Perion

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PRESENTATION

Operator

Hello and welcome to the Perion Network Third Quarter 2021 Conference Call. Today's call is being recorded. The press release containing the transaction details is available on the Company's website at 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 materially different or 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 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 on Form 6-K, which has been filed and is available on our website as well.

Hosting the call today are Doron Gerstel, Perion's Chief Executive Officer; Maoz Sigron, Perion's Chief Financial Officer.

I'd like to now turn the call over to Doron Gerstel. Please go ahead.

Doron Gerstel

Thank you, Kevin. Thank you, everyone, for joining our call. We are going to do it via Zoom in order to show better what we able to achieve this quarter. The theme is that the momentum is definitely continuing. Together with me on the call, Maoz Sigron, our CFO, and let's get started.

So the theme of this call is the momentum is continuous, and very much, Q3 was an all-time record quarter in revenues. We have built an innovative technology that allows us to scale. I will very much dip into all of those growth drivers in a second. But first, let's take a step back.

As we are trying to do on every call and looking on what's happening on the digital at (inaudible), the market is growing and growing rapidly. As you basically can see, at this point, the CAGR for the next four years is 14.3%. Then it's all driven by the fact that more and more dollars is being shifted from traditional channel to digital channel. That's definitely something that is coming in across all channels.

I would like to mention as I am being asked on every call is what's happened when we've been in post-COVID. So we do believe that when it comes to performance advertising, it's definitely here to stay, and it will grow in a much more rapid way only because more and more consumers being exposed to the possibilities of buying online and the advertise, and buying online and advertiser are definitely following this trend.

There is a very interesting trend that we've noticed, and that has to do with the type or the format of the digital advertising, and in this case, we've seen that the advertisers are shifting towards what we call high-impact formats. I will talk more about it and actually going to show you some of the great, high-impact advertising, which has a different level of creativity, a different level of engagement, interaction with the users, with the consumers, which advertising they like and they able to see way, way higher return on ad spend. So that's definitely a very interesting trend that we notice.

As I mentioned, the third quarter of 2021 was an all-time record revenue. We showed 45% year-over-year growth, as you're able to see on the left side of the bar. Between the third quarter of 2020 to the third quarter of 2021, we are providing guidance, we will talk about the guidance, but since we're talking about now the last quarter, the fourth quarter, and the 2022, we are expecting for three years between '20 to 2022 a CAGR of revenue growth of 34%. For this year, 2021 to 2020, we're expecting a 40% year-over-year growth.

So where the growth is coming from? What is behind it, and what are the growth drivers? First and foremost, the video and CTV revenues grew by 245% year-over-year. This is definitely the main growth driver. And when we will mention the acquisition that we did beginning of October, which is the video monetization platform, Vidazoo, I think you'll get the overall picture how this is a perfect fit with what we're doing. As far as the other growths (phon) that are higher average deal size, that's one of the most KPI that we're looking at, this grew by 32% quarter-over-quarter, and we are, from a customer retention standpoint, we're enjoying 109% of customer retention.

From EBITDA standpoint, so we are able to leverage our fixed expenses and maintain budget control, as you can see it here. The EBITDA for the third quarter, Adjusted EBITDA for the third quarter 2021, which was $17.6 million, reflect 101% year-over-year growth versus the third quarter in 2020. That's on a quarterly basis. On an annual basis, we are talking about $60 million of Adjusted EBITDA for the entire 2021. That reflects 83% of year-over-year growth between 2021 to 2020. With the outlook to 2022, we can say that with a $76.5 million, the overall CAGR in these three years, '20 to 2022, we can see 53% CAGR between those three years.

So what's behind it? Most and foremost is the implementation that we did of the hub-and-spoke of what we call the Intelligent Hub. I will talk more about the value the Intelligent Hub is bringing, at this point very, very much behind our ability to leverage our cost. That's the Intelligent Hub. Second, the fact that we're able to scale and have a cost leverage, improve the budget control and enhance the process automation, the amount of engineering dollars that we are investing on automating process allows us to scale our business, but at the same time, being more and more profitable.

Let's go and dive in into some of the growth drivers that I mentioned. From all the statistics that we're able to get from the different source, I picked this one, which excites me very much and has to do with the average time spent per day in digital video by device, that's from April 2020, but the numbers have not changed. It's just growing, and far as we've seen just before the call, it's close to two hours, two hours that the consumer spent per day on video content, and that's the main trigger.

