

Perion Network Ltd (PERI)

Price:	\$5.20	Price/Book:	1.64	EV/EBITDA 5x TV:	\$4.32
Market Cap:	\$51,531,998	Price/Earnings:	7.07	Net Tangible Asset TV:	\$0.00
Cash:	\$9,520,000	EV/EBITA:	3.49	SN Defined TV:	\$6.70
Debt:	\$0	EV/FCF:	-97.70	Economic Value Added:	\$5.32
Net Cash:	\$9,520,000	Net Tang. Asset/Share:	-\$0.35	Year 5 Target:	\$4.08
Enterprise Value:	\$42,011,998	Avg. Year 1-5 FCF/Share:	-\$0.04	Appreciation:	-21.469%

Their flagship product is Incredimail. Targets users 35+ years of age. 10.7MM users. Users can send emails with a customized template, ranging from cute cartoon animals to other user defined backgrounds. Company is based in Israel.

77% of revenue generated from GoogleAdSense. They are at the mercy of Google. Back in 2008, Google pulled the company out of the program and reinstated the company. Shares plummeted 40% on the news. They signed a 2 year contract in 2011, which could be cancelled with a 30 day notice. That is why PERI has been trying to diversify their business. The other search engine is Infospace. They scrapped HiYo, and focusing on PhotoJoy.

Purchased Smilebox for \$25 MM in Sept. 2011. Secured a line of credit with 2 banks for the purchase.

The stock is a high beta, high dividend paying stock. However, we question 1) the reliability of revenue, 2) ability to payout 8 MM in dividends consistently, 3) growth potential.

Dividend?

Dividend yield is 15.38%.

Price to Book

Price to book is 1.64. Price to book excluding intangibles is -3.50.

Cashflow Generation

Cashflows are \$9.0 MM from operating cashflow.

Capex is \$1 MM, minority interest payment is \$0 MM, intangibles are \$0 MM and dividend is \$8 MM.

Free cash flow is about \$0 MM.

38.3% EBITA margin and FCF yield is 18.1%.

The company has \$10 MM in cash/short term investment and \$0 MM in debt.

We are projecting a \$0.0 MM paydown annually.

Profitability

ROA is 5.4%, and ROC is 26.8%.

Bankruptcy Risk

Altman Z is at 1.84.

LBO?

We don't believe a 60% debt/40% equity would be sustainable.

Price

We are forecasting a \$6.70/share in Year 5, or a 29.0% holding return, or 5.2% annual return. Thus, the 1 year forecasted price is \$5.50. The total return would be 15% dividend yield + 5% stock appreciation, or a 20% combined return. We are not including the stock in the portfolio because of the risk associated with the revenue stream.

Perion Network Ltd, formerly Incredimail Ltd., incorporated in November 1999, is an Internet content and media company. The Company's products have been downloaded in more than 100 countries and in 2010, it recorded on average approximately 1.5 million registered downloads each month. The Company generates revenue by advertising, including primarily generating searches and sharing in the revenues with the provider of the search engine; and selling its software products and solutions, licensing its Incredimail Premium, email software, other add-on subscriptions and licenses and its anti-spam solution. As of December 31, 2010, the Company had approximately 10.7 million active users, and more than 280 million Incredimail e-mails are sent by its users each month. Through December 31, 2010, the Company has sold more than two million products and content licenses worldwide to its registered users. In August 2011, the Company acquired Smilebox Inc.

