AcuityAds Holdings Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2020

Dated May 7, 2020

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Management's discussion & analysis

This Management's Discussion and Analysis ("MD&A") explains the variations in the consolidated operating results and financial position and cash flows of AcuityAds Holdings Inc. ("AcuityAds" or the "Company") as at and for the three months ended March 31, 2020. This analysis should be read in conjunction with AcuityAds' condensed interim consolidated financial statements for the three months ended March 31, 2020 and related notes (the "Condensed Interim Consolidated Financial Statements"). The Condensed Interim Consolidated Financial Statements and extracts of those Condensed Interim Consolidated Financial Statements provided in this MD&A, were prepared in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), using the accounting policies described therein. As a result of the rounding of dollar differences, certain total dollar amounts in this MD&A may not add exactly to their constituent amounts. All amounts are presented in Canadian dollars unless otherwise indicated. Throughout this MD&A, percentage changes are calculated using numbers rounded as they appear. Readers are cautioned that this MD&A contains certain forward-looking information. (Please see the "Forward Looking Statements" section below for a discussion of the use of such information in this MD&A).

The Condensed Interim Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries AcuityAds Inc. ("Acuity"), AcuityAds US Inc., 140 Proof Inc., ("140 Proof"), and ADman Interactive S.L. ("ADman"). All inter-company balances and transactions have been eliminated on consolidation.

The information in this report is dated as of May 7, 2020.

Non-IFRS Financial Measures

This MD&A includes certain measures which are not defined terms in accordance with IFRS such as "Revenue less media costs", "Revenue less media costs margin" and "Adjusted EBITDA".

The term "Revenue less media costs" refers to the net amount of revenue after deducting direct media costs. Revenue less media costs is used for internal management purposes as an indicator of the performance of the Company's solution in balancing the goals of delivering excellent results to advertisers while meeting the Company's margin objectives and, accordingly the Company believes it is useful supplemental information to include in this MD&A. The term "Revenue less media costs margin" refers to the amount that "Revenue less media costs" represents as a percentage of total revenue for a given period.

"Adjusted EBITDA" refers to net income (loss) after adjusting for finance costs, impairment loss, fair value gain, income taxes, foreign exchange gain (loss), depreciation and amortization, share-based compensation, acquisition and related integration costs, severance expenses and adjustments to the carrying value of investment tax credits receivable. The Company believes that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities before taking into consideration how those activities are financed and taxed and also prior to taking into consideration depreciation of property and equipment and certain other items listed above. It is a key measure used by the Company's management and board of directors to understand and evaluate the Company's operating performance, to prepare annual budgets and to help develop operating plans.

"Revenue less media costs", "Revenue less media costs margin" and "Adjusted EBITDA" are not measures of performance under IFRS and should not be considered in isolation or as a substitute for comprehensive income (loss) prepared in accordance with IFRS or as a measure of operating performance or profitability. "Revenue less media costs", "Revenue less media costs margin" and "Adjusted EBITDA" do not have a standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A that are not current or historical factual information may constitute "forward-looking" statements within the meaning of applicable securities laws, regarding, among other things, the beliefs, plans, objectives, strategies, estimates, intentions or expectations of the Company, including as they relate to its financial results, its ability to execute on its investing and business strategies and the effect of the COVID-19 pandemic on the Company's business and operations. When used in this MD&A, forward looking statements can be identified by the use of words such as "may", or by such words as "will", "intend", "believe", "estimate", "consider", "expect", "anticipate", and "objective" and similar expressions or variations of such words. Forward-looking statements are, by their nature, not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. No representation or warranty is intended with respect to anticipated future results, or that estimates or projections will be sustained.

