Investor Relations Presentation

September 2014

Perion

Forward Looking Statements

This presentation contains historical information and forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 with respect to the business, financial condition and results of operations of Perion. The words "will", "believe," "expect," "intend," "plan," "should" and similar expressions are intended to identify forward-looking statements. Such statements reflect the current views, assumptions and expectations of Perion with respect to future events and are subject to risks and uncertainties. Many factors could cause the actual results, performance or achievements of Perion to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, or financial information, including, among others, the failure to realize the anticipated benefits of the ClientConnect transaction; risks entailed in integrating the ClientConnect business with Perion's other businesses, including employee retention and customer acceptance; the risk that the transaction will divert management and other resources from the ongoing operations of the two businesses or otherwise disrupt the conduct of those businesses, potential litigation associated with the transaction, and general risks associated with the business of Perion and with the ClientConnect business, including changes in the markets in which the businesses operate and in general economic and business conditions, loss of key customers, unpredictable sales cycles, competitive pressures, market acceptance of new products, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, whether referenced or not referenced in this presentation. Various other risks and uncertainties may affect Perion and its results of operations, as described in reports filed by the Company with the Securities and Exchange Commission from time to time, including its annual report on Form 20-F for the year ended December 31, 2013. Perion does not assume any obligation to update these forward-looking statements.

Use of Non-GAAP measures

Non-GAAP financial measures consist of GAAP financial measures adjusted to exclude: amortization of acquired intangible assets, share-based compensation expenses, acquisition related expenses, certain business combination accounting entries and tax adjustments re non-GAAP adjustments: deferred financial expenses; and discontinued operations related expenses. The purpose of such adjustments is to give an indication of our performance exclusive of non-cash charges and other items that are considered by management to be outside of our core operating results. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Business combination accounting rules requires us to recognize a legal performance obligation related to a revenue arrangement of an acquired entity. The amount assigned to that liability should be based on its fair value at the date of acquisition. The non-GAAP adjustment is intended to reflect the full amount of such revenue. We believe this adjustment is useful to investors as a measure of the ongoing performance of our business. We believe these non-GAAP financial measures provide consistent and comparable measures to help investors understand our current and future operating cash flow performance. These non-GAAP financial measures may differ materially from the non-GAAP financial measures used by other companies. Reconciliation between results on a GAAP and non-GAAP basis is provided in the appendix of this presentation.

Company Snapshot

- **Top-tier mobile and internet technology and innovation company**
- Market cap has **grown from ~$40M to close to $500M** since CEO joined
- Entered TA-75 index in June 2014
- Develop data-driven solutions **to help developers promote, monetize and optimize their applications**
- Leading search monetization platform, **generating high cash flow & fueling growth**
- Seasoned management with decades of hands-on experience in growing digital-businesses

2014 Guidance	
Revenue	$380-400M
EBITDA	$110-120M
Net income	$80-90M

Financial multiples

(based on Sept 8 stock price)

EV/Revenue	1.1
EV/EBITDA	3.7
P/E	5.3

Significant Scale

Strong Know-How & Proven Expertise

$400M

2014 Revenue forecast

$200M

Media Buying managed annually

$110M

2014 EBITDA forecast

12TB

Perion analyzes more than 12TB of data every month

Over 1 Billion

Monthly ad impressions through our own ad network

50M

Over 50M monthly installs with Perion monetization solution

Perion's Mission

We turn your app into a business

PROMOTE

Engage audience, advertise and grow market reach.

