

AcuityAds Reports Fourth Quarter and Full Year 2022 Financial Results

Total Revenue Reaches Record \$40 million for the Fourth Quarter

Fourth Quarter illumin Revenue Up 121% YOY and 70% QoQ

illumin Self-Serve Revenue up 100% QoQ

(All monetary figures are expressed in Canadian dollars unless otherwise stated)

TORONTO and NEW YORK – March 9, 2023 – 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 fourth quarter and full year ended December 31, 2022.

Fourth Quarter 2022 Highlights

- Total fourth quarter revenue reached a record \$40.0 million, up 38.2% sequentially and 8.7% year over year, reflecting the benefits of our strategic investments in sales, marketing, and product development.
- illumin fourth quarter revenue rose 120.7% year over year and 70.0% sequentially to \$22.5 million, or 56% of total revenue.
- illumin self-serve revenue increased 100% sequentially to \$2.4 million while this client base also grew 86% sequentially, which is expected to help drive further illumin self-serve revenue growth in 2023.
- Fourth quarter 2022 gross margin was 48.4%, compared to 52.0% for the same period in 2021.
- Net revenue or gross profit (revenue less media costs) for the three months ended December 31, 2022, was \$19.4 million, compared to \$19.1 million for the same period in 2021.
- Adjusted EBITDA was \$2.4 million for the fourth quarter of 2022, compared to \$5.9 million in the prior year, reflecting strategic investments in R&D, sales and marketing to bolster illumin’s success in the marketplace.
- Q4 2022 net loss was \$(0.81) million, compared to net income of \$2.6 million in Q4 2021, reflecting strategic investments noted earlier to grow illumin revenue and further platform enhancements.

Fiscal Year 2022 Highlights

- Total revenue for the year ended December 31, 2022 was \$121.0 million, consistent with the prior year.
- Full year 2022 illumin revenue rose 107% to \$53.7 million on a year-over-year basis.
- Gross margin for the year ended December 31, 2022 was 50.2%, compared to 52.1% for the full year 2021.
- Net revenue or gross profit (revenue less media costs) for the year ended December 31, 2022 was \$60.8 million, compared to \$63.6 million for the same period in 2021.
- Adjusted EBITDA was \$5.8 million for the year ended December 31, 2022, compared to \$20.3 million for the prior year, reflecting strategic investments made to improve our corporate infrastructure and enhance our sales and marketing capabilities to support and accelerate illumin’s growth.
- Net loss for the year ended December 31, 2022 was \$(0.75) million, compared to net income of \$11.8 million for the year ended December 31, 2021.
- During Fiscal Year 2022, the Company repurchased 4,703,780 of its common shares at an average price of \$3.08 per share for total consideration of \$14.5 million.

- At December 31, 2022, the Company had cash and cash equivalents of \$85.9 million, compared to \$102.2 million as of December 31, 2021, largely reflecting the share repurchases made throughout the year.
- The Company's originally filed audited annual consolidated financial statements for the years ended December 31, 2021 and 2020 contained errors relating to (a) the calculation of the share-based compensation for the year ended December, 2021 and (b) the classification of exercised options between the Contributed Surplus and Share Capital for the year ended December, 2021, as further described in the note 8(g) to Company's audited annual consolidated financial statements for the year ended December 31, 2022. To rectify such errors, the management of the Company included the amended and restated financial information for the year ended December 31, 2021 as the comparable financial information in the Company's audited annual consolidated financial statements for the year ended December 31, 2022 (for further information, see note 8(g) of the Company's audited annual consolidated financial statements for the year ended December 31, 2022)

"We reported record total revenue for the fourth quarter of 2022, driven by strong annualized and sequential sales growth from illumin of 121% and 70%, respectively," said Tal Hayek, Co-Founder and Chief Executive Officer of AcuityAds. "illumin continues to exceed our expectations in terms of both revenue growth and its increasing contribution to total revenue, which represented over 56% of our overall revenue for the fourth quarter. This contribution was well in excess of our previously stated goal of reaching 50% for the same timeframe. "

Mr. Hayek continued, "I am most excited by the tremendous momentum of illumin's growing self-serve component. Fourth quarter self-serve revenue grew 100% sequentially with an 86% increase in new self-serve customers. This rapid revenue and customer growth, our strong self-serve demo pipeline and high rate of conversion to contract, speaks to illumin's incredible potential. In addition, we recently began an initiative to pursue long-term self-serve contracts, with terms greater than one year and guaranteed revenue minimums. We look forward to sharing our progress on this front as we continue to advance this initiative."

Elliot Muchnik, AcuityAds' Chief Financial Officer, commented, "Our strategic investments in illumin continue to serve us well, both in terms of sales growth and the extremely positive customer feedback. Given the continued investments, our fourth quarter adjusted EBITDA results were consistent with our expectations. We continue to invest capital in a targeted and strategic manner to support illumin's future growth and based on these latest results, we remain confident our investments are producing strong returns. We continue to monitor the macro economic environment and will reduce costs accordingly should we see any material deterioration in our customers spend."

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

	Three months ended		Twelve months ended	
	December 31, 2022	December 31, 2021 (As restated) ¹	December 31, 2022	December 31, 2021 (As restated) ¹
Net income (loss) for the period	\$ (818,228)	\$ 2,645,206	\$ (753,437)	\$ 11,752,931
Adjustments:				
Finance costs	114,787	256,208	544,344	1,053,282
Foreign exchange (gain) loss	958,229	(774,611)	(6,269,843)	(3,374,098)
Depreciation and amortization	1,325,841	1,240,123	4,853,009	5,057,117
Income tax expense (recovery)	(470,075)	919,317	962,167	1,150,917



Share-based compensation	1,244,565	1,197,945	5,850,615	4,132,017
Severance expenses	92,307	27,500	490,570	139,133
Other expenses	-	360,600	79,132	360,600
Total adjustments	3,265,654	3,227,082	6,509,994	8,518,968
Adjusted EBITDA	\$ 2,447,426	\$ 5,872,288	\$ 5,756,557	\$ 20,271,899

(1) Certain of the prior year numbers have been restated as detailed in Note 8(g) in the Notes to the Consolidated Financial Statements.