In developing the forward looking statements in the MD&A, the Company has applied several material assumptions, including the availability of financing on reasonable terms, general business and economic conditions. However, given the evolving circumstances surrounding the COVID-19 pandemic, it is difficult to predict how significant the adverse impact of the pandemic will be on the global and domestic economy, the business, operations and financial position of the Company's clients and the business, operations and financial position of the Company. Many risks, uncertainties and other factors could cause the actual results of AcuityAds to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to the following: overall economic conditions, rapid technological changes, use of cookies, demand for the Company's products and services, the introduction of competing technologies, competitive pressures, network restrictions, fluctuations in foreign currency exchange rates, and other similar factors that may cause the actual results, performance or achievements to differ materially from those expressed or implied in these forward-looking statements. In addition, the effects of COVID-19, including the duration, spread and severity of the pandemic, create additional risks and uncertainties for the Company. In particular, the impact of the virus and government authorities' and public health officials' responses thereto may affect: the Company's actual results, performance, prospects or opportunities; domestic and global credit and capital markets and our ability to access capital on favourable terms, or at all; and the health and safety of our employees.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties elsewhere in this MD&A, actual events may differ materially from current expectations. These risks and uncertainties include, among other things, the factors discussed in "Risk Factors" section of this MD&A and under the "Risk Factors" section of the 2019 AIF available on SEDAR at www.sedar.com. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, *future events or otherwise. All forward-looking statements contained in the MD&A are expressly qualified in their entirety by this cautionary statement.*

OVERVIEW

AcuityAds is a technology company that enables marketers to connect intelligently with audiences across video, mobile, social and online display advertising campaigns. A programmatic marketing platform ("the Programmatic Marketing Platform"), powered by proprietary artificial intelligence (AI) technology, is at the core of the Company's business, accompanied by patented solutions for analytics-led video and mobile targeting that leverages data. AcuityAds empowers marketers by offering near real-time reporting and analytics, bringing accountability to programmatic advertising to deliver business results and help solve the key challenges that digital advertisers face.

AcuityAds' AI technology enables programmatic advertising, which is the automated buying and selling of advertising inventory electronically. The Programmatic Marketing Platform is based on proprietary machine learning technology, the branch of artificial intelligence involving systems that learn from data inputs and outputs and that can perform actions without the need for explicit programming. The Programmatic Marketing Platform has the capability to process billions of bid requests on a daily basis.

The Programmatic Marketing Platform allows advertisers to manage their purchasing of online display advertising in real-time using programmatic ad buying, a method of buying online display advertising in which ad spots (called impressions) are released in an auction that occurs in milliseconds. AcuityAds purchases impressions for advertisers through agreements with publishers, ad networks and ad exchanges. Its Programmatic Marketing Platform benefits advertisers by enabling them to target specific audiences based on demographic and psychographic parameters as well as manage their bid amounts to purchase the advertising inventory that is most relevant for their campaigns. Real-time reporting enables advertisers to monitor specific performance metrics and react and pivot quickly to optimize campaigns to help ensure they achieve consumer targeting goals and key performance indicators.

AcuityAds is headquartered in Toronto and has offices in the United States, Canada, Spain, and throughout Latin America. Its key customers include both agencies and brands, including large Fortune 500 enterprises and small to mid-sized businesses.

RESULTS OF OPERATIONS

Significant developments during the three months ended March 31, 2020 and to the date of this report include the following:

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic, which continues to spread throughout Canada and around the world. To date, Canadian federal and provincial governments and businesses have mandated various measures, including: travel restrictions, restrictions on public gatherings, stay-at-home orders and advisories, and the quarantine of people who may have been exposed to the virus. The Company's operations continue, but in response to the guidance from government, and in an effort to mitigate the spread of COVID-19, effective March 18, 2020, staff moved to a work from home model with very limited office presence. The Company has seen a number of campaigns reduced or paused in line with overall industry trends. In light of this, the Company has deferred or eliminated discretionary spending and reduced other fixed and variable expenses, including a temporary reduction in pay for senior personnel.

COVID-19 and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries.

On April 14, 2020, the Company entered into an amended loan and security agreement with Silicon Valley Bank. This amended loan agreement provides up to approximately US$21.85 million of capital, an increase from US$18 million previously, for working capital and general corporate purposes, subject to customary conditions. This amended loan agreement includes increased availability under a revolving credit facility that will mature on April 1, 2022, and a term loan facility that matures on April 17, 2024. The proceeds from the term loan facility were used to repay the remaining $5,313,833.94 of the Company's 12% subordinated term loan from a group of private lenders and for general corporate purposes.