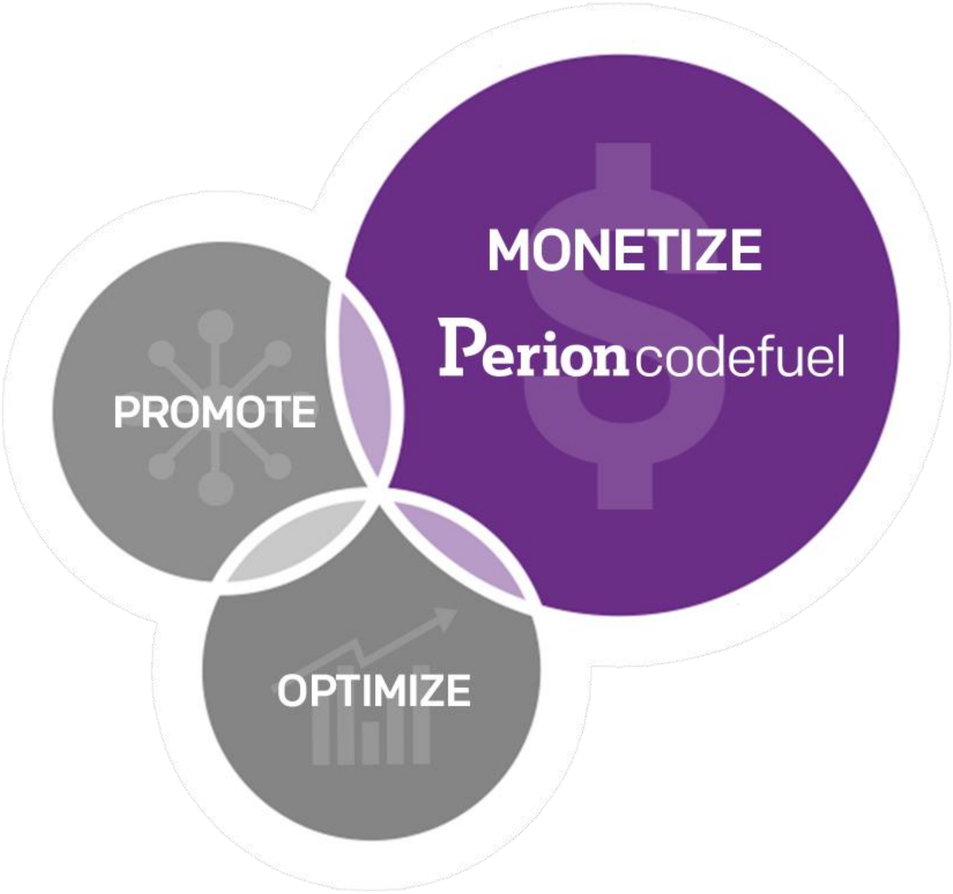
MONETIZE

Maximize developers' earnings and generate sustainable business growth.

OPTIMIZE

Continuously improve performance by monitoring all aspects of marketing campaigns.

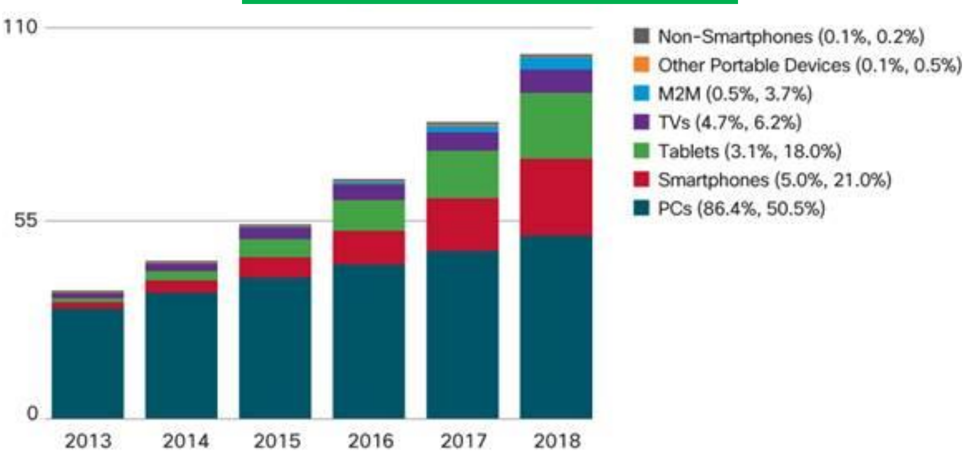
Under the Perion codefuel brand, we have built an outstanding monetization platform providing developers with revenue stream and strong analytics systems: cohort analysis, LTV and ROI



The PC Ecosystem Is Here To Stay

- **The PC Internet traffic is expected to grow** from 31 Exabyte a month in 2013 to 51 Exabyte a month in 2018 (CAGR of ~10%)
- **Time spent on PC slightly grew from 2013 to 2014:** digital time spent growth is driven by mobile, but not at the detriment of PC.

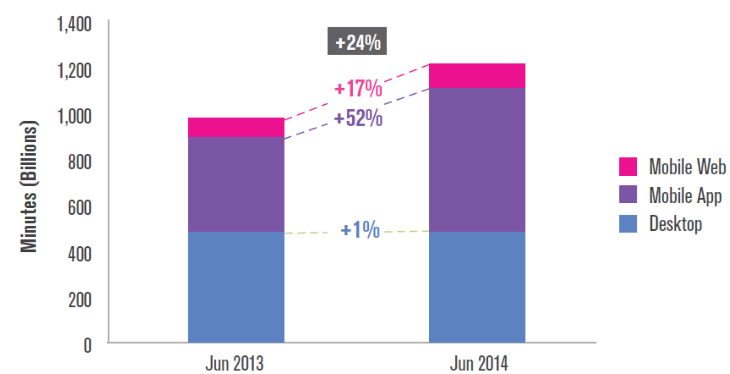
Internet Traffic Growth 2013-2018



Source: Cisco VNI, 2014
The percentages in parentheses next to the legend denote the device traffic shares for the years 2013 and 2018, respectively.

