

Perion Networks (PERI) – Long PT: \$29.81



Today's Price: \$20.34
 Market Cap: \$848.38M
 Industry: TMT
 Headquarters: Holon, Israel

Under new management and distinct product and service innovation/performance - Perion is set to be an industry leader in a consolidating market.

Business Overview

Perion is a global technology company that provides innovative digital advertising solutions for brands and publishers. They operate through ad searches, social media, and display/video/connected TV.
Revenue Segmentation: 2020 Total Revenue: \$328M. Search revenue: \$179M (55%) Display revenue: \$149M (45%)

Thesis Points

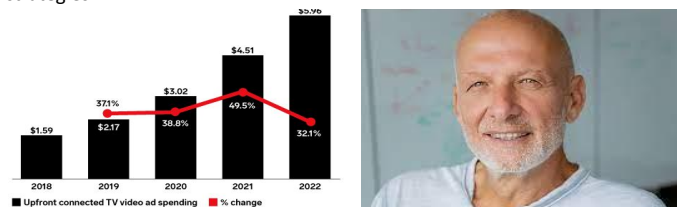
- 1. All-in-one platform provides better returns:** By having both demand and supply advertising capabilities, Perion is able to create more engaging and cohesive marketing. More engaging and cohesive marketing means a higher return on ad spending -> able to charge more for better quality compared to competitors. Additionally, Perion has a centralized hub in which the DSP and SSP flow from, allowing for higher efficiency and data and customer optimization. Perion's all-in-one platform allows for differentiation amidst a consolidating industry.
- 2. SORT - Cookieless Tracking Innovation:** SORT (Smart Optimization of Responsive Traits) is Perion's new cookieless tracking tech. With technology becoming ever-so centered around privacy, firms such as Google, are moving away from traditional advertising methods. Perion's new technology puts the company in a unique position to benefit from technological tailwinds. Not only is this proprietary technology cost efficient, it is becoming popular amongst companies. We believe the success of this technology will continue, and this will allow Perion to become a major player in the ad tech industry.
- 3. Underappreciation of strategic partnerships:** Perion has two major strategic partnerships: Microsoft and Yahoo. In these partnerships, Perion finds buyers of ad-space (supply-side). In our opinion, the market is underappreciating the value of these partnerships. These partnerships allow for stable revenue streams, comparable growth along Microsoft and Yahoo, and access to data to optimize their services, unique amongst competitors.



PERI [NASDAQ]
Perion Network Ltd.
 Communication Services | Internet Content & Information | Israel

Industry Overview

The Ad Tech industry is built upon a range of tools & software that advertisers and industry actors use to plan and manage their advertising and monetization strategies. Clients in the industry aim to maximize return by reaching their target audience and aim for higher customer conversion rate. Recently, COVID-19 transformed the way businesses are performed, driving up online advertising -> increasing demand for AdTech. These online advertising depends on cookies, both first party and third party. However, Google and others are starting to ban cookie tracking by 2023, companies like Trade Desk and Perion are innovating for cookie-less advertising. Additionally, Connected TV Advertising is the new era of big screen advertising with Display Ads (in video, audio, image etc.) that can be placed on any TV or device that can be connected to the internet and access video streaming content. All this innovation and tailwinds lead to higher competition for revenue, so businesses need better advertising strategies.



Additional Commentary – Valuation/Risks/News

Valuation: Since 2017, when the new CEO took over, the company's stock is up 280% and the top-line growth is increasing YoY. In the 2021, in large part due to pandemic tailwinds, revenue was up 46%. We expect revenue and the overall company to grow steadily. Additionally, the company's targeted cap structure is 100% equity. As a result, the cost of equity is effectively used as the WACC in our model. Overall, we believe our thesis points directly link to the growth shown in our model and believe our average price target is fair/conservative.

Risks:

- Low Customer Fragmentation
- Seasonality & Uncertainty in Market Fluctuations
- Reliance on Big Tech