The first trigger is for the advertiser, and we like to say they chase the consumer. And if the consumers spend more time on video, no matter what screen, they're following this trend and they invest more on all kind of video advertising. As a result, we are growing our business, and we're growing, as you can see, exponentially, our advertising that has to do with video and CTV. From a year-over-year perspective, we almost tripled the revenue between the first nine months of 2020 to the first nine months of the 2021 to $32.8 million.

On a quarterly basis, it was a great quarter for us, where we're able to grow our Video and CTV business by 245%, which is definitely a key core of drivers behind this quarter, but one of the most important one for not just Q4, but next year and the year after with the acquisition of Vidazoo, and I will dive into this later on.

I want to show you these slides and very much take you to what we believe is really inspiring, and the point here was how we're able to have minimum clicks. As you can understand, this is all about minimum clicks between watching the ad and then doing the purchase. The is a great example. I hope it will work here, but you're able to see the video running on your screen, and then through a QR code, you're able to do the transaction. But the interesting part, it's not the QR code that get this ad on your mobile device.

The QR code is able to take your brand's shopping experience, as you can see it here on the screen from the big screen through QR code direct to the cart, and that's the very interesting technology that allow us to be proud with 1.4% CTR. So from the hundreds that basically saw it, we have one that complete the transaction, astonishing results by all means, and taking it from the big screen, CTV advertising all the way to your card.

The next example which we're really proud of is the live CTV. As you can imagine, the live CTV is a very challenging one, only because the TV ad insertion is not planned in advance, as you're probably familiar with. And the whole idea, and here, I'm very much using one of the senior leader from DraftKings who was looking about something exciting and how to spend their dollars on the live TVs and integrate it into the game, while we don't want to ruin the experience. So this is how it goes.

(Video Presentation)

I think you've got the idea, but we're really proud of that it's a 19:1 return on ad spend, which is amazing results that we're able to combine sophisticated SSAI, Server-Side Ad Insertion, in a live event and still keep the user very much engaged, not disturbing the experience of the sports event. So that's this example.

Last but not least, the KPI here was talking about grew our—by 40%, our average deal size. And that's a very important factor. How we're able to take it from close to $80,000 to $103,000 year-over-year, and as you can imagine, the expense of delivering this campaign is the same. There is a lot of fixed expenses, and while we are increasing the average of insertion order or campaign with us, that gives us a great way of leveraging our cost.

This is the example of an HBO that is from the big, big screen, that's the CTV to a smaller screen which are iPad to your mobile, it's all being synchronizing and that synchronization allow us to take this spend to a higher level, and as I mentioned, 40%, and that's a growth driver, no doubt about it. That's definitely a growth driver; 7.9% interaction rate, that's an amazing result and definitely allows them to spend more with us. And when we talk about retention revenue, which is 109%, that's very much one of the reasons that this retention revenue has increased over time.

So when we talked about video, I need to mention, even though it happened October 3, and this is going to be—Q4 is going to be the first quarter that they were with us. So all the numbers that you are seeing on the third quarter that reporting today, of course, are not including Vidazoo. I want to mention it because, first and foremost, I think it describe (phon) a great fit. I think we checked all the boxes. For those of you who were on our analyst calls at the beginning of the year, when we talked about what we're looking for, what we're looking for in terms of the acquisition, we did a very successful follow on, and we were patiently looking for the right fit.

I think Vidazoo is the right fit. I think, first, from the culture standpoint and the founders there. But more importantly, the fact that our video is in the rise, how we're able to take it into the next level. And Vidazoo, which is the video monetization system, bring us huge amount of scale of video supply that's working with their publisher, that's very important. And the reason I added here the high-impact video suite and by now, I think you get an understanding, what is this high impact. This high impact require tight integration, as you can see it on the screen, tight integration between the creative part and the player, and the video monetization. This tight integration is something that we cannot, by all means, get into working with third-party, we reach our limitation.

So our technology guys very much require more and more. And the only way of doing it is to have a tight integration, customize it into our own needs and definitely take the high impact video to another level. That's one. It is accretive from day one. It was another box that we checked. I think the structure plays very well to what we shared with the street, and I think it has to do when acquiring an ad-tech company, understanding, on one hand, the risk, on the other hand, the potential, which is a third cash and two-thirds on an earn-out. So in this case, we definitely checked all boxes. And I think it dramatically increased our reach on general video, but more specifically into the CTV market.

