efficiency and productivity. For the fourth quarter, non-GAAP operating expenses and cost of revenue were 16% of revenue compared with 19% in the fourth quarter of 2022 and 23% in the fourth quarter of 2021.

On an annual basis, we can see the same downward trend as non-GAAP operating expenses and cost of revenue were 19% of revenue, compared with 21% in 2022 and 25% in 2021. This continuous improvement was mainly driven by cross-company implementation of process automation, the depreciation of the Israeli shekel versus the U.S. dollar, and the off-shoring of some of our operations.

Moving to the balance sheet and cash flow highlights.
For the year, operating cash flow was $155.5 million compared with $122.1 million in 2022, an increase by 27% year-over-year. Operating cash flow for the fourth quarter was $50.2 million compared with $38.2 million in the same period last year, an increase of 32%. As of December 31, 2023, our net cash was $473 million, inclusive of the cash paid in the recent HiveStack acquisition.

Finally moving to our 2024 outlook, the guidance reflects our plans to significantly invest in technology to enhance our multi-channel solutions and to capitalize on HiveStack's ability to expand our reach into additional geographies. Strong execution of this initiative is expected to result in strong double-digit revenue and Adjusted EBITDA growth in the coming years.

This concludes my financial overview, and now we can open the line for questions.

Operator

Thank you. (Operator Instructions)

Our first question is coming from Jason Helfstein from Oppenheimer. Your line is now live.

Jason Helfstein

Thank you, good morning everybody. Two questions.

First, talk about how you think about Perion benefiting from Chrome cookie deprecation. In the past, you've talked about how you're not relying on cookies, but how you actually think you could benefit when that happens in the industry. Then my second question, I think guidance is slightly weaker than we expected on an organic basis by 200 basis points or so - not huge, but maybe talk about what headwinds you're seeing right now for '24 that would keep you from growing stronger than 10% on an organic basis. Thank you.

Tal Jacobson

Great, okay. Thank you, Jason.

First of all, let's talk about cookies. As you know, we have SORT and we are now working on SORT 2.0, which we're going to launch during the year, and we are prepared to all those cookie-less implementations, but we—I think we're going to gain from that the fact that a lot of other companies are not going to be prepared for that, and hopefully we're going to get more budgets just by the fact that we are ready for that, so that's on the cookie part.

What was the other one?

Maoz Sigron

The guidance.

Tal Jacobson

Guidance.

Maoz Sigron

Thank you, Jason. As you noted, the guidance reflected 10% growth on the EBITDA and revenue on a pro forma basis. This is right, that there is a bit change on the product mix mainly due to Video, that takes the numbers to a new level. As we said in the last quarter and also during this quarter, the priority of margin is the most important element in our business, and we are actually doing this move from Video to Display when we can get higher margin, and this is the main reason for the revenue decrease in Video during the fourth quarter, and this is also implemented in our model for the next year, also by the growth drivers, as we also mentioned in the Retail business, the CTV, and also now that we have the digital out-of-home, this is another growth driver for 2024.

But all in all, the 10%, I think reflects the model that we are now using and very much reflects all the changes that we have discussed for the fourth quarter.

Operator

Thank you. Our next question is coming from Laura Martin from Needham. Your line is now live.

Laura Martin

Good morning guys. Let's talk about gen-AI first. In your guidance, you said that you're going to have an investment year, and it feels like with just listening to big tech, there's going to be a lot of investment in infrastructure for gen-AI, so this results in two questions. One is, is a lot of your investment coming because of the gen-AI upgrade; and second, what are your gen-AI—when you think about the product road map, how are you thinking about incorporating gen-AI into product?

Tal Jacobson

That's a great question, thank you, Laura.

Our investment comes from a few points - one, absolutely gen-AI. We've presented the gen-AI WAVE product that we launched last quarter and the progress we've made with it, so we're generating creative—100% gen-AI. We are implementing Gen-AI across all our infrastructure, and we are also—you know, we bought HiveStack, which is a pure technology play, and we're integrating that into everything Perion, so we're investing in a unified infrastructure and obviously gen-AI is a very big part of that.

We're seeing that in all the technology companies, big investments in AI. We want to be—we want to continue to be very advanced, so we're going to continue to invest in gen-AI technologies. That's a very big part of 2024.

Laura Martin

Then I guess my other one, just building on the guidance issue, are you guys—so it sounds, Maoz, like you're saying there's going to be a revenue mix shift in 2024 that's going to have lower margin - that's sort of how I heard you answer Jason's question. Is that permanent, or is it—I would have guessed your growth in CTV, which is really robust, would have really helped your margins, but can you talk sort of about the margins and why we're getting a margin downdraft from the mix shift, please?

