SMART AD TECH COMPANY
FOR BRANDS & PUBLISHERS
Powered by technology. Enriched by data.

Q2-19

Perion
FORWARD LOOKING STATEMENTS

This press release 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 companies and businesses we acquired and may acquire in the future, risks entailed in integrating the companies and businesses we acquire, including employee retention and customer acceptance; the risk that such transactions will divert management and other resources from the ongoing operations of the business or otherwise disrupt the conduct of those businesses, potential litigation associated with such transactions, and general risks associated with the business of Perion including intense and frequent 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 press release. Various other risks and uncertainties may affect Perion and its results of operations, as described in reports filed by Perion with the Securities and Exchange Commission from time to time, including its annual report on Form 20-F for the year ended December 31, 2018 filed with the SEC on March 19, 2019. Perion does not assume any obligation to update these forward-looking statements.

NON-GAAP MEASURES

Non-GAAP financial measures, including adjusted EBITDA, consist of GAAP financial measures adjusted to exclude acquisition related expenses, other non-recurring expenses, share-based compensation expenses, accretion and gain from the reversal of acquisition related contingent consideration, impairment of goodwill, fair value revaluation of convertible debt and related derivative, amortization and impairment of acquired intangible assets and the related taxes thereon, as well as certain accounting entries under the business combination accounting rules that require us to recognize a legal performance obligation related to revenue arrangements of an acquired entity based on its fair value at the date of acquisition. 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. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Furthermore, the non-GAAP measures are regularly used internally to understand, manage and evaluate our business and make operating decisions, and we believe that they are useful to investors as a consistent and comparable measure of the ongoing performance of our business. However, 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. Additionally, these non-GAAP financial measures may differ materially from the non-GAAP financial measures used by other companies.
Setting The Stage
Key Milestones

- Founded 1999
- Publicly listed TASE 2006
- Publicly listed NASDAQ 2007
- Reverse merger with Conduit 2014
- Acquired Undertone 2015
- Acquired Captain Growth 2019
- ~400 employees with main offices in Tel Aviv and New York 2019
- Acquired CodeFuel 2019
Who We Are

- Awareness
- Consideration
- Intent
- Buy

ADVERTISING SOLUTION

BRAND AWARENESS

SEARCH MONETIZATION

BRAND PERFORMANCE
Global Digital Ad Spend 2019: $333B

Global Digital Ad Spend 2023: $518B

US Digital Ad Spending, by Format (USD, B)

- **2019**
  - Rich Media: 5
  - Video: 36
  - Standard Display: 26
  - Search: 54
  - Other: 129

- **2023**
  - Rich Media: 6
  - Video: 58
  - Standard Display: 40
  - Search: 87
  - Other: 202

CAGR

- Rich Media: 4%
- Video: 13%
- Standard Display: 11%
- Search: 13%
- Other: 6%

US Digital Ad Spend will EXCEED Traditional Ad Spend in 2019, reaching $129B (+19%) — 54% of estimated total

Source: eMarketer, February & March 2019
Management Turnaround Strategy

- Financial Optimization
  - 2017 / 2018

- Building Technology Moat
  - 2018 / 2019

- Sustainable & Predictable Revenue Growth
  - 2020
Management Execution from 31.3.2017 to 30.6.2019

What we planned
- Cost Optimization 2016-2018
- Bing Renewal
- 2018 EBITDA Guidance 28-32 ($M)
- Reduce Debt 2017-2019
- Refinance Loan

What we did
- $34M Reduced yearly OPEX from $108M to $74M
- 2018-2020 Renewed Microsoft agreement for 3 years
- $29.6M Met 2018 Adjusted EBITDA Guidance
- $57M Reduced Debt from $78M to $21M
- $25M Refinanced and consolidated loan facility
Net cash $21.3M – the highest level in three and a half years
Total Cash $42.1M
Total Debt $20.8M
While brands and agencies are shifting budgets in the digital arena to maximize their strategy objectives in a fluid environment of regulatory pressures and other policies, Perion is well-positioned to capitalize on these changes.
Marketers seek out consumers’ **intent** as device habits evolve, allowing for more effective ads.
Microsoft ensures advancing trust with innovation and chose Perion as a **strategic partner 2010-2020**

