**UNITED STATES**

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 6-K

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16**
**under the Securities Exchange Act of 1934**

For the month of September 2020 (Report No. 1)

Commission File Number: 000-51694

## Perion Network Ltd.

(Translation of registrant's name into English)

**1 Azrieli Center, Building A, 4th Floor**
**26 HaRokmim Street, Holon, Israel5885849**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): N/A

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): N/A

## Explanatory Note

This Report of Foreign Private Issuer on Form 6-K (this “Form 6-K”) is being furnished by Perion Network Ltd. (“Perion”) to the Securities and Exchange Commission (the “SEC”) for the sole purposes of: (i) furnishing, as Exhibit 99.1 to this Form 6-K, unaudited condensed consolidated financial statements of Perion as of and for the six-month period ended June 30, 2020; and (ii) furnishing, as Exhibit 99.2 to this Form 6-K, Management’s Discussion and Analysis of Financial Condition and Results of Operations, which discusses and analyzes Perion’s financial condition and results of operations as of and for the six-month period ended June 30, 2020.

The following exhibits are furnished as part of this Form 6-K:

| Exhibit No. | Description |
|---|---|
| 99.1 | Unaudited Condensed Consolidated Financial Statements for the Six Months Ended June 30, 2020 |
| 99.2 | Management's Discussion and Analysis of Financial Condition and Results of Operations |
| 101 | Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets, (ii) Interim Consolidated Statements of Income (Loss), (iii) Interim Consolidated Statements of Comprehensive Income (Loss); (iv) Interim Consolidated Statements of Changes in Shareholders' Equity, (v) Interim Consolidated Statements of Cash Flows, and (vi) the Notes to Interim Consolidated Financial Statements |

Exhibit 99.1 and 99.2 to this Report on Form 6-K shall be deemed to be incorporated by reference into Perion’s registration statements on Form F-3 (File No. 333-238020) and Form S-8 (File Nos. 333-208278, 333-203641, 333-193145, 333-192376, 333-188714, 333-171781, 333-152010, 333-133968, 333-216494 and 333-237196).

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**PERION NETWORK LTD.**

| | |
|---|---|
| By: | */s/ Maoz Sigron* |
| Name: | Maoz Sigron |
| Title: | Chief Financial Officer |

Date: September 14, 2020

**Exhibit 99.1**

**PERION NETWORK LTD. AND ITS SUBSIDIARIES**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2020**

**IN U.S. DOLLARS**

**UNAUDITED**

**INDEX**

**CONSOLIDATED BALANCE SHEETS**

**U.S. dollars in thousands**

| | June 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|---|---|
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and cash equivalents | $ 30,986 | $ 38,389 |
| Restricted cash | 1,221 | 1,216 |
| Short-term bank deposits | 16,872 | 23,234 |
| Accounts receivable (net of allowance of $417 and $1,076 at December 31, 2019 and June 30, 2020, respectively) | 35,862 | 49,098 |
| Prepaid expenses and other current assets | 3,369 | 3,170 |
| **Total Current Assets** | **88,310** | **115,107** |
| | | |
| **Long-Term Assets:** | | |
| Property and equipment, net | 8,611 | 10,918 |
| Operating lease right-of-use assets | 20,725 | 22,429 |
| Intangible assets, net | 17,199 | 2,635 |
| Goodwill | 149,170 | 125,809 |
| Deferred taxes | 5,872 | 6,171 |
| Other assets | 582 | 708 |
| **Total Long-Term Assets** | **202,159** | **168,670** |
| **Total Assets** | **$ 290,469** | **$ 283,777** |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current Liabilities:** | | |
| Accounts payable | $ 36,601 | $ 47,681 |
| Accrued expenses and other liabilities | 14,873 | 18,414 |
| Short-term operating lease liability | 3,806 | 3,667 |
| Short-term loans and current maturities of long-term | 8,333 | 8,333 |
| Deferred revenues | 3,938 | 4,188 |
| Short-term payment obligation related to acquisitions | 13,946 | 1,025 |
| **Total Current Liabilities** | **81,497** | **83,308** |
| | | |
| **Long-Term Liabilities:** | | |
| Long-term debt, net of current maturities | 4,167 | 8,333 |
| Payment obligation related to acquisition | 12,067 | - |
| Long-term operating lease liability | 18,386 | 20,363 |
| Other long-term liabilities | 6,025 | 6,591 |
| **Total Long-Term Liabilities** | **40,645** | **35,287** |
| **Total Liabilities** | **122,142** | **118,595** |
| | | |
| **Shareholders' equity:** | | |
| Ordinary shares of ILS 0.03 par value - Authorized: 43,333,333 shares; Issued: 26,357,798 and 26,782,158 as of December 31, 2019 and June 30, 2020, respectively; Outstanding: 26,242,459 and 26,666,819 shares as of December 31, 2019 and June 30, 2020, respectively | 218 | 213 |
| Additional paid-in capital | 246,888 | 243,211 |
| Treasury shares at cost (115,339 shares as of December 31, 2019 and June 30, 2020) | (1,002) | (1,002) |
| Accumulated other comprehensive gain | 498 | 130 |
| Accumulated deficit | (78,275) | (77,370) |
| **Total Shareholders' Equity** | **168,327** | **165,182** |
| **Total Liabilities and Shareholders' Equity** | **$ 290,469** | **$ 283,777** |

The accompanying notes are an integral part of the interim consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) (UNAUDITED)**

**U.S. dollars in thousands (except share and per share data)**

| | Six months ended June 30, | |
|---|---|---|
| | **2020** | **2019** |
| | **(Unaudited)** | **(Unaudited)** |
| **Revenues:** | | |
| Advertising | $ 42,407 | $ 39,884 |
| Search and other | 83,987 | 77,532 |
| **Total Revenues** | **126,394** | **117,416** |
| | | |
| **Costs and Expenses:** | | |
| Cost of revenues | 10,646 | 11,834 |
| Customer acquisition costs and media buy | 72,939 | 60,608 |
| Research and development | 14,329 | 10,472 |
| Selling and marketing | 17,920 | 16,992 |
| General and administrative | 7,520 | 6,477 |
| Depreciation and amortization | 4,553 | 4,676 |
| **Total Costs and Expenses** | **127,907** | **111,059** |
| | | |
| **Income (Loss) from Operations** | **(1,513)** | **6,357** |
| Financial expense, net | 733 | 2,314 |
| **Income (Loss) before Taxes on income** | **(2,246)** | **4,043** |
| Tax benefit | 1,341 | 89 |
| **Net Income (Loss)** | **$ (905)** | **$ 4,132** |
| | | |
| **Net Earnings (Loss) per Share – Basic and Diluted** | **$ (0.03)** | **$ 0.16** |
| | | |
| **Weighted average number of shares** | | |
| Basic | 26,546,844 | 25,889,230 |
| Diluted | 26,546,844 | 25,891,306 |

The accompanying notes are an integral part of the interim consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)**

**U.S. dollars in thousands**

| | Six months ended June 30, | |
|---|---|---|
| | **2020** | **2019** |
| | **(Unaudited)** | **(Unaudited)** |
| **Net Income (Loss)** | **$ (905)** | **$ 4,132** |
| Other comprehensive income: | | |
| Change in foreign currency translation | (87) | (133) |
| Cash Flow Hedge: | | |
| Unrealized gain (loss) from cash-flow hedges, net of taxes | 429 | 282 |
| Less: reclassification adjustment for net losses (gains) included in net income | 26 | (92) |
| Net change | 455 | 190 |
| Other comprehensive income: | 368 | 57 |
| **Comprehensive Income (Loss)** | **$ (537)** | **$ 4,189** |

The accompanying notes are an integral part of the interim consolidated financial statements.

**INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**U.S. dollars in thousands (except share data)**

| | Common stock | | Additional paid-in capital | Accum. other comprehensive income (loss) | Accumulated deficit | Treasury shares | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| | Number of Shares | $ | $ | $ | $ | $ | $ |
| **Balance as of December 31, 2018 (audited)** | **25,850,188** | **211** | **239,693** | **142** | **(90,263)** | **(1,002)** | **148,781** |
| Stock-based compensation | - | - | 2,293 | - | - | - | 2,293 |
| Exercise of share options and vesting of restricted stock units | 392,271 | 2 | 1,225 | - | - | - | 1,227 |
| Other comprehensive income | - | - | - | (12) | - | - | (12) |
| Net income | - | - | - | - | 12,893 | - | 12,893 |
| **Balance as of December 31, 2019 (audited)** | **26,242,459** | **213** | **243,211** | **130** | **(77,370)** | **(1,002)** | **165,182** |
| Stock-based compensation | - | - | 1,941 | - | - | - | 1,941 |
| Exercise of share options and vesting of restricted stock units | 424,360 | 5 | 1,736 | - | - | - | 1,741 |
| Other comprehensive income | - | - | - | 368 | - | - | 368 |
| Net loss | - | - | - | - | (905) | - | (905) |
| **Balance as of June 30, 2020 (unaudited)** | **26,666,819** | **218** | **246,888** | **498** | **(78,275)** | **(1,002)** | **168,327** |

The accompanying notes are an integral part of the interim consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**U.S. dollars in thousands**

| | Six months ended June 30, 2020 (Unaudited) | Six months ended June 30, 2019 (Unaudited) |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net Income (Loss) | $ (905) | $ 4,132 |
| | | |
| Adjustments required to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,553 | 4,676 |
| Stock based compensation expense | 1,941 | 923 |
| Foreign currency translation | (47) | (6) |
| Accrued interest, net | - | (203) |
| Deferred taxes, net | (1,952) | (860) |
| Accrued severance pay, net | 33 | (218) |
| Fair value revaluation - convertible debt | - | 600 |
| Loss from sale of property and equipment | 84 | - |
| Net changes in operating assets and liabilities | | |
| Accounts receivable, net | 5,510 | 16,583 |
| Other receivables and prepaid expenses | 44 | 373 |
| Other assets | 125 | 208 |
| Lease right-of-use assets | 1,694 | 1,896 |
| Lease liabilities | (1,827) | (844) |
| Accounts payable | (9,270) | (1,444) |
| Accrued expenses and other liabilities | (285) | (3,511) |
| Deferred revenues | (250) | (262) |
| Payment obligation related to acquisition | 3,199 | 347 |
| **Net cash provided by operating activities** | **$ 2,647** | **$ 22,390** |
| | | |
| **Cash flows from investing activities:** | | |
| Purchases of property and equipment | (113) | (341) |
| Short-term deposits, net | 6,362 | (2,000) |
| Cash paid in connection with acquisitions, net of cash acquired | (16,145) | (1,200) |
| Obligation in connection with acquisitions | 2,349 | - |
| **Net cash used in investing activities** | **$ (7,547)** | **$ (3,541)** |
| | | |
| **Cash flows from financing activities:** | | |
| Exercise of stock options and restricted share units | 1,741 | 129 |
| Payment made in connection with acquisition | - | (1,813) |
| Repayment of convertible debt | - | (15,850) |
| Repayment of long-term loans | (4,166) | (4,166) |
| **Net cash used in financing activities** | **$ (2,425)** | **$ (21,700)** |
| | | |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash | (73) | (102) |
| | | |
| **Net decrease in cash and cash equivalents and restricted cash** | **(7,398)** | **(2,953)** |
| | | |
| Cash and cash equivalents and restricted cash at beginning of period | 39,605 | 40,803 |
| | | |
| **Cash and cash equivalents and restricted cash at end of period** | **$ 32,207** | **$ 37,850** |

The accompanying notes are an integral part of the interim consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**U.S. dollars in thousands**

| | Six months ended June 30, | |
|---|---|---|
| | **2020** | **2019** |
| | **(Unaudited)** | **(Unaudited)** |
| **Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheet** | | |
| Cash and cash equivalents | **$ 30,986** | **$ 36,144** |
| Restricted cash included in Long-term interest-bearing bank deposits | 1,221 | 1,706 |
| **Total cash, cash equivalents, and restricted cash** | **$ 32,207** | **$ 37,850** |
| **Supplemental Disclosure of Cash Flow Activities:** | | |
| Cash paid during the year for: | | |
| Income taxes | $ 613 | $ 1,834 |
| Interest | $ 578 | $ 1,507 |
| Non-cash investing and financing activities: | | |
| Creation of operating lease right-of-use assets | $ - | $ 25,537 |
| Purchase of property and equipment on credit | $ 40 | $ 11 |

The accompanying notes are an integral part of the consolidated financial statements.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands (except share and per share data)**

**NOTE 1: GENERAL**

Perion Network Ltd. ("Perion") and its wholly-owned subsidiaries (collectively referred to as the "Company"), is a global technology company that provides agencies, brands and publishers with innovative solutions that cover the three main pillars of digital advertising. From its data-driven Synchronized Digital Branding platform and high-impact ad formats in the display domain; to its powerful social media platform; to its branded search network, Perion is well-positioned to capitalize on any changes in marketers' allocation of digital advertising spend.

On January 14, 2020, the Company completed the acquisition of Content IQ LLC (see Note 3) and on July 23, 2020, the Company consummated the assets acquisition of Pub Ocean Limited (see Note 14).

