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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

Perion Network Ltd.

Speculative Buy

John Nobile
February 10, 2021

PERI $24.25 — (NASDAQ)

	2019A	2020A	2021E	2022E
Revenues (millions)	$261.5	$328.1	$360.0	$396.0
Earnings (loss) per share	$0.49	$0.36	$0.28	$0.42

52-Week range	$25.75 – $3.43	Fiscal year ends:	December
Common shares out as of 1/22/21	32.6 million	Revenue per share (TTM)	$11.39
Approximate float	20.0 million	Price/Sales (TTM)	2.1X
Market capitalization	$791 million	Price/Sales (2022)E	2.3X
Tangible book value/share	0.28	Price/Earnings (TTM)	67.4X
Price/tangible book value	86.6X	Price/Earnings (2022)E	57.7X

Perion Network Ltd., headquartered in Holon, Israel, is a global technology company that provides agencies, brands and publishers with digital advertising solutions. The company provides its data-driven Synchronized Digital Branding platform and high-impact ad formats in the display domain, a social media platform, and a branded search network.

Key investment considerations:

Reiterating Speculative Buy rating on Perion and raising our twelve-month price target to $31.00 per share from $20.50 based on our 2022 sales projection, an expanded sector valuation, and a reduced risk profile.

In 2020, the company was able to mitigate the impact from COVID-19 and grow revenue by over 25% driven by its connected TV (CTV) advertising and content monetization offerings. The company has a strong balance sheet to weather the pandemic and recently closed on a $66 million public offering.

Over the past three years, PERI's strong cash flow allowed it to pay down debt while maintaining a relatively high cash position ($61.6 million as of December 31, 2020 - includes short-term bank deposits and restricted cash). Our forecast through 2022 anticipates significant cash earnings totaling over $50 million over the next two years, the payoff of debt, and growth in shareholder's equity.

Perion reported (2/9/21) 4Q20 revenues increased 51.1% to $118.3 million and EPS of $0.30. We projected 4Q20 revenue of $113 million and EPS of $0.19.

For 2021, we project a 9.7% increase in revenue to $360 million and EPS of $0.28. We previously projected revenue of $353.5 million and EPS of $0.36. Our revised estimates reflect recent guidance and an increased share count associated with the January 2021 common stock offering.

For 2022, we project a 10% increase in revenue to $396 million and EPS of $0.42 per share. Our estimates reflect continued organic revenue growth.

****Please view our disclosures on pages 14 - 16.***

Recommendation and Valuation

Reiterating Speculative Buy rating on Perion and raising our twelve-month price target to $31.00 per share from $20.50 based on our 2022 sales projection, an expanded sector valuation, and a reduced risk profile associated with a strong balance sheet.

In 2020, the company was able to mitigate the impact from COVID-19 and grow revenue by over 25% driven by its connected TV (CTV) advertising and content monetization offerings. The company has a strong balance sheet to weather the pandemic and closed on a $66 million public offering (discussed below).

Over the past three years, PERI's strong cash flow allowed it to pay down debt while maintaining a relatively high cash position ($61.6 million as of December 31, 2020 - includes short-term bank deposits and restricted cash). Our forecast through 2022 anticipates significant cash earnings totaling over $50 million over the next two years, the payoff of debt, and growth in shareholder's equity.

PERI's trailing 12-month price-to-sales multiple is 2.1X (up from 1.4X previously). We believe investors are likely to accord PERI a multiple in line with the industry (which is currently 2.9X, up from 2.2X previously) given the company's growth potential and our projected increases in cash flow and shareholder's equity. Applying a multiple of 2.9X to our 2022 sales projection of $10.70 per share implies a year-ahead value of approximately $31.00 per share.

Perion Closes $66 Million Offering

On January 22, 2021, Perion announced that it closed a public offering of its ordinary shares. The total number of shares sold were approximately 5.7 million at a price of $11.50 per share resulting in aggregate gross proceeds of approximately $66 million.

Perion intends to use the proceeds from the offering as additional working capital that will aid in the growth of its business, including merger or acquisition opportunities as well as for general corporate purposes.

Organizational History

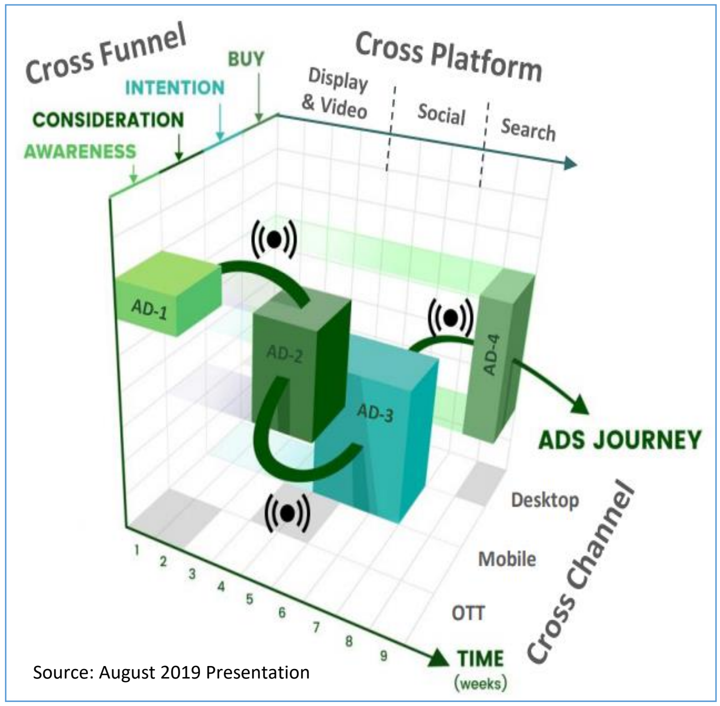
The company was incorporated in the State of Israel in November 1999 under the name Verticon Ltd. and changed its name to IncrediMail Ltd. in November 2000. In November 2011, the company changed its name to Perion Network Ltd. Since 2011, Perion completed several acquisitions, including the acquisitions of ClientConnect Ltd. in 2014 and Interactive Holding Corp. in 2015, collectively referred to as Undertone.