CodeFuel serves +13M daily searches
Bend the Curve – Growing Business

**Fourth** consecutive quarter of sequential growth

**Third** consecutive quarter of year-over-year growth

API launched early 2018 and recorded 10% contribution to the Search revenue

17 Years in Business

Connecting the world’s best brands and publishers with award-winning creatives

<table>
<thead>
<tr>
<th>Brands</th>
<th>Publishers</th>
<th>Awards</th>
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<tr>
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- verizon
- GM
- TOYOTA
- GLORIA
- DELL
- SEPHORA
- SAMSUNG
- DELTA
- DISCOVER
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- OK!
- AccuWeather
- GLAMOUR
- bon appétit
- SELF
- epicurious
- MEN'S JOURNAL
- allure
- ENQUIRER
- allure
- VANITY FAIR
- Radar
- Golf Digest
- Muscle & Fitness
- DIGIDAY VIDEO AWARDS
- MARTECH SUPERSTARS
- IAC INTERNET ADVERTISING COMPETITION
- iab
- mxx Awards
- OMMA
- Imedia
- GLOBAL ACE AWARDS
- ATL Awards
Creating AI-based Ads Journey that aligns with the Consumers Journey in multiple touchpoints across Funnel/Platform/Channel
Cross-Channel Real-Time Retargeting to CTV Viewers

Undertone & alphonso EXCLUSIVE PARTNERSHIP

- 15M households and 100M addressable devices
- Video AI technology
  - Computer Vision
  - Video and Audio ACR*
  - Object & Logo OCR**
  - Closed Captioning

*ACR – Automated Content Recognition
**OCR – Optical Character Recognition
Sequential Ads Journey Across the Funnel

Your Brand Creative – Performance in Mind

Awareness & Consideration
Undertone’s Device Graph for creative retargeting

Intent
Launch sequential versions featuring dynamic store locator to drive visits

Apply creative insights to design the retargeting creative featuring most-engaged product

4,600+ Sephora Store Visits
-19% Lower Cost per visit*

*Compared with ‘Sephora Loyalist’ targeting tactics
Undertone Synchronization Platform (Q1/2020)

- **Planning**
  - Create the Ads journey
  - Recommendation engine

- **Activation**
  - “Flow”
  - Campaign execution

- **Reporting**

**AI-based Optimization**
- Rules-based optimization
- AI recommendation engine
- Budget optimization

**Creatives Center**

**Audiences Center**

**Feedback Loop with Data-Driven Insights**

**Workflow Management**
Advertising Platform – Design Factors

- Network Agnostic
- Transparency
- Unified Reporting
- Streamline Processes
- Customization
Financial Highlights
### Adjusted EBITDA and Free Cash Flow Trend ($M)

#### Adjusted EBITDA

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<th>2018</th>
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<th>Q2-18</th>
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<td>2018</td>
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#### Free Cash Flow

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<th>2017</th>
<th>2018</th>
<th>H1-18</th>
<th>H1-19</th>
<th>Q2-18</th>
<th>Q2-19</th>
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<td>2017</td>
<td>29.1</td>
<td>30.1</td>
<td>16.5</td>
<td>21.5</td>
<td>2.5</td>
<td>8.0</td>
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<td>2018</td>
<td></td>
<td></td>
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</tbody>
</table>

**Strong FCF in line with annual EBITDA level**
2019 Adjusted EBITDA Guidance

25-27 ($M)

Up from prior guidance of 24-26 ($M)

Supporting R&D efforts to expedite T2M of *Undertone Synchronization Platform*
Investment Opportunity
An Attractive Investment Opportunity to Value Investors in a Fast-Growing Market

Management is committed to its three-phase turnaround strategy which includes financial optimization, building a technology moat, and reaching sustainable and predictable revenue growth.