I just added this slide, I think yesterday or the day before, I think it was happening Friday and we all experienced what happened in Snaps. For those who are not familiar, I very much would like to take you into iOS 14, probably it will continue and be around us. So on the left side, you're able to see the screenshots and I will mark it here, and that's a message. That's a message that you are getting from the iOS 14, of course, if you're using iPhone. And from the iPhone operating system, that's very much asking you if you allow this app to track your activity across other companies, apps, website, whatever. That's the big change. This is the big change.

Now for those who are not doing it, those who allow it, fine, but those who is not, what's happening to the app itself that it lose its capability to track about what you did on the iPhone. This track has one and only one purpose. It has to do with targeting. That's it. And if you use it in your targeting capability, your advertising is not that efficient. It's all about the targeting. There is another thing that I will not get into it, it has to do its effectiveness of reporting, but let's leave this aside. I think targeting is definitely the big drama or, let's say, lack of target.

I must say that we were well prepared in both ways. First of all, that has to do with our exposure. So when I was talking about, again and again about diversified, our advertising strategy, I mean, diversified and be prepared for the unknown. So in a way, I'm being prepared for unknown, and we didn't know that this is coming. When we decided about diversification, we talked about that almost 45% of our business is coming from search advertising, which has nothing to do with iOS 14, no matter what. So we are fine on half of the business.

The second part of the business, which is 57.9% that has to do with display in advertising, I must say that is following. Third of it or 18% is only on smartphone. All the rest, which is two-thirds is on desktop. So let's look about only the third, which is on smartphone. Out of it, I must say that 90% is Android, 90% is Android, which left only 10% on iPhone or iOS or if you're looking about the entire part, we talk about 2% of the entire revenue is coming from advertising, which has to do with iPhone. So there is definitely very little impact from iOS 14 or this.

But this was only one side of the coin. I want to take you into the other side of the coin, something that we are working because it all has to do with one thing, where this iOS 14 is coming from. It's coming from one thing. It's coming from consumer privacy, consumer privacy that has to do with your iOS or operating system and consumer privacy that has to do with cookies, which is this on mobile and this one on desktop, which is a great segue for me to introduce what we just announced, and we announced SORT.

SORT is a privacy-first, cookieless targeting. Companies working on this AI technology for almost two years, and we are very, very happy to share it with you that we reached a scalable cookieless targeting solution that's in par with or better than third-party cookie-based targeting options. I had to read it word by word that it's coming from the CEO and Co-Founder of Neutronian, who is the body that certified our solution. So we went through a certification that is done with a live campaign, and we did side-by-side, SORT on one side, cookies on the other side.

The beauty was that we were able to achieve a higher return on ad spend, translate it into CTR or interaction rate more that is being done with cookies. This is amazing, and this has to do with the great, one investment, but the great guys that we have onboard. We have an elite AI team here that is behind of this revolutionary development.

Now, what would happen? Advertiser that will choose to use SORT and care about the privacy of their user don't want to—will not compromise on result and will able even to use this symbol. And this symbol is a symbol that will show to their user that this ad unit, in this case, is Hans beer, ad unit is not using cookies. We believe that one advertiser that care will definitely use this technology more, and consumer that cares will not be afraid that someone is being tracked on what they're doing. So it comes from both directions.

We're expecting the results will be that advertiser will drive more business to us. That's very much what we're doing and more than anything else, and I couldn't hold myself, but to be proud of what the team is doing. It's I think the most challenging slide that I have in my presentation because it's all technical. But at the end of the day, I don't want to go into it, into too much details, but our prediction is so high that it can get into a point. So if you have a (inaudible) offer here, we definitely can say who is unlikely to watch the video, who is unlikely to interact, those are likely to click on site, these are the people that we're able to target and guess what, scale later on. And this is definitely something that we are proud. We are proud that not just that we care about advertiser and their challenge, we also care about consumer, which I think a very, very important thing for us as a company, as a consumer that's able to bring this innovation into the market.