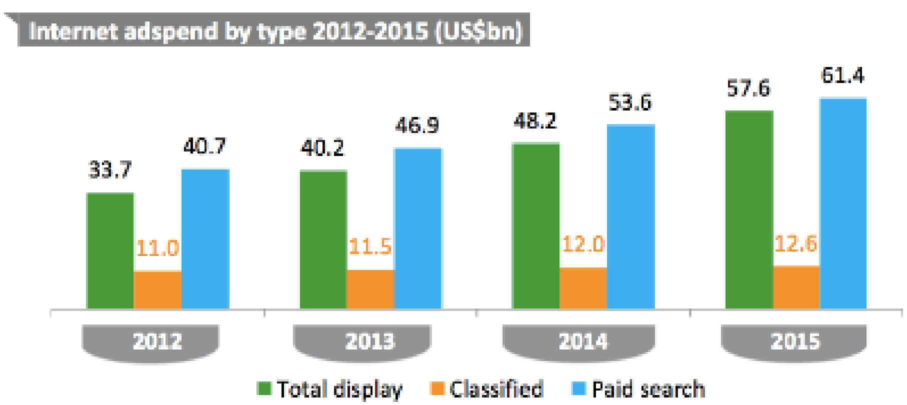
Digital Time Spent Growth Driven by Apps

Source: comScore Media Metrix Multi-Platform & Mobile Metrix, U.S., June 2013 - June 2014



Search Leads PC Digital Advertising

- Digital ad spending on PC still represents a **$24 BILLION market in 2018**
- **Paid search still represents the biggest type of Internet ad spend**



Source: ZenithOptimedia

US Digital Ad Spending, by Channel, 2012-2018
billions and % change

	2012	2013	2014	2015	2016	2017	2018
Desktop*	**$32.43**	**$33.40**	**$32.99**	**$32.01**	**$29.00**	**$26.68**	**$23.90**
—% change	6.6%	3.0%	-1.2%	-3.0%	-9.4%	-8.0%	-10.4%
Mobile**	**$4.36**	**$9.69**	**$17.73**	**$26.59**	**$37.49**	**$47.43**	**$58.33**
—% change	178.3%	122.0%	83.0%	50.0%	41.0%	26.5%	23.0%
Total	**$36.80**	**$43.08**	**$50.71**	**$58.60**	**$66.49**	**$74.11**	**$82.24**
—% change	15.0%	17.1%	17.7%	15.6%	13.5%	11.5%	11.0%

*Note: *includes spending primarily on desktop- and laptop-based ads; **includes classified, display (banners and other, rich media and video), email, lead generation, messaging-based and search advertising; ad spending on tablets is included*
Source: eMarketer, June 2014

174313 www.eMarketer.com

Perion Codefuel Business Model

WhiteSmoke™
World-Leading English Writing Software
LAVASOFT
BitTorrent

The app developer partners with Perion

Perion provides a monetization solution and pays developers a fee per install (PPI)

The software developer installs Perion's monetization solution with its software

MATOMY
MEDIA GROUP
bing
YAHOO!

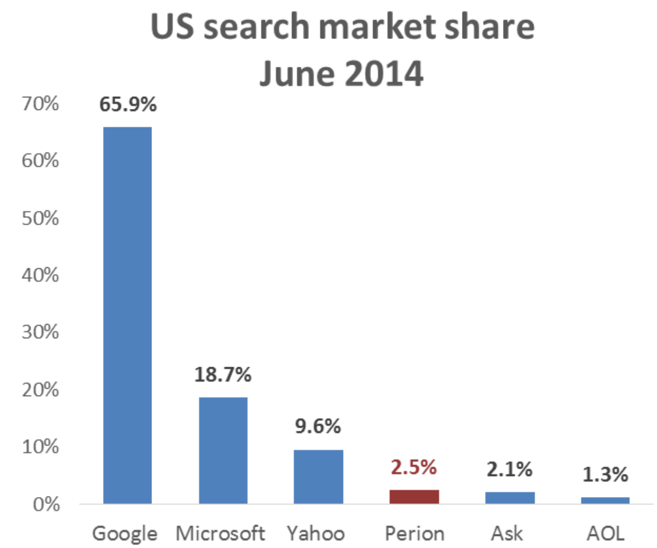
Perion receives revenue from the advertising generated by the end user

Perion provides software developers with an advanced, easy-to-use reporting system to optimize revenue

Perion Codefuel: Leading Search and Advertising Monetization Platform

Our primary monetization tool is search affiliation

- We power over **a billion searches monthly**
- Strong partnerships with all search providers
- **Very high profitability and cash flow generation**



Source: comScore Search Engine Rankings

We also monetize through our advertising network

- Monetization via recommended offers – high conversion rates and eCpm
- Monetization via targeted display ads and install funnel monetization on the post-install and uninstall pages