In March 2020, the World Health Organization categorized the novel coronavirus ("COVID-19") as a pandemic. The COVID-19 pandemic has rapidly changed market and economic conditions globally, impacting our customers and channel partners, as well as our business, results of operations, financial position and cash flows. We remain focused on protecting the health and wellbeing of our employees and the communities in which we operate, while assuring the continuity of our business operations.

As a result of the revenue flexibility provided by our product diversity across the three main pillars of digital advertising, cost saving initiatives and experienced management team, we deftly mitigated near-term pressure on advertising budgets resulting from the COVID-19 pandemic, which enable us to protect operating profits and generate cash flow in 2020 while continuing to build a unique strategic asset in the digital media ecosystem.

Management is monitoring and assessing the impact of the COVID-19 pandemic daily, including recommendations and orders issued by government and public health authorities.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

a. Interim Financial Statements

The accompanying consolidated balance sheet as of June 30, 2020, the consolidated statements of income (loss), the consolidated statements of comprehensive income (loss) and the consolidated statements of cash flows for the six months ended June 30, 2019 and 2020, as well as the statement of changes in shareholders' equity for the six months ended June 30, 2020, are unaudited. These unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and applicable rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. In the management's opinion, the unaudited interim consolidated financial statements include all adjustments of a normal recurring nature necessary for the fair presentation of the Company's financial position as of June 30, 2020, as well as its results of operations and cash flows for the six months ended June 30, 2019 and 2020. The results of operations for the six months ended June 30, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020.

The accompanying unaudited interim financial statements should be read in conjunction with the Company's annual report on Form 20-F for the fiscal year ended December 31, 2019, filed with the SEC on March 16, 2020 (the "Annual Report").

b. There have been no changes to the significant accounting policies described in the Annual Report that have had a material impact on the unaudited interim consolidated financial statements and related notes.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

c. Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles (“GAAP”) requires management to make estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ materially from those estimates. On an ongoing basis, the Company's management evaluates its estimates, including those related to sales allowances and allowance for doubtful debts, fair value of intangible assets and goodwill, useful lives of intangible assets, fair value of share-based awards, realizability of deferred tax assets, tax uncertainties, and contingent liabilities, among others. Such estimates are based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of the Company’s assets and liabilities.

d. Revenue recognition

The Company applies the provisions of Accounting Standards Codification 606, Revenue from Contracts with Customers ("ASC 606" or "Topic 606") The Company adopted the provisions of ASC 606 effective January 1, 2018 using the modified retrospective application method for all uncompleted contracts as of that date. The adoption of ASC 606 did not have a material impact on the Company’s consolidated financial statements. In addition, the adoption of ASC 606 had no impact on the Company's accounts receivable and deferred revenues balance as of December 31, 2018 or on the Company's revenues, cost of sales or its operating expenses during 2018, compared to ASC 605.

The Company applies the practical expedient for incremental costs of obtaining contracts when the associated revenues is recognized over less than one year.

The Company generates revenues primarily from two major sources:

**Advertising Revenues** - the Company generates advertising revenues from delivering, high impact ad formats creatively designed to capture consumer attention and drive engagement, across a hand-picked portfolio of websites and mobile applications. In addition, the Company also generates advertising revenues from digital publishing services, which are being recognizes once the advertisement vendors publish the relevant information across their platform.

**Search Revenues** - the Company obtains its search revenues from service agreements with its search partners. Search revenue is generated primarily from monthly transaction volume-based fees earned by the Company for making its applications available to online publishers and app developers (either based on fixed price models, pay-per-search fee or portion of the revenue generated by the search partners).

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The Company evaluates whether Search and Advertising Revenues should be presented on a gross basis, which is the amount that a customer pays for the service, or on a net basis, which is the amount of the customer payment less amounts the Company pays to publishers. In making that evaluation, the Company considers whether it controls the promised good or service before transferring that good or service to the customer. The Company considers indicators such as whether the Company is the primary obligor in the arrangement and assumes risks and rewards as a principal or an agent, including the credit risk, whether the Company has latitude in establishing prices and selecting its suppliers and whether it changes the products or performs part of the service. The evaluation of these factors is subject to significant judgment and subjectivity. Generally, in cases in which the Company is primarily obligated in a transaction, is subject to risk, involved in the determination of the product (or the service) specifications, separately negotiates each revenue service agreement or publisher agreement and can have several additional indicators, revenue is recorded on a gross basis.

Contract balances are presented separately on the consolidated balance sheets as either Accounts receivable or Deferred revenues. The Company does not have contract assets.

Accounts receivable includes amounts billed and currently due from customers.

Deferred revenues are recorded when payments are received from customers in advance of the Company's rendering of services.

e. Recent Adopted Accounting Pronouncements

In June 2016 the FASB issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The FASB subsequently issued amendments to ASU 2016-13, which have the same effective date and transition date of January 1, 2020. This standard requires entities to estimate an expected lifetime credit loss on financial assets ranging from short-term trade accounts receivable to long-term financings and report credit losses using an expected losses model rather than the incurred losses model that was previously used, and establishes additional disclosures related to credit risks.

The Company adopted Topic 326 effective January 1, 2020, based on the composition of the Company’s trade receivables and other financial assets, current economic conditions and historical credit loss activity. The adoption of this standard did not have a material impact on the Company’s condensed consolidated financial statements.

The interim Consolidated Financial Statements for the six months ended June 30, 2020 are presented under the new standard, while comparative periods presented are not adjusted and continue to be reported in accordance with the Company’s historical accounting policy.

U.S. dollars in thousands (except share and per share data)

**NOTE 3: ACQUISITIONS**

On January 14, 2020, the Company consummated the acquisition of Content IQ LLC, also known as “Content IQ”.

Content IQ is a privately held company founded in 2014, based in New York City. Content IQ has created data algorithm and analytics tools that deconstruct content, revenue and distribution to solve current major digital publishing challenges.

The total consideration is up to $73,050, which is comprised of $15,000 paid in cash at closing, with an additional maximum amount of $11,000 to be paid as a retention incentive. As part of the total consideration, there is a maximum amount of $47,050 in earn-outs over a period of two years. The earn-outs are tied to revenue and EBITDA-based metrics.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date:

| | Fair value |
|---|---|
| Property and equipment, net | 4 |
| Technology | 12,483 |
| Customer Relationship | 4,243 |
| Deferred Taxes | (2,253) |
| Goodwill | 23,361 |
| **Net assets acquired** | **$ 37,838** |

**Technology** includes publishing orchestration system with proprietary data algorithms and analytic tools which deconstruct content, revenue and distribution to solve digital publishing challenges. The technology is amortized over the estimated useful life of 5 years using the straight-line method.

**Customer relationships** is derived from customer contracts and related customer relationships with existing customers. Customer relationships is amortized based on the accelerated method over the estimated useful life of 7 years.

During the six months ended June 30, 2020 (unaudited), the Company recognized acquisition-related costs of $464.