As far as search advertising, so as we mentioned, our overall search advertising grew by 14%. But I want to deep dive into something which you'll basically say and said, okay, how come it's growing? Well, we're able to see that this is very much flat, if this is the third quarter here. It's very much flat. This is the average daily revenue that we're getting, and you're able to see that the average searches is going down. So how come we're increasing our business? What is more important to pay attention is this.

Transactional search intent. The whole word of search is divided into three. We call it informative, directional, and transactional. Only transactional are those transactions that we are getting our rev share and pay our publisher a rev share. So what is more important is to see that the amount of transactional search intent out of the entire searches is growing and growing rapidly, and it has to do very much with what I mentioned, that consumer is doing more and more e-commerce transaction. And guess what, they search before they buy. And while they search more, they search more for transactional type of intent.

Okay. Move on into it. As far as the Intelligent Hub, so how does all pieces come together? And we added Vidazoo into our chart, into the hub-and-spoke very much model that on one hand we have the set of supply asset. On the other hand, sorry, demand asset. On the other hand, we have the supply asset. But what is more important is the Intelligent Hub; that everything goes into this hub, and this hub is being evaluated based on three factors: the ability to create value by reduced operational costs, and I mentioned it because we have common shared asset that we're doing among the other—shared services that we're doing among the different assets.

So this is already showing its fruit right now, and when I talked about our ability to leverage our expenses, this is one, reduce tech (phon) because we are closing the loop. But more important is how we increase customer value. Everything that we did in SORT, it has to do with the fact that we are sitting here on a gold mine that's able to get their indicator from so many customers that's going through our Hub, consumer that providing this very important engagement indicator that allow us to develop this type of AI-driven SORT technology that will improve over time. So our machines are working 24/7 in order to make it just better and better. So you're able to see the first fruit of our Intelligent Hub, which has to do with increased customer event.

With that, I would like to pass it to Maoz for our financial results of the third quarter. Maoz?

Maoz Sigron

Thank you, Doron. Good morning, everybody.

The focus we have made is to build a truly innovative and differentiated advertising platform is deriving powerful financial results. Over the last 12 months, we have generated nearly $439 million in revenues, $56 million in Adjusted EBITDA, representing 30% (phon) EBITDA to revenue and 33% EBITDA to revenue, excluding TAC.

As Doron mentioned, at the beginning of October, we closed the acquisition of Vidazoo accretive immediately. Under the terms of the acquisition agreement, Perion acquired all the shares of Vidazoo for $35 million in cash upon closing with earn out of $58.5 million, structured as performance that is tied to EBITDA-based metrics. This will be paid in full if Vidazoo generates $32.4 million of EBITDA in aggregate through the end of 2023. The earn-out will be measured based on periodical and accumulative EBITDA goal till the end of 2023.

A 5% from the total consideration payment allocated to 2020, 14% allocated to 2023, and 44% allocated to 2024. This transaction is aligned with Perion's M&A model of paying one-third of the consideration upon closing and two-thirds as performance earn-out, including a retention element for the earn-out period. I believe that Vidazoo with their unique video capabilities will expand our hub-and-spoke model and will further drive Perion's profitability and growth in the coming years.

Turning now to our financial results. During the third quarter of 2021, revenues for Perion totaled a record of $121 million, an increase of 45% from $83.4 million in the third quarter last year. We achieved this growth while continuing to improve our operating efficiency and profitability. This increase was mainly from 82% growth in our display advertising revenues. The growth in this revenue was primarily due to video and CTV growing by 245% from $4 million to $14 million in the third quarter this year, representing 20% of the display advertising revenues.

Average client size grew by 30% from 78,000 to 102,000 in the third quarter of 2021. The number of clients increased by 12%. Sales and advertising revenues increased by 14%, mainly as a result of higher number of daily monetizable searches, queries were delivered to Microsoft Bing and others. Our average daily number of searches was $14.7 million, compared to $12.8 million last year.

We added 17 new publishers to our network. In terms of the mix, display advertising of $69 million represented 57% of the third quarter of 2021 consolidated revenues, with search advertising represented $51.8 million or 43% of consolidated revenues. Customer acquisition costs in the third quarter of 2021 were $73.3 million or 60.7% of revenues, compared to $49.9 million or 59.8% of revenues in the third quarter of 2020. Our media margin remained stable. The average media margin for the last six quarters was 39%.