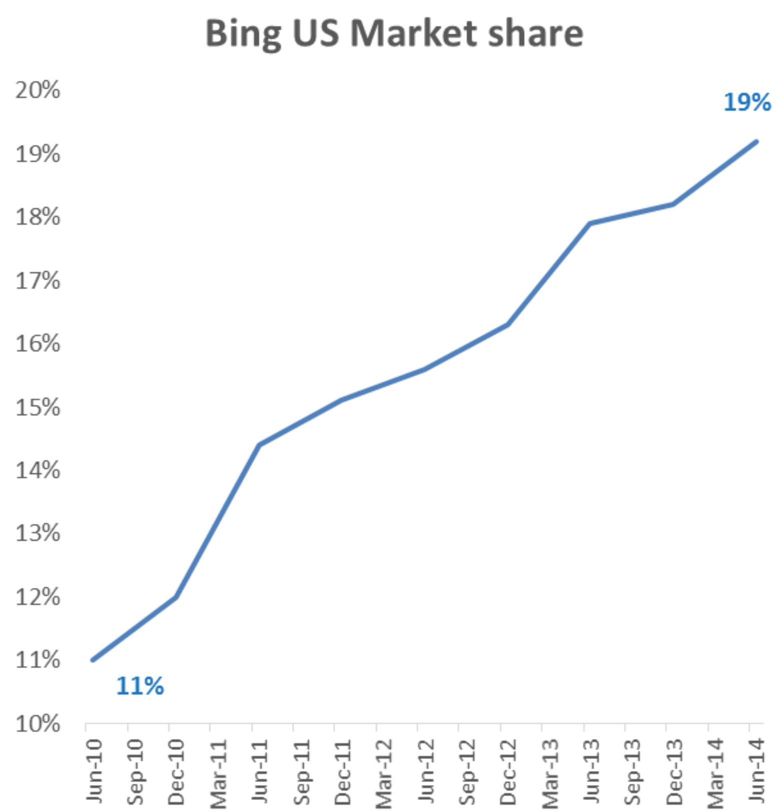
New Agreement with Bing Strengthens Perion and Reduces Risks

Bing strengthens its position in the search market:

- **Bing's market share in the US is close to 20%,** attracting more advertisers and higher rates
- Microsoft to surpass Yahoo in digital ad market share for the first time in 2014

Strong partnership Perion-Bing:

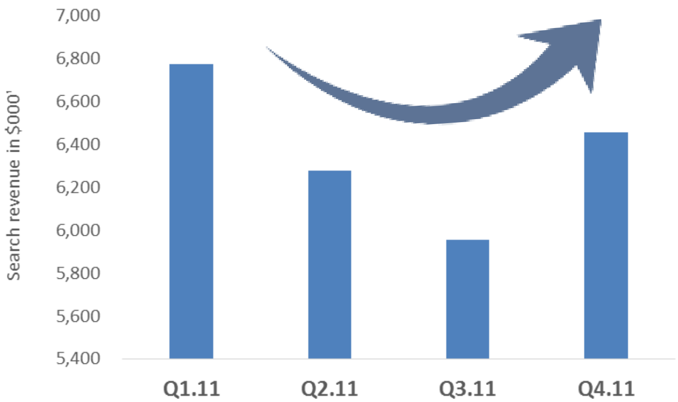
- Long term relationship that started in 2010
- New 3-year contract from Jan 2015 with optional additional year >> until END 2018
- Perion represents over 10% of Bing searches
- Comparable economic terms as present contract with upside potential



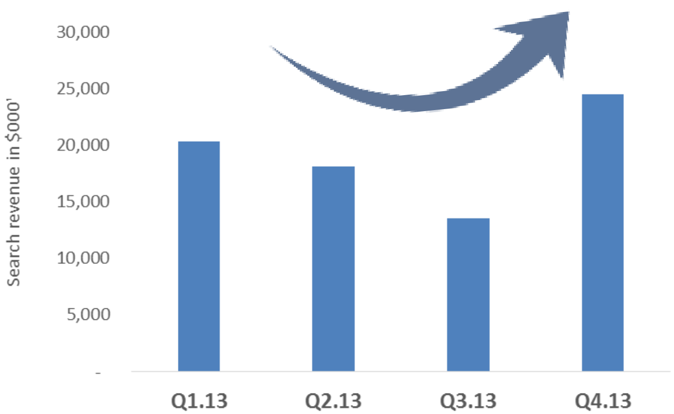
Source: comScore Search Engine Rankings

We Know How to Succeed in a Dynamic Industry

- We have to comply with the policies of our search partners and of the browsers
- Changes are frequent, and **Perion has always demonstrated high capacity to adjust**
- Based on past experience, changes are followed by 1-2 slower quarters before growing revenue again
- We believe recent policy changes will create **opportunities for Perion to increase market share**