Company Name:	Perion Network Ltd	Market Capitalization:	\$51,531,998.11	Revenue:	\$32,970,000.00	100.0%
Ticker Symbol:	PERI	Total Debt:	\$0.00	Cost of Goods Sold:	\$5,080,000.00	15.4%
Last Price:	\$5.20	Total Cash:	\$9,520,000.00	Gross Profit:	\$27,890,000.00	84.6%
Net Cash/Share:	\$0.96	Net Cash/(Debt):	\$9,520,000.00	EBITDA:	\$12,050,000.00	36.5%
Net Cash to Last Price:	18.47%	Enterprise Value:	\$42,011,998.11	Net Income:	\$7,290,000.00	22.1%
Shares Outstanding:	9,910,000	Current EV/Share:	\$4.24			
Industry:	Software - Application	EBITDA:	\$12,040,000.00			
Sector:	Technology	EV/EBITDA Multiple:	3.49	Balance Sheet		
Institutional Ownership:	#VALUE!	EV/EBITDA Multiple Average Year 1-5:	3.41	Cash:	\$9,520,000.00	
Mutual Fund Ownership:	#VALUE!	EV/FCF Multiple:	-97.70	Short Term Investment:	\$0.00	
Insider Ownership:	#VALUE!	EV/FCF Multiple Average Year 1-5:	5.53	A/R:	\$5,580,000.00	
Retail Ownership:	#VALUE!			PP&E:	\$1,380,000.00	
Float:	#VALUE!			Assets:	\$50,040,000.00	
		Upper Range		A/P:	\$2,290,000.00	
		DCF: EV/EBITDA Terminal Value		Deferred Tax:	\$0.00	
				Other Liabilities:	\$19,190,000.00	
		Implied TV from 3 X EV/EBITDA Multiple	\$35,345,467.98	Short term Debt:	\$0.00	
				Long Term Debt:	\$0.00	
		Enterprise Value	\$35,345,467.98	Liabilities:	\$21,480,000.00	
		Cash at Year 5:	\$7,474,179.77			
		Debt at Year 5:	\$0.00	Retained Earnings:	\$0.00	
		Equity Value Year 5:	\$42,819,647.75	Paid-In Capital:	\$0.00	
		Equity/Share at Year 5:	\$4.32	Treasury Stock:	\$0.00	
		Annualized Return:	-3.64%	Stockholder's Equity:	\$31,360,000.00	
		Lower Range		Cash Flow		
		DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Net Income:	8,390,000.00	
				Depreciation/Amortization:	740,000.00	
		Year 5 Net Tangible Assets excluding cash and debt	-\$7,570,000.00	Change in Working capital:	550,000.00	
				Cash from Operating Activities:	9,780,000.00	
		Enterprise Value	-\$7,570,000.00	Capital Expenditures:	-250,000.00	
		Cash at Year 5:	\$7,474,179.77	Cash from Investing Activities:	-10,200,000.00	
		Debt at Year 5:	\$0.00			
		Equity Value Year 5:	-\$95,820.23	Total Cash Dividends Paid:	-8,480,000.00	
		Equity/Share at Year 5:	-\$0.01	Issuance (Retirement) of Stock:	0.00	
		Annualized Return:	-128.44%	Issuance (Retirement) of Debt:	0.00	
				Cash from Financing Activities:	-7,890,000.00	
		EVA				
		EVA today:	\$35,081,510.09	Profitability Margins		
		EVA in 5 Years:	\$45,198,194.87	Debt to Equity:	0.00%	