Operating expenses for the third quarter of 2021 were $33.1 million or 27% of revenues, compared to $27 million or 32% of revenues in the same quarter last year. With a 5% drop of operating expenses, the revenues has continued to grow and reflects the scalability of the Perion business model.

Perion net income for the third quarter of 2021 was a record $10.6 million or $0.30 per diluted share, compared to net income of $2.1 million or $0.08 per diluted share in the third quarter of 2020.

Non-GAAP net income in the third quarter of 2021 was $15.4 million or $0.40 per diluted share, compared to $5.9 million or $0.21 per diluted share in the third quarter of 2020.

Adjusted EBITDA increased to $17.6 million for the third quarter of 2021 from $8.7 million in the third quarter of 2020. This represented margins of 15% of revenues or 37% of revenues, excluding traffic acquisition costs. Our continuous efforts to keep media margin level steady and generate incremental revenue with low variable cost is improving Perion's efficiency and profitability.

During the quarter, we generated $14.2 million of cash flow from operating activities for the third quarter, compared to $6.6 million last year. As of September 30, 2021, we had unrestricted cash, cash equivalents and short-term bank deposits of $156 million, compared to $60 million as of December 31, 2020. So this concludes my financial overview.

I will now turn the call back to Doron for closing statement.

Doron Gerstel

Closing statement, the slide before last has to do with revised guidance. I must say that the fact that we are able to generate revenue from both sides of the open web, the demand, and supply, and the fact that we're able to connect all operational asset, as I mentioned, into a central hub increase, first and foremost, our visibility and increase our sustained business model.

In that regards, we revised our guidance for 2021. From a revenue standpoint of $465 million that reflect a 40% year-over-year growth. That's one.

From Adjusted EBITDA standpoint, the midpoint is $60 million, which reflects an 83% year-over-year growth. Another thing that we should note that EBITDA to revenue, ex-TAC, is 33%, which put us on, I think, the high end of our peers. From a 2022 guidance standpoint, we improved this guidance as well. We're calling for $590 million as a midpoint, which reflects 28% year-over-year growth, and the midpoint of EBITDA is $76.5 million for 2022, which reflects a 28% year-over-year growth. And the EBITDA to revenue, ex-TAC, in 2022 is 34%, which reflect a great way how we're able to scale and leverage our fixed expenses, and we're moving in this direction as well.

Last but not least, I would like to end our call with this picture, which is our management team. Unfortunately, the three executives that are in the U.S. couldn't make it, Dan, Asaf, and Ziv.

We had a great time in the Israeli desert, and we are looking forward for the next call. Thanks so much. Operator?

Operator

Thank you. Our first question today is coming from Jason Helfstein. Your line is now live.

Jason Helfstein

Hey, guys. How are you?

Doron Gerstel

Hi, Jason.

Jason Helfstein

A few questions. I appreciate all the color on the slides.

So first, I want to ask about the video format broadly impact on gross margin. Gross margin has been up nicely year over year since the second quarter. The mix of video broadly, both CTV and other iCTV display video is all going up. So maybe talk about kind of should we expect gross margins to continue to move up broadly over whatever in the next 18, 24 months?

Two, maybe talk about if you're seeing inflation in Android pricing versus iOS because of with the Apple deprecation. Are you seeing that? Do you have a bigger mix of Android, and so that's maybe beneficial to you?

Then last, are there any capabilities that clients are asking for that you don't have right now, given that you highlighted the big cash balance, and we would expect you to continue to be focused on M&A. Thank you.

Doron Gerstel

Very good. Thanks for the questions.

So first and foremost, let's talk about the video margin. I think that the direction that we took as far as pivoting from the standard video and putting those creative, innovative type of format. At one point, maybe narrow our addressable market because we are really looking for the high end of the advertiser. First and foremost, looking for keep their—see a correlation between the creative and their brand equity. This is one.

Second, they are willing to spend, and they spent a very high CPM compared to standard videos, which I must say leave us a healthy margin in any aspect. So that's the direction, and we are planning doing it more and more and I mentioned that we hit really the limitation of what we can do by using a third-party player and third-party monetization system that we did, and this was the main, main trigger behind the acquisition of Vidazoo. Now I think that the sky is the limit as far as what we can do. Our advertiser is pushing us more and more into this high-impact video and CTV suite.

So this is the one thing. I forgot your second question.

Maoz Sigron

About the video.

Doron Gerstel

That was the video.