Results for the three months ended March 31, 2020 and 2019

The following table provides selected financial information from the consolidated statements of comprehensive income (loss) for the three months ended March 31, 2020 and 2019:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Revenue	$24,215,600	$27,921,884
By line of service:		
Managed services	19,318,275	21,646,105
Self-service	4,897,325	6,275,779
By geography:		
US	17,829,363	21,553,416
Canada	2,780,381	3,005,099
Other	3,605,856	3,363,369
Revenue less media costs[1] (gross profit)	12,188,387	12,445,153
Adjusted EBITDA[1,]	1,802,569	1,016,224
Income (loss) from operations	(603,264)	(1,892,786)
Net income (loss)	204,774	(2,781,250)
Net income (loss) per share (basic and diluted) [2]	0.004	(0.07)

(1) As defined in "Non-IFRS Financial Measures"
(2) Exercisable options to purchase 1,857,836 (2019 – 1,400,384) Common Shares and 1,785,872 (2019 – 2,360,361) warrants were outstanding as at March 31, 2020. The weighted average number of options and warrants were excluded from the calculation of diluted loss per share for the period ended March 31, 2020 and 2019 because their inclusion would have been anti-dilutive

Revenue for the three months ended March 31, 2020 was $24,215,600, a decrease of $3,706,284 from $27,921,884 for the three months ended March 31, 2019. Sales of the Company's managed services platform for the three months ended March 31, 2020 were $19,318,275, a decrease from $21,646,105 for the three months ended March 31, 2019. Sales of the Company's self-service platform for the three months ended March 31, 2020 were $4,897,325, a decrease of $1,378,454 from $6,275,779 for the three months ended March 31, 2019. The decrease in total revenue for the three months ended March 31, 2020 was a result of several factors, including a reduction in client spend in March 2020 due to the COVID-19 pandemic and management's focus to reduce low margin customer campaigns which included a decline in spend year-over-year by a large client who typically spends their budget only in Q1 of each year.

Revenue generated in the United States for the three months ended March 31, 2020 was $17,829,363 a decrease of $3,724,053 compared to the same period from the prior year. Revenue generated in Canada for the three months ended March 31, 2020 was $2,780,381, a decrease of $224,718 compared to the same period from the prior year.

Adjusted EBITDA was $1,802,569 for the three months ended March 31, 2020 compared to an Adjusted EBITDA of $1,016,224 for the three months ended March 31, 2019. The increase in Adjusted EBITDA from the three months ended March 31, 2019 is primarily attributable to the Company's continued focus on gross margin and cost containment.

Net income (loss) for the three months ended March 31, 2020 was $204,774 compared to $(2,781,250) for the three months ended March 31, 2019. The increase in net income of $2,986,025 is primarily due to the decrease in costs and a large foreign exchange gain

The Company's revenues and operating results may vary from quarter to quarter as a result of a variety of factors, some of which are outside of the Company's control, including seasonality and cyclicality.

Seasonality may be affected by customer mix, such that retail advertisers may concentrate their advertising spending with AcuityAds in the fourth quarter while entertainment advertisers may concentrate their spending to coincide with the launch and display of content, such as television shows or movies. The Company's rapid growth has led to fluctuating overall operating results due to investments in AcuityAds' sales and marketing and research and development from quarter to quarter and increases in employee headcount. As a result of these factors, one quarter's operating results are not necessarily indicative of a future quarter's operating results.

Revenue less media costs

The following table sets out a reconciliation of Revenue less media costs to Revenue for each of the periods indicated:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Revenue	$24,215,600	$27,921,884
Media costs	12,027,213	15,476,731
Revenue less media costs	12,188,387	12,445,153
Revenue less media costs margin	50%	45%

Media costs comprise advertising impressions that the Company purchased from real-time advertising exchanges or through other third parties. For the three months ended March 31, 2020, media costs were $12,027,213 compared to $15,476,731 for the three months ended March 31, 2019, representing a decrease of $3,449,518, which is attributable to the decreased revenue during the period. As a percentage of revenue, revenue less media costs were 50% for the three months ended March 31, 2020 compared to 45% for the three months ended March 31, 2019. The increase in margin was attributable to both the release of a new enhanced AI platform in Q3 of 2019 and management's focus on reducing low margin customer campaigns.