		EVA/Share:	\$4.56	Return on Assets:	16.77%	
		Cash at Year 5:	\$7,474,179.77	Return on Capital:	26.75%	
		Debt at Year 5:	\$0.00	Return on Equity:	26.75%	
		Equity Value Year 5:	\$52,672,374.64			
		Equity/Share at Year 5:	\$5.32			
		Annualized return	5.20%			
		Current Net Tangible Asset				
		Net Tangible Asset/Share:	-\$0.35			
		Net Tangible Asset/Share in Year 5:	-\$0.44			
		Annualized return	4.48%			
		Current Equity Price:	\$5.20			
		Selling at Discount?	Premium			
		Appreciation Potential:	-106.79%			
		Dividend Model				
		Next Year Dividend	\$7,742,372.34			
		WACC:	14.15%			
		Dividend:	\$7,928,000.00			
		Net Income:	\$7,290,000.00			
Company Name:	Perion Network Ltd					
Ticker Symbol:	PERI					
Last Price:	\$5.20					
Net Cash/Share:	\$0.96					
Net Cash to Last Price:	18.47%					
Shares Outstanding:	9,910,000					
Industry:	Software - Application					
Sector:	Technology					
Institutional Ownership:	#VALUE!					
Mutual Fund Ownership:	#VALUE!					
Insider Ownership:	#VALUE!					
Retail Ownership:	#VALUE!					
Float:	#VALUE!					
		Upper Range				
		DCF: EV/EBITDA Terminal Value				
		Implied TV from 3 X EV/EBITDA Multiple	\$35,345,467.98			
		Enterprise Value	\$35,345,467.98			
		Cash at Year 5:	\$7,474,179.77			
		Debt at Year 5:	\$0.00			
		Equity Value Year 5:	\$42,819,647.75			
		Equity/Share at Year 5:	\$4.32			
		Annualized Return:	-3.64%			
		Lower Range				
		DCF: Net Tangible Asset excluding Cash/Debt Terminal Value				
		Year 5 Net Tangible Assets excluding cash and debt	-\$7,570,000.00			
		Enterprise Value	-\$7,570,000.00			
		Cash at Year 5:	\$7,474,179.77			
		Debt at Year 5:	\$0.00			
		Equity Value Year 5:	-\$95,820.23			
		Equity/Share at Year 5:	-\$0.01			
		Annualized Return:	-128.44%			
		EVA				
		EVA today:	\$35,081,510.09			
		EVA in 5 Years:	\$45,198,194.87			
		EVA/Share:	\$4.56			
		Cash at Year 5:	\$7,474,179.77			
		Debt at Year 5:	\$0.00			
		Equity Value Year 5:	\$52,672,374.64			
		Equity/Share at Year 5:	\$5.32			
		Annualized return	5.20%			
		Current Net Tangible Asset				
		Net Tangible Asset/Share:	-\$0.35			
		Net Tangible Asset/Share in Year 5:	-\$0.44			
		Annualized return	4.48%			
		Current Equity Price:	\$5.20			
		Selling at Discount?	Premium			
		Appreciation Potential:	-106.79%			
		Dividend Model				
		Next Year Dividend	\$7,742,372.34			
		WACC:	14.15%			
		Dividend:	\$7,928,000.00			
		Net Income:	\$7,290,000.00			

SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	4.08	Non-LBO Forecast	Non-LBO Forecast	Desired Return Rate	20.00%
EV/EBITDA with 3X Multiple Terminal Value:	\$4.32	Market Price:	5.20	Year 1 Target	4.95	Implied Today's Price	1.64
Net Tangible Asset Terminal Value:	\$0.00	LBO Price:	5.20	Year 2 Target	4.72	Overvalued/(Undervalued)	216.86%
EV/EBITDA with Today's Multiple Terminal Value:	\$6.70	Premium to Market Price:	0.00%	Year 3 Target	4.50		
EVA Enterprise Value:	\$5.32	LBO Price/Intrinsic Price Target:	-4.72%	Year 4 Target	4.29		
Dividend Discount Model:	\$4.74	LBO Price/EV/EBIT Exit Price:	5.20%	Year 5 Target	4.08		
Average (Excluding Dividend Discount):	\$4.08	Implied IRR at today's EV/EBITDA:	5.20%	Implied IRR (Market Price):	-4.72%		
		5 Year Return:	-21.47%				

Current Evaluation				Exit Evaluation			
Current Market Price:	5.20	LBO Price:	5.20	Exit Price:	4.08	Exit Price:	6.70
Outstanding Shares:	9,910,000	Outstanding Shares:	9,910,000	Outstanding Shares:	9,910,000	Outstanding Shares:	9,910,000
Market Capitalization:	51,532,998	Market Capitalization:	51,532,000	Market Capitalization:	40,468,829	Market Capitalization:	66,383,293
Available Cash:	9,520,000	Available Cash:	9,520,000	Available Cash:	7,474,180	Available Cash:	7,474,180
Debt:	0	Debt:	0	Debt:	0	Debt:	0
Net Cash:	9,520,000	Net Cash:	9,520,000	Net Cash:	7,474,180	Net Cash:	7,474,180
Enterprise Value:	42,011,998	Enterprise Value:	42,012,000	Enterprise Value:	32,994,649	Enterprise Value:	58,909,113
Original EV/EBITDA:	3.72	EV/EBITDA:	3.72	EV/EBITDA at 5 Years:	2.80	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	3.49	EV/EBITDA:	3.49	EV/EBITDA at 5 Years:	3.77	EV/EBITDA at 5 Years:	4.69
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	5.20	5.20	4.95	4.72	4.50	4.29	4.08
Shares Outstanding:	9,910,000	9,910,000	9,910,000	9,910,000	9,910,000	9,910,000	9,910,000
Market Capitalization:	51,532,000	51,532,000	49,100,479	46,783,688	44,576,214	42,472,899	40,468,829
Available Cash:	9,520,000	9,520,000	8,944,784	8,451,768	8,041,774	7,715,631	7,474,180
Debt:	0	0	0	0	0	0	0
Net Cash:	9,520,000	9,520,000	8,944,784	8,451,768	8,041,774	7,715,631	7,474,180
Enterprise Value:	42,012,000	42,012,000	40,155,695	38,331,920	36,534,441	34,757,268	32,994,649
EBIT	11,300,000	11,300,000	11,322,100	11,435,321	11,549,674	11,665,171	11,781,823
EV/EBIT:	3.72	3.72	3.55	3.35	3.16	2.98	2.80
EBITDA	12,040,000	12,040,000	12,069,500	12,190,195	12,312,097	12,435,218	12,559,570
EV/EBITDA:	3.49	3.49	3.33	3.14	2.97	2.80	2.63

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	5.20	5.20	5.15	5.14	5.14	5.15	5.17
Shares Outstanding:	9,910,000	9,910,000	9,910,000	9,910,000	9,910,000	9,910,000	9,910,000
Market Capitalization:	51,532,000	51,532,000	51,038,949	50,966,875	50,982,031	51,085,292	51,277,537
Available Cash:	9,520,000	9,520,000	8,944,784	8,451,768	8,041,774	7,715,631	7,474,180
Debt:	0	0	0	0	0	0	0
Net Cash:	9,520,000	9,520,000	8,944,784	8,451,768	8,041,774	7,715,631	7,474,180
Enterprise Value:	42,012,000	42,012,000	42,094,165	42,515,107	42,940,258	43,369,660	43,803,357
EBIT	11,300,000	11,300,000	11,322,100	11,435,321	11,549,674	11,665,171	11,781,823
EV/EBIT:	3.72	3.72	3.72	3.72	3.72	3.72	3.72
EBITDA	12,040,000	12,040,000	12,069,500	12,190,195	12,312,097	12,435,218	12,559,570
EV/EBITDA:	3.49	3.49	3.49	3.49	3.49	3.49	3.49

LBO Price	5.20	Equity Partners:	51,532,000	Weighting	100.00%	Annualized Return for Equity Partners: 5.20%
Shares Outstanding	9,910,000	Debt Partners:	0		0.00%	
Market Capitalization	51,532,000	Total Funds for LBO:	51,532,000		100.00%	
Debt	0					
Cash	9,520,000					
Enterprise Value	42,012,000					
Capital Investment	51,532,000					

Book Value		Enterprise Value		Stock Valuation		Debt Reduction	
Beginning Book Value	31.36	Beginning Enterprise Value	42.01	Current Market Price	\$5.20	Starting Debt	0.00
Year 5 Book Value	30.50	Year 5 Enterprise Value	58.91	Year 5 Market Price	\$6.70	Debt Repayment	0.00
Annualized Return	-0.55%	Annualized Return	6.99%	Annualized Return	5.20%	Year 5 Ending Debt	0.00
						% of Starting Debt	#DIV/0!