Maoz Sigron

Thank you, Laura. There is no dramatic change with the media margin. We're talking about, again if I need to, let's say now talking about 2024 margin, we're talking about 41% margin, more or less. This is our estimation, which is not far from the 42% we have for 2024—sorry, for 2023. Again, in order to gain market and in order to be able to compete—to have effective competition, this is the number that we believe can help us to keep and take Perion to '25 and '26, and this is in line with our model. Yes, there is a shift of the product mix that changed a bit the margin: HiveStack is new, the fact that we have now less Video is another piece, so the mix is different but the total picture is not different. We are above the 40% - this is our main goal, and the 41% now at the beginning of the year reflects very much my thinking about 2024 margin.

Laura Martin

Thank you very much. Thanks guys.

Tal Jacobson

Thank you.

Operator

Thank you. Our next question today is coming from Mark Kelley from Stifel. Your line is now live.

Mark Kelley

Great, thank you very much. Appreciate taking the questions. Two quick ones, and apologies if you addressed some of this in the prepared remarks - I'm kind of bouncing between calls.

This next version of SORT, I know it's not out yet, I know it's early, but any data points you can provide in terms of effectiveness versus the original version of SORT that's in the market today, and I guess what's informing your changes that you're making on the back end for SORT? That's the first one.

Then the second one, the shift between Display and Video, I guess, how do those conversations work with your clients when you're changing where their budgets are allocated? Is it something that your clients are just comfortable with you shifting budgets wherever they're going to get the better ROAS or, I guess, what goes into that whole process in terms of where you're steering and allocating budgets? Thank you.

Tal Jacobson

Okay, absolutely. On SORT 2.0, as you know with technology, we constantly need to make advanced improvements, right? so what was okay for SORT two years ago when we built it, now needs to get a robust uplift, including AI, including gen-AI, a lot of infrastructure through the data, and a lot of updates. As you probably know, Google released their sandbox for the cookie-less era, which again everything is getting implemented. So, we're constantly adding more and more features into SORT, but this specific one is going to be a huge leap into something even bigger, so we're constantly adding more features. SORT 2.0 is going to be a lot more advanced.

Video versus Display. So, the way it works is we sit with our code on websites and every time you go on a website, it sends a request to admin partners and then, based on what we got, we know if we want to show a video ad or Display it, right? Now since Q3, that actually happened last quarter, we saw that Video ad got lower rates than Display ads, so we could have made a bigger margin on Display, and actually our algorithm chose that because on the publishing side, the publisher just wants a higher yield, which the algorithm generates a higher yield, so this is why our algorithm IN Q3, Q4, decided that Display will generate higher profit and that’s how it’s being chosen.

Mark Kelley

Okay, great. Thanks very much.

Tal Jacobson

Thank you.

Operator

Thank you. Our next question today is coming from Jeff Martin from ROTH. Your line is now live.

Jeff Martin

Thank you. Good afternoon and good morning, to everybody.

Wanted to see if you could elaborate on the geographic expansion strategy. I know you mentioned the new relationship in Brazil, looks like that could be very meaningful over time; but just curious if you could elaborate on any other details on your geographic expansion strategy.

Tal Jacobson

Absolutely. The reason why we bought HiveStack is because we think and we see that it's super synergetic with anything that we do. Undertone and HiveStack actually sell the same type of client, right - the agencies. Now, Undertone has amazing relationships within the U.S. but HiveStack has amazing relationships everywhere else, so we're going to push the existing product that we have through the HiveStack relationships worldwide and we're also going to push the HiveStack technology through the Undertone relationship in the U.S.—sorry, I just said that, everywhere else, right? HiveStack can push Undertone everywhere else, Undertone can push HiveStack U.S.

Now, having said that, when you have a DSP and an SSP, which is basically what HiveStack does, we get an agreement with a company like Eletromidia, which is a huge media company in Brazil, you can now have the ability to sell Brazilian traffic, Brazilian screens for everywhere else. So, if there's an American company that wants to promote to the Brazilian market, or a Chinese or Japanese advertiser, they now can do that through our exclusive inventory there.

Now bear in mind, because we have the DSP, SSP, our goal is to constantly increase more inventory worldwide and more advertisers worldwide, because what happens is a lot of advertisers in different countries are advertising budgets on other countries, right - this is what we call inside out, so we're actually getting advertisers from Hong Kong and Korea actually advertise on our Japanese screens, so that's constantly happening. We want to add more agreements like that, and this is the first stage, and through those agreements, we want to push more high-impact creatives that Undertone are so good at.

I hope that answers the question.

Jeff Martin

Very helpful, thank you.