Reconciliation of net income (loss) to Adjusted EBITDA for the three months ended March 31, 2020 and 2019

The following table presents a reconciliation of Adjusted EBITDA to Income (Loss) for the periods indicated:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Net income (loss) for the period	$204,774	$(2,781,250)
Adjustments:		
Finance costs	602,392	609,009
Foreign exchange gain (loss)	(1,514,296)	209,914
Depreciation and amortization	2,166,344	1,807,798
Income taxes	103,865	69,541
Share-based compensation	143,124	258,397
Acquisition integration costs	-	808,442
Severance expenses	96,365	34,373
Total adjustments	1,597,794	3,797,474
Adjusted EBITDA	$1,802,569	$1,016,224

Adjusted EBITDA for the three months ended March 31, 2020 was $1,802,569 compared to $1,016,224 for the three months ended March 31, 2019. The increase of approximately $786,345 in Adjusted EBITDA for the three months ended March 31, 2020 was primarily attributable to improvement in gross margin and the decrease in costs.

Operating Expenses, Finance Costs, and Foreign Exchange

The following table summarizes various expenses for the three months ended March 31, 2020 and 2019:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Sales and marketing expenses	$4,828,925	$6,363,582
Technology	4,053,022	3,690,178
General and administrative	1,600,236	1,409,542
Share-based compensation	143,124	258,397
Acquisition integration costs	-	808,442
Depreciation and amortization	2,166,344	1,807,798
Finance costs	602,392	609,009
Foreign exchange (gain) loss	(1,514,296)	209,914

Sales and marketing expenses

Sales and marketing expenses consist of all costs associated with selling and marketing the Company's services and products. The costs include all the salary and benefit costs, personnel costs, commissions and variable compensation, travel, marketing, payroll taxes and employee health and related benefit expenses, for the sales, marketing, and account management teams. Sales and marketing expenses for the three months ended March 31, 2020 decreased $1,534,657 compared to the same period of the prior year. The decreased costs were realized primarily from management's focus on cost optimization. As a percentage of revenue, sales, and marketing expenses represented

20% of the Company's revenue for the three months ended March 31, 2020 compared to 23% for the same period of the prior year.

<u>Technology</u>

Technology expenses consist of all costs associated with increasing the Programmatic Marketing Platform's effectiveness and efficiency. The salary and benefit costs as well as the costs associated with housing the required computer equipment comprise the majority of such costs. Technology is changing at a rapid pace, and the Company is always adapting to the changing technological landscape.

During the three months ended March 31, 2020, the Company capitalized $260,929 of development costs relating to revenue generating technology.

Excluding capitalization, investment tax credits, and other grants, during the three months ended March 31, 2020, technology expenses increased by $64,355 compared to the same period from the prior year. For the three months ended March 31, 2020, technology expenses as a percentage of revenue were 17% compared to 13% for the same period of the prior year as a result of the Company's continued focus on developing new technologies and products, including the previously announced self-serve platform.

<u>General and administrative</u>

General and administrative expenses include salaries and benefits of the administrative staff, occupancy costs, public company fees, insurance, professional fees, and supplies. General and administrative expenses for the three months ended March 31, 2020 increased $190,694 compared to the same period of the prior year. As a percentage of revenue, general and administrative expenses were 7% compared to 5% for the same period of the prior year.

<u>Share based compensation</u>

Share-based compensation expense was $143,124 for the three months ended March 31, 2020 compared to $258,397 for the three months ended March 31, 2019.

<u>Acquisition integration costs</u>

Total acquisition integration expenses of nil were incurred during the three months ended March 31, 2020, compared to $808,442 incurred for the three months ended March 31, 2019. The 2019 quarter included expenses related to the acquisition of Magnetic Media in August 2018**.**

<u>Depreciation and amortization</u>

Depreciation and amortization for the three months ended March 31, 2020 increased $358,547 from the comparable period in the prior year, due mainly to additions of leased assets.