The company completed its initial public offering of ordinary shares in the US in February 2006. Since November 2007, the company's ordinary shares also trade on the Tel-Aviv Stock Exchange (TASE).

Business

Perion Network Ltd., headquartered in Holon, Israel, is a global technology company that provides agencies, brands and publishers with digital advertising solutions. The company provides its data-driven Synchronized Digital Branding platform and high-impact ad formats in the display domain, a social media platform, and a branded search network.

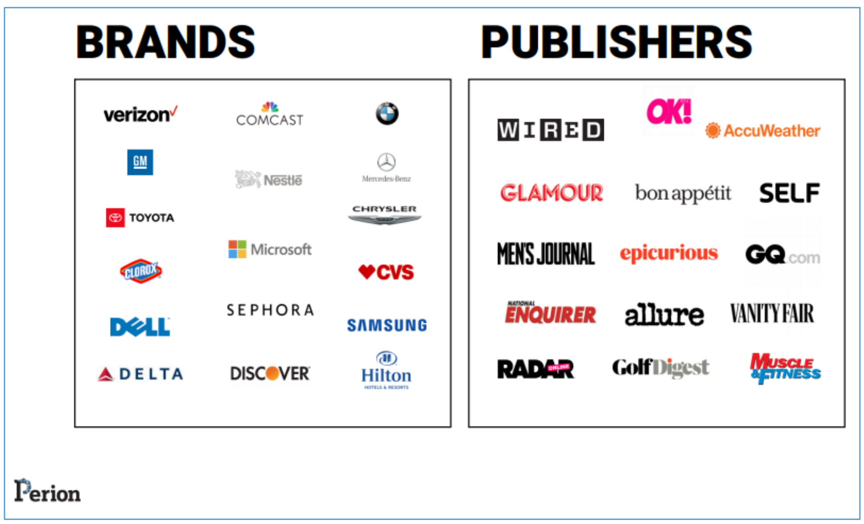
The company's advertising solution is driven by its Synchronized Digital Branding platform that enables a brand to tell a complete story by delivering the right message to the right audience at the right time (see chart at right). For example, a coffee brand could reach the same user with a "wake-up" message in the morning; a "keep you going" message in the afternoon; and a "decaf espresso for a good night's sleep" message in the evening. With multiple ads being placed for a particular brand, and immediate feedback being received, Perion is able to offer its clients an optimal ad.



Source: August 2019 Presentation

The company's advertising division, Undertone, helps brands capture consumer attention via creative and proprietary ad formats served across top-tier publishers (see chart at lower right). Perion's search division, CodeFuel, enables developers to optimize search traffic and generate incremental revenue. The company's social advertising platform, MakeMeReach, drives marketing campaigns and demand generation at scale across Facebook, Twitter, Instagram, and Snapchat.

Undertone - Provides digital advertising across desktop, mobile (Web and App) and social channels. Undertone's customers receive support throughout the full campaign cycle, including planning, creative services, client solutions, performance and insights.



Undertone's AI-driven cloud platform is designed for brands and agencies to help accomplish three critical objectives: to attract audiences on diverse channels such as Facebook, Instagram, Google, Amazon, LinkedIn, Snapchat, Pinterest, and Twitter; to distribute the execution of these campaigns to agencies and franchises; and to measure results in one unified, intuitive dashboard.

Social networks are expected to continue to be a major platform for digital advertising, and with a lot of innovation in the sector, advertisers will look for emerging platforms to reach existing and new audiences.

Perion acquired Pub Ocean in July 2020. Pub Ocean is a digital publisher-focused technology company with scalable content distribution and real-time revenue analytics technology. It is expected that the acquisition of Pub Ocean will offer significant and immediate synergies to Content IQ, which Perion acquired in January 2020. Content IQ stands to benefit from Pub Ocean's automated recommendations and analytics which sit between brands and channels.

Content IQ operates in the digital publishing space, utilizing data and analytic tools to deconstruct content, revenue and distribution in order to solve digital publishing challenges and drive traffic to owned and operated properties, as well as those of the company's network of publishers. Content IQ's page-level engagement solutions offer tools for extracting value from content, enabling publishers and brands to monetize their properties through real-time optimization.

<u>*CodeFuel*</u> - A search platform that allows publishers to track and monitor their business performance. Publishers integrate CodeFuel's solutions into their products and services such as content Websites, browser extensions and mobile launcher applications and monetize their solutions by delivering Microsoft Bing's search results to validated traffic. End users can configure their browser settings through the search setting dialogue providing them convenient access to search-engine providers and the ability to conduct searches or follow links to relevant advertisements.

As part of Perion's partnership with Microsoft Bing, in early 2020 the company launched Privado, a private search engine, enabling Perion to capitalize on the growing consumer trend for online privacy.

<u>*MakeMeReach*</u> - A social marketing platform that offers a dashboard for marketers to enable media buying to be more efficient. The platform enables global brands to standardize and centralize their advertising workflows in one place, so that they can easily manage distributed advertising activities, maintain control of their brand, and improve overall ad performance.

