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**Perion Network Ltd.**

**First Quarter 2020 Earnings Conference Call**

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## CORPORATE PARTICIPANTS

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**Maoz Sigron,** *Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**Eric Martinuzzi,** *Lake Street Capital Markets, LLC*

**Austin Moldow,** *Canaccord Genuity Corp.*

**Chris McGinnis,** *Sidoti & Company, LLC*

**John Nobile,** *Taglich Brothers, Inc.*

**Shawn Boyd,** *Next Mark Capital, LLC*

## PRESENTATION

**Operator**

Good day and welcome to the Perion First Quarter and Annual 2020 Earnings Conference Call.

Today's conference is being recorded. The press release detailing the financial results is available on the Company's website, at perion.com.

Before we begin, I'd like to read the following Safe Harbor statement. Today's discussion will include forward-looking statements. These statements reflect the Company's current views with respect to future events.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, including those discussed under the heading Risk Factors and elsewhere in the Company's Annual Report on Form 20F that may cause actual results, performance or achievements to be materially different and any future results, performances or achievements anticipated or implied by these forward-looking statements.

The Company does not undertake to update any forward-looking statements to reflect future events or circumstances. As in prior quarters, the results reported today will be analyzed both on a GAAP and non-GAAP basis.

While mentioning EBITDA, we will be referring to Adjusted EBITDA. We have provided a detailed reconciliation of non-GAAP measures to their comparable GAAP measures in our earnings release, which is available on our website and has also been filed on Form 6K.

Hosting the call today are Doron Gerstel, Perion's Chief Executive Officer; and Maoz Sigron, Perion's Chief Financial Officer.

I would now turn the conference over to Doron Gerstel. Please go ahead.

**Doron Gerstel**

Thank you, and good morning.

Before we get started, I want to express my sincere hope that everyone is safe and healthy during these challenging times. I also want to take a moment to thank the entire team of Perion for their professionalism, resilience and commitment during the unprecedented market changes of the last several weeks. Our ability to respond to shifts is our Company culture, our DNA, and it's gratifying to see our Perion culture in action.

While Perion is reporting strong first quarter results today, we are not immune from the challenges associated with the COVID-19 pandemic and the global business impact. Depending on whose statistics you trust, digital ad spending will be down between 25% and 45% for the second quarter, and between 10% to 20% in the third quarter of 2020.

To frame my comments, my discussion will be divided into four parts. To start, I will discuss our performance during the quarter before the coronavirus pandemic outbreak. Next, I will address how we react in early March and responded to the subsequent stages of the pandemic, as well as how our fiscal prudence over the last few years that has served us well. Then, I will describe the near-term and mid-term future of Perion and its business. And lastly, I will address the resources which enable us to effectively navigate the situation, which will empower Perion to emerge from the pandemic in a financially strong and highly competitive position.

To begin, we enter in the first quarter of 2020 with robust momentum, following strong performance during 2019. January and February were both very strong months, bolstered in part by the closing of the CIQ acquisition, positioning us for another great year. Then came March when we began to see the early sign of the pandemic.

Taking all this into account, in the first quarter, consolidated revenue increased 8% organically and 23% overall.

Our advertising revenue grew 28% year-over-year for the first time since 2015 as a result of the contribution of CIQ, which performed in line with our expectations during the first quarter. A growing volume of searches was the main driver behind the 20% year-over-year growth that we achieved in our Search business division.

Beginning in March, as the pandemic spread and much of the global economy began to shut down, we took action to protect our employees, transitioning to a work-from-home model; therefore it went smoothly. All our employees are now work-from-home, and we have not seen any interruption in our productivity. Again, I congratulate our team for successfully navigating the transition into the new normal.

We soon began to see a steep decline in the advertising market, which was nothing anyone in the industry has ever witnessed. Specifically, brand and agency begin reducing and often freezing their advertising budget, leading to a decline in overall spending. Some industries such as travel and leisure were the first to act, but the trend quickly spread across the industry line.

We estimate that the decline in overall advertising spent was between 15% to 25% in March. As a result, a significant number of advertising campaigns that were planned for the second quarter were put on hold or canceled.