As of June 30, 2020 (unaudited), the purchase price allocations for the business combinations yet to be completed and the presented table is still preliminary.

U.S. dollars in thousands (except share and per share data)

**NOTE 3: ACQUISITIONS (Cont.)**

The following table represents the pro-forma (unaudited) condensed consolidated statements of operations as if the acquisition completed during the year ended December 31, 2019 and the six months ended June 30, 2020 (unaudited), had been included in the condensed consolidated statements of operations of the Company for the six months ended June 30, 2020 (unaudited) and 2019 (unaudited):

| | Six months ended June 30, | |
|---|---|---|
| | **2020** | **2019** |
| | **(Unaudited)** | **(Unaudited)** |
| Revenues | $ 127,399 | $ 132,483 |
| Net Income (Loss) | $ (1,385) | $ 409 |

The pro-forma results have been calculated after applying the Company's accounting policies and adjusting the results of all acquisitions to reflect the additional payroll related expenses, revaluation of the earnout liability and depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied since the acquisitions date, together with the consequential tax effects.

The pro-forma results are based on estimates and assumptions, which the Company believes are reasonable. The pro-forma results are not the results that would have been realized had the acquisitions actually occurred on January 1, 2019 and 2020, and are not necessarily indicative of the Company's condensed consolidated statements of operations in future periods.

U.S. dollars in thousands (except share and per share data)

**NOTE 4: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts of financial instruments carried at cost, including cash and cash equivalents, short-term deposits, restricted cash, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses and other liabilities approximate their fair value due to the short-term maturities of such instruments.

The following table present assets and liabilities measured at fair value on a recurring basis as of June 30, 2020:

| | June 30, 2020 | | | |
|---|---|---|---|---|
| | Fair value measurements using input type | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | |
| Derivative assets | $ - | $ 530 | $ - | $ 530 |
| **Total financial assets** | **$ -** | **$ 530** | **$ -** | **$ 530** |
| **Liabilities:** | | | | |
| Derivative liabilities | - | 2 | - | 2 |
| **Total financial liabilities** | **$ -** | **$ 2** | **$ -** | **$ 2** |

The following table present assets and liabilities measured at fair value on a recurring basis as of December 31, 2019:

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Fair value measurements using input type | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | |
| Derivative assets | $ - | $ 73 | $ - | $ 73 |
| **Total financial assets** | **$ -** | **$ 73** | **$ -** | **$ 73** |

U.S. dollars in thousands (except share and per share data)

## NOTE 5: GOODWILL AND INTANGIBLE ASSETS, NET

a. Goodwill

The changes in the net carrying amount of goodwill in 2019 and six months ended June 30, 2020 were as follows:

| | | |
|---|---|---|
| **Balance as of January 1, 2019** | **$** | **125,051** |
| Acquisition of Captain Growth | $ | 758 |
| **Balance as of December 31, 2019** | **$** | **125,809** |
| Acquisition of Content IQ | $ | 23,361 |
| **Balance as of June 30, 2020** | **$** | **149,170** |

Goodwill has been recorded as a result of prior acquisitions and represents excess of the consideration over the net fair value of the assets of the businesses acquired. As of June 30, 2020, the Company had two reporting units – Search and Advertising. The Company performs tests for impairment of goodwill at the reporting unit level at least annually, or more frequently if events or changes in circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. As of 30 June 2020, the Company determined that there were no indicators of potential impairment with regards to its reporting units which required interim goodwill impairment analysis.

U.S. dollars in thousands (except share and per share data)

**NOTE 5: GOODWILL AND INTANGIBLE ASSETS, NET (Cont.)**

b. Intangible assets, net

The following is a summary of intangible assets as of June 30, 2020:

| | December 31, 2019 | Additions | Amortization | OCI | June 30, 2020 |
|---|---|---|---|---|---|
| **Acquired technology** | $ 31,159 | $ 12,483 | $ - | $ 25 | $ 43,667 |
| Accumulated amortization | (21,810) | - | (1,320) | (30) | (23,160) |
| Impairment | (8,749) | - | - | - | (8,749) |
| **Acquired technology, net** | 600 | 12,483 | (1,320) | (5) | 11,758 |
| | | | | | |
| **Customer relationships** | 31,911 | 4,243 | - | 9 | 36,163 |
| Accumulated amortization | (20,727) | - | (659) | (8) | (21,394) |
| Impairment | (10,426) | - | - | - | (10,426) |
| **Customer relationships, net** | 758 | 4,243 | (659) | 1 | 4,343 |
| | | | | | |
| **Tradename and other** | 18,284 | - | - | 38 | 18,322 |
| Accumulated amortization | (11,897) | - | (180) | (37) | (12,114) |
| Impairment | (5,110) | - | - | - | (5,110) |
| **Tradename and other, net** | 1,277 | - | (180) | 1 | 1,098 |
| | | | | | |
| **Intangible assets, net** | $ 2,635 | $ 16,726 | $ (2,159) | $ (3) | $ 17,199 |

The following is a summary of intangible assets as of December 31, 2019:

| | December 31, 2018 | Additions | Amortization | OCI | December 31, 2019 |
|---|---|---|---|---|---|
| **Acquired technology** | $ 30,807 | $ 442 | $ - | $ (90) | $ 31,159 |
| Accumulated amortization | (21,242) | - | (649) | 81 | (21,810) |
| Impairment | (8,749) | - | - | - | (8,749) |
| **Acquired technology, net** | 816 | 442 | (649) | (9) | 600 |
| | | | | | |
| **Customer relationships** | 31,940 | - | - | (29) | 31,911 |
| Accumulated amortization | (19,825) | - | (928) | 26 | (20,727) |
| Impairment | (10,426) | - | - | - | (10,426) |
| **Customer relationships, net** | 1,689 | - | (928) | (3) | 758 |
| | | | | | |
| **Tradename and other** | 18,415 | - | - | (131) | 18,284 |
| Accumulated amortization | (9,314) | - | (2,679) | 96 | (11,897) |
| Impairment | (5,110) | - | - | - | (5,110) |
| **Tradename and other, net** | 3,991 | - | (2,679) | (35) | 1,277 |
| | | | | | |
| **Intangible assets, net** | $ 6,496 | $ 442 | $ (4,256) | $ (47) | $ 2,635 |

**NOTE 6: DERIVATIVES AND HEDGING ACTIVITES**

The Company follows the requirements of ASC No. 815, ”Derivatives and Hedging” (“ASC 815”), which requires companies to recognize all of their derivative instruments as either assets or liabilities on the balance sheet at fair value. The accounting for changes in fair value (i.e. gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging transaction and further, on the type of hedging transaction. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation.

