

# Perion Network Ltd.

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June 14, 2018

## Issue Rating Affirmation & New Issuance

### **Unsecured Series L Rating Affirmed Following Implementation Of Recovery Rating Criteria; 'ilA-' Rating Assigned To Unsecured Bond Issuance Of Up To NIS 150 Million Par Value**

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## Issue Rating Affirmation & New Issuance

# Unsecured Series L Rating Affirmed Following Implementation Of Recovery Rating Criteria; 'ilA-' Rating Assigned To Unsecured Bond Issuance Of Up To NIS 150 Million Par Value

S&P Maalot hereby assigns its 'ilA-' rating to unsecured bonds of up to NIS 150 million par value, to be issued by Perion Network Ltd. (ilA-/Stable) through the issuance of a new bond series, Series B. The proceeds from this issuance are earmarked to refinance existing debt. We are also affirming our 'ilA-' rating on the unsecured Series L following the implementation of recovery rating criteria.

For additional information on the issuer rating and for additional regulatory requirements, see our rating report published on February 15, 2018.

## Recovery Analysis

### Key analytical factors

- Following the first time implementation of our recovery rating criteria for corporate issuers, we are examining the recovery expectations of the various bond series in the case of a hypothetical default.
- We are assigning Perion Network Ltd.'s unsecured bond series B and L an 'ilA-' issue rating, identical to the issuer rating. The recovery rating for this series is '4', reflecting our assessment that in the case of default, the recovery rate would be 30%-50%.

### Simulated default assumptions

- Year of default: 2021
- A deep recession in the countries of operation will lead, among other things, to a sharp drop in demand for the Company's products. Simultaneously, the Company will lose a material client (Microsoft Bing). These developments will lead to a significant drop in the Company's revenues and to a deterioration in its operating performance.
- The company will continue to operate as a going concern and undergo reorganization. For this reason we are using the EBITDA multiple method to evaluate the Company's value at the time of hypothetical default.
- In the hypothetical deterioration process, the Company will use about 85% of its committed credit facilities.

### Simplified waterfall at emergence

- EBITDA at emergence: \$ 5 million
- EBITDA multiple: 5.0x (considering company characteristics and in comparison with similar companies)
- Enterprise value at emergence (net of 5% administrative and operational costs) according to EBITDA multiple valuation method: \$25 million
- Total first-lien secured debt: \$14 million
- Net Enterprise value available to unsecured debt: \$11 million

- Total unsecured debt: \$26 million (considering amortization schedule during hypothetical deterioration)
- Recovery expectation for unsecured debt (Series B and L): 30%-50%
- Recovery rating for unsecured debt (Series B and L) (1 to 6): 4

All debt amounts include six months' prepetition interest.

### Mapping Recovery Percentages To Recovery Ratings - Group A Jurisdiction

#### For issuers with a speculative-grade issuer credit rating

Recovery rating*	Recovery description	Nominal recovery expectations		Issue rating notches relative to ICR
		Greater than or equal to	Less than	
1+	Highest expectation, full recovery	100%	N/A	+3 notches
1	Very high recovery	90%	100%	+2 notches
2	Substantial recovery	70%	90%	+1 notch
3	Meaningful recovery	50%	70%	0 notches
4	Average recovery	30%	50%	0 notches
5	Modest recovery	10%	30%	-1 notch
6	Negligible recovery	0%	10%	-2 notch

Recovery ratings are capped in certain countries to adjust for reduced creditor recovery prospects in these jurisdictions. Recovery ratings on unsecured debt issues are generally also subject to caps (see Step 6, paragraphs 90-98 of Recovery Rating Criteria For Speculative-Grade Corporate Issuers, December 7, 2016, for further detail). ICR--Issuer credit rating.

## Related Criteria And Research

- [Use Of CreditWatch And Outlooks](#), September 14, 2009
- [Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers](#), November 13, 2012
- [Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings](#), October 24, 2013
- [Key Credit Factors For The Technology Software And Services Industry](#), November 19, 2013
- [Group Rating Methodology](#), November 19, 2013
- [Corporate Methodology: Ratios And Adjustments](#), November 19, 2013
- [Corporate Methodology](#), November 19, 2013
- [Country Risk Assessment Methodology And Assumptions](#), November 19, 2013
- [Methodology: Industry Risk](#), November 19, 2013
- [National And Regional Scale Credit Ratings](#), September 22, 2014
- [Methodology For Applying Recovery Ratings To National Scale Issue Ratings](#), September 22, 2014
- [Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), December 16, 2014
- [Recovery Rating Criteria For Speculative-Grade Corporate Issuers](#), December 16, 2016
- [S&P Global Ratings' National And Regional Scale Mapping Tables](#), August 14, 2017
- [S&P Global Ratings Definitions](#), April 19, 2018

**Rating Details (As of 14-June-2018)****Perion Network Ltd.****Issuer rating(s)**

Local Currency LT ilA-/Stable

**Issue rating(s)**Senior Unsecured Debt

Series B, L ilA-

**Issuer Rating history**

Local Currency LT

02-Feb-2016 ilA-/Stable

02-Dec-2015 ilA-/Watch Dev

02-March-2014 ilA-/Stable

**Other Details**

Time of the event 14/06/2018 13:25

Time when the analyst first learned of the event 14/06/2018 13:25

Rating requested by Issuer

**Credit Rating Surveillance**

S&P Maalot is the commercial name of S&P Global Ratings Maalot Ltd. S&P Maalot conducts surveillance activities on developments which may affect the creditworthiness of issuers and specific bond series which it rates, on an ongoing basis. The purpose of such surveillance is to identify parameters which may lead to a change in the rating.

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