The flow of new RFPs for future campaigns was halted and many campaigns that we were well positioned for winning are being delayed. RPMs, which is a key metric for monetization in our search business began to weaken and decline due to the decrease in ad search spending.

In response to this disruption, we swiftly began rolling out strategic initiatives to prepare Perion for an uncertain market environment. We've dramatically reduced the level of advertising spending at least in the near-term.

There are three factors helping us to effectively managing the pandemic as it impacts our business.

First, our focused effort over the past three years to reduce cost and strengthen our balance sheet, while focusing on profitability, have prepared us to operate in this type of environment. At the end of the first quarter, Perion had $54 million in cash and $40 million in net cash.

Second, we have implemented new cost-saving measures that are expected to yield more than $10 million in incremental annualized savings. We have also adjusted our Op ex budget to prepare for an extended period of uncertainty, and stress test our model to ensure its capability to withstand far more dire scenarios than those currently predicted.

Third, we benefit from Perion's overall diversification strategy, a go to market model which includes product solutions that are relevant across the three main pillars of digital advertising: search, social, display and video. This enabled Perion to capitalize on the inherent volatility in digital media spending which was true before the crisis and is more so now. The flexibility of revenue for that diversity and business mix is the right approach to minimize risk and reduce volatility, especially during these uncertain times.

Finally, our current Management team has proven itself to be cautious and prudent with a strong record of fiscal stewardship, managing costs, preserving cash and maximizing profitability. This bolsters my confidence in our financial resilience and ability to weather uncertainty. We see the situation clearly and are always ready to take steps in order to make quick changes to minimize the impact and maximize our potential revenue.

Looking forward, the near challenges in the advertising market and lack of visibility has caused us to temporarily withdraw our full year guidance, as have most advertising industry companies. Nonetheless, we remain confident that we have diversification and discipline needed to generate significant cash from operations and remain profitable for the year as we weather the near-term uncertainty of the current environment.

As our visibility improves, we hope to return to providing estimates regarding our expected results. As we move beyond the first stage of the pandemic and the global economy stabilizes, we expect to be well positioned to capitalize on the expected advertising recovery. But it's premature to comment on timing, given all the lack of visibility on the multiple variables at hand.

Allow me to share with you some of our expectations for the remainder of 2020. We expect our advertising business to face headwinds in the second and third quarter of 2020 as most brands and agency reduce, if not slash, their digital advertising budget.

For search, we expect the surge in desktop grades to continue as more people work and shop from home. However, we also expect the trend of declining RPM in search to continue in the second and third quarter before rebounding later in the year. Our search business should continue to drive strong positive cash flow, even if RPMs remain volatile for a more extended period of time.

Because we are navigating the current environment from a strong financial position—and with one objective in mind, growing our top line—the current environment on companies in our industry with excellent complementary products, service and technology that lack the financial strength to weather a period of disruption, provides us with great potential to evaluate M&A efforts. As a result, we have made the decision to file a shelf registration statement.

With that, I'd like to turn the call over to Maoz to review the financial results for the first quarter. Maoz?

**Maoz Sigron**

Thank you, Doron.

During the first quarter of 2020, we took significant measures to realign our business activity to the COVID-19 environment. These measures are expected to yield more than $10 million of annual cost savings compared to our 2019 pro forma financial results.

The 2019 pro forma combined our results of ContentIQ as if it was acquired at the beginning of 2019. We believe the measures we have taken will help us to continue generating significant cash flow from operations and be profitable for the full year, while decreasing the uncertainty caused by COVID-19.

With the current cash level of $54 million, net cash of $40 million and our ability to generate positive free cash flow, we are in a strong position to weather the COVID-19 outbreak under different scenarios.

During the first quarter of 2020, revenues for Perion totaled $66.1 million, composed of $23.7 million from advertising and $42.3 million from sales and other revenues.

Total revenues increased by 23% from $53.8 million in the first quarter last year. This increase was primarily achieved as a result of the 20% growth in search and other revenues resulting from an increased number of unique searches and new partnerships.

