

Perion's Market Grows as Consumers Switch to Online

Price \$19.92

Recent Purchase

September 8, 2021

- Over 500 advertising partners, 200 publishers, and 8 billion page views in 2020.
- Massive 82% increase in total revenue, 67% increase in the number of clients.
- AI-powered solutions to a traditionally "analog" industry.
- The total addressable market (TAM) is expected to climb to \$524 billion by 2024, from \$340 billion in 2020.

Investment Thesis

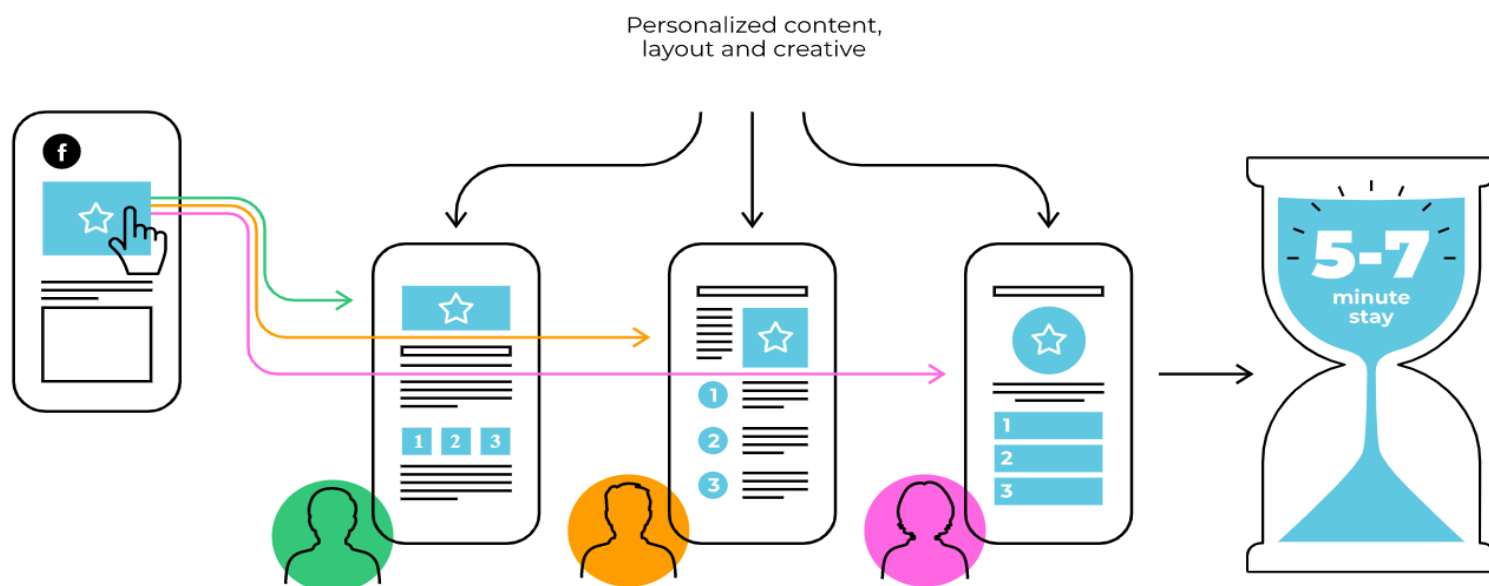
Perion Networks (PERI) is a digital advertising technology firm that provides services related to user engagement and monetization of traffic ("Capture and Convince" technologies).

Perion's growth has been nothing short of impressive, with a 67% increase in the number of clients and 82% year-over-year (YoY) revenue growth for Q2. For this reason, we believe that Perion represents an excellent growth and capital appreciation opportunity.

Products

Perion markets several flagship products; these include Bolt, Wildfire, Mission, Sparkflow, Engine AI, and Paragone.

Bolt is the "heart" of Perion's offerings, designed to maximize user engagement and page-stay duration. This product is primarily designed for firms like news organizations and blogs to maximize users' satisfaction and the number of times users view their content. This is done through artificial intelligence, which automatically personalizes the web page layout for each user to maximize user interaction and income earned from advert placement.



