



AcuityAds Reports Second Quarter 2022 Financial Results

*Generated \$28.3 million in Total Revenue
illumin Revenue Up 96% YOY to \$10.2 million*

TORONTO and NEW YORK, Aug. 10, 2022 -- AcuityAds Holdings Inc. (TSX:AT) (NASDAQ:ATY) ("AcuityAds" or "Company"), a Journey Advertising technology company that empowers marketers to make smarter decisions about communicating with online consumers, today announced its financial results for the three months ended June 30, 2022.

Second Quarter 2022 Highlights

- Total revenue for the three months ended June 30, 2022, was \$28.3 million, up 18.6% sequentially. On a year over year basis, revenues decreased by 6.6% which was largely anticipated as we continue to build and transition our sales team from our legacy DSP product to our Journey Advertising product, illumin. As previously communicated, we believe our new sales personnel will become more productive in the second half of FY2022. However, the Company remains mindful of potential macro-economic headwinds and is monitoring the situation accordingly.
- illumin second quarter revenue rose 96.1% year over year to \$10.2 million or 36% of total revenue.
- illumin self-serve revenue increased 94% sequentially to \$1.0 million, while illumin self-serve clients grew 24% sequentially.
- Second quarter 2022 gross margin was 51.9%, compared to 52.2% in 2021.
- Net revenue or gross profit (revenue less media costs) for the three months ended June 30, 2022 was \$14.7 million, compared to \$15.8 million for the same period in 2021.
- Adjusted EBITDA was \$1.5 million for the second quarter of 2022, compared to \$5.4 million in the prior year.
- Q2 2022 net income was \$0.9 million, compared to \$3.4 million in Q2 2021, primarily due to our previously communicated strategic investments in both R&D and sales.
- During the second quarter of 2022, the Company repurchased 2,269,480 of its common shares at an average price of \$3.15 per share for total consideration of \$7,140,296. As of August 5, 2022, the Company has repurchased 3,525,620 of its common shares for total consideration of \$11,143,292.
- At June 30, 2022, the Company had cash and cash equivalents of \$92.5 million, compared to \$102.2 million as of December 31, 2021, reflecting share repurchases during the quarter.

"During the second quarter, revenue from illumin, our Journey Advertising platform, grew 96% year-over-year, reaching \$10.2 million or 36% of total revenue," said Tal Hayek, Co-Founder and Chief Executive Officer of AcuityAds. "While total company revenue was lower than the prior year due to salesforce transition issues, we continue to see growing adoption of illumin—particularly in self-serve usage. Our strategic initiatives to grow illumin self-serve revenues have already begun to pay off as these revenues grew 94% sequentially, even as illumin self-serve clients grew 24%. This sequential growth supports our belief that illumin's tremendous ease of use naturally lends itself to self-serve operation and we expect to see continued growth."

Mr. Hayek continued, "Looking ahead, we believe we will realize further benefits from our strategic investments in R&D, Sales and Marketing. These initiatives will also prepare our organization for its next growth phase. Based on customer demand and our current expectations, we anticipate resuming solid year-over-year revenue growth in the third and fourth quarter of 2022, despite the challenging macro-environment. We remain confident that we are taking the right actions to generate long-term shareholder value, highlighted by our share repurchase activity in the quarter."

Elliot Muchnik, AcuityAds' Chief Financial Officer, commented, "We continued to see strong demand for illumin in the quarter, which drove over 30% of sequential illumin revenue growth. The Company repurchased 2.3 million of our common shares for \$7.1 million via the normal course issuer bid ("NCIB") we initiated in the quarter. The Company is permitted to purchase up to 5.5 million of the Company's common shares over the course of the year. This share buy-back underscores our confidence in our balance sheet as well as our fundamental belief in the Company's long-term prospects. In addition, our healthy balance sheet and considerable liquidity allows us to continue to explore M&A opportunities that fit our corporate strategy."