Policy update 2011



Policy update 2013

Organic Growth Drivers

- New avenues of distribution for our core search monetization products (deals with OEMs)
- Development of new monetization products
- Global expansion and increase in market share

MOBILE WORLD CONGRESS
Barcelona | 24 – 27 February 2014

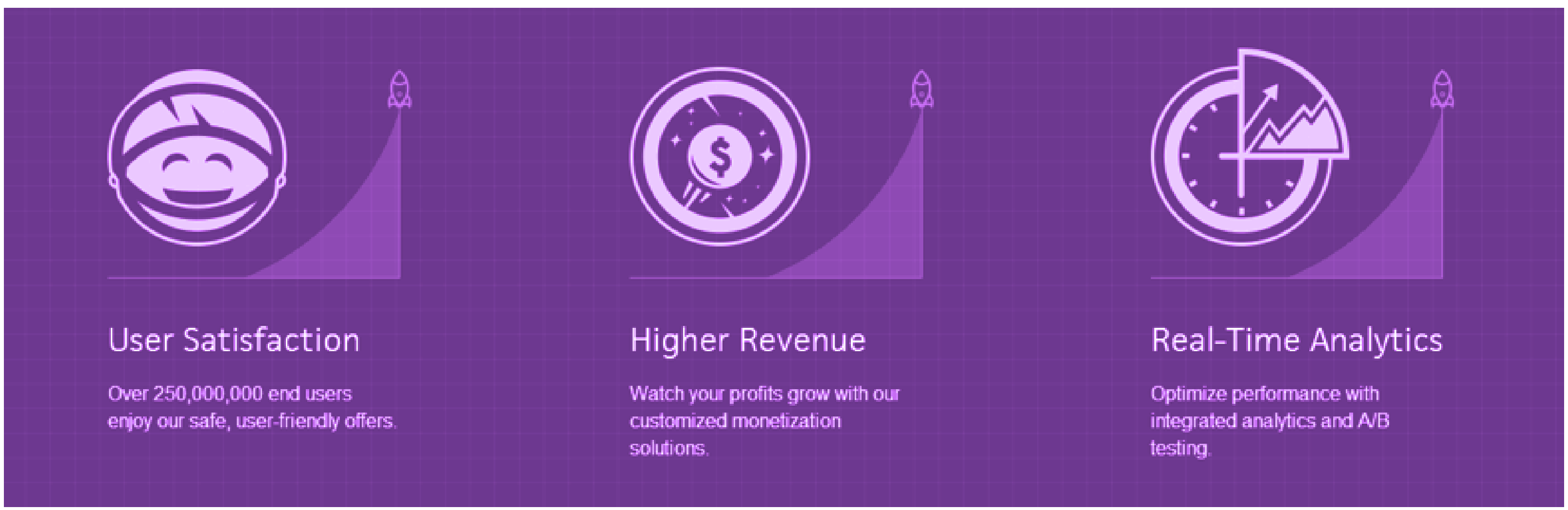
Fluent
THE WEB PLATFORM
San Francisco, CA | March 11-13, 2014

WELCOME TO LAS VEGAS NEVADA
AFFILIATE SUMMIT

ad:tech
san francisco

PERFORMANCE
MARKETING INSIGHTS
EUROPE | 2014

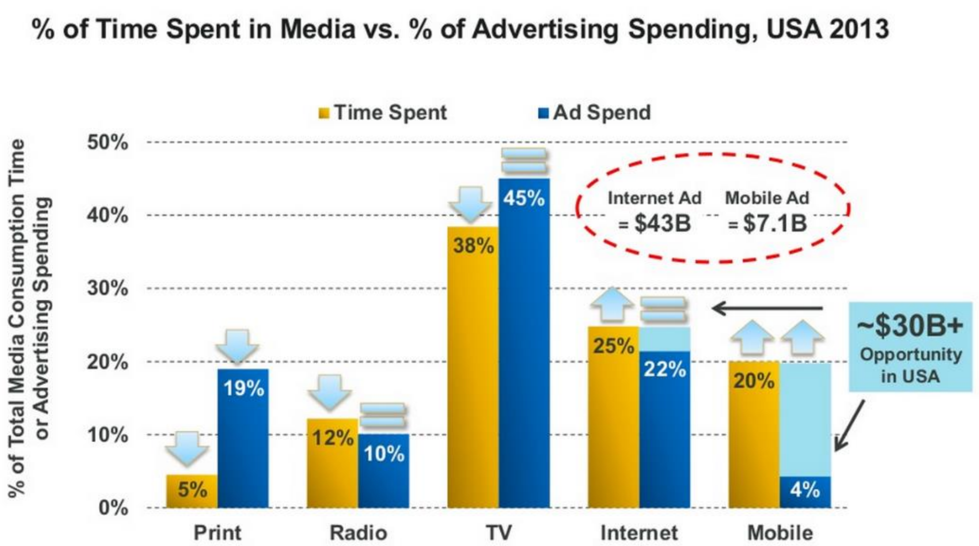
We are leveraging our years of experience and expertise in the PC performance based ecosystem to fuel our new initiatives