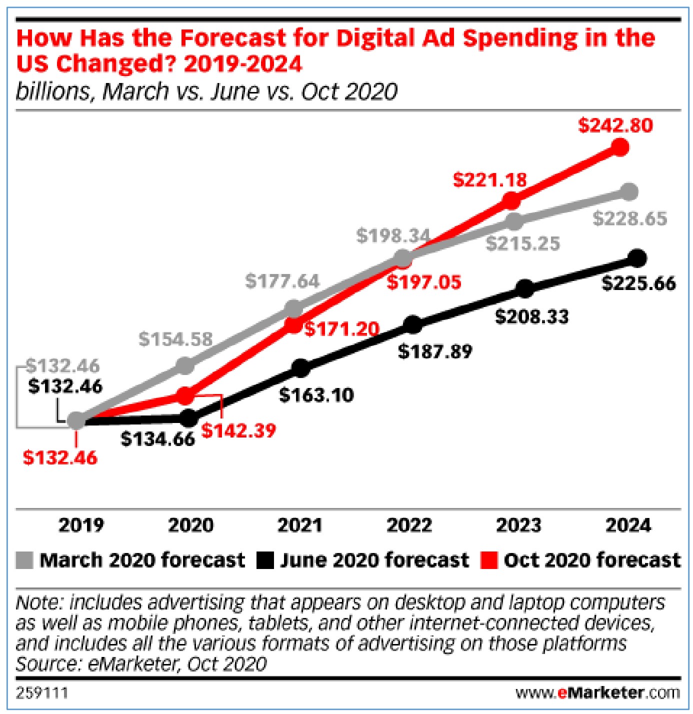
The company also generates a small portion of its revenues through its consumer product - Smilebox, a photo sharing and social expression product that enables people to tell the stories of their lives with fully customizable eCards, slideshows, invitations, collages and more.

Industry

Perion operates in the digital advertising industry. IBISWorld reports that over the past five years, the digital ad industry has benefited from the rapid shift from traditional print advertising to digital advertisements. Strong demand for digital advertising services from the retail, financial services, automotive and telecommunication sectors have bolstered industry revenue. As more consumers generate Website traffic through the use of smartphones and tablets, many businesses have purchased digital advertising services to build brand awareness across multiple screens and platforms (such as Perion's Synchronized Digital Advertising offering).

IBISWorld projects that many digital advertising agencies will attempt to implement tools that measure how an advertising campaign drives customer purchasing behavior across numerous digital platforms. The industry has contended with limited tools available to examine consumer demographics for individuals who may have switched from one device to another, potentially causing them to view an advertisement twice. The industry will benefit more from clients allocating their advertising budgets to advertisements that integrate with numerous technologies, including smartphones, tablets and computers.

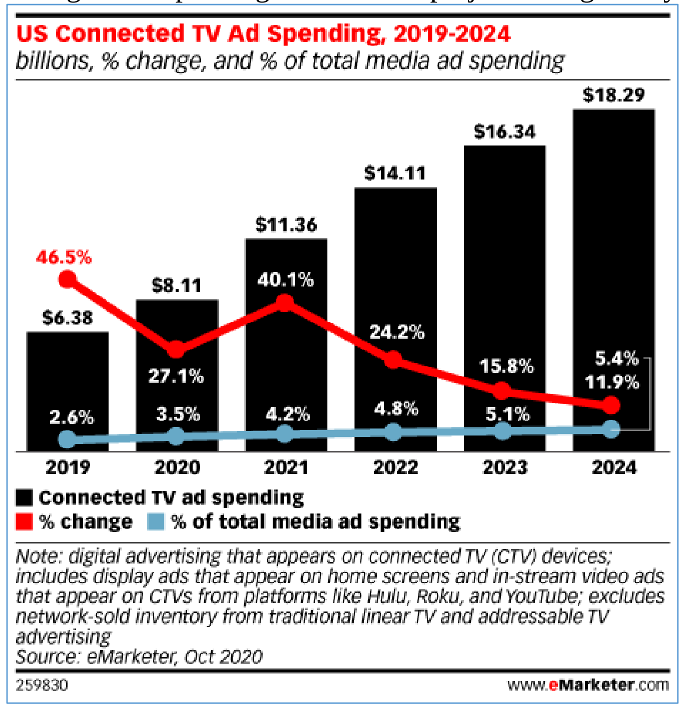
IBISWorld projects the digital advertising industry will continue to grow through 2024 as more effective advertising tools are developed to measure consumer demographics.



An October 2020 report issued by research firm eMarketer projected digital ad spending in the US to grow 20.2% to $171.2 billion in 2021, this is up from its June 2020 projection of $163.1 billion. The increase in projections over the four month period stems primarily from significant growth for ad spending by computing products and consumer electronics manufacturers, and retail industries. Digital ad spending in the US is projected to grow by 15.1% to $197.1 billion in 2022 and average 14.3% annual growth over the four years to 2024 (see chart at bottom right on previous page).

Helping to drive Perion's revenue growth has been strong growth in connected television (CTV) advertising. A connected television is wirelessly connected to the internet.

In October 2020, eMarketer projected CTV advertising in the US to grow from $6.4 billion in 2019 to $18.3 billion in 2024 for an average annual growth rate of 22.5% (see chart at right). CTV ad spending in the US is projected to grow by 40.1% to $11.4 billion in 2021 and 24.2% to $14.1 billion in 2022. eMarketer observed that viewers continuing to flock to streaming video were driving increases for the foreseeable future. eMarketer cited younger viewers as being more likely to be CTV viewers, but older demographics were catching up.