Conference Call Details:

Date: Thursday, March 9, 2023

Time: 8:30AM Eastern Time

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

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

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 Journey Advertising technology company that empowers marketers to make smarter decisions about targeting and communicating with online consumers. Its journey advertising platform, illumin™, 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 <https://illuminate.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 9, 2023¹ for the fiscal year ended December 31, 2022 (the "AIF") and the Company's Management Discussion and Analysis for the three months ended December 31, 2022 dated March 9, 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.

For further information, please contact:

Daniel Gordon
Investor Relations Manager
AcuityAds Holdings Inc.
416-218-9888 ext. 5313
investors@acuityads.com

Babak Pedram
Investor Relations –
Canada
Virtus Advisory Group Inc.
416-644-5081
bpedram@virtusadvisory.com

David Hanover
Investor Relations – U.S.
KCSA Strategic Communications
212-896-1220
ghanover@kcsa.com

Please note that the following Financial Statements are an extract provided for readers' convenience and should be viewed in conjunction with the Notes to the Financial Statements which are an integral part of the statements. The full financial statements and Management Discussion and Analysis for the period may be found by accessing SEDAR and EDGAR

AcuityAds Holdings Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	December 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 85,940,728	\$ 102,208,807
Accounts receivable	33,791,853	30,972,608
Income tax receivable	847,950	-
Prepaid expenses and other	3,153,012	3,278,624
	123,733,543	136,460,039
Non-current assets		
Deferred tax asset	449,482	81,803
Other assets	248,285	-
Property and equipment	7,117,446	5,369,619
Intangible assets	5,228,805	3,044,278
Goodwill	4,869,841	4,869,841
	141,647,402	149,825,580
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	26,546,031	24,853,497
Income tax payable	42,567	910,165
Borrowings	4,031,324	2,946,150
Lease obligations	2,881,804	2,058,161
	33,501,726	30,767,973
Non-current liabilities		
Borrowings	191,022	3,852,891
Deferred tax liability	1,060,115	-
Lease obligations	3,768,191	2,148,708
	38,521,054	36,769,572
Shareholders' equity	103,126,348	113,056,008
	141,647,402	149,825,580

AcuityAds Holdings Inc.**Condensed Interim Consolidated Statements of Comprehensive Income (Loss)****(Expressed in Canadian dollars)****(Unaudited)**

	2022	2021 (As restated) ¹
Revenue		
Managed services	\$ 80,978,396	\$ 91,807,683
Self-service	40,060,339	30,218,619
	121,038,735	122,026,302
Media costs	60,250,973	58,461,333
Gross profit	60,787,762	63,564,969
Operating expenses		
Sales and marketing	24,042,497	22,274,113
Technology	16,804,963	12,680,460
General and administrative	14,753,447	8,838,230
Share-based compensation	5,850,615	4,132,017
Depreciation and amortization	4,853,009	5,057,117
	66,304,531	52,981,937
Income (loss) from operations	(5,516,769)	10,583,032
Finance costs	544,344	1,053,282
Foreign exchange gain	(6,269,843)	(3,374,098)
	(5,725,499)	(2,320,816)
Net income (loss) before income taxes	208,730	12,903,848
Income taxes	962,167	1,150,917
Net income (loss) for the year	(753,437)	11,752,931
Basic and diluted net income (loss) per share	(0.01)	0.20
Other Comprehensive Income (Loss)		
Items that may be subsequently reclassified to net income:		
Exchange gain (loss) on translating foreign operations	(900,899)	31,169
Comprehensive income (loss) for the year	(1,654,336)	11,784,100

(1) Certain of the prior year numbers have been restated as detailed in Note 8(g) in the Notes to the Consolidated Financial Statements.

AcuityAds Holdings Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	2022	2021 (As restated) ¹
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	\$ (753,437)	\$ 11,752,931
Adjustments to reconcile net income (loss) to net cash flows		
Depreciation and amortization	4,853,009	5,057,117
Finance costs	544,344	1,053,282
Share-based compensation	5,850,615	4,132,017
Foreign exchange gain	(6,269,843)	(3,374,098)
Income tax expense	962,167	1,150,917
Change in non-cash operating working capital		
Accounts receivable	(2,819,245)	886,698
Prepaid expenses and other	125,610	(1,345,158)
Other assets	(248,285)	-
Accounts payable and accrued liabilities	1,930,673	1,620,836
Income taxes paid	(1,985,279)	(322,555)
Interest paid, net	(409,378)	(918,443)
	<u>1,780,951</u>	<u>19,693,544</u>
Investing activities		
Additions to property and equipment	(91,382)	(393,859)
Additions to intangible assets	(3,737,030)	(1,259,165)
	<u>(3,828,412)</u>	<u>(1,653,024)</u>
Financing activities		
Repayment of term loans principal	(2,261,350)	(2,495,887)
Proceeds from international loans	1,435,351	1,297,598
Repayment of international loans	(1,885,662)	(2,395,741)
Repayment of leases	(2,516,967)	(3,360,075)
Net proceeds from equity financing	-	63,955,491
Repurchase of shares for cancellation	(14,499,976)	-
Proceeds from the exercise of warrants	-	61,723
Proceeds from the exercise of stock options	374,037	1,072,089
	<u>(19,354,567)</u>	<u>58,135,198</u>
Increase (decrease) in cash and cash equivalents	(21