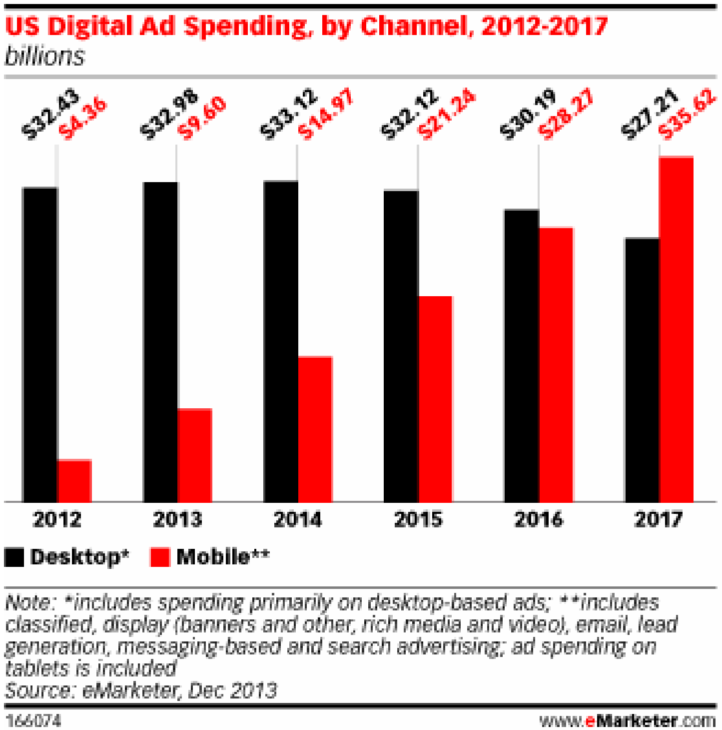



PROMOTE
Perion lightspeed
MONETIZE
OPTIMIZE

Material Upside for Mobile Advertising

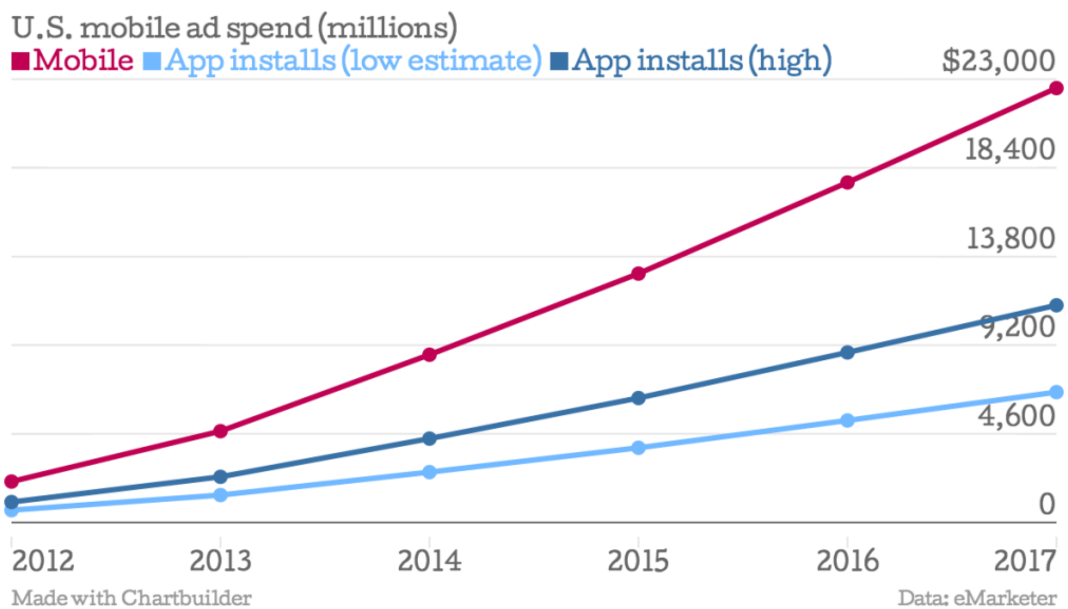
- Advertisers spend 4% of all ad dollars on mobile devices, while consumers spend 20% of their time on mobile devices.
- Mobile advertising expected to surpass desktop advertising and reach over $35B by 2017





App Install Advertising – Half of Total Mobile Advertising Market

- App install ads constitute 30% to 50% of the mobile advertising market, excluding mobile search
- Brand advertising is still nascent but growing and expected to follow the trends of older media



Mobile Advertising Today:
Three Main Challenges

PROBLEM #1

Fragmented market: too many traffic sources - over 200 ad networks and growing, making strategic management impossible

PROBLEM #2

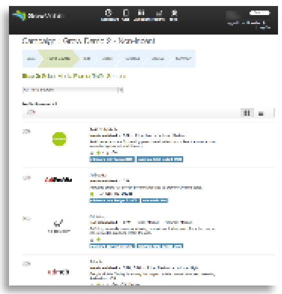
Fragmented Technology: many different systems, manual processes, numerous integration points with many SDKs and APIs.