SN VALUATION

LBO Pro Forma Income Statement

Name:

Perion Network Ltd

Ticker:

PERI

	Historical				Forecasted				
	12 months ending 2007-12-31	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Revenue	18.68	21.91	27.20	29.50	29.80	30.09	30.39	30.70	31.00
COGS	1.74	1.79	1.58	1.61	1.79	1.81	1.82	1.84	1.86
Gross margin	16.94	20.12	25.62	27.89	28.01	28.29	28.57	28.86	29.14
SG&A	8.36	11.15	8.16	9.98	10.13	10.23	10.33	10.44	10.54
R&D	6.12	7.59	5.97	6.61	6.55	6.62	6.69	6.75	6.82
Unusual expense	0.16	1.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	2.28	0.23	11.49	11.30	11.32	11.44	11.55	11.67	11.78
Interest income/(expense)	-3.81	4.47	0.13	0.36	0.31	0.31	0.31	0.31	0.31
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.17	0.02	-0.06	-0.04	0.00	0.00	0.00	0.00	0.00
Income before tax	-1.37	4.71	11.56	11.62	11.63	11.75	11.86	11.98	12.09
Tax	1.39	0.29	3.55	3.23	3.96	3.99	4.03	4.07	4.11
Income after tax	-2.76	4.42	8.01	8.39	7.68	7.75	7.83	7.90	7.98
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	-2.76	4.42	8.01	8.39	7.68	7.75	7.83	7.90	7.98
*Figures are in millions (\$)									
EPS (based off today's share count)	-\$0.28	\$0.45	\$0.81	\$0.85	\$0.77	\$0.78	\$0.79	\$0.80	\$0.81
P/E (historical today's price; forecasted intrinsic price)	-18.67	11.66	6.43	6.14	6.40	6.03	5.69	5.37	5.07
Revenue Growth	N/A	17.29%	24.14%	8.46%	1.00%	1.00%	1.00%	1.00%	1.00%
Tax Rate	-101.46%	6.16%	30.71%	27.80%	34.00%	34.00%	34.00%	34.00%	34.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	9.31%	8.17%	5.81%	5.46%	6.00%	6.00%	6.00%	6.00%	6.00%
Gross margin	90.69%	91.83%	94.19%	94.54%	94.00%	94.00%	94.00%	94.00%	94.00%
SG&A	44.86%	50.89%	30.00%	33.83%	34.00%	34.00%	34.00%	34.00%	34.00%
R&D	32.76%	34.64%	21.95%	22.41%	22.00%	22.00%	22.00%	22.00%	22.00%
Unusual expense	0.86%	5.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	12.21%	1.05%	42.24%	38.31%	38.00%	38.00%	38.00%	38.00%	38.00%
Interest income/(expense)	-20.40%	20.40%	0.48%	1.22%	1.04%	1.03%	1.02%	1.01%	1.00%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.91%	0.09%	-0.22%	-0.14%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	-7.33%	21.50%	42.50%	39.39%	39.04%	39.03%	39.02%	39.01%	39.00%
Tax	7.44%	1.32%	13.05%	10.95%	13.27%	13.27%	13.27%	13.26%	13.26%
Income after tax	-14.78%	20.17%	29.45%	28.44%	25.77%	26.02%	26.27%	26.53%	26.79%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	-14.78%	20.17%	29.45%	28.44%	25.77%	25.76%	25.75%	25.75%	25.74%