To protect against the increase in value of forecasted foreign currency cash flow resulting mainly from salaries and related benefits and taxes paid in ILS during the year, the Company hedges portions of its anticipated payroll denominated in ILS for a period of one to twelve months with forward and options contracts (the “Hedging Contracts”). Accordingly, when the USD strengthens against the ILS, the decline in present value of future ILS currency expenses is offset by losses in the fair value of the Hedging Contracts. Conversely, when the USD weakens, the increase in the present value of future ILS expenses is offset by gains in the fair value of the Hedging Contracts. These Hedging Contracts are designated as cash flow hedges.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e. hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Any gain or loss on a derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item is recognized in current earnings during the period of change.

As of June 30, 2020, and December 31, 2019, the notional value of the Company’s derivative instruments was $8,731 and $3,918, respectively.

U.S. dollars in thousands (except share and per share data)

**NOTE 6: DERIVATIVES AND HEDGING ACTIVITES (Cont.)**

The fair value of the Company's outstanding derivative instruments is as follows:

| | Balance sheet | June 30, 2020 | December 31, 2019 |
|---|---|---|---|
| **Derivatives designated as hedging instruments:** | | | |
| Foreign exchange forward contracts and other derivatives | "Prepaid expenses and other current assets" | $ 530 | $ 73 |
| | "Accrued expenses and other liabilities" | 2 | - |
| | "Accumulated other comprehensive income (loss)" | 521 | 67 |

The net gains (losses) reclassified from accumulated other comprehensive loss to the operating expenses are as follows:

| | Gain recognized in Statements of Comprehensive Income | | Gain (loss) recognized in consolidated statements of Income | |
|---|---|---|---|---|
| | Six months ended June 30, 2020 | Statement of Income item | Six months ended June 30, 2020 | Six months ended June 30, 2019 |
| **Derivatives designated as hedging instruments:** | | | | |
| Foreign exchange options and forward contracts | $ 455 | "Operating expenses" | $ (26) | $ 92 |
| **Derivatives not designated as hedging instruments:** | | | | |
| Foreign exchange options and forward contracts | - | "Financial expenses" | (100) | 196 |
| SWAP | - | "Financial expenses" | - | 380 |
| **Total** | **$ 455** | | **$ (126)** | **$ 668** |

U.S. dollars in thousands (except share and per share data)

**NOTE 7: SHORT-TERM AND LONG-TERM DEBT**

On December 17, 2018, ClientConnect Ltd., a former Israeli subsidiary of Perion, which merged into Perion on June 30, 2020, executed a new loan facility, in the amount of $25,000. Proceeds of the loan facility were applied to refinancing of the existing debt as well as the debt of Undertone, a US subsidiary of Perion. ClientConnect's obligations under the facility were assumed by Perion in the context of the merger. Principal on the loan is payable in twelve equal quarterly instalments beginning March 2019 and maturing on December 31, 2021. The interest on the loan is at the rate of three-month LIBOR plus 5.7% per annum, payable quarterly. The credit facility is secured by liens on the assets of Perion and Undertone and is guaranteed by Undertone. The guarantee by Undertone is limited to $33,000. Financial covenants for the loan facility are tested at the level of Perion on a consolidated basis. As of June 30, 2020, the Company meets all of its covenants.

As of June 30, 2020, the aggregate principal annual maturities are as follows:

| | Repayment amount |
|---|---|
| Reminder of 2020 | 4,167 |
| 2021 | 8,333 |
| | |
| Present value of principal payments | 12,500 |
| Less: current portion | (8,333) |
| | |
| Long-term debt | **$ 4,167** |

**NOTE 8: COMMITMENTS AND CONTINGENT LIABILITIES**

a. Contingent purchase obligation

On November 30, 2012, the Company completed the acquisition of 100% of Sweet IM’s shares. Pursuant to the terms of the Share Purchase Agreement (“SPA”) between the Company and SweetIM, the Company was obligated to pay SweetIM's shareholders, among other payments, a payment of up to $7,500 in cash in May 2014 if certain milestones were met (the “Contingent Payment”). The milestones were based on the Company's GAAP revenues in 2013, and the absence of certain changes in the industry in which the Company operates. On May 28, 2014, the Company paid $2,500 in respect of the Contingent Payment. Following such payment, on June 22, 2014, SweetIM’s Shareholders’ representative notified the Company claiming that the Company owes SweetIM’s shareholders the entire Contingent Payment. In April 2015, pursuant to the SPA, an arbitration process with respect to this claim has commenced in Israel. Based on the August 2018 ruling of the arbitrator, the remaining balance of the Contingent Payment shall be paid to SweetIM's shareholders in 3 equal installments, the last of which was paid during January 2019.

**NOTE 8: COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)**

b. Legal Matters

On December 22, 2015, Adtile Technologies Inc. filed a lawsuit against the Company and Intercept Interactive Inc. (“Intercept”), a subsidiary of Interactive Holding Corp., in the United States District Court for the District of Delaware. The lawsuit alleges various causes of action against Perion and Undertone related to Undertone’s alleged unauthorized use and misappropriation of Adtile’s proprietary information and trade secrets. Adtile is seeking injunctive relief and, unspecified monetary damages. On June 23, 2016, the court denied Adtile’s motion for a preliminary injunction. On June 24, 2016, the court (i) granted the Company’s motion to dismiss, and (ii) granted Intercept’s motion to stay the action and compel arbitration. In November 2017, the court dismissed the case for administrative reasons, since Adtile had not commenced arbitration proceedings. The Company is still unable to predict the outcome or range of possible loss as of the date of these financial statements, since to date Adtile had not commenced arbitration procedures. Regardless, the Company believes it has strong defenses against this lawsuit and intends to defend against it vigorously.

In addition, from time to time, the Company is party to other various legal proceedings, claims and litigation that arise in the ordinary course of business. It is the opinion of management that the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

**NOTE 9: SHAREHOLDERS' EQUITY**

a. Ordinary shares

The ordinary shares of the Company entitle their holders to voting rights, the right to receive cash dividend and the right to a share in excess assets upon liquidation of the Company.

On August 2, 2018 the Company's Shareholders' approved a 3:1 “Reverse Share Split” of its Ordinary shares, which became effective on August 26, 2018. The accompanying consolidated financial statements and notes give retroactive effect to the reverse share split for all periods presented. All fractional shares created by the Reverse Share Split have been rounded down to the nearest whole share.

b. Share Options, Restricted Share Units and Warrants

In 2003, the Company's Board of Directors approved the 2003 Equity Incentive Plan (the "Plan") for an initial term of ten years from adoption and on December 9, 2012, extended the term of the Plan for an additional ten years. On August 7, 2013, the Company’s Board of Directors approved amendments to the Plan which include the ability to grant RSUs and restricted shares.