Competition

The markets in which the company operates are highly competitive. There are a large number of companies that compete with Perion's advertising solutions. Some of these companies are larger and have more financial resources than Perion including, Verizon Media, Google, and Facebook. New entrants and companies that do not currently compete with Perion's advertising technology such as Amazon and Samsung may compete in the future given the relatively low barriers to entry in the industry.

The company competes with search engine providers such as Google, Microsoft, Verizon Media, IAC and companies offering consumer search software such as Interactive Corporation and others.

Many of Perion's competitors may have significantly greater financial, research and development, manufacturing, and sales and marketing resources. These competitors could potentially use their greater financial resources to acquire other companies to gain name recognition and market share, as well as to develop new technologies, enhance systems and analytical capabilities and/or products or features that could effectively compete with Perion's solutions.

Strategy

Perion aims to be the leader in high-quality advertising solutions by delivering messages that stand out through innovative and engaging ad units. The company offers "high impact" ad units (advertising that captures the attention of consumers), as well as standard and non-standard ad formats in desktop, mobile (Web and App), and social media channels.

The company's Synchronized Digital Branding platform is an example of its high impact ad offering. Perion's partnerships, acquisitions and new product launches over the past two years allows brands to create Synchronized Digital Branding experiences personalized across digital screens and platforms and enables programmatic access to all of Undertone's high-impact digital advertising formats.

Economic Outlook

In January 2021, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 5.5% for 2021 and 4.2% for 2022. In October 2020, the IMF predicted GDP growth of 5.2% for 2021 and 4.2% for 2022. The 2021 upward revision primarily reflects expectations that the COVID-19 vaccine would enable a strengthening of economic activity later in the year. Additional fiscal policy support in a few large economies is also expected to boost economic growth.

The IMF revised its economic growth estimate for the US to an increase of 5.1% for 2021 and 2.5% for 2022. In October 2020, the IMF projected US economic growth of 3.1% for 2021 and 2.9% for 2022.

The advance estimate of US GDP growth (released on January 28, 2021) showed the US economy increased at an annual rate of 4% in 4Q20, down from the 33.4% increase reported in 3Q20. The 4Q20 US GDP estimate primarily reflects increases in exports, business investment, consumer spending, housing and inventory investment, partially offset by a decrease in government spending.

Projections

<u>2021 Forecast</u> – We project a 9.7% increase in revenue to $360 million and net income of $10.3 million or $0.28 per share. We previously projected revenue of $353.5 million and net income of $10.1 million or $0.36 per share. Our revised estimates reflect recent guidance and an increased share count associated with the January 2021 common stock offering.

We project gross margins of 93.7%. Customer acquisition costs and media buy expenses are projected to increase 10.6% to $218.6 million as payments to publishers and developers increase. R&D expense should increase by 10.1% to $34 million as the company continues to invest in new product development. Selling and marketing expenses should increase 10.8% to $43.3 million from $39.1 million. We project a 3.7% increase in general and administrative expenses to $16.4 million as the company continues to control costs.

We project operating income of $14.2 million, up from $12.3 million in 2020. We anticipate the company paying $2.6 million in taxes for a 20% tax rate.

In 2021, we project cash earnings of $23.4 million and a $5.9 million increase in working capital resulting in $17.5 million cash from operations. Cash from operations and proceeds from the January 2021 equity offering should cover payments related to acquisitions, the payoff of debt, and capital expenditures, increasing cash by $64.8 million to $113.7 million at the end of 2021.

<u>2022 Forecast</u> – We project a 10% increase in revenue to $396 million and net income of $15.6 million or $0.42 per share. Our estimates reflect continued organic revenue growth.

We project gross margins of 94.1%. Customer acquisition costs and media buy expenses are projected to increase 10.8% to $242.3 million as payments to publishers and developers increase. R&D expense should increase by 5.9% to $36 million as the company continues to invest in new product development. Selling and marketing expenses should increase 6.2% to $46 million from our projected $43.3 million in 2020. We project a 4.9% increase in general and administrative expenses to $17.2 million as the company continues to control costs.

We project operating income of $20.5 million, up from $14.2 million projected for 2020. We anticipate the company paying $3.9 million in taxes for a 20% tax rate.

In 2022, we project cash earnings of $27.2 million and a $4.8 million increase in working capital resulting in $22.4 million cash from operations. Cash from operations should be more than offset by payments related to acquisitions and capital expenditures, decreasing cash by $5.1 million to $108.6 million at the end of 2022.

4Q and FY 2020 Financial Results

4Q20 - Perion reported net income of $9 million or $0.30 per share on a 51.1% increase in total revenue to $118.3 million. We projected 4Q20 revenue of $113 million and net income of $5.4 million or $0.19 per share. In the year ago period, EPS was $0.22 on revenue of $78.3 million.

Display and social advertising revenues increased 158.8% to $68.4 million. Search advertising and other revenues decreased 3.8% to $49.9 million. The increase in display and social advertising revenue was primarily due to the acceleration of the company's connected TV (CTV) offering and contribution from the company's content monetization offering. The decrease in search advertising and other revenues was primarily due to lower ad revenue per thousand impressions (RPMs), partially offset by growing number of search queries.

Gross profit increased 56.5% to $111.7 million from $71.4 million while gross margins increased to 94.5% from 91.2%. Customer acquisition costs and media buy expenses increased 82% to $74.8 million from $41.1 million due primarily to the acquisitions of Content IQ and Pub Ocean.