SN VALUATION

LBO Adjusted Proforma Balance Sheet

	As of 2007-12-31	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	As of 2011-09-30	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	4.61	7.83	24.37	16.06	9.52			9.52	8.94	8.45	8.04	7.72	7.47
Short term investment	18.81	18.79	5.22	14.97	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	23.42	26.62	29.59	31.03	9.52			9.52	8.94	8.45	8.04	7.72	7.47
Accounts Receivable	1.99	2.19	2.32	2.79	5.58			5.58	5.58	5.58	5.58	5.58	5.58
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	1.99	2.19	2.32	2.79	5.58			5.58	5.58	5.58	5.58	5.58	5.58
Total Inventory	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	0.37	0.36	0.00	0.00	0.26			0.26	0.26	0.26	0.26	0.26	0.26
Current Assets	25.78	29.17	31.91	33.82	15.36	0.00	0.00	15.36	14.78	14.29	13.88	13.56	13.31
PP&E, Gross	3.08	3.46	3.90	4.50	4.50			4.50	5.50	6.50	7.50	8.50	9.50
Change in Depreciation		1.05	0.71	0.74	0.74			0.74	0.75	0.75	0.76	0.77	0.78
Accumulated Depreciation	1.27	1.99	2.54	3.12	3.12			3.12	3.87	4.62	5.38	6.15	6.93
PP&E, Net	1.81	1.47	1.36	1.38	1.38			1.38	1.63	1.88	2.12	2.35	2.57
Goodwill	0.12	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.16	0.15	0.13	0.20	32.06			32.06	32.06	32.06	32.06	32.06	32.06
Long term investments	0.58	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	1.29	1.90	1.66	1.46	1.24			1.24	1.24	1.24	1.24	1.24	1.24
Long Term Assets	3.96	3.52	3.15	3.04	34.68			34.68	34.93	35.18	35.42	35.65	35.87
Total Assets	29.74	32.69	35.06	36.86	50.04	0.00	0.00	50.04	49.72	49.47	49.30	49.20	49.18
Accounts Payable	1.55	1.95	1.04	1.83	2.29			2.29	2.29	2.29	2.29	2.29	2.29
Accrued Expense	3.24	4.43	6.58	6.21	13.46			13.46	13.46	13.46	13.46	13.46	13.46
Other current Liabilities	3.25	2.60	2.27	2.20	3.18			3.18	3.18	3.18	3.18	3.18	3.18
Total Current Liabilities	8.04	8.98	9.89	10.24	18.93	0.00	0.00	18.93	18.93	18.93	18.93	18.93	18.93
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Income tax	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	2.95	3.13	3.01	2.96	2.55			2.55	2.55	2.55	2.55	2.55	2.55
Total Liabilities	10.99	12.11	12.90	13.20	21.48	0.00	0.00	21.48	21.48	21.48	21.48	21.48	21.48
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.02	0.02	0.02	0.02	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Additional Paid-in capital	22.03	23.36	22.39	23.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	-8.00	-16.00	-24.00	-32.00	-40.00
Retained Earnings	-1.39	3.04	5.39	5.30	0.00		0.00	0.00	7.68	15.43	23.26	31.16	39.14
Treasury Stock	0.00	-0.88	-1.00	-1.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.11	0.01	0.21	0.10	31.36		0.00	31.36	31.36	31.36	31.36	31.36	31.36
Total Equity	20.77	25.55	27.01	28.15	31.36	0.00	0.00	31.36	31.04	30.79	30.62	30.52	30.50
Liability + Equity	31.76	37.66	39.91	41.35	52.84	0.00	0.00	52.84	52.52	52.27	52.10	52.00	51.98
Variance	-2.02	-4.97	-4.85	-4.49	-2.80			-2.80	-2.80	-2.80	-2.80	-2.80	-2.80
Debt/Equity	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Inventory Turnover Days	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Inventory Outstanding	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable Turnover	9.39	10.00	11.72	10.57	5.34			5.29	5.34	5.39	5.45	5.50	5.56
Accounts Receivable Turnover Days	38.88	36.48	31.13	34.52	68.36			69.04	68.36	67.68	67.01	66.35	65.69
Days Payable Outstanding	325.14	397.63	240.25	414.88	467.56			519.16	467.56	462.93	458.34	453.81	449.31
Days Sales Outstanding	38.88	36.48	31.13	34.52	68.36			34.52	69.04	68.36	67.68	67.01	66.35
Cash Conversion Cycle	-286.26	-361.14	-209.12	-380.36	-399.20			-484.64	-398.52	-394.57	-390.66	-386.80	-382.97