One more, if I could. Just curious how you're thinking about capital allocation strategy going forward. You look at the free cash flow generation this year more than paid for the HiveStack acquisition. Should we be looking for additional M&A in 2024, and might you consider a share repurchase program or a dividend program? Thanks.

Tal Jacobson

That's a great question. Absolutely M&A - absolutely. We want to continue to grow even faster. We want to add more technologies for the Retail space, CTV, measurement. We want to grow faster and grow faster even with profitability, so that's one thing.

Buybacks, it's always part of our discussions. We've actually done a very thorough analysis. What we've been told by our research is creating long-term value, continue to grow as fast as possible is going to create more value for shareholders than buybacks. Having said that, this is always something that we're thinking on, but currently we think pushing the Company forward and having a leadership position in the market will gain more market value for investors—more value for investors than buybacks.

Jeff Martin

Thank you.

Operator

Thank you. Our next question today is coming from Eric Martinuzzi from Lake Street. Your line is now live.

Eric Martinuzzi

Yes, I wanted to go a layer deeper on the shift in the mix, the Video versus Display. What do you think is behind the Video getting lower rates than perhaps historically Video achieved?

Maoz Sigron

You know always, there are dynamics in the market. We're working with multiple solutions and formats. You can take the CTV from—you know, that we are charging sometimes more than $30, to the standup ads that are with few dollars, and this is always based on demand and supply and what is available and what is now more effective for the advertiser.

I think the beautiful thing with our system and with our technology is our ability to identify opportunities and, based on that, to improve our position and to improve margin and do what is good for our results, and this is what happened in the last two quarters. This is something that started at the beginning of the third quarter, so this is H2 '23, and this is the trend. Twenty-twenty-four, of course, will look different, but we need to keep our eyes open to track and to see where are the opportunities. and this is, I think, part of our advantage with the diversification that we have and the different products that we are offering, and again, nothing more than that.

Of course, there are a lot of reasons behind any preference, but it depends on geographies, depends on the customer type, depends on what's happening in the market; but again, for us, this is just we’re looking at that as an opportunity.

Eric Martinuzzi

Okay.

Tal Jacobson

Let me just add one more thing—sorry, just add one more thing to that. I think it goes back to the strategy that we have, right? We know it's very dynamic. Advertisers keep shifting budgets based on the goals they have currently, right, so currently more advertisers—and we saw that in the past two quarters, more advertisers are pushing towards direct response, direct ROI. This is why Search is going up, this is why Display is going up—Display versus Video, right, and other times Video is going up instead of that.

This goes back to the strength of our model of diversification. We're not putting all our eggs in one basket. We're diversifying. We want to make sure that our technology meets the consumer where the advertiser needs them. We're not doubling down on a specific format - that's not what we do. We want to make sure advertisers have different strategies through different periods. We're going to meet them, and that's our goal.

Eric Martinuzzi

Has that been driven by—you know, if I were to ask the question regarding vertical strength or vertical weakness over the past six months, could you address financial services, travel and entertainment, maybe auto, what trends are you seeing over the past six months as far as the verticals?

Tal Jacobson

Right, so we do see Auto in pretty good shape. Insurance, loans - Q4 was still low, travel was still up. We don't have the numbers for Q1 still, but we're hoping that insurance and loans is going to start to pick up, but those were the trends in Q4.

Eric Martinuzzi

Got it. Thanks for taking my questions.

Tal Jacobson

Thank you.

Operator

Thank you. Our next question is coming from Mauricio Munoz from Raymond James. Your line is now live.

Mauricio Munoz

Yes, thank you for taking my question. Could you please expand on the opportunity in Search? What's driving the above-trend strong results this quarter, and how sustainable is the opportunity? Thank you.

Tal Jacobson

Great. Listen, as always, we're adding more publishers which are adding more searches, but at the end of the day, it's really a market trend, right, where advertising budgets are going to shift—are now shifting into direct response in Q4. Again, it goes back to a lot of market movement and our ability to gain more searches.

Mauricio Munoz

Thank you.

Tal Jacobson

Thank you.

Operator

Thank you. We've reached the end of our question-and-answer session. I'd like to turn the floor back over for any further or closing comments.

Tal Jacobson

Thank you. We're very happy about the Q4 and the full year 2023 results. We think we saw tremendous growth. We're going to continue to grow, we're going to continue to invest in technology, and we're going to continue to push this Company forward years to come, again pushing on growth, pushing on profitability, gaining more cash. That's our strategy.

Thank you for joining.

Maoz Sigron

Thank you.

Operator

Thank you. That does conclude today's teleconference and webcast. You may disconnect your lines at this time, and have a wonderful day. We thank you for your participation today.