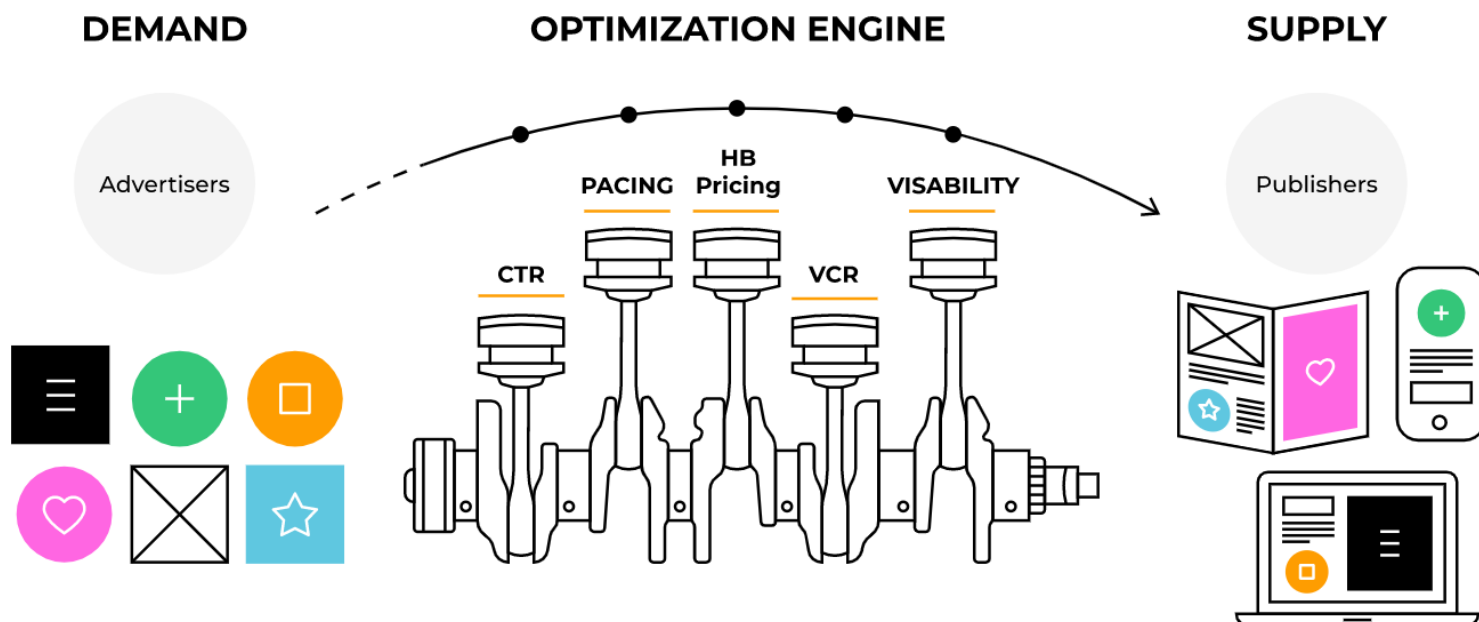
Bolt Presentation

Wildfire is Perion's publisher platform. According to Perion, today's digital ecosystem makes audience growth very difficult for publishers in the face of ever-decreasing advertising revenues and appearance in search results. Nevertheless, wildfire has impressive numbers; customers have experienced up to a 500% increase in traffic, with a 30% increase in per-session revenue. This service is offered through a fully owned subsidiary called by the same name.

Mission is a campaign management system. In a similar way that Bolt optimizes pages for optimal user experience, Mission is designed for marketing firms to optimize media buying for campaigns so that users more likely to engage with the content are served, rather than bulk-buying and hoping for the best.

Sparkflow is also designed for ad firms. It allows firms to spend less time and money creating a single large campaign and instead focus on micro-advertising, tailored to individual users to maximize users' interactions with the advert, rather than a single advert for every user. This includes features like a drag-and-drop ad builder so that the structure of the ad is the same every time, but the content is optimized.

Engine AI is optimization software that is the bridge between advertisers and content publishers. It matches supply and demand so that ad integration is seamless, non-intrusive, and cost-optimized for both parties.



Engine AI presentation.

Paragon is a data insights software that collects data from social media, processes, and suggestions to improve engagement. It is an out-of-the-box solution for firms wondering how to share better the content they create with the world without extensive technical knowledge.

Perion's Business

Globally, consumer behavior is more and more focused on online interaction, whether news, shopping, or communicating. In 2020, the total addressable market (TAM) was \$340 billion. This is expected to climb to \$542 billion by 2024, making it the largest web-tech TAM.

To facilitate this, Perion has partnered with Bing to gain further insights into user searches. These insights will provide improvements to Perion's "Capture and Convince" strategy more effectively. This agreement will span from 2021-2024, giving Perion access to data from up to 34 countries and tens of millions of user searches daily.

Perion powers all of this through its extensive network of partners, including Facebook, Google, Twitter, LinkedIn, TikTok, Instagram, Snapchat, and Pinterest. Some of the largest Perion advertiser customers include Toyota, PepsiCo, Coca-Cola, Disney, and Samsung. Some of the largest Perion

publisher customers include the BBC, CBS, ABC, USA Today, Sinclair Broadcast Group, and NBC.

Risk

Privacy laws, such as Europe's General Data Protection Regulation (GDPR), while a win for consumers could, in the future, affect Perion. Perion relies on user data to facilitate its services, and GDPR (and similar regulation across the globe) requires the explicit consent of the user for harvesting data and the ability of users to request their data be destroyed. Perion has adapted to these changes but should further protections be mandated, Perion could lose some of its TAM or need to trim some of its major service's functionality significantly.

Should Perion experience a data breach and leak user data, they could suffer in the public eye.