Strong financial positioning and coverage ratios enable consistent debt reduction and strategic investments in advanced technology.

Perion’s Advertising and Search businesses are holistically positioned to capitalize budgets from all three pillars of the digital advertising market.
## Balance Sheet Overview as of 30.06.2019 ($M)

### Current Assets
- Cash and cash equivalents & Short-term bank deposit: 42.1
- Accounts receivable, net: 39.0
- Prepaid expenses and other current assets: 4.9

### Current Liabilities
- Current maturities of long-term loans: 8.3
- Accounts payable: 36.8
- Accrued expenses and other liabilities: 13.7
- Short-term operating lease liability: 3.0
- Deferred revenues: 3.6
- Payment obligation related to acquisitions: 0.3

### Non-Current Assets
- Property and equipment, net: 13.4
- Operating lease right-of-use assets: 24.3
- Intangible assets, net: 5.6
- Goodwill: 125.1
- Deferred taxes & Other assets: 6.0

### Long-Term Liabilities
- Long-term Debt: 12.5
- Long-term operating lease liability: 22.4
- Other long-term liabilities: 5.8

### Shareholders' Equity
- Goodwill: 125.1
- Deferred taxes & Other assets: 6.0

### Total Assets
- Total Assets: 260.4

### Total Liabilities and Shareholders' Equity
- Total Liabilities and Shareholders' Equity: 260.4
# Income Statement ($M)