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2007-12-31	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Net Income	-2.76	4.42	8.01	8.39	7.68	7.75	7.83	7.90	7.98
Depreciation	0.51	1.05	0.71	0.74	0.75	0.75	0.76	0.77	0.78
Net Income + Depreciation	-2.25	5.47	8.72	9.13	8.42	8.51	8.59	8.67	8.76
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	0.21	-0.22	1.51	-0.39	0.00	0.00	0.00	0.00	0.00
Non Cash Items	5.94	-2.43	0.80	0.49	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-0.08	-1.91	-0.37	0.55	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-0.20	-0.13	-0.47	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.40	-0.91	0.79	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	3.82	0.91	10.66	9.78	8.42	8.51	8.59	8.67	8.76
Capital Expenditures Expenditures	-1.35	-0.64	-0.51	-0.25	-1.00	-1.00	-1.00	-1.00	-1.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Expenditures Proceeds	-6.51	3.66	14.00	-9.96	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-7.86	3.02	13.49	-10.21	-1.00	-1.00	-1.00	-1.00	-1.00
Financing Cash flow items	0.29	0.17	0.98	0.58	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	-8.50	-8.48	8.00	8.00	8.00	8.00	8.00
Issuance (Retirement) of Stock	0.00	-0.88	-0.12	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	0.29	-0.71	-7.64	-7.90	-8.00	-8.00	-8.00	-8.00	-8.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	8.36	4.61	7.83	24.37	9.52	8.94	8.45	8.04	7.72
Net Change in Cash	-3.75	3.22	16.53	-8.31	-0.58	-0.49	-0.41	-0.33	-0.24
Ending Cash Balance	4.61	7.83	24.36	16.06	8.94	8.45	8.04	7.72	7.47
Depreciation to Sales	2.73%	4.79%	2.61%	2.51%	2.51%	2.51%	2.51%	2.51%	2.51%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	10.65%	10.00%	8.53%	9.46%	9.36%	9.27%	9.18%	9.09%	9.00%
Distributable FCF Yield	-9.62%	9.35%	57.48%	-1.02%	17.67%	17.87%	18.07%	18.27%	18.47%
Dividend Yield	0.00%	0.00%	-16.49%	-16.46%	15.52%	15.52%	15.52%	15.52%	15.52%
FCF (Ops-Investing-Dividends)	-4.04	3.93	32.65	8.05	-0.58	-0.49	-0.41	-0.33	-0.24

SN VALUATION

LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
Net Change in Cash	-8.31	-0.58	-0.49	-0.41	-0.33	-0.24
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.00	0.00	0.00	0.00	0.00	0.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		4.00%	4.00%	4.00%	4.00%	4.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		31.03				
Interest @ 1.0%		0.31	0.31	0.31	0.31	0.31
Net Interest Expense/(Income)		(0.31)	(0.31)	(0.31)	(0.31)	(0.31)
Net Interest Rate		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA		11.32	11.44	11.55	11.67	11.78
EBITDA/Interest Expense Coverage		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Interest Rate Coverage Table

Debt Rating	2011	2012	2013	2014	2015
AAA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
AA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BBB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CCC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
C	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
D	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Perion Network Ltd

Ticker:

PERI

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working Capital	17.74	20.19	22.02	-3.57	-4.15	-4.64	-5.05	-5.37	-5.62
Total Assets	29.74	32.69	35.06	50.04	49.72	49.47	49.30	49.20	49.18
X1	0.60	0.62	0.63	-0.07	-0.08	-0.09	-0.10	-0.11	-0.11
Retained Earnings	-1.39	3.04	5.39	0.00	7.68	15.43	23.26	31.16	39.14
Total Assets	29.74	32.69	35.06	50.04	49.72	49.47	49.30	49.20	49.18
X2	-0.05	0.09	0.15	0.00	0.15	0.31	0.47	0.63	0.80
EBITDA	2.28	0.23	11.49	11.30	11.32	11.44	11.55	11.67	11.78
Total Assets	29.74	32.69	35.06	50.04	49.72	49.47	49.30	49.20	49.18
X3	0.08	0.01	0.33	0.23	0.23	0.23	0.23	0.24	0.24
Market Value of Equity	51.53	51.53	51.53	51.53	49.10	46.78	44.58	42.47	40.47
Total Liabilities	10.99	12.11	12.90	21.48	21.48	21.48	21.48	21.48	21.48
X4	4.69	4.26	3.99	2.40	2.29	2.18	2.08	1.98	1.88
Net Sales	18.68	21.91	27.20	29.50	29.80	30.09	30.39	30.70	31.00
Total Assets	29.74	32.69	35.06	50.04	49.72	49.47	49.30	49.20	49.18
X5	0.63	0.67	0.78	0.59	0.60	0.61	0.62	0.62	0.63
Altman Z Score	4.34	4.12	5.22	2.69	2.84	3.00	3.17	3.35	3.53