Advertising revenues increased by 28% as a result of the consolidation of ContentIQ which was acquired on January 14, 2020. Search and other revenues represented 64% of the first quarter 2020 revenues, with advertising contributing 36%.

Customer Acquisition Costs and Media Buy in the first quarter of 2020 were $36.1 million, or 55% of revenues, compared to $27.4 million or 51% of revenues in the first quarter of 2019. This change is mainly attributable to CIQ performance typically generating lower media margin than Perion organically.

Net income for the first quarter of 2020 was $1.3 million or $0.05 per diluted share compared to $1.2 million or $0.05 per diluted share in the first quarter of 2019. Perion's non-GAAP net income in the first quarter of 2020 was $5 million or $0.17 per diluted share compared to $3.3 million or $0.13 per diluted share in the first quarter of 2019.

Adjusted EBITDA in the first quarter of 2020 was $6.2 million compared to $5.1 million in the first quarter of 2019.

Cash generated from operating activity was $2.5 million during the first quarter of 2020 compared to $14 million during the first quarter of 2019. The main reason for the decrease in cash flow operations is attributed to one-time working capital requirements for the CIQ operation and collection cycle differences between the business units.

As of March 31, 2020, we had cash, cash equivalents and short-term deposits of $54.1 million compared to $61.6 million as of December 31, 2019.

During the first quarter of 2020, we paid $15.1 million as part of the CIQ acquisition.

Total debt at March 31, 2020 was $14.6 million compared to $16.7 million as of December 31. 2019.

I will now turn the call back to Doron for a closing statement.

**Doron Gerstel**

Thanks, Maoz.

I would like to highlight a few things worth mentioning before we get into the Q&A.

The first quarter of 2020 was the strongest in year-over-year comparison in the last three years, continuing our strong momentum from 2019. We are entering a period of widespread economic disruption with a strong balance sheet and confidence in our ability to generate significant cash from operation that will enable us to remain profitable for the rest of the year.

We have moved quickly and have implemented additional cost-saving measures that are expected to yield more than $10 million incremental annualized savings.

Perion's overall diversification strategy that is relevant across the three main pillars of digital advertising—search, social, display and video—let us capitalize on the inherent volatility in digital media spend, which was true before the crisis and more so in the midst of the current uncertainty.

Looking forward, the near-term challenges in advertising market and lack of visibility have caused us to temporarily withdraw our full-year guidance.

I want to close this unusual earning call during these most unprecedented times with a personal comment. This is a crisis that tests the leadership of every CEO and I've been speaking with many of my peers in this industry and beyond. We are all learning and deriving wisdom and strength from each other. That is what you do when there is no playbook.

The virus doesn't pay heed to geography. It is impacting our teams in New York, Israel, France and Ukraine with the same viciousness. These teams have stood up to the crisis and I'm proud of them.

To all of you on the call wherever you may be, the pandemic has brought us closer together. We all need to go about our job, but as we do our work, we recognize the common humanity we all share. I wish health and strength to everyone on this call.

With that said, Operator, will you please open the call for questions.

**Operator**

Certainly. Ladies and gentlemen, if you'd like to ask a question please signal by pressing star, one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned on to allow your signal to reach our equipment. Again, that is star one, if you'd like to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions.

And we'll take our first question from Eric Martinuzzi with Lake Street Investments. Please go ahead.

**Eric Martinuzzi**

Thank you. Glad to hear that the company was able to pull together and execute the first quarter as well as they did, given the disruption at quarter-end. So that's to be commended.

I'd like to address my first question to the pulling of the guidance. Obviously, you're lacking visibility now and so that's the reason behind the withdrawal of the guidance. But I was wondering if you could help me understand within the two segments, your comments about the 15% to 25% decline in March and whether that—if I were to just take my old number for Q2 and to haircut it by 15% to 25%, what might be—whether that would be appropriate or where I might be flawed in that logic, but addressing it by both segments?

**Doron Gerstel**

So basically the 15% and 20% decline in March was across search and advertising.