Jason Helfstein

It was about Android pricing versus iOS and to the extent if you have a higher mix of Android versus iOS, that should be beneficial to you for (inaudible).

Doron Gerstel

Yes. So right on, by the way. I think that with the limitation on iOS, we see kind of a gold rush into an Android. The competition there is more than what it was before, definitely challenging. We are hoping that how SORT will help us in order to overcome the competition, that's too early to say. But based on early indicators that we have, we definitely can come up with this iOS, Android kind of battle stronger than we were before.

Jason Helfstein

Then the last was just on are there any capabilities that clients are asking you for that you don't have that, we should expect you to focus on going forward or require going forward?

Doron Gerstel

Well, we are looking on a few dimensions, in a way, strengthening very much our relationship with brands. Nothing is in—let's put it this way, in an LOI stage, but we are definitely looking. We need to digest the acquisition that we just did. So nothing concrete.

I must tell you that advertisers are not—they're not pushing us into any kind of in this direction. I think that what we have currently with the fact that we cover very well the both sides, the demand side, as well as the supply side. I think our main challenge is executing. It's not about adding other things, even though our eyes are open.

Jason Helfstein

Thank you.

Doron Gerstel

You're welcome.

Operator

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

Laura Martin

Hi there. can you hear me okay?

Doron Gerstel

Hi, Laura.

Laura Martin

Hi. Thanks for that. By the way, great numbers, and thanks for the explanation of the marketplace. I'd like you to step it up a level and go back to the Snap and Facebook commentary. Snap is down about 30% since its earnings last Thursday night, and talk to—they both said that in the fourth quarter, they are seeing weakness in labor shortages and supply chain, which is cutting ad budgets for the fourth quarter. Have you seen anything outside of your premium products, just back in the normal world? Have you seen any ad budget pulling back because of these two items affecting the fourth-quarter outlook or early next year?

Doron Gerstel

So first of all, as you can imagine, most of the fourth quarter is, it's not unrecognized revenue, but you see in our pocket in terms of insertion order. So according to revenue recognition, we need to deliver it, but we not see any cancellation. We just see that there is a furious competition among those high-end brands. Yes, there are some issues in supplies. I'm reading the Wall Street Journal and other, but we not see any cancellation, any decline vice versa. I think that they're adding more, and in some cases, in some products, we definitely see that the shopping season started earlier. So no slight decrease on on demand, not at all.

Laura Martin

OK. That's super helpful. Can you put up the guidance slide again, Doron? I just wanted to focus on the fact that you really over-delivered this year—yes this slide right here. You had very dramatic margin expansion, that Adjusted EBITDA number really like doubled your revenue growth. But next year, you're showing that your EBITDA growth is going to be the same level. By the way, I see you're blowing through your $500 million of revenue. I hope you don't go on vacation for too long after you hit that metric. But tell me why we aren't going to have much more robust EBITDA margin expansion again in 2022 according to your guidance?

Doron Gerstel

So first of all, I asked for vacation and they allowed me to go only to a weekend, so we're going to Greece for the weekend. That's the only thing that they—as you can imagine, they want more, more and more. But the point here when it comes to, I think, 2022 is the following.

I think that what you definitely see is a floor, and with all the improvement that we have in terms of visibility and the modeling and diversification and the two-dimensional (phon) diversification. The cross-channel on one side of the dimension and the fact that we able to do business from both sides of the open web is another side of dimension to their specification. We need to be cautious here, and we rather, I think—so on one hand, it's impressive, the $28 million, as you mentioned. But on the other hand, I think we need to be careful, and we always like to under-promise and over-delivery.

The other thing is, and we just finished a two-day offsite with our Board. They are definitely calling for additional investment that we are doing on our technology. I must say that they are really encouraged by the investment that we did on SORT. We established an A-class AI team, which we start seeing fruit. They very much would guide us to double down on this technology. And it's calling for additional engineering investment that we are doing here in offshore in Ukraine, mainly in Ukraine.

So all in all, the being a bit cautious and trying to surprise an additional engineering investment is causing this growth, which you looked at the numbers that you need to sound—that you apologize for it. It's another thing. But I understand where you're coming from, and let us surprise you.

Laura Martin

Okay. Then my last question, it has to do with search and the role of search, search revenue was quite robust. But it does hold down your growth, your overall, it is a headwind to your overall revenue growth. Can you talk about why, like strategically, how search adds to the overall story or whether letting Bing go would really actually hurt the value proposition at all?