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red

SN VALUATION

Economic Indicators

Indicators	Period	Value	Previous Value	Chg %	Released
Adjusted National Financial Conditions Index	Feb 3 2012	0.17	0.19	-9.67%	Error
Case-Shiller Home Price Index: National	Sep 2011	127.78	129.35	-1.21%	-0.0395
Philly Fed Manufacturing Activity Index	Jan 2012	7.3	6.80	7.35%	-0.578
Philly Fed Manufacturing Future Activity Index	Jan 2012	49	40.00	22.50%	0.0294
US Average Claims for Unemployment Insurance	Jan 28 2012	3500	3532.855557	-0.93%	-0.1193
US Average Initial Claims for Unemployment Insurance	Feb 4 2012	366.25K	N/A	-2.92%	-0.1478
US Industrial Production Index	Nov 2011	94.83	95.04	-0.22%	0.0374
US Initial Claims for Unemployment Insurance	Feb 4 2012	358.00K	N/A	-4.02%	-0.1557
US Producer Price Index	Dec 2011	192.6	192.79	-0.10%	0.0484
US Quits Rate: Total Nonfarm	Dec 2011	0.015	0.015	0.00%	0.0714
US Quits: Total Nonfarm	Dec 2011	1930	1958.99	-1.48%	0.0479
US Retail Sales	Dec 2011	357980000	357,944,206	0.01%	0.0627
US Total Business Inventories	Nov 2011	1.55T	N/A	0.32%	0.0855
US Total Business Inventory/Sales Ratio	Nov 2011	1.27	1.27	0.00%	-0.0078
US Total Business Sales	Nov 2011	1.22T	N/A	0.31%	0.096
US Total Separations Rate: Total Nonfarm	Dec 2011	0.03	0.03	0.00%	0.0345
US Total Separations: Total Nonfarm	Dec 2011	3910	3986.95	-1.93%	0.019

U.S. Key Indicators

10 Year Treasury Rate	2.04%
US Producer Price Index	192.6
US Initial Claims for Unemployment Insurance	358.00K
US 30 Year Mortgage Rate	3.87%
US Average Claims for Unemployment Insurance	3,500
US Retail Sales	357,980,000
US Unemployment Rate	0.083
US Durable Goods Orders	214,310,000
US Purchasing Managers Index	54.1
US Personal Consumption Expenditures	10.86T
US Consumer Price Index	226.75
US Consumer Sentiment	71.5
US Housing Starts	657.00K

Korea Key Indicators

	Period	Value	Chg from 1 Year
Gold Price in Korean Won	Feb 10 2012	1,923,469	27.28%
Korea Change in Stocks	Sep 2011	3.3	230.00%
Korea Consumer Price Index	Dec 2011	122.13	4.16%
Korea Core Consumer Price Index	Dec 2011	117.45	2.68%
Korea Core Inflation Rate	Dec 2011	0.0268	61.48%
Korea GDP	Sep 2011	310.1	5.30%
Korea Inflation Rate	Dec 2011	0.0416	37.29%
Korea Manufacturing Producer Price Index	Nov 2011	125.69	6.71%
Korea Misery Index	Nov 2011	7.27	17.46%
Korea Real GDP Growth	Sep 2011	0.0349	-20.14%
Korea Unemployment Rate	Nov 2011	0.031	-3.12%

Source: Ycharts.com

2012-02-14