**Eric Martinuzzi**

Okay. And then the—as you've been through... So that was March, April's in the books. Consistent trends in April versus March?

**Doron Gerstel**

As I mentioned on our call, let's start with the search. We see a growing—definitely a growing number of searches. It reached a height that we never experienced before. So when it comes to the number of searches, and that’s in evidence that people spend more time at home and they're searching. What is being affected in this business is the RPN. It means how much advertisers are willing to pay for ad search. And we are experience decline on RPN. The overall multiplication of number of searches in RPN is the total revenue of search. And we definitely can say that we're expecting this number will be reduced by 10% to 15%. That's our estimate.

Now, when it comes to advertising, and I think that the impact of our, let's say leading advertisers that is coming from travel and then the automobile is definitely impact the number of RFPs that we’re getting, the RFPs that either were already on hand with insertion order to activate during Q2 or RFP that we were on the midst of negotiating and we were in tight position of winning. All-in-all, we are expecting on the second quarter that advertising business will be reduced by a level of 15% to 25%.

**Eric Martinuzzi**

Okay. Right. And then just the… okay, I think that answers my question about April versus March and maybe now, just where you stand right now.

The Microsoft relationship, obviously, you're sending more volume to them, the RPN is hurt, I'd like to know, given that relationship, given Privado, given budgets, we are still in our renewal year here for them. Can you give us any update in Microsoft contract renewal?

**Doron Gerstel**

Yes. So when it comes to the relationship, it's a very strong relationship. I can tell you that even though we didn't announce, we even extended it to other products, like MSView which are going to be roll out soon to all of our publisher, which is going to increase, of course, the number of searches and increased engagement and long-time value of our searchers. And so even though it's a renewal year and we're definitely aware, we feel very, very strong, as far as our relationship with Microsoft.

**Eric Martinuzzi**

Okay. But it's safe to say those negotiations are active and constructive, or is that assuming too much?

**Doron Gerstel**

Very much so. Very much so.

**Eric Martinuzzi**

Okay. That takes it. That's all the questions I have at this point. Thanks, guys.

**Doron Gerstel**

Thanks so much.

**Operator**

Thank you. We'll move on to our next question from Austin Moldow with Canaccord.

**Austin Moldow**

Hi. Thanks. You touched on this a little bit…

**Doron Gerstel**

Hi Austin.

**Austin Moldow**

Hi. How's it going?

Can you go into a little more detail on your advertising exposure by vertical as a way to assess how at risk you are?

**Doron Gerstel**

Yes. So traditionally I don't think that the way we divided our business on advertising is different than the market index, which probably around 15% of this business and the automobile is another 10% of the overall spend. And it has some seasonality and with this type of—but this is like a good ballpark to use.

Both industries have very much at this point reduced their spend substantially. And there are other industry, financial, telecom and that are spending more, but that's not enough to compensate on the loss of the two verticals that I mentioned.

**Austin Moldow**

Given your strong balance sheet with the overall turmoil in the market, can you talk about your near-term philosophy on M&A and that you have the ability to go the offence here?

**Doron Gerstel**

Yes, definitely. So, we are not—the framework of our turnaround business we've been very much the same. And if you all recall the last phase of it was exponential growth. So, with this only one goal in mind and we are looking for complementary solution to our diverse offerings. And in this regards, we are in discussions. We are looking, we're investing a lot of time to explore opportunity that able to streamline our efforts on the engineering side, on the go to market side, and on Geo expansion side. And I must say that while we're entering this crisis with not just a good balance sheet, but also being profitable and have a good indication of positive cash from operations during the year, that'll definitely encourage us to look deeper for this type of opportunity.

**Austin Moldow**

Thanks for that. And my last question. Assuming that engagement is going to come up across the board, can you go into some detail on how Capital IQ's (phon) business has been reacting to the crisis?

**Doron Gerstel**

When it comes to ContentIQ, first and foremost, let's remember that we leased (phon) the first two weeks of the first quarter because we consolidate the numbers only as of January 14, 2020. We are very, very happy with the results. As I mentioned in one of our calls, the way CIQ is being integrated with our business, we define it in two efforts.