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA for the periods ended:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Net income (loss) for the period	\$ 910,782	\$ 3,361,572	\$ (3,579,611)	\$ 4,725,453
Adjustments:				
Finance costs	125,249	258,974	271,104	533,854
Foreign exchange gain	(3,183,361)	(1,303,044)	(1,392,259)	(734,561)
Depreciation and amortization	1,198,379	1,261,634	2,402,378	2,644,660
Income taxes	101,176	201,357	53,635	231,600
Share-based compensation	2,074,988	1,624,119	3,553,985	2,488,511

Severance expenses	268,782	34,209	282,431	90,758
Other expenses	-	-	79,132	-
Total adjustments	585,213	2,077,249	5,250,406	5,254,822
Adjusted EBITDA	\$ 1,495,995	\$ 5,438,821	\$ 1,670,795	\$ 9,980,275

Conference Call Details:

Date: Wednesday, August 10, 2022

Time: 8:30AM Eastern Time

To register for the conference call webcast and presentation, please visit

<https://illuminate.com/investors/earnings-call/>

Participant Dial-in Numbers:

Session ID 371702

Session PIN 4375

Dial-in numbers

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Please connect at 15 minutes prior to the conference call to ensure time for any software download that may be needed to hear the webcast.

A recording of the conference call webcast will be available after the call by visiting the Company's website at

<https://illuminate.com/investors/>.

Non-IFRS Measures

This press release makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "revenue less media costs", "revenue less media costs margin", "Adjusted EBITDA" and "Adjusted Net Income (Loss)" (as well as other measures discussed elsewhere in this press release).

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, while 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.

"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.

"Adjusted Net Income (Loss)" refers to net income (loss) after adjusting for non-cash items such as impairment loss, fair value gain, depreciation and amortization, share-based compensation and foreign exchange gain/loss. The Company believes that Adjusted Net Income (Loss) is useful supplemental information as it provides an indication of the results generated by the Company's main business activities on a cash basis. It is another 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.

These non-IFRS measures are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers, and that these non-IFRS measures in particular are relevant to their analysis of the Company.

About AcuityAds:

AcuityAds is a leading advertising technology company that empowers marketers to make smarter decisions about targeting and communicating with online consumers. Its Journey Advertising platform, illuminate™, offers media planning, buying and real-

time intelligence from a single platform. With proprietary Artificial Intelligence, illumin™ brings unique programmatic capabilities to connect the consumer journey and help marketers understand a consumer's true value to their brand. The Company brings an integrated ecosystem of privacy-protected data, inventory, brand safety and fraud prevention partners, offering trusted solutions with proven, above benchmark outcomes for the most demanding marketers.

AcuityAds is headquartered in Toronto with offices throughout Canada, the U.S., Europe and Latin America. For more information, visit illumin.com.

Disclaimer in regards to Forward-looking statements

Certain statements included herein constitute "forward-looking statements" within the meaning of applicable securities laws. These statements may relate to the Company's future financial outlook, financial position, anticipated events, results, success of its work from home policies, the Company's strategy with respect to the illumin platform, or the effect of the COVID-19 pandemic on the Company's business and operations. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Also, 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. Investors are cautioned not to put undue reliance on forward-looking statements. Many factors could cause the Company's actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors discussed in the "Risk Factors" section of the Company's Annual Information Form dated March 10, 2022¹ for the fiscal year ended December 31, 2021 (the "AIF") and the Company's Management Discussion and Analysis for the three months ended March 31, 2022 dated May [x], 2022 (the "MD&A"). A copy of the AIF, MD&A and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. 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 its ability to access capital on favourable terms, or at all; and the health and safety of its employees. The Company cautions that the list of risk factors and uncertainties described in the AIF and the MD&A are not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such information.

Except as required by law, AcuityAds does not intend, and undertakes no obligation, to update any forward-looking statement to reflect, in particular, new information or future events.

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AcuityAds Holdings Inc. Consolidated Balance Sheets As at December 31, 2020

(expressed in Canadian dollars)

	June 30, 2022 \$	December 31, 2021 \$
Assets		
Current assets		
Cash and cash equivalents	92,484,650	102,208,807
Accounts receivable	25,911,648	30,972,608
Prepaid expenses and other	4,006,169	3,278,624
	122,402,467	136,460,039
Non-current assets		
Deferred tax asset (note 16)	81,803	81,803

Property and equipment (note 3)	5,662,542	5,369,619
Intangible assets (note 4)	4,005,329	3,044,278
Goodwill	4,869,841	4,869,841
	<u>137,021,982</u>	<u>149,825,580</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	20,332,386	24,853,497
Income tax payable	25,375	910,165
Borrowings (note 15)	5,223,356	2,946,150
Lease obligations (note 5)	1,963,968	2,058,161
	<u>27,545,085</u>	<u>30,767,973</u>
Non-current liabilities		
Borrowings (note 15)	253,748	3,852,891
Lease obligations (note 5)	2,805,512	2,148,708
	<u>30,604,345</u>	<u>36,769,572</u>
Shareholders' Equity (note 7)	<u>106,417,637</u>	<u>113,056,008</u>
	<u>137,021,982</u>	<u>149,825,580</u>