Research and development costs increased by 38.2% to $8.5 million from $6.1 million. Selling and marketing expenses increased by 28.8% to $11.7 million. General and administrative expenses decreased 18.1% to $4.1 million from $5 million. Depreciation and amortization expenses increased by 11.1% to $2.7 million.

The company reported financial expense of $1.4 million versus $737,000 in 4Q19. Perion received a $472,000 tax benefit versus a $1.1 million expense in 4Q19.

FY 2020 - Perion reported net income of $10.2 million or $0.36 per share on a 25.5% increase in total revenue to $328.1 million. In the year ago period, EPS was $0.49 on revenue of $261.5 million.

Display and social advertising revenues increased 69.2% to $148.7 million. Search advertising and other revenues increased 3.3% to $179.4 million. The increase in display and social advertising revenue was primarily due to the acceleration of the company's CTV offering and contribution from the company's content monetization offering. The increase in search advertising and other revenues was primarily due to a higher number of search inquiries, partially offset by lower RPMs.

Gross profit increased 29.5% to $305.6 million from $235.9 million while gross margins increased to 93.1% from 90.2%. Customer acquisition costs and media buy expenses increased 45.4% to $197.6 million from $135.9 million.

Research and development costs increased by 36.7% to $30.9 million from $22.6 million. Selling and marketing expenses increased by 12.5% to $39.1 million. General and administrative expenses increased 5.5% to $15.8 million from $15 million. Depreciation and amortization expenses increased to $9.9 million from $9.7 million.

The company reported financial expense of $2.6 million versus $3.5 million in 2019. Perion received a $610,000 tax benefit versus paying $1.6 million in 2019.

Liquidity – As of December 31, 2020, Perion had $61.6 million cash (includes $12.7 million short-term bank deposit and $1.2 million of restricted cash), a current ratio of 1.2X, $8.3 million of debt (all short term), payment obligation related to acquisitions of $37.9 million ($7.9 million short-term and $30 million long-term), and a debt equity ratio of less than 0.1X.

In December 2018, Perion executed a loan facility with an Israeli bank in the amount of $25 million. The loan facility replaced two debt facilities consolidating them into a single debt facility with Bank Mizrahi. Principal on the loan is payable in 12 equal quarterly installments beginning March 2019 at an annual interest rate of three-month LIBOR plus 5.7% and matures on December 31, 2021.

For 2020, the company had cash earnings of $21.5 million and a $585,000 decrease in working capital that resulted in $22 million cash provided by operations. Cash provided by operations was partially offset by $4 million cash used in financing (from debt repayments offset in part by the exercise of options) and $8.8 million cash used in investing (primarily from cash paid for acquisitions partially offset by a decrease in short-term deposits), increasing cash by $9.3 million to $48.9 million (includes restricted cash) at December 31, 2020.

Risks

In our view, these are the principal risks underlying the stock.

Pandemic concerns – The outbreak of the coronavirus presents concerns that may dramatically affect the company's ability to conduct business effectively. The trajectory of the coronavirus remains uncertain and it is becoming increasingly plausible that Perion's business may be directly affected. In the event that the economic effect of the outbreak deepens and has a long term effect on the global economy, the company's business and operations may be adversely effected.

Lack of long-term contracts – Perion generally does not enter into long-term contracts with its advertising customers, and such customers do business on a non-exclusive basis with no minimum spending guarantees. Perion's advertising customers may reduce or terminate their business relationship with the company at any time which could have a material adverse effect on Perion's business, results of operations, and financial condition.

Technological obsolescence – Google, as an advertising publisher, accounts for most US online search-generated revenues while Microsoft and Yahoo account for substantially all of the rest. A small number of social network companies, such as Facebook, account for a large portion of digital advertising budgets.

These companies, along with other large and established Internet and technology companies, may also leverage their power to make changes to their Web browsers, operating systems, platforms, networks or other products or services in a way that impacts the entire digital advertising marketplace. If Perion is unable to adjust to those changes, the company's revenues and performance could be adversely impacted.

Demand for digital advertising – A substantial portion of the company's revenues is derived from the sale of digital advertising solutions. If the demand for digital advertising does not continue to grow or customers do not chose Perion's solutions, it could restrain the company's operations.

Competition - The advertising industry is highly competitive. There are a large number of digital media companies and advertising technology companies that offer services similar to Perion's that compete for finite advertising budgets and for limited inventory from publishers. Some of the company's competitors are better established have significantly more financial, technical, sales and marketing resources than Perion. Given that the barriers to entering the digital advertising market are relatively low, the number of competitors may increase. If Perion cannot compete effectively in this market, its revenues are likely to decline.

Desktop computer search services - The market related to desktop computers has accounted for a substantial part of Perion's search revenues. Recently, the number of individuals who access the Internet through devices other than desktop computers, such as mobile phones, tablets, etc., has increased dramatically. If this trend towards using the Internet on non-desktop devices accelerates, some of Perion's services will become less relevant and may fail to attract advertisers and Web traffic.

Exchange rates - A significant portion of Perion's costs are incurred in new Israeli shekels (NIS). Exchange rate fluctuations may have an adverse effect on the company's earnings and asset base if it not able to effectively hedge against currency exchange risks.

Regulatory changes – Perion's business is conducted through the Internet and is subject to the laws and regulations that apply to e-commerce and online businesses around the world. These laws and regulations are becoming more prevalent in the US, Europe, Israel, Canada, and elsewhere and may impede the growth of the Internet and consequently the company's services.

Reliance on North American market – Perion's revenues have been concentrated within the North American market, accounting for approximately 75% of revenues. A significant reduction in the revenues generated in North America could have a material adverse effect on the company's results of operations.