One effort has to do with the synergy, both with our search business and with advertising business. That's one. And the second one is basically externalize the CIQ monetization engine that is being execute so effectively on their all-in-all, on their sites to other sites.

We signed two agreements already with first year publisher. I hope we can—we're working to publish their names, but currently this is already being signed and this is definitely part of the evolution of the ContentIQ, which is going to be very much centralized in our advertising business unit.

**Austin Moldow**

Okay. Thanks very much. I'm sorry about that: I meant ContentIQ.

**Doron Gerstel**

You're welcome.

**Austin Moldow**

(Multiple speakers). Thank you.

**Doron Gerstel**

Yeah. All right. Okay.

**Operator**

Thank you. We'll move on to our next question from Chris McGinnis with Sidoti & Company. Please go ahead.

**Chris McGinnis**

Good morning. Thanks for taking my questions and hope both you and your families and you guys are doing all right. And safe in the environment.

**Doron Gerstel**

Thank you.

**Chris McGinnis**

I just want to follow up around the search for the advertising business. Can you just maybe talk about the growth rates you saw out of CIQ maybe before March kind of kicked in? And then also in that same vein, maybe the organic growth of the advertising segment for the other side?

**Doron Gerstel**

So all-in-all, the growth of advertising as we reported was 20.7%, 28% year-over-year and with very much contribution of ContentIQ. We are reporting from an advertising standpoint, a consolidate number that has to do with the three business unit which include our Undertone, include MMR, and of course, include the ContentIQ. And I definitely can say that that across the board—across the board, January and February was very, very strong. Strong months for all of them.

**Chris McGinnis**

Great. Okay. Thank you very much. And I guess just on the cost-savings that you announced, how quickly can you implement them. Can you talk about where the cost-savings are coming from? Then, depending on how the market rebounds, can you talk about how quickly those costs will need to come back in depending on if it's around growth initiative strength?

**Doron Gerstel**

Yes. That's a very good question. And I think that the Management has always planned, I must say for rainy day, so it was from the circumstances of the COVID-19 and executing didn't take much time. And it has to do very much with the way we negotiate even before the COVID-19 with our vendors. So I think it was—we always left the room for any kind of sudden drop in the business which help us to act really quick. Some of the saving is coming from our employees, with not going much into details. We are very much trying as much as we can.

That’s the biggest, I think the biggest question that we have on one hand. And to do what is necessary and what is expected for Management to react and roll out as soon as possible this cost-saving plan. But on the other hand, when the market will open, and we all hope and this market will be back on track and hopefully in the fourth quarter of 2020, we will be able to capture the opportunity. So that's a fine line. It is a fine line, and we are monitoring closely as we speak if there are signs then maybe it will come sooner. And so in any case we were trying not to do any cost-saving that can hurt our ability to capture the opportunity when the market will bounce back.

**Chris McGinnis**

Okay. Now thank you for that. And just in (inaudible) about. April seemingly has been the worst month because of business disruption. Are you starting to see signs or at least have conversations started to open back up around advertising spend and maybe even so elaborate a little bit of how—maybe even how it progressed through April and maybe if it's opening up even a little bit at this point? Thanks.

**Doron Gerstel**

I think we are—we definitely see sign and I think that the fact that we are diverse in our strategy allow us, as I mentioned, I think more than three times during this call, allow us to see different sides of digital advertising spend. The first and the most immediate sign that we see is that the RPM is going down, just slightly, but May or let's say last week of April, first week of May is looking better than the beginning of April. And it's really a good indicator for us to monetize the market. We talk about the 13 million searches we are having quite spread and business there that we're able to monetize these changes.

When it comes to the other side of the business, more on the RFP side of the business, this is longer sale cycle and even though we have quite substantial amount of RFP that currently we won and they are on hold, we are getting kind of a notice that we need to look at this and we look at the advertising.