<u>Finance costs</u>

For the three months ended March 31, 2020, finance costs were $602,392, a decrease of $6,617 from the prior year period. This is mainly due to having a lower outstanding debt balance during the first quarter as compared to the same period in the prior year.

<u>Foreign exchange gain (loss)</u>

Foreign exchange gain (loss) consists of the realized and unrealized exchange differences due to fluctuations between the Canadian dollar, the U.S. dollar, and the Euro. The Company recorded a net foreign exchange gain of $1,514,296 for the three months ended March 31, 2020 compared to a loss of $209,914 for the three months ended March 31, 2019.

To date, the Company does not hedge foreign currency transactions but may elect to do so in the future if it is determined to be advantageous.

OUTLOOK

While the impact of the COVID-19 pandemic has created short-term uncertainty with respect to the Company's revenues, Adjusted EBITDA and net income, the Company still expects to continue to grow these measures in the medium to long term once the impact of the COVID-19 pandemic has subsided.

See "Forward-Looking Information".

Summary of Quarterly Results

The following unaudited table sets out selected financial information for the Company on a consolidated basis for the last eight most recently completed quarters. The unaudited quarterly information, other than Adjusted EBITDA, has been prepared in accordance with IFRS.

	Quarter Ended							
	Mar 31, 2020	**Dec 31, 2019**	**Sept 30, 2019**	**Jun. 30, 2019**	**Mar. 31, 2019**	**Dec. 31, 2018**	**Sept. 30, 2018**	**June. 30, 2018**
Revenue	$24,215,600	$38,536,725	$26,864,507	$25,811,114	$27,921,884	$32,936,353	$17,298,170	$11,964,920
Adjusted EBITDA	$1,802,569	$6,012,050	$1,613,770	$1,072,326	$1,016,224	$3,310,807	$1,097,707	$417,835
Net income (loss)	204,774	$1,995,245	($1,360,006)	($3,461,394)	($2,781,250)	($3,621,701)	($2,251,417)	($2,034,140)
Net income (loss) per share:	$0.00	0.04	(0.03)	($0.07)	($0.07)	($0.10)	($0.06)	($0.06)
Weighted average number of shares outstanding (000'S)	48,997,938	47,814,816	47,744,143	46,931,380	41,252,050	40,906,079	40,881,982	39,256,165

LIQUIDITY AND CAPITAL RESOURCES

Selected financial information from the statements of financial position as at March 31, 2020 and December 31, 2019 are as follows:

	March 31, 2020	December 31, 2019
Cash and restricted cash	$7,804,361	$7,507,122
Working capital[(1)]	997,214	1,725,793
Total assets	63,395,777	69,358,979
Current liabilities	40,467,789	46,680,615
Other non-current liabilities	7,348,208	7,078,899
Shareholders' equity	15,579,780	15,599,465

[(1)] Working capital is defined as current assets less current liabilities.

As at March 31, 2020, the Company had cash and cash equivalents and restricted cash of $7,804,361 compared to $7,507,122 as at December 31, 2019.

Cash flows generated from operations were $3,955,094 during the three months ended March 31, 2020 as compared to cash flows used of $2,592,596 during the three months ended March 31, 2019. The increase in cash flows generated in operations was primarily a result of increased working capital and reduced costs.

Cash flows used in investing activities were $3,228,026 during the three months ended March 31, 2020, compared to $2,125,436 during the three months ended March 31, 2019. The increase was primarily due to the increase in property plant and equipment during the period including the adoption of IFRS 16.

Cash flows used from financing activities were $329,829 during the three months ended March 31, 2020, compared to $3,363,961 during the three months ended March 31, 2019. The decrease was primarily due to the increase in repayment of the line of credit during the period.

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue and expenditures and cash flows from operations. While the Company currently has sufficient operating capital to meet its day to day operating expenses, it is possible that the Company could experience a working capital deficiency in the future, which would have a materially adverse effect on the Company's liquidity.