U.S. dollars in thousands (except share and per share data)

**NOTE 9: SHAREHOLDERS' EQUITY (Cont.)**

The contractual term of the share options is between five to seven years and the vesting period of the options and RSUs granted under the Plan is between one and three years from the date of grant. The rights of the ordinary shares issued upon the exercise of share options or RSUs are identical to those of the other ordinary shares of the Company.

As of June 30, 2020, there were 308,053 ordinary shares reserved for future share-based awards under the Plan.

The following table summarizes the activities for the Company's service-based share options for the six months ended June 30, 2020:

| | Number of options | Weighted average Exercise price | Weighted average Remaining contractual term (in years) | Aggregate intrinsic value |
|---|---|---|---|---|
| Outstanding at January 1, 2020 | 4,091,127 | $ 3.79 | 4.70 | $ 10,226 |
| Granted | 1,156,331 | 3.11 | - | - |
| Exercised | (424,360) | 4.00 | - | 1,675 |
| Cancelled | (221,736) | 4.27 | - | - |
| **Outstanding at June 30, 2020** | 4,601,362 | $ 3.58 | 13.59 | $ 8,699 |
| **Exercisable at June 30, 2020** | 1,839,962 | $ 3.60 | 3.66 | $ 3,310 |
| **Vested and expected to vest at June 30, 2020** | 3,777,117 | $ 3.82 | 10.83 | $ 6,579 |

The following table summarizes the activities for the Company's performance-based stock options for the six months ended June 30, 2020:

| | Number of options | Weighted average Exercise price | Weighted average Remaining contractual term (in years) | Aggregate intrinsic value |
|---|---|---|---|---|
| Outstanding at January 1, 2020 | 66,666 | $ 3.24 | 4.95 | $ 199 |
| Granted | 351,472 | *) | - | - |
| Cancelled | (4,463) | *) | - | - |
| **Outstanding at June 30, 2020** | 413,675 | $ 0.52 | 65.21 | $ 1,948 |
| **Exercisable at June 30, 2020** | 66,666 | $ 3.24 | 4.45 | $ 133 |
| **Vested and expected to vest at June 30, 2020** | 219,605 | $ 0.98 | 56.78 | $ 933 |

*) Represents an amount less than $1

U.S. dollars in thousands (except share and per share data)

**NOTE 9: SHAREHOLDERS' EQUITY (Cont.)**

The performance based options' vesting is contingent upon achieving specific financial targets of the Company, set at the grant date.

In 2015, in connection with the Undertone acquisition, the Company granted warrants to purchase 66,666 ordinary shares, at a weighted average exercise price of $9.09 to a third-party vendor that provides development services to Undertone. As of June 30, 2020, all warrants are outstanding. The warrants are exercisable until December 27, 2020.

**NOTE 10: INCOME TAXES**

The Company had a tax benefit of $1,341 and $89 for the six months ended June 30, 2020 and 2019, respectively. The variations in the tax benefit between the periods are significantly impacted by an internal restructuring of group entities, completed during Q2 2020, which enabled the company to more efficiently utilize its tax attributes. The remainder of the change is due to a different mix of taxable income and loss between the different jurisdictions.

**NOTE 11: EARNINGS PER SHARE**

The table below presents the computation of basic and diluted net earnings per common share:

| | Six months ended June 30, | |
|---|---|---|
| | **2020** | **2019** |
| **Numerator:** | | |
| **Net Income (Loss) attributable to ordinary shares – basic and Diluted** | $ (905) | $ 4,132 |
| | | |
| **Denominator:** | | |
| **Number of ordinary shares outstanding during the year** | 26,564,844 | 25,889,230 |
| **Weighted average effect of dilutive securities:** | | |
| Employee options and restricted share units | - | 2,076 |
| **Diluted number of ordinary shares outstanding** | 26,564,844 | 25,891,306 |
| **Basic and Diluted net earnings (loss) per ordinary share** | $ (0.03) | $ 0.16 |
| **Ordinary shares equivalents excluded because their effect would have been anti-dilutive** | 5,084,480 | 4,022,622 |

U.S. dollars in thousands (except share and per share data)

## NOTE 12: MAJOR CUSTOMER

A substantial portion of the Company's revenue is derived from search fees and online advertising, the market for which is highly competitive and rapidly changing. Significant changes in this industry or in customer buying behavior would adversely affect the Company's operating results.

The following table sets forth the customers that represent 10% or more of the Company's total revenues in each of the periods presented below:

| | Six months ended June 30, | |
|---|---|---|
| | **2020** | **2019** |
| Customer A | 63% | 62% |

## NOTE 13: GEOGRAPHIC INFORMATION

The following table presents the total revenues for six months ended June 30, 2020 and 2019, allocated to the geographic areas in which they were generated:

| | Six months ended June 30, | |
|---|---|---|
| | **2020** | **2019** |
| North America (mainly U.S.) | $ 91,749 | $ 89,896 |
| Europe | 30,475 | 24,373 |
| Other | 4,170 | 3,147 |
| | **$ 126,394** | **$ 117,416** |

The following table presents the locations of the Company's property and equipment as of June 30, 2020 and December 31, 2019:

| | **June 30, 2020** | **December 31, 2019** |
|---|---|---|
| Israel | $ 6,165 | $ 7,873 |
| U.S. | 1,931 | 2,545 |
| Europe | 515 | 500 |
| | **$ 8,611** | **$ 10,918** |

**NOTE 14: SUBSEQUENT EVENTS**

1. On July 22, 2020, the Company consummated the assets acquisition ("the Assets Acquisition") of Pub Ocean Limited, or Pub Ocean, a rapidly growing digital publisher-focused technology company with scalable content distribution and real-time revenue analytics technology.

   The acquisition is for an aggregate cash consideration of up to $22,000, of which $4,000 was paid in cash upon signing, $17,000 as earn-out tied to financial targets over a two-year period and $1,000 for two years of retention.

2. In connection with the Assets Acquisition, the Company amended the Content IQ Membership Interest Purchase Agreement (“MIPA”).

   Under the terms of the amended MIPA, it was agreed with the sellers of Content IQ (“the Sellers”), that (i) revenues and EBITDA of Pub Ocean will be attributed towards Sellers’ revenue and EBITDA targets under the MIPA with Perion; and (ii) Sellers will bear 40% of the cost of milestone payments that are ultimately payable to Pub Ocean under the Asset Acquisition agreement, which will be paid solely by deductions from their own earn-out payments and certain escrowed amounts.

3. On August 11, 2020, the Company withdrawn an amount of $12,500 out of its Secured Credit Line with bank Mizrachi. Such a withdrawal is a short-term revolving loan for a three months period. If not renewed, the principal on the loan will be repaid together with the interest at the expiry on May 18, 2021. The interest on the loan is at the rate of 1-month LIBOR rate plus 4.5% per annum, payable quarterly. The credit facility is secured by the same terms as the loan (See note 7).