So it seems that the market is showing signs of recovery. I need to be very cautious of what I'm saying. We see it more on the RPM side than on the RFPs and that alone new RFPs, and even RFPs that were associated more with travel or automotive. But overall there is definitely reason to be more optimistic.

**Chris McGinnis**

Great. I really appreciate that color, Doron. Stay safe and good luck (multiple speakers).

**Doron Gerstel**

Thank you so much.

**Operator**

Thank you. And moving on to our next question from John Nobile with Taglich Brothers. Please go ahead.

**John Nobile**

Hello and good afternoon. Actually I just wanted to start and acknowledge and commend you on your donations in the six U.S. markets in your support of the COVID-19 responders. I thought that was really (multiple speakers).

**Doron Gerstel**

Thank you for mentioning. Thank you very much. Thank you.

**John Nobile**

Oh, you're welcome. Thank you.

**Doron Gerstel**

Thank you.

**John Nobile**

A lot of my questions have been addressed, but in response to the acquisition of ContentIQ, do you have a breakout of what the revenue was in that first quarter?

**Maoz Sigron**

We are not providing a breakout of the revenue. The only thing that we can say, and this is something that we shared at the time we acquired ContentIQ, that what are the plans and what are basically we're expecting, what they did in 2019 and we definitely expecting that their business to grow. This is with the earn out which is significant part of the total configuration is based on. And I can say that they are definitely on track of achieving this number which was part of our model. So things are continuing as expected.

**John Nobile**

Okay. And I was hoping to get a better understanding of automated content recognition. Obviously, recently you put out press releases in regard to this, I was hoping that you can actually talk a little about your role in this then ACR and why, particularly why has that's been a topic of discussion in regard to the COVID-19 pandemic? I was hoping to understand what that benefit might be. Okay.

**Doron Gerstel**

Yes. Very interesting. So ACR is a technology that is being used for digital advertiser that would like to leverage the fact that more people spend time at home and watching TV and maybe Smart TV. And this allows us in a way to connect between advertising on different screen to what the people are watching now on their Smart TV.

The ACR is the technology that connect between the two. And the most trivial example can be that if you are watching this content right now, what is the relevant ad for this content? Content can be whatever content or it can be an ad. And so ACR is the technology that allows this relationship, which we are now seeing because there is a lot of eyeballs on Smart TV, and having this technology and working allows us to bring to our customer a very useful way to do a substantial uplift of their spend on digital advertising.

**John Nobile**

Okay. Now, thank you for that. I just wanted to really understand that link between the two, I understand. Actually a lot of my questions were addressed, but… oh, in regard to the new Privado search engine, I was hoping—and I know it was in, what was that, was it February? I was hoping you may be able to actually provide some metrics on its adoption.

**Doron Gerstel**

It’s too early, but the only thing that I can tell you that there is growing interest and we are all… so there are two types of effort.

One effort is of course the consumer adoption which is one metrics; the other very, very interesting approach that we are focusing on, is the B2B, the business adoption. In business adoption, we are now—we almost closed one telco, which is going to embed Privado as part of their device. In other words, when you will activate your mobile device in this country, this point is in Europe, in this country you will get Privado built in into your mobile device.

In this way we are able to get—we are starting with 100,000 subscriber and currently it's a proof of concept. And I must tell you that based on initial results, we are using it to have advanced discussion with other telco providers that are looking at it as a great addition to their subscriber. And so that could be a very—I must say, a clever way to expedite the adoption of Privado among users. So this is our main focus right now, because we want to get as fast as we can to a large adoption.

**John Nobile**

Okay. Are you saying that—well you're starting with 100,000 telco subscribers that—that this already a part of mobile applications on that many devices?

**Doron Gerstel**

Yes. So currently we are starting with 100,000 that is subscriber for this device for that specific telco. And it looks very good so far, and with that we are extending this very successful proof of concept to other telco which we are currently negotiating with.

**John Nobile**

All right, great. Thank you for that update.

**Doron Gerstel**

Thank you.

**Operator**

Thank you. And we'll move on to Shawn Boyd with Next Mark Capital. Please go ahead.

**Shawn Boyd**

Thanks for taking the questions. Congratulations on I'm sure was a tough quarter here gentlemen.