Political, economic and military risks – A potential disruption of US economic conditions lies in the global spread of COVID-19 that is likely to cause supply chain and demand issues which could adversely impact corporate operating results. Prion's principal executive offices are located in Israel. Accordingly, political, economic and military conditions in the Middle East may directly affect the company's business.

Liquidity risk - Shares of Perion have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 20 million shares in the float and the average daily volume is approximately 1.1 million shares.

Miscellaneous risk **-** The company's financial results and equity values are subject to other risks and uncertainties including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Consolidated Balance Sheets
(in thousands $)

	2018A	2019A	2020A	2021E	2022E
Cash and cash equivalents	39,109	38,389	47,656	112,452	107,377
Restricted cash	1,694	1,216	1,222	1,222	1,222
Short-term bank deposits	4,000	23,234	12,700	12,700	12,700
Receivables	55,557	49,098	81,221	89,000	97,900
Prepaid expenses and other	3,533	3,170	4,560	4,560	4,560
Total current assets	103,893	115,107	147,359	219,934	223,759
Property and equipment	15,649	10,918	6,770	5,429	4,029
Operating lease right-of-use assets	-	22,429	20,266	20,266	20,266
Goodwill and intangibles	131,547	128,444	176,679	176,679	176,679
Deferred taxes	4,414	6,171	7,111	7,111	7,111
Other	943	708	496	496	496
Total assets	**256,446**	**283,777**	**358,681**	**429,915**	**432,340**
Accounts payable	38,208	47,681	72,498	78,819	85,389
Accrued expenses and other	17,240	18,414	21,188	23,040	25,344
Short-term operating lease liability	-	3,667	4,514	4,514	4,514
Short-term debt	16,059	8,333	8,333	-	-
Deferred revenues	3,794	4,188	5,711	5,711	5,711
Payment obligation related to acquisitions	1,813	1,025	7,869	30,000	-
Total current liabilities	77,114	83,308	120,113	142,084	120,958
Long-term debt	24,393	8,333	-	-	-
Payment obligation related to acquisition	-	-	30,035	-	-
Long-term operating lease liability	-	20,363	17,698	17,698	17,698
Other	6,158	6,591	6,713	6,713	6,713
Total liabilities	**107,665**	**118,595**	**174,559**	**166,495**	**145,369**
Total stockholders' equity	**148,781**	**165,182**	**184,122**	**263,420**	**286,972**
Total liabilities & stockholders' equity	**256,446**	**283,777**	**358,681**	**429,915**	**432,340**

Source: Company filings and Taglich Brothers' estimates

Perion Network Ltd.

Income Statements for the Fiscal Years Ended
(in thousands $)

	2018A	2019A	2020A	2021E	2022E
Search advertising and other	126,868	173,587	179,365	188,000	199,000
Display and social advertising	125,977	87,863	148,698	172,000	197,000
Total revenue	252,845	261,450	328,063	360,000	396,000
Cost of revenue	23,757	25,520	22,477	22,700	23,200
Gross profit	229,088	235,930	305,586	337,300	372,800
Customer acquisition costs and media buy	128,351	135,891	197,626	218,576	242,264
Research and development	18,884	22,585	30,880	34,000	36,000
Selling and marketing	38,918	34,736	39,085	43,300	46,000
General and administrative	16,450	14,999	15,819	16,400	17,200
Depreciation and amortization	9,719	9,711	9,923	10,800	10,800
Operating income (loss)	14,691	18,008	12,253	14,224	20,536
Financial expenses	3,794	3,470	2,638	1,352	1,096
Income (loss) before taxes	10,897	14,538	9,615	12,872	19,440
Income tax (benefit)	2,776	1,645	(610)	2,574	3,888
Net income (loss)	8,121	12,893	10,225	10,298	15,552
EPS	0.31	0.49	0.36	0.28	0.42
Shares Outstanding	26,855	26,358	28,798	37,000	37,000
EBITDA	24,410	27,719	22,176	25,024	31,336
Adjusted EBITDA*	29,554	32,393	32,785	36,024	42,336
Margin Analysis					
Gross margin	90.6%	90.2%	93.1%	93.7%	94.1%
Customer acquisition costs and media buy	50.8%	52.0%	60.2%	60.7%	61.2%
Research and development	7.5%	8.6%	9.4%	9.4%	9.1%
Selling and marketing	15.4%	13.3%	11.9%	12.0%	11.6%
General and administrative	6.5%	5.7%	4.8%	4.6%	4.3%
Operating margin	5.8%	6.9%	3.7%	4.0%	5.2%
Tax rate	25.5%	11.3%	(6.3)%	20.0%	20.0%
Year / Year Growth					
Total Revenues	(7.7)%	3.4%	25.5%	9.7%	10.0%

*Includes stock compensation, restructuring and other costs
Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statements 2020A - 2022E
(in thousands $)