Management is also actively involved in the review and approval of planned expenditures. The Company's principal cash requirements are for principal and interest payments on its debt, capital expenditures and working capital needs. The Company uses its operating cash flows, loans and borrowings and cash balances to maintain liquidity. In the event future cash flows from operations are lower than expected, the Company may need to seek additional financing, either by issuing additional equity or by undertaking additional borrowings. There is no certainty that additional financing will be available or that it will be available on attractive terms. Additional information can be found in the Company's Condensed Interim Consolidated Financial Statements which is available on SEDAR at www.sedar.com.

Common Shares

Changes in the number of issued Common Shares from December 31, 2019 to March 31, 2020 are as follows:

	Number of Common Shares
Balance December 31, 2019	47,824,212
Shares issued –Warrants exercised	706,168
Shares issued –Options exercised	-
Shares issued – DSU's exercised	593,236
Balance March 31, 2020	**49,123,616**

Preference Shares

While the Company is authorized to issue and unlimited number of Preference Shares, the Company has no Preference Shares issued and outstanding.

Stock Options

Under the Company's amended and restated stock option plan (the "Plan"), the Board of Directors may grant options to employees, officers, directors and consultants of the Company. As at March 31, 2020, the Company had 2,941,501 stock options outstanding out of a maximum allowable number of stock options of 4,912,362. The maximum number of Common Shares which may be issued under the Plan is a rolling percentage of 10% of the Common Shares issued and outstanding from time-to-time. The expiry date of options granted under the Plan typically does not exceed five years from the grant date and the vesting schedule is at the discretion of the Board of Directors and is generally annually over a three-year period. The exercise price of options is based on a determination of the fair market value per share on the day preceding the grant date. As of March 31, 2020, the Company has 1,970,861 stock options available to be issued.

The following table reflects the activity with respect to options from December 31, 2019 to March 31, 2020:

	Number of Options	Weighted Average Exercise Price
Balance outstanding December 31, 2019	3,409,886	$1.45
Granted	235,000	$1.59
Forfeited or cancelled	(703,385)	$1.03
Exercised	-	-
Options outstanding March 31, 2020	2,941,501	$1.57

During the three months ended March 31, 2020, the Company recorded share-based compensation expense related to stock options granted of $143,124 compared to $258,397 during the three months ended March 31, 2019. During the three months ended March 31, 2020, the Company granted 235,000 stock options with a weighted average exercise price of $1.59. Of those, 170,000 options were granted to directors of the Company and 65,000 were granted to employees of the Company as compensation for services rendered. These options vest annually over a three-year period and are exercisable at a price of $1.59, all expiring in 2024.

Deferred Share Units ("DSUs")

For the three months ended March 31, 2020, the Company issued 132,415 DSUs to employees of the Company and during that same period 593,236 DSU's were exercised. As of March 31, 2020, the Company had 1,728,784 DSU's outstanding and 1,014,347 DSU's available to be issued.

Warrants

For the three months ended March 31, 2020, the Company issued nil warrants and during that period 706,168 warrants were exercised. As a result, as of March 31, 2020, the Company had 1,785,872 warrants outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2018, the Company obtained a $7,263,000 subordinated term loan (the "Loan") from a group of private lenders. The Loan was made pursuant to a credit agreement dated as of June 15, 2018, between the Company, its subsidiary and various lenders, including certain non-arm's length lenders. The non-arm's length lenders included several officers and directors of the Company who funded an aggregate of $2,263,000 of the Loan of which $1,319,625 remained outstanding as of March 31, 2020. On March 31, 2019, the Company and the lenders agreed to extend the maturity date of the Loan from June 15, 2020 to June 15, 2021. Subsequent to March 31, 2020, the remaining principal amount of the Loan was repaid in full.