## P&L

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<thead>
<tr>
<th></th>
<th>Q1-18</th>
<th>Q2-18</th>
<th>Q3-18</th>
<th>Q4-18</th>
<th>Q1-19</th>
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<th>2019 - YTD</th>
<th>2017</th>
<th>2018</th>
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<td>33.2</td>
<td>26.2</td>
<td>37.3</td>
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<td>21.3</td>
<td>39.9</td>
<td>134.5</td>
<td>126.0</td>
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<td>Search and other</td>
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<td>29.6</td>
<td>31.0</td>
<td>34.7</td>
<td>35.2</td>
<td>42.3</td>
<td>77.5</td>
<td>139.5</td>
<td>126.8</td>
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<td><strong>Total Revenues</strong></td>
<td>60.9</td>
<td>62.8</td>
<td>57.2</td>
<td>72.0</td>
<td>53.8</td>
<td>63.6</td>
<td>117.4</td>
<td>274.0</td>
<td>252.8</td>
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<td>Cost of revenues</td>
<td>(6.1)</td>
<td>(5.8)</td>
<td>(5.5)</td>
<td>(6.4)</td>
<td>(5.8)</td>
<td>(6.1)</td>
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<td>(24.7)</td>
<td>(23.8)</td>
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<td>Customer acquisition costs</td>
<td>(31.9)</td>
<td>(31.1)</td>
<td>(28.8)</td>
<td>(36.6)</td>
<td>(27.4)</td>
<td>(33.2)</td>
<td>(60.6)</td>
<td>(130.9)</td>
<td>(128.4)</td>
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<td>Research and development</td>
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<td>(4.7)</td>
<td>(4.4)</td>
<td>(4.3)</td>
<td>(4.9)</td>
<td>(5.6)</td>
<td>(10.5)</td>
<td>(17.2)</td>
<td>(18.9)</td>
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<td>Selling and marketing</td>
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<td>(10.1)</td>
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<td>(8.3)</td>
<td>(8.7)</td>
<td>(17.0)</td>
<td>(52.7)</td>
<td>(38.9)</td>
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<td>General and administrative</td>
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<td>(4.9)</td>
<td>(3.9)</td>
<td>(3.4)</td>
<td>(3.0)</td>
<td>(3.4)</td>
<td>(6.4)</td>
<td>(21.9)</td>
<td>(16.4)</td>
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<td>Depreciation and amortization</td>
<td>(2.1)</td>
<td>(2.5)</td>
<td>(2.5)</td>
<td>(2.6)</td>
<td>(2.4)</td>
<td>(2.3)</td>
<td>(4.7)</td>
<td>(16.6)</td>
<td>(9.7)</td>
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<td>Impairment, loss of goodwill and intangibles</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>(85.7)</td>
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<td>(0.9)</td>
<td>-</td>
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<td>-</td>
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<td>(2.0)</td>
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<td><strong>EBIT</strong></td>
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<td>2.8</td>
<td>3.5</td>
<td>8.2</td>
<td>2.0</td>
<td>4.3</td>
<td>6.4</td>
<td>(75.7)</td>
<td>14.7</td>
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<tr>
<td>% Revenue</td>
<td>0.3%</td>
<td>4.5%</td>
<td>6.1%</td>
<td>11.3%</td>
<td>3.7%</td>
<td>6.8%</td>
<td>5.5%</td>
<td>(27.6)%</td>
<td>5.8%</td>
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<tr>
<td><strong>Financial expense, net</strong></td>
<td>(0.6)</td>
<td>(1.2)</td>
<td>(1.2)</td>
<td>(0.8)</td>
<td>(1.3)</td>
<td>(1.0)</td>
<td>(2.3)</td>
<td>(5.9)</td>
<td>(3.8)</td>
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<tr>
<td>% Revenue</td>
<td>(0.4)%</td>
<td>0.6%</td>
<td>0.1%</td>
<td>2.5%</td>
<td>(0.5)%</td>
<td>0.4%</td>
<td>(0.1)%</td>
<td>(8.8)%</td>
<td>2.8%</td>
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<td><strong>Net Income (Loss)</strong></td>
<td>0.1</td>
<td>1.0</td>
<td>2.2</td>
<td>4.9</td>
<td>1.2</td>
<td>2.9</td>
<td>4.1</td>
<td>(72.8)%</td>
<td>8.1%</td>
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<tr>
<td>% Revenue</td>
<td>0.1%</td>
<td>1.6%</td>
<td>3.8%</td>
<td>6.8%</td>
<td>2.2%</td>
<td>4.6%</td>
<td>3.5%</td>
<td>(26.6)%</td>
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<tr>
<td><strong>Net Income Non-GAAP</strong></td>
<td>3.0</td>
<td>4.7</td>
<td>4.3</td>
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<td>7.8</td>
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<tr>
<td>% Revenue</td>
<td>4.9%</td>
<td>7.4%</td>
<td>7.5%</td>
<td>8.0%</td>
<td>6.1%</td>
<td>7.1%</td>
<td>6.6%</td>
<td>6.4%</td>
<td>7.0%</td>
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<td><strong>Adjusted EBITDA</strong></td>
<td>4.3</td>
<td>7.1</td>
<td>6.7</td>
<td>11.5</td>
<td>5.1</td>
<td>7.4</td>
<td>12.6</td>
<td>28.9</td>
<td>29.6</td>
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<tr>
<td>% Revenue</td>
<td>7.0%</td>
<td>11.3%</td>
<td>11.7%</td>
<td>16.0%</td>
<td>9.5%</td>
<td>11.6%</td>
<td>10.7%</td>
<td>10.6%</td>
<td>11.7%</td>
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# Non-GAAP Adjustments ($M)