	3/20A	6/20A	9/20A	12/20A	2020A	3/21E	6/21E	9/21E	12/21E	2021E	3/22E	6/22E	9/22E	12/22E	2022E
Search advertising and other	42,320	41,667	45,522	49,856	179,365	44,000	46,000	47,000	51,000	188,000	46,000	49,000	50,000	54,000	199,000
Display and social advertising	23,733	18,674	37,891	68,400	148,698	33,000	37,000	41,000	61,000	172,000	38,000	42,000	47,000	70,000	197,000
Total revenue	66,053	60,341	83,413	118,256	328,063	77,000	83,000	88,000	112,000	360,000	84,000	91,000	97,000	124,000	396,000
Cost of revenue	5,766	4,880	5,292	6,539	22,477	5,500	5,500	5,500	6,200	22,700	5,600	5,600	5,600	6,400	23,200
Gross profit	60,287	55,461	78,121	111,717	305,586	71,500	77,500	82,500	105,800	337,300	78,400	85,400	91,400	117,600	372,800
Customer acquisition costs and media buy	36,138	36,801	49,878	74,809	197,626	46,200	50,464	53,592	68,320	218,576	51,072	55,692	59,364	76,136	242,264
Research and development	7,207	7,122	8,071	8,480	30,880	8,500	8,500	8,500	8,500	34,000	9,000	9,000	9,000	9,000	36,000
Selling and marketing	9,701	8,219	9,448	11,717	39,085	9,800	11,000	11,000	11,500	43,300	11,000	11,500	11,500	12,000	46,000
General and administrative	3,939	3,581	4,239	4,060	15,819	3,800	4,200	4,200	4,200	16,400	4,000	4,400	4,400	4,400	17,200
Depreciation and amortization	2,302	2,251	2,695	2,675	9,923	2,700	2,700	2,700	2,700	10,800	2,700	2,700	2,700	2,700	10,800
Operating income (loss)	1,000	(2,513)	3,790	9,976	12,253	500	636	2,508	10,580	14,224	628	2,108	4,436	13,364	20,536
Financial expenses	(8)	741	459	1,446	2,638	362	346	330	314	1,352	298	282	266	250	1,096
Income (loss) before taxes	1,008	(3,254)	3,331	8,530	9,615	138	290	2,178	10,266	12,872	330	1,826	4,170	13,114	19,440
Income tax (benefit)	(326)	(1,015)	1,203	(472)	(610)	28	58	436	2,053	2,574	66	365	834	2,623	3,888
Net income (loss)	1,334	(2,239)	2,128	9,002	10,225	110	232	1,742	8,213	10,298	264	1,461	3,336	10,491	15,552
EPS	0.05	(0.08)	0.08	0.30	0.36	0.00	0.01	0.05	0.22	0.28	0.01	0.04	0.09	0.28	0.42
Shares Outstanding	28,213	26,630	28,337	29,962	28,798	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000
EBITDA	3,302	(262)	6,485	12,651	22,176	3,200	3,336	5,208	13,280	25,024	3,328	4,808	7,136	16,064	31,336
Adjusted EBITDA*	6,238	2,464	8,749	15,334	32,785	5,950	6,086	7,958	16,030	36,024	6,078	7,558	9,886	18,814	42,336
Margin Analysis															
Gross margin	91.3%	91.9%	93.7%	94.5%	93.1%	92.9%	93.4%	93.8%	94.5%	93.7%	93.3%	93.8%	94.2%	94.8%	94.1%
Customer acquisition costs and media buy	54.7%	61.0%	59.8%	63.3%	60.2%	60.0%	60.8%	60.9%	61.0%	60.7%	60.8%	61.2%	61.2%	61.4%	61.2%
Research and development	10.9%	11.8%	9.7%	7.2%	9.4%	11.0%	10.2%	9.7%	7.6%	9.4%	10.7%	9.9%	9.3%	7.3%	9.1%
Selling and marketing	14.7%	13.6%	11.3%	9.9%	11.9%	12.7%	13.3%	12.5%	10.3%	12.0%	13.1%	12.6%	11.9%	9.7%	11.6%
General and administrative	6.0%	5.9%	5.1%	3.4%	4.8%	4.9%	5.1%	4.8%	3.8%	4.6%	4.8%	4.8%	4.5%	3.5%	4.3%
Operating margin	1.5%	(4.2)%	4.5%	8.4%	3.7%	0.6%	0.8%	2.9%	9.4%	4.0%	0.7%	2.3%	4.6%	10.8%	5.2%
Tax rate	(32.3)%	31.2%	36.1%	20.0%	(6.3)%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Year / Year Growth															
Total Revenues	22.7%	(5.1)%	26.8%	51.1%	25.5%	16.6%	37.6%	5.5%	(5.3)%	9.7%	9.1%	9.6%	10.2%	10.7%	10.0%

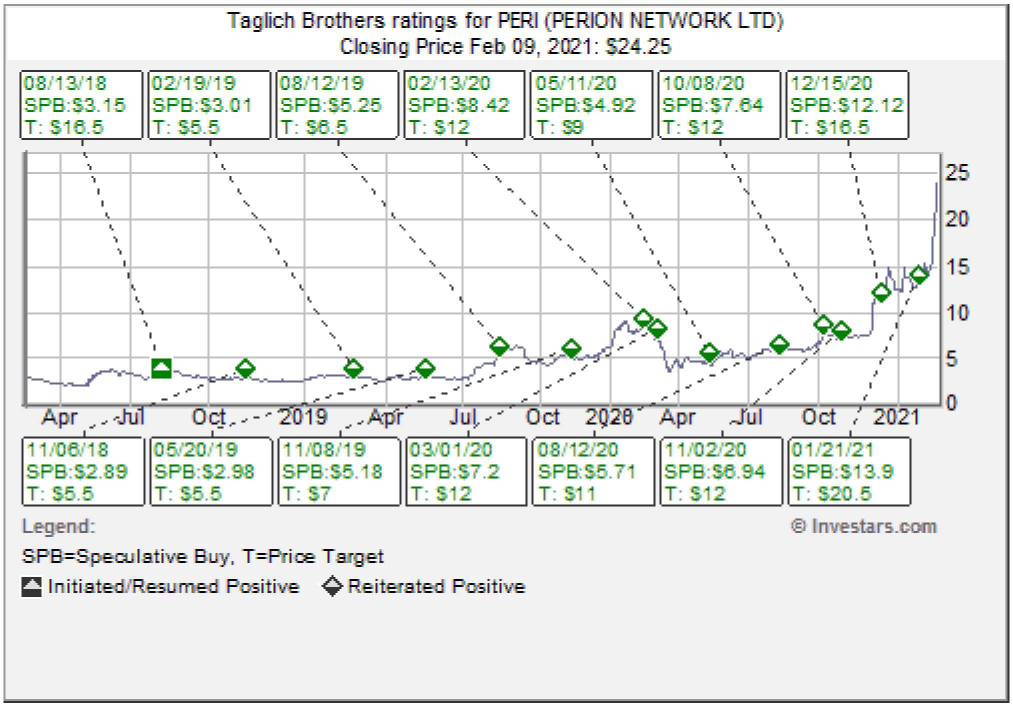
*Includes stock compensation, restructuring and other costs
Source: Company filings and Taglich Brothers' estimates