Doron Gerstel

Yes, absolutely. So first and foremost, the search has two very important strategic role. First, it's a very stabilized, I think, business, and the fact that we're working with Microsoft Bing and now we added Yahoo into the picture, is very much stabilized it. It's growing.

We have a publisher that is working for us for years, and we have a very, very good, stable type of business. I think that (audio interference) as I said, the transactional searches among the entire searches is growing. That's great. This is from the revenue and the EBITDA, I think, contribution standpoint. But the most important part, and this is a very interesting, and I must say that it's growing and it's growing in such a way that it's going to be a huge factor is how search, and in this case, D to S is display to search.

Display is an ad unit that we are very much placed either in our site or site that we operating, generating search. This is a very interesting technology that we develop based on contextual match and other things. So we are having an endless demand that is coming from this direction through the Microsoft Bing. So we are definitely looking to invest more on this segment of the search business. So I think that we are happy with the results.

Last note. I think that the Company, two years ago, made quite a decision. And the main decision for us was to invest on the right side, the supply side of the open web, which is something that we didn't have before, and you can't do all. I mean, we understand that we can't do all. Now we're able to leverage these assets that are on the supply side in order to drive business that is coming from the search demand that we have on the left side. So it will come together. It will grow up, and it's a very nice, steady type of growth of business.

Laura Martin

Thank you very much.

Doron Gerstel

You're welcome, Laura.

Operator

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

Doron Gerstel

Hello? Hello?

Jeff Martin

Yes. Hi. I keep unmuting myself, and I keep getting muted. Sorry about that.

Can you hear me okay?

Doron Gerstel

Yes, absolutely.

Jeff Martin

OK, great. Wanted to ask you a little bit more about SORT. It seems like a very encouraging value proposition. Curious what your go-to-market strategy is there? If you've had any initial feedback from clients and if you are targeting more the mobile side of the display or if that's across your display business?

Doron Gerstel

Right. So thanks for the question. Hold on for a second. Just a minute. I want to put this slide.

So in the notion of time, I couldn't explain what is a very, first of all, very important factor. The very important factor is the more we are using, not just the SORT, the more that we are—analyze those contextual information, user signal, external signal that we are doing on our network, and I'm referring to both the left side and the right side of what they showed on the hub-and-spoke, the better we are. So regardless if someone is using SORT or not using SORT, what is really important is, for us, those machines are working again and again, in order to do one thing is to increase the prediction.

The prediction here of who is going to click on this ad. That's very much the prediction. This is what allows us, first and foremost, to go to market, and the challenge was for our engineering team and says we will never, ever can go to the market and showing the results, CTR wise or interaction rate wise, or all has to do with return on ad spend, which is lower than what they used in cookies. That was the main design factor behind SORT. That's very much it. This is a precondition even before customer will get it. That's one.

Now when we're talking with the brand and we're talking with some, as I said, the really reputable brand. They like one thing because a purpose has become a keyword for them, and part of the purpose that we're talking if, and sorry that I talk 100,000 feet here. They're definitely looking about how is they're developing a trustworthy relationship between them and their consumer. And this whole digital advertising business, I think that kind of the wrong image by consumer. As consumers said, yes, they're following us, how come they know that I looked at this site and now they offer me that because they know that I'm going to, as I mentioned, to Greece or I already returned from Greece, and they are still offering me hotel in Athens. That's creating the wrong perception.

Now this perception is not has to do with the ad network vendor. The user is not one thing. What is the interaction? The interaction is with we can't (inaudible). It's not about the ad network or the technology and the ethics that is behind it. The point that I want to make, what I'm hearing from advertiser is how this is going to improve their perception as honest companies that definitely not tracking this user, and I do believe that brands are looking for this type of solution. Not to overcome, let's say, the Google Chrome limitation or overcome the iOS 14 or overcome this. No, they very much would like and because consumers don't care about the ethic. What they care about is the brand advisors.

So this whole thing was very much came by us working with our brand, which some of them are our design partners, and they definitely challenge us. I think that the first call was almost two years ago. We're able to gain more time, by the way, when at the beginning of the year, Google postponed its limitation on chrome, which was a great thing because we submit the patent. It was a nightmare to get the certification here. We had to run it live campaign, as I mentioned before. But all in all, the trigger is coming from the brands and I think the brand is able to use it to their favor, and I'm glad that we picked this, the glove, and able to demonstrate such a great performance.