PROBLEM #3

Lack of sophisticated targeting tools: no advanced targeting tools, no aggregated data in real time

Perion Lightspeed Solution

An innovative technology platform which enables developers to buy, track, optimize, and scale user acquisition campaigns from a single dashboard

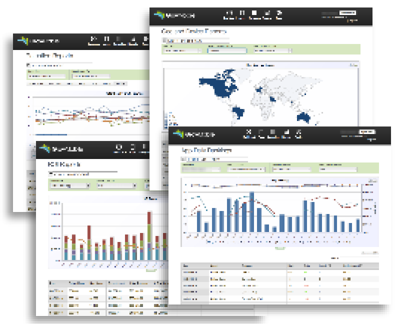


CAMPAIGN TRADING DESK

Campaign trafficking trading desk & Real Time Bidding engine.

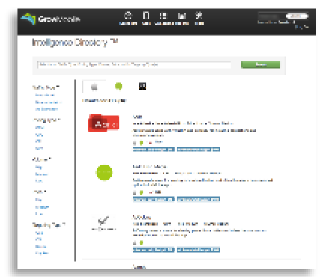
TRACKING & ATTRIBUTION

Single lightweight, open sourced SDK (20KB) or API integration to instantly plug into 80+ ad networks, exchanges and direct publishers.



ROBUST ANALYTICS

Industry's most robust tracking & downstream analytics solution for evaluation of mobile ad campaigns.

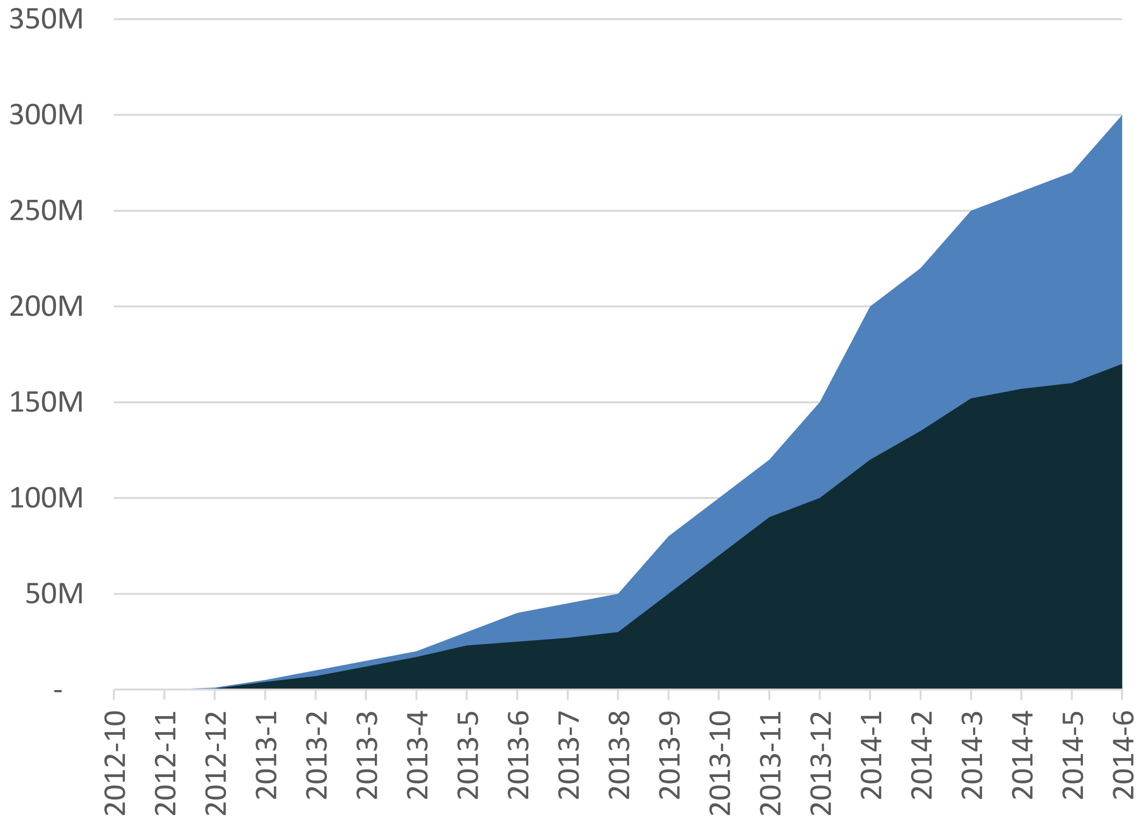


INTELLIGENCE BENCHMARKS

Predictive supply and demand forecasting and traffic source intelligence tools to benchmark the ecosystem's fragmented traffic source landscape.