If we can just spend one minute here on CIQ, I know you closed it two weeks into the quarter. So we're in a stub quarter here, but is there also heavy seasonality such that Q1 is a real low quarter for the year?

**Doron Gerstel**

Yes. So like anything that has to do with advertising, it's all geared towards the fourth quarter and traditionally Q1 is the lowest quarter. That's true for all businesses, including ContentIQ.

**Shawn Boyd**

Right, okay. Okay. And so Q4 could be—just maybe just Office 2019 for example: how much of that was in Q4?

**Doron Gerstel**

It was 30%, 35% of the business.

**Shawn Boyd**

Got it. Okay. Thank you. That helps.

Okay, speaking about your cash balances as they stand today at $54 million in cash. We haven't paid out anything on performance based earnouts of course because we haven't finished the year. What about the retention? I think there was $11 million of retention incentives. I assume that hasn't been paid out yet?

**Maoz Sigron**

No, there are some assumptions for the retention that we are using for the financials—for the quarterly financials. So they are part of the number that you can see on the earning. But yes, the number that you can see here include the earnout and include the part of the retention relatively to the period. So there are—the total is $11 million retention, and part of it already in Q1

**Shawn Boyd**

Got it. Okay. And then if we could go to the Customer Acquisition Costs and Media Buy. That level as a percentage of revenues is at roughly 55% now. Is that the kinds of number—the kind of range that we should think about going forward now that we've got ContentIQ, or should that go kind of up or down here as we move forward?

**Maoz Sigron**

There are seasonality here within, let's say, that with the uncertainty that we have in the market now definitely it could be change a bit later on. I would say that the 55% affect as you understand we acquired the CIQ at the beginning of the quarter on January 15, it's not the full quarter. So it's partially affected from CIQ. But if I'm looking forward, I'm expecting a bit higher percent from Customer Acquisition Costs, but also with different numbers from quarter to quarter due to the seasonality and the pandemic uncertainty that there for Q2 a bit I would say higher number and then we should expect to move back to normal.

**Shawn Boyd**

Got it. Okay. And just to extrapolate on that one, when you said to eventually go back to normal, like back into the low 50s, like where we were last year or is that making a statement too far (multiple speakers)?

**Maoz Sigron**

No. That wouldn't be—that wouldn't be the number of 2019 before the acquisition. Again, 55% with CIQ is again still lower than what we anticipate for the rest of the year. We're expecting higher number, much higher in Q2 and then we will move back to the lower number. But it will be above the 55%.

**Shawn Boyd**

Got it. Okay. The last thing from me, you talked about $10 million in cost savings—additional cost savings that you expected burning out of the combined company. Can you give us a little more on that? How much of that would be—would that all be in operating expenses or would there be any other cost of goods sold? It looks like we've had adjusted operating expenses of about $55 million in the quarter in March—to bring that down by a $10 million per year kind of run rate. Can just kind of narrow it down a little bit on that? It would be great. Thank you.

**Maoz Sigron**

There are some that were softness to (inaudible) saving. One of them already mentioned by Doron is the payroll. There are items that related to the synergy with the IQ, there are some that related to some efficiency that we have build on the different business units. So this is the first layer. The second layer is vendor that we already talking with them before the pandemic and during the pandemic. So that's the second layer. And the last one is some offices as we already know we're working remotely. Part of the office that we use these we work in and some short period their lease agreement that we have—we are not using today and we are not expecting to use that soon. And that's another source of saving for 2020. So total comparing all, with all the facilities, we expecting a $10 million saving.

**Shawn Boyd**

Got it. Thanks so much. Good luck, gentlemen.

**Maoz Sigron**

Thank you.

**Doron Gerstel**

Thank you.

**Operator**

And we have currently no further questions at this time.

**Doron Gerstel**

Okay. Guys, I would like to thank you for joining our call today. Thanks. Thank you very much. Bye-bye.

**Operator**

And ladies and gentlemen, that does conclude today's conference. Thank you for your participation. You may now disconnect.