## Reconciliation of GAAP to NON-GAAP Results

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<tr>
<th>Item</th>
<th>Q1-18</th>
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<th>Q2-19</th>
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<td>GAAP Net Income (Loss) from continuing operations</td>
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<td>Share based compensation</td>
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<td>Amortization of acquired intangible assets</td>
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<td>-</td>
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<td>Fair value revaluation of convertible debt and related derivative</td>
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<td>0.3</td>
<td>(0.3)</td>
<td>0.3</td>
<td>(0.2)</td>
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<td>-</td>
<td>(0.7)</td>
<td>(0.3)</td>
<td>(0.2)</td>
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<td>Non-GAAP Net Income from continuing operations</td>
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<td>5.8</td>
<td>3.3</td>
<td>4.5</td>
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<td>1.1</td>
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<td>11.5</td>
<td>5.1</td>
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## 2019 - YTD, 2017, 2018

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<th>2018</th>
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<tr>
<td>Financial expense, net</td>
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<tr>
<td>Adjusted EBITDA</td>
<td>4.3</td>
<td>5.1</td>
<td>7.4</td>
</tr>
<tr>
<td>2017</td>
<td>(72.8)</td>
<td>2.1</td>
<td>2.7</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>13.0</td>
<td>4.8</td>
</tr>
</tbody>
</table>
## Cash Flow Overview ($M)

### Cash Flow Results

<table>
<thead>
<tr>
<th>Operating activities</th>
<th>Q1-18</th>
<th>Q2-18</th>
<th>Q3-18</th>
<th>Q4-18</th>
<th>Q1-19</th>
<th>Q2-19</th>
<th>2019 - YTD</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>0.1</td>
<td>1.0</td>
<td>2.2</td>
<td>4.8</td>
<td>1.2</td>
<td>2.9</td>
<td>4.1</td>
<td>(72.8)</td>
<td>8.1</td>
</tr>
<tr>
<td>Adjustments required to reconcile net income to net cash</td>
<td>14.5</td>
<td>1.9</td>
<td>8.8</td>
<td>(0.5)</td>
<td>12.8</td>
<td>5.5</td>
<td>18.3</td>
<td>108.8</td>
<td>24.7</td>
</tr>
<tr>
<td>Net cash provided by continuing operating activities</td>
<td>14.6</td>
<td>2.9</td>
<td>11.0</td>
<td>4.3</td>
<td>14.0</td>
<td>8.4</td>
<td>22.4</td>
<td>36.0</td>
<td>32.8</td>
</tr>
</tbody>
</table>

### Investing activities

| Net cash provided by (used in) investing activities | 5.1   | (0.4) | (3.3) | (3.2) | (2.9) | (0.6) | (3.5)      | (4.8) | (1.8) |

### Financing activities

<table>
<thead>
<tr>
<th>Net cash used in financing activities</th>
<th>(9.6)</th>
<th>(9.5)</th>
<th>(1.5)</th>
<th>(2.4)</th>
<th>(11.7)</th>
<th>(10.0)</th>
<th>(21.7)</th>
<th>(23.9)</th>
<th>(23.0)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>0.1</td>
<td>(0.1)</td>
<td>0.1</td>
<td>-</td>
<td>(0.1)</td>
<td>-</td>
<td>(0.1)</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents and restricted cash</td>
<td>10.2</td>
<td>(7.1)</td>
<td>6.3</td>
<td>(1.3)</td>
<td>(0.7)</td>
<td>(2.2)</td>
<td>(2.9)</td>
<td>7.6</td>
<td>8.1</td>
</tr>
<tr>
<td>Cash and cash equivalents and restricted cash at beginning of period</td>
<td>32.7</td>
<td>42.9</td>
<td>35.8</td>
<td>42.1</td>
<td>40.8</td>
<td>40.1</td>
<td>40.8</td>
<td>25.1</td>
<td>32.7</td>
</tr>
<tr>
<td>Cash and cash equivalents and restricted cash at end of period</td>
<td>42.9</td>
<td>35.8</td>
<td>42.1</td>
<td>40.8</td>
<td>40.1</td>
<td>37.9</td>
<td>37.9</td>
<td>32.7</td>
<td>40.8</td>
</tr>
</tbody>
</table>
Thank You

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