Substantial Footprint

Reach of over 300 million unique devices



38%
Android

62%
iOS

Next Steps for Perion Lightspeed

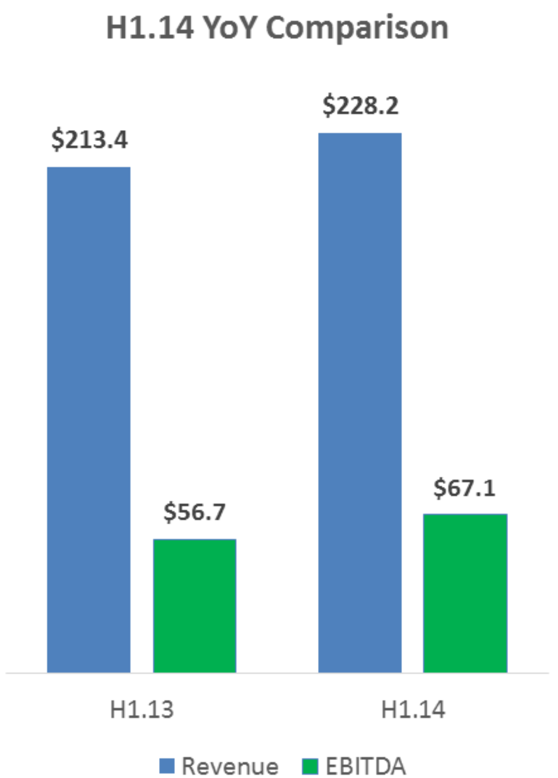
- Perion Lightspeed **acquired Grow Mobile** in July 2014, a 2-years old company founded by ex-Zynga and Storm8 employees, already profitable
  - Managed **over $20M** in advertising campaigns in the last 12 months
- Full integration between Perion Lightspeed and Grow Mobile in Q4 2014
- Self-service solution to be launched in late 2014
- Triple digit revenue growth in 2015
- Further M&As contemplated to further increase market reach

GrowMobile by Perion

Perion's Financial Strengths

- **Strong margins forecasted for H2 2014:**
  - Projected Revenue $152-172M
  - Projected EBITDA margin 25-35%
  - Projected Net profit margin 15-23%

- Net Cash position as of June 2014 $35.5M



EBITDA margin of 29%

Key Takeaways:

- Seasoned and Adaptive **Management** with proven ability to execute
- **Strong financial results** with approximately $400M in Revenue and $110M in EBITDA forecasted for 2014
- **Strong cash flow generation** and flexible cost structure together with high profitability
- Successful mobile expansion provides significant **growth opportunity** and leverages core competencies

Perion

Thank you!

Perion

Appendix GAAP Reconciliation

	Six months ended June 30, 2014	Six months ended June 30, 2013
GAAP revenues	$ 224,358	$ 160,450
Revenues from discontinued operations	-	909
Valuation adjustment on acquired deferred product revenues	3,813	-
Non-GAAP revenues	$ 228,171	$ 161,359
GAAP costs and expenses	$ 182,928	$ 106,173
Acquisition related expenses	(3,419)	-
Discontinued operations costs and expenses	-	17,244
Share based compensation	(8,309)	(5,122)
Amortization of acquired intangible assets	(9,001)	-
Non-GAAP costs and expenses	$ 162,199	$ 118,295
GAAP net income	$ 31,503	$ 32,037
Valuation adjustment on acquired deferred product revenues	3,813	-
Acquisition related expenses	3,419	-
Share based compensation	8,309	5,122
Amortization of acquired intangible assets	9,001	-
Accretion of payment obligation related to acquisitions	452	-
Taxes related to amortization of acquired intangible assets and share based compensation	(1,505)	-
Non-GAAP net income	$ 54,992	$ 37,159
Non-GAAP net income	$ 54,992	$ 37,159
Income tax expense	9,060	8,751
Interest expense (income), net	867	(1,412)
Accretion of payment obligation related to acquisitions	(452)	-
Taxes related to amortization of acquired intangible assets and share based compensation	1,505	-
Depreciation	1,192	1,510
Discontinued financial income, net	-	(83)
Discontinued tax benefit	-	(1,351)
Non-GAAP EBITDA	$ 67,164	$ 44,574