Statement of Cash Flows for the Periods Ended
(in thousands $)

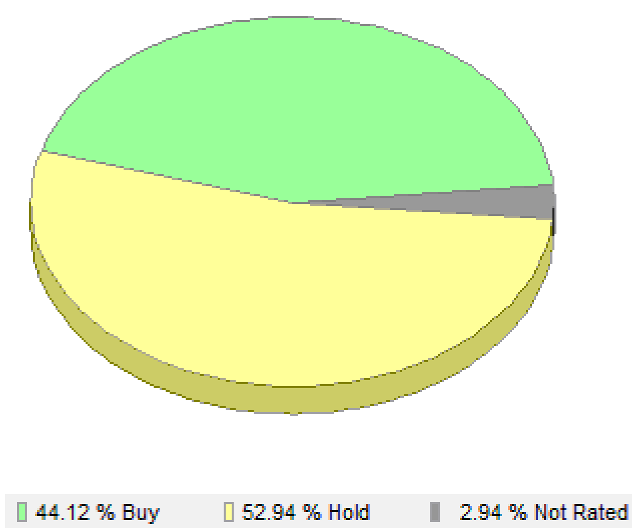
	2018A	2019A	2020A	2021E	2022E
Net income (loss)	8,121	12,893	10,225	10,298	15,552
Depreciation & amortization	9,719	9,711	9,923	8,144	6,677
Impairment	-	-	-	-	-
Restructuring costs	462	-	-	-	-
Stock-based compensation	2,718	2,293	4,447	5,000	5,000
Foreign currency translation	3	(86)	19	-	-
Accretion of payment obligation related to acquisition	-	-	-	-	-
Accrued interest	1,005	(204)	(125)	-	-
Deferred taxes	335	(1,756)	(3,093)	-	-
Accrued severance pay	(783)	96	(23)	-	-
Fair value revaluation - convertible debt	(1,585)	600	-	-	-
Loss from sale of property and equipment	-	-	88	-	-
Cash earnings (loss)	19,995	23,547	21,461	23,442	27,229
Changes in assets and liabilities					
(Increase) decrease in working capital	12,806	21,194	585	(5,909)	(4,804)
Net cash provided by (used in) operations	**32,801**	**44,741**	**22,046**	**17,533**	**22,425**
Purchase of property and equipment	(2,038)	(717)	(502)	(500)	(500)
Proceeds from sale of property and equipment	59	-	-	-	-
Capitalization of development costs	(1,756)	-	-	-	-
Cash paid for acquisitions	-	(1,200)	(20,186)	-	-
Obligation in connection with acquisitions	-	-	1,347	-	-
Short-term deposits	1,913	(19,234)	10,534	-	-
Net cash provided by (used in) investing	**(1,822)**	**(21,151)**	**(8,807)**	**(500)**	**(500)**
Exercise of options and restricted shares	-	1,227	4,286	3,000	3,000
Payments made in connection with acquisition	(3,333)	(1,813)	-	(7,904)	(30,000)
Proceeds from equity offering (net)	-	-	-	61,000	-
Proceeds from debt	25,000	-	-	-	-
Repayment of debt	(44,676)	(24,182)	(8,333)	(8,333)	-
Net cash provided by (used in) financing	**(23,009)**	**(24,768)**	**(4,047)**	**47,763**	**(27,000)**
Effect of currency exchange rates	78	(20)	81	-	-
Net change in cash	**8,048**	**(1,198)**	**9,273**	**64,796**	**(5,075)**
Cash - beginning of period	**32,755**	**40,803**	**39,605**	**48,878**	**113,674**
Cash - end of period	**40,803**	**39,605**	**48,878**	**113,674**	**108,599**

Source: Company filings and Taglich Brothers' estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	**3**	**14**
Hold		
Sell		
Not Rated		

Important Disclosures

As of the date of this report, an employee at Taglich Brothers, Inc. owns or has a controlling interest in 1,000 shares of PERI common stock. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company within the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. The company paid a monetary fee of $6,000 (USD) in July 2018 for the creation and dissemination of research reports for the first three months. After the first three months from initial publication, the company pays a monthly monetary fee of $2,000 (USD) to Taglich Brothers, Inc., for a minimum of six months for the creation and dissemination of research reports.

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I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.

Public companies mentioned in this report:

Allot Communications (NASDAQ: ALLT)
Facebook (NASDAQ: FB)
Google (NASDAQ: GOOG)
Microsoft (NASDAQ: MSFT)
Stratasys (NASDAQ: SSYS)
Twitter (NYSE: TWTR)
Yahoo (NASDAQ: ABAA)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Discontinued – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.