AcuityAds Holdings Inc.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

(Expressed in Canadian dollars)

	Three months ended June 30, 2022 \$	Three months ended June 30, 2021 \$	Six months ended June 30, 2022 \$	Six months ended June 30, 2021 \$
Revenue				
Managed services	18,148,130	23,620,786	33,912,859	45,877,003
Self-service	10,112,215	6,664,436	18,168,374	11,862,811
	<u>28,260,345</u>	<u>30,285,222</u>	<u>52,081,233</u>	<u>57,739,814</u>
Media costs	13,597,200	14,476,192	25,498,630	27,566,692
Gross profit	<u>14,663,145</u>	<u>15,809,030</u>	<u>26,582,603</u>	<u>30,173,122</u>
Operating expenses				
Sales and marketing (note 17)	5,453,295	5,167,203	10,841,727	9,721,227
Technology (note 11 and 17)	4,222,675	3,342,054	7,521,005	7,135,424
General and administrative (note 17)	3,759,962	1,895,161	6,910,639	3,426,954
Share-based compensation (note 7)	2,074,988	1,624,119	3,553,985	2,488,511
Depreciation and amortization	1,198,379	1,261,634	2,402,378	2,644,660
	<u>16,709,299</u>	<u>13,290,171</u>	<u>31,229,734</u>	<u>25,416,776</u>
Income (loss) from operations	<u>(2,046,154)</u>	<u>2,518,859</u>	<u>(4,647,131)</u>	<u>4,756,346</u>

Finance costs (note 8)	125,249	258,974	271,104	533,854
Foreign exchange gain	(3,183,361)	(1,303,044)	(1,392,259)	(734,561)
	(3,058,112)	(1,044,070)	(1,121,155)	(200,707)
Net income (loss) before income taxes	1,011,958	3,562,929	(3,525,976)	4,957,053
Income taxes (note 16)	101,176	201,357	53,635	231,600
Net income (loss) for the period	910,782	3,361,572	(3,579,611)	4,725,453
Basic net income (loss) per share (note 9)	0.02	0.06	(0.06)	0.08

AcuityAds Holdings Inc.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021, and 2020

(Expressed in Canadian dollars)

Diluted net income (loss) per share (note 9)	0.02	0.06	(0.06)	0.08
Exchange loss on translating foreign operations	244	248,433	234,335	1,002,764
Comprehensive income (loss) for the period	910,538	3,113,139	(3,813,946)	3,722,689

AcuityAds Holdings Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

For the six-month periods ended June 30, 2022, and 2021

(Expressed in Canadian dollars)

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
Income (loss) for the period	(3,579,611)	4,725,453
Adjustments to reconcile net income to net cash flows		
Depreciation and amortization	2,402,378	2,644,660
Finance costs (note 8)	271,104	533,854
Share-based compensation (note 7(c))	3,553,985	2,488,511
Foreign exchange gain	(1,392,259)	(734,561)
Change in non-cash operating working capital		
Accounts receivable	5,060,960	829,380
Prepaid expenses and other	(727,573)	(549,210)
Accounts payable and accrued liabilities	(4,469,629)	(1,008,800)
Income tax payable	(884,790)	-
Interest paid – net	(203,621)	(466,497)
	30,944	8,462,790
Investing activities		
Additions to property and equipment (note 3)	(1,922,440)	(129,570)
Additions to intangible assets (note 4)	(1,733,912)	-

	(3,656,352)	(129,570)
Financing activities		
Repayment of term loans principal (note 15)	(1,227,584)	(1,213,020)
Additions to international loans (note 15)	1,074,905	159,168
Repayment of international loans (note 15)	(1,204,845)	(994,941)
Additions to leases	1,780,790	57,020
Repayment of leases	(1,134,566)	(1,661,907)
Net proceeds from equity financing (note 7)	-	64,293,097
Repurchase of shares for cancellation (note 7 (f))	(7,140,297)	-
Proceeds from the exercise of warrants	-	61,723
Proceeds from the exercise of stock options	293,217	992,141
	(7,558,380)	61,693,281
Increase (decrease) in cash and cash equivalents	(11,183,788)	70,026,501
Foreign exchange impact on cash	1,459,631	734,561
Cash and cash equivalents – Beginning of period	102,208,807	22,638,300
Cash and cash equivalents – End of period	92,484,650	93,399,362
Supplemental disclosure of non-cash transactions		
Additions to property and equipment under leases	1,780,790	71,556