Jeff Martin

Great. Look forward to watching that develop here. Then second question, it sounds like you're stepping up your technology investment based on commentary from the Board and recent success in your technology spend. I was curious if that's part of why your 2022 guidance for EBITDA margins isn't perhaps a little bit higher?

Doron Gerstel

Yes. Absolutely.

Jeff Martin

Okay, great. Then last question was, can you give us an update on travel-related advertising? I know that that was originally a pretty significant part of the advertising segment, and you hadn't expected that to come back to a great degree this year. Curious if you could just give us an update there.

Doron Gerstel

Yes. So travel is not back to where they were before. I don't know if you guys are aware, but it's impossible for some countries in Europe to travel to the States yet, unless you're U.S. citizen.

So definitely not back. I think that we're—if I'm using 2019 and compare it to where we are today, I think that we are 20% to 25% when it comes to advertising spend to what it was before. I'm glad that despite of it, we are showing these results, and we are looking forward that this will be behind us. I know that there are some initial discussion that we have with our travel companies and that they are trying to be prepared for the summer. Huge amount of investment, and I'm talking about advertising investment is being allocated for the next number under the assumption that the market will open for travelers, and I think it will be a huge boost for the industry in large.

Jeff Martin

Wonderful. Thanks for your time.

Doron Gerstel

Thank you, Jeff.

Operator

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

Eric Martinuzzi

Hi. Question regarding the iOS issue again. You talked a little bit about Android benefiting at the expense of iOS. But is there any evidence anecdotally maybe from the undertone folks as far as campaigns, desktop benefiting versus mobile, Doron?

Doron Gerstel

So that's a very good question. As you know, currently, mobile is growing way more than desktop as far as being used. I think that you need to look at it. So mobile definitely is getting all the attention. You spend way more on mobile. I think I have it here somewhere. Look at this chart on the left, when it comes to number of minutes on mobile versus desktop, this is double. I think that only because of where consumer spend the time, you can imagine that advertising is spending two times as much in mobile than in desktop. That's fact of the matter.

Now another very important factor has to do, of course, with the CTV, which it has to do with the big screen. This is definitely a challenge. But more, it has to do with this. I think it has to do with the multiple screen. It has to do with the ability to synchronize between the big screen, the desktop, and the mobile. That has to do very much of in a way to work, at work, at home kind of way of us to synchronize in a single campaign between all of those channels. Did that answer your question?

Eric Martinuzzi

The question was really about, have you anecdotally seen evidence of the shift to desktop from mobile, and you're saying the answer is no, not really.

Doron Gerstel

No, not really.

Eric Martinuzzi

Okay. All right. Then second question for me. It was just three weeks ago, you announced Vidazoo. What are the mechanics of integrating Vidazoo? Obviously, you've bundled them in as far as the guidance go. But behind the scenes, the engineering part of the equation.

Doron Gerstel

So first of all, our philosophy when it comes to acquiring company is to leave it alone as much as we can. I mean, I think after that, I think more than a dozen acquisitions that I did in my career. I came into this conclusion that any tight integration is the recipe for failure. So at this point, even keep them there and then try to find out how we're able to developing a synergy.

The reason I pull up the Intelligent Hub slide is, first and foremost, has to do with the revenue growth, not shared resources, nothing. I mean, just about how we're able with the fact that we have now own (phon) the player, video player, and have a great network of publishers that using Vidazoo, how we're able to scale and sell more. This is the only thing that we are doing at this point and only thing that interests us. So how it's able to drive more synergistic type of revenue.

That's the first phase of our PMI, and the second phase, we're going to get into some cost savings because, as I mentioned, currently they're not utilizing a lot of the shared resources that we develop on our hub. They have their own, for instance, head server, etc. That definitely will come, but we are doing it in two phases from PMI standpoint.

Eric Martinuzzi

Got you. Okay. Thanks for taking my question, and congrats on the quarter and the strong outlook.

Doron Gerstel

Thanks.

Operator

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

Doron Gerstel

Guys, thank you very much for joining. I enjoyed the call, as well as Maoz, so see you on next call. Thanks so much. Take care.

Operator

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