Metrics

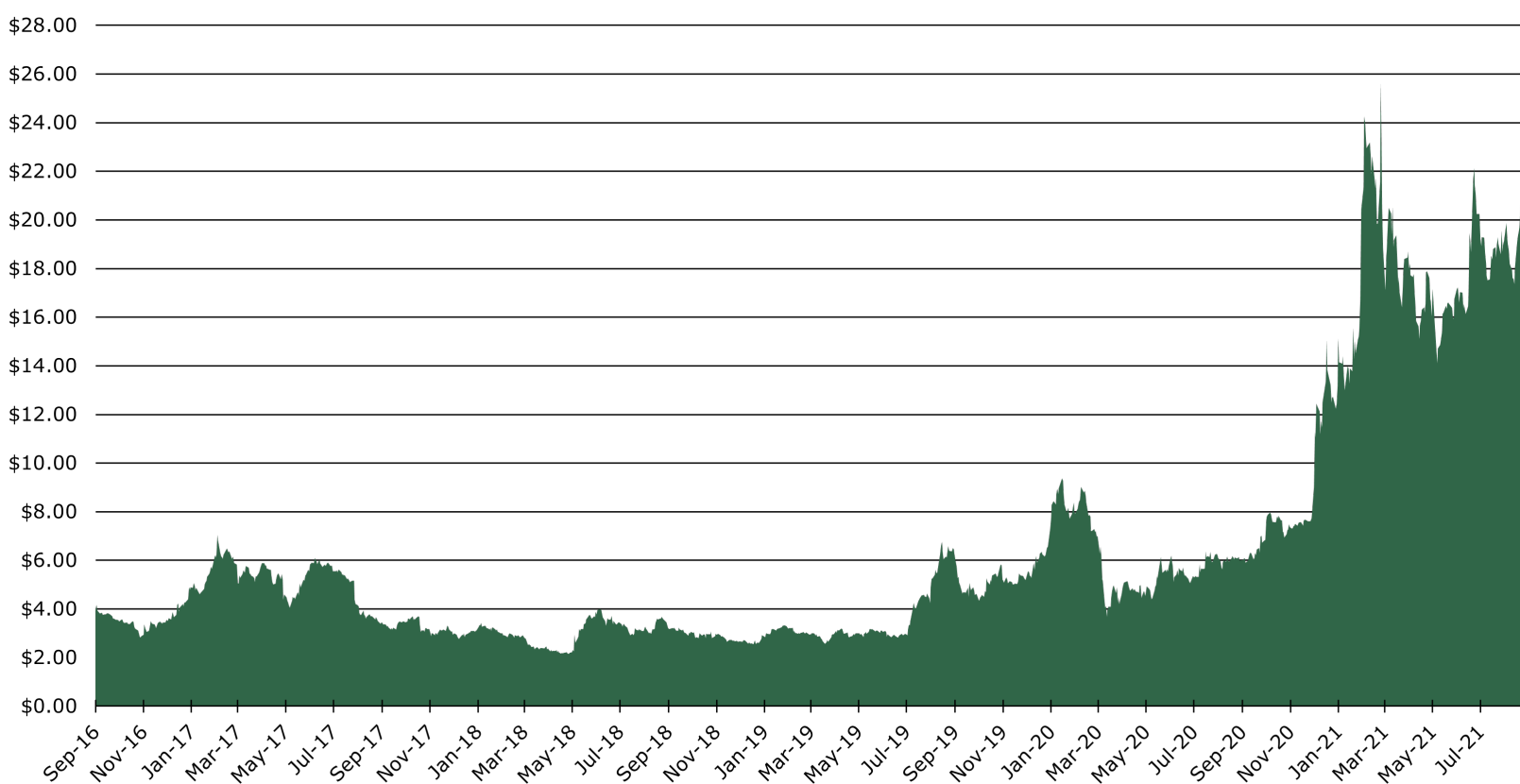
Perion's growth has been nothing short of astonishing, with 82% YoY revenue growth and 25% total CAGR since 2019. This is driven by a 211% increase in advertising revenue, on top of a 67% increase in clients. For this reason, for FY 2022, projections have been updated to estimate \$500 million in annual revenue by the end of the year. On the heels of this, in Q2, Perion announced not only are they debt-free, but it also has \$141 million in cash on hand.

Perion Networks (PERI)	E2021	E2022	E2023
Price-to-Sales	1.6	1.4	1.2
Price-to-Earnings	31.7	22.3	15.8
EV/EBITDA	12.3	10.3	8.0



Estimated Next 12 Months	Price-to-Sales	Price-to-Earnings	EV/EBITDA	Market Cap (\$ Millions)
Perion Networks (PERI)	1.4	24.9	9.5	689
Logo Yazilim (LOGO)	4.6	18.5	12.5	478
Five9 (FIVN)	18.6	141.3	99.4	12,518
Cryen (CYRN)	1.3	Neg	Neg	41.6

Perion Networks (PERI)



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