During the year ended December 31, 2019, the Company lent $60,000 to each of Tal Hayek (Co-Founder, Chief Executive Officer and Director), Rachel Kapcan (Co-Founder and Vice-President of Client Operations), Nathan Mekuz (Co-Founder and Vice-President of Artificial Intelligence) and Joe Ontman (Co-Founder, Director and Chief Business Development Officer). Each of these loans are unsecured and non-interest bearing and are required to be repaid in full in 2020. The original amount of these loans remained outstanding as of March 31, 2020.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Condensed Interim Consolidated Financial Statements and application of IFRS often involve Management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. Significant assumptions and estimates used in preparing the financial statements include those related to credit quality of accounts receivable, income tax credits receivable, share-based payments, impairment tests for non-financial assets, as well as revenue and cost recognition. AcuityAds bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. The Company reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the period in which estimates are revised and may impact future periods as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment. Significant accounting policies and estimates under IFRS are found in Note 2 of the Company's Condensed Interim Consolidated Financial Statements which is available on SEDAR at www.sedar.com.

CHANGES IN ACCOUNTING POLICIES

Recently adopted accounting pronouncements

For the period the ending March 31, 2020 the Company has not adopted any new accounting policies.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of Acuity is responsible for establishing and maintaining disclosure controls and procedures for the Company as defined under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109") issued by the Canadian Securities Administrators. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Chief Executive Officer and the Chief Financial Officer by others within those entities on a timely basis, particularly during the period in which the annual filings are being prepared, so that appropriate decisions can be made regarding public disclosure.

Management of the Company is responsible for designing and evaluating the effectiveness of internal controls over financial reporting for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting using the Integrated Control - Integrated Framework: 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, Management is required to use judgment in evaluating controls and procedures.

There has been no change in Acuity's internal controls over financial reporting that occurred during the most recently completed interim priod that has materially affected, or is reasonably likely to materially affect, Acuity's internal control over financial reporting.

OUTSTANDING SHARE DATA

As of May 7, 2020, 49,123,616 Common Shares and no Preference Shares were issued and outstanding. In addition, as of May 7, 2020, there were 2,941,501 stock options outstanding under the Plan, each of which represents the right to acquire one Common Share, with exercise prices ranging from $0.64 to $4.60 per share.

As at May 7, 2020, there were 1,728,784 DSUs outstanding under the Company's third amended and restated deferred share unit plan, each of which represents the right to acquire one Common Share when the participant is no longer rendering service to the Company.

As at May 7, 2020, there were 1,785,872 warrants outstanding, each of which represents the right to acquire one Common Share, with exercise prices ranging from $1.00 to $1.55 per share.

RISK FACTORS

A detailed description of risk factors associated with the Company's business is given in the "Risk Factors" section of the MD&A for the year ended December 31, 2019 dated March 3, 2020 which was filed with SEDAR at www.sedar.com. The Company is not aware of any significant changes to its risk factors from those disclosed at that time except for the following:

Pandemic-related Risks

A pandemic, including the COVID-19 pandemic, can create significant volatility and uncertainty and economic disruption. A pandemic poses the risk that our members, clients, contractors and business partners may be prevented from conducting business activities for an indefinite period, including the transmission of the disease or due to emergency measures or restrictions that may be requested or mandated by governmental authorities. The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the implementation of travel bans, self-imposed quarantine periods and social and physical distancing. Companies are also taking precautions, such as requiring employees to work remotely, imposing travel restrictions and temporarily closing businesses. These emergency measures and restrictions, and any future measures and restrictions taken in response to the COVID-19 pandemic or other pandemics, have and may cause, material disruptions to businesses globally and are likely to have an adverse impact on global economic conditions and consumer confidence and spending, which could materially adversely affect our business.

The duration and impact of the COVID-19 pandemic are unknown at this time, as is the efficacy of the government and central bank interventions. The extent to which the COVID-19 pandemic impacts our future business, including our operations, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the COVID-19 pandemic. It is not possible to reliably estimate the length and severity of these developments or the negative impact on our financial results, share price and financial condition in future periods. Many of the risks, uncertainties and other risk factors identified are, and will be, amplified by the COVID-19 pandemic.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's AIF, is posted on SEDAR at www.sedar.com. The Company's shares are listed on the TSX under the symbol "AT".