**Exhibit 99.2**

## Management's Discussion and Analysis of Financial Condition and Results of Operation

*The following discussion and analysis of our financial condition and results of operations provides information that we believe to be relevant to an assessment and understanding of our results of operations and financial condition for the periods described. This discussion should be read in conjunction with our condensed consolidated interim financial statements and the notes to the financial statements, which are included in this Report of Foreign Private Issuer on Form 6-K. In addition, This information should also be read in conjunction with the information contained in our Annual Report on Form 20-F for the year ended December 31, 2019, filed with the Securities and Exchange Commission on March 16, 2020, or the Annual Report, including the consolidated annual financial statements as of December 31, 2019 and their accompanying notes included therein.*

### *Forward Looking Statements*

This Report of Foreign Private Issuer on Form 6-K 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 Report of Foreign Private Issuer on Form 6-K. 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. Perion does not assume any obligation to update these forward-looking statements.

The terms "Perion," "Company," "we," "us" or "ours" in this Report of Foreign Private Issuer on Form 6-K refer to Perion Network Ltd. and its subsidiaries, unless the context otherwise requires.

### *General*

Perion is a global technology company that is bringing innovation to the ad-tech market by providing agencies, brands and publishers with advanced solutions that enable them to establish deeper, more meaningful and profitable relationships with their consumers and users. Perion created an AI-based advertising solution that aligns with the consumers' journey in multiple touchpoints across funnels/platforms/channels. Perion is poised to benefit from macro trends, as the dominance of the triopoly – with Google, Facebook and Amazon controlling 85% percent of ad spend – means that brands, advertisers and publishers are seeking friendlier and more flexible options that respect their brands, users, and need for monetization.

Perion's solutions cover the three main pillars of digital advertising, positioning us to benefit from rapid shifts in media strategy, spending and allocation by offering our data-driven, Synchronized Digital Branding platform and high-impact ad display formats; our powerful advertising cloud platform and our branded search network. In addition, each of these pillars is being enhanced by Content IQ LLC ("CIQ" or "Content IQ"), a company we acquired in January 2020 as well as by the July 2020 acquisition of the assetes of Pub Ocean Limited, or Pub Ocean, which is being integrated into CIQ. CIQ brings advanced personalization benefits to brands and advertisers by customizing content at the landing page level; this platform is equally meaningful to publishers who need to generate and monetize increased traffic.

Our headquarters and primary research and development facilities are located in Israel, we have our primary sales office in the United States and several other offices located in Europe.

***Recent Developments***

*COVID-19*

In March 2020, the World Health Organization categorized the novel coronavirus ("COVID-19") as a pandemic. The COVID-19 pandemic has rapidly changed market and economic conditions globally, impacting our customers and channel partners, as well as our business, results of operations, financial position and cash flows. We remain focused on protecting the health and wellbeing of our employees and the communities in which we operate, while assuring the continuity of our business operations.

As a result of the revenue flexibility provided by our product diversity across the three main pillars of digital advertising, cost saving initiatives and experienced management team, we deftly mitigated near-term pressure on advertising budgets resulting from the COVID-19 pandemic, which enable us to protect operating profits and generate cash flow in 2020 while continuing to build a unique strategic asset in the digital media ecosystem.

While the industry suffered a more than 15% decline in paid search advertising in the first half of 2020, our Search business grew by 8% year over year and we continue to grow the number of monetizable search queries we deliver to Microsoft Bing. While the decline in paid search rates has overshadowed the continued and growing momentum in our Search business, we are confident that as paid search rates begin to show signs of stabilization, our search business results will improve in the second half of this year. Reductions in ad spending across all sectors and travel and automobile in particular, negatively impacted our Advertising business in the second quarter, but we are seeing early indicators of recovery.

In parallel, we have completed all the necessary operating steps to assure we realize the benefits of our cost savings plan during 2020, which should yield $10 million of annualized savings on a proforma basis.

Our momentum, cost-savings and improved KPIs in both our Advertising and Search businesses, lead us to believe that the worst is behind us. While we continue to assess the impact from the pandemic, we are unable to accurately predict the full impact of the pandemic on our business, results of operations, financial position and cash flows due to numerous uncertainties, including the severity of the disease, the duration of the outbreak, additional actions that may be taken by governmental authorities, the further impact on the business of our customers and channel partners, and other factors described in "Risk Factors" in our Annual Report.

*Registration Statement*

On May 6, 2020, we filed a Form F-3 shelf registration statement with the United States Securities and Exchange Commission, that was declared effective on May 15, 2020, pursuant to which we may offer, issue and sell from time to time, in one or more offerings, up to $55 million, in the aggregate, of our ordinary shares, par value NIS 0.03, or warrants to purchase ordinary shares, rights, debt securities consisting of debentures, notes or other evidences of indebtedness and/or securities and units comprised of, or other combinations of, the foregoing securities. In addition, in a secondary offering, shareholders who will be named in a supplement to the prospectus forming part of the registration statement may offer and sell up to 5,060,729 ordinary shares, in the aggregate, from time to time in one or more offerings.

*Client Connect Credit Line*

On May 19, 2020, ClientConnect Ltd., a former Israeli subsidiary of Perion, which merged into Perion on June 30, 2020, entered into a short term secured credit line in the amount of up to $20 million or the Credit Line with Mizrahi Tefahot Bank Ltd. Or Mizrachi, an Israeli bank, which is scheduled to mature on May 18, 2021.

According to the Credit Line, during its term, the credit available for utilization shall be adjusted such that the total amount of the Credit Line, together with the outstanding balance of ClientConnect's long term loan facility with Mizrachi from December 2018, shall not exceed $25 million in the aggregate, provided that the ratio between the accounts receivable as set forth in Perion's consolidated financial statements and the funds utilized under the Credit Line shall not be lower than 150%.

On August 11, 2020, Perion withdrawn an amount of $12.5 million from the Credit Line. Such a withdrawal is a short-term revolving loan for a three-month period. If not renewed, the principal on the loan will be repaid together with the interest at the expiry on May 18, 2021. The interest on the loan is at the rate of 1-month LIBOR rate plus 4.5% per annum, payable quarterly. See Note 14 of the consolidated interim financial statements which are included in this Report of Foreign Private Issuer on Form 6-K for further information.

*Acquisition of Pub Ocean and Amendment to Membership Interest Purchase Agreement with CIQ*

On July 22, 2020, we entered into an agreement to acquire the assets of Pub Ocean, a rapidly-growing digital publisher-focused technology company with scalable content distribution and real-time revenue analytics technology. Pub Ocean offers significant and immediate synergies to Content IQ, which Perion acquired in January, driving incremental revenue opportunities and enhanced profitability. The acquisition was for an aggregate cash consideration of up to $22 million, of which (i) $4 million was paid upon signing, (ii) $17 million of earn-out payments tied to financial targets to be paid over a two-year period, and (iii) an additional amount of $1 million in retention incentives to be paid over a two-year period. The acquisition is expected to contribute more than $25 million in revenues and $5 million in Adjusted EBITDA to Perion in the first 12 months.

On July 22, 2020, in connection with the Asset Purchase Agreement, we amended our Membership Interest Purchase Agreement ,or MIPA, dated January 14, 2020 by and among Asaf Katzir and Ziv Yirmiyahu, or the Sellers, CIQ and Perion, pursuant to which the Sellers assigned 100% of their holdings in Content IQ to Perion in exchange for a total consideration of up to $73 million of which (i) $15 million was paid in cash upon closing, (ii) up to $47 million of earn-out payments tied to revenue and EBITDA-based metrics, to be paid over a two-year period, and (iii) an additional amount of up to $11 million in retention incentives, to be paid during a two-year period subject to future employment.

Under the terms of the amended MIPA, it was agreed with the Sellers, that (i) revenues and EBITDA of Pub Ocean will be attributed towards Sellers' revenue and EBITDA targets under the MIPA with Perion; and (ii) Sellers will bear 40% of the cost of milestone payments that are ultimately payable to Pub Ocean under the Asset Purchase Agreement, which will be paid solely by deductions from their own earn-out payments and certain escrowed amounts.

***Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019***

*Revenues.* Revenues increased by 8%, from $117.4 million in the six-month period ended June 30, 2019 to $126.4 in the six-month period ended June 30, 2020. This increase was primarily a result of increased number of unique searches and additional new publishers in the search business and the consolidation of Content IQ, which was acquired on January 14, 2020, to the advertising business. This increase was partially offset by the COVID-19 impact on ad spend across the advertising industry and the lower paid search rates in the Search business.

*Search and other revenues*. Search and other revenues increased by 8%, from $77.5 million in the six-month period ended June 30, 2019 to $84.0 million in the six-month period ended June 30, 2020. This increase is mainly due to an increased number of unique searches and additional new publishers, despite of lower paid search rates due to COVID-19.

*Advertising revenues*. Advertising revenues increased by 6%, from $39.9 million in the six-month period ended June 30, 2019 to $42.4 million in the six-month period ended June 30, 2020. This increase is mainly due to the consolidation of Content IQ which was acquired on January 14, 2020, despite a decrease as a result of the COVID-19 impact on ad spend across the industry.

*Cost of revenues*. Cost of revenues decreased by 10%, from $11.8 million or 10% of revenues in the six-month period ended June 30, 2019 to $10.6 million or 8% of revenues in the six-month period ended June 30, 2020. The decrease as a percentage of revenues is primarily due to cost savings related to hosting optimization and processes automation.

*Customer acquisition costs ("CAC") and media buy*. CAC and media buy increased by 20%, from $60.6 million or 52% of revenues in the six-month period ended June 30, 2019 to $72.9 million or 58% of revenues in the six-month period ended June 30, 2020. The increase as a percentage of revenues is primarily due to the acquisition of CIQ and product mix.

*Research and development expenses ("R&D")*. R&D increased by 37%, from $10.5 million in the six-month period ended June 30, 2019 to $14.3 million in the six-month period ended June 30, 2020. The increase was primarily as a result of headcount increase related to Content IQ acquisition on January 14, 2020, and continued investments to further strengthen our technology.

*Selling and marketing expenses ("S&M")*. S&M expenses increased by 5%, from $17.0 million in the six-month period ended June 30, 2019 to $17.9 million in the six-month period ended June 30, 2020. The increase is primarily due to the consolidation of Content IQ which was acquired on January 14, 2020, offset by cost savings related to reduced travel and marketing expenses.

*General and administrative expenses ("G&A")*. G&A increased by 16%, from $6.5 million in the six-month period ended June 30, 2019 to $7.5 million in the six-month period ended June 30, 2020. The increase was primarily due to expenses related to M&A transactions.

*Depreciation and amortization*. Depreciation and amortization expenses in the amount of $4.7 million in the six-month period ended June 30, 2019 and $4.6 million in the six-month period ended June 30, 2020. Depreciation and amortization consist primarily of depreciation of our property and equipment and the amortization of our intangible assets as a result of our acquisitions.

*Tax benefit.* Tax benefit increased by $1.2 million from a tax benefit of $ 0.1 million in the six-month period ended June 30, 2019 to $1.3 million in the six-month period ended June 30, 2020. The increase was primarily a result of internal restructuring of group entities, completed during Q2 2020, which enabled the company to more efficiently utilize its tax attributes.

***Liquidity and Capital Resources***

As of June 30, 2020, we had $47.9 million in cash, cash equivalents and short-term bank deposits, compared to $61.6 million as of December 31, 2019. The $13.7 million decrease is primarily the result of $13.8 million related to acquisition payments. We believe that our current working capital and cash flow from operation are sufficient to meet our operating cash requirements for at least the next twelve months, including payments required under our existing bank loans.

*Net cash provided by operating activities*

For the six months ended June 30, 2020, our operating activities provided cash in the amount of $2.6 million, primarily as result of a net loss in the amount of $0.9 million, decreased by non-cash expenses, depreciation and amortization of $4.6 million, share-based compensation expenses of $1.9 million and net change of $1.0 million in operating assets and liabilities, offset by deferred tax asset of $2.0 million.

For the six months ended June 30, 2019, our operating activities provided cash in the amount of $22.4 million, primarily as result of income in the amount of $4.1 million, increased by non-cash expenses, depreciation and amortization of $4.7 million, share-based compensation expenses of $0.9 million and net change of $13.3 million in operating assets and liabilities.

*Net cash used in investing activities*

In the six months ended June 30, 2020, we used in our investing activities $7.5 million cash, primarily due to $13.8 related to acquisition payments and $0.1 million invested in the purchase of property and equipment offset by $6.4 million investment in short-term deposits

In the six months ended June 30, 2019, we used in our investing activities $3.5 million cash, primarily due to $2.0 million investment in short-term deposits, $1.2 million cash paid in connection to acquisitions and $0.7 million invested in the purchase of property and equipment offset by $0.3 million proceeds from sales of property and equipment.

*Net cash used in financing activities*

In the six months ended June 30, 2020, we used in our financing activities $2.4 million cash, primarily due to $4.2 million repayment of our long and short-term loan offset by $1.7 million cash paid for stock option executions.

In the six months ended June 30, 2019, we used in our financing activities $21.7 million cash, primarily due to $15.9 million repayment of our convertible debt, $4.2 repayment of our long and short-term loan and $1.8 million for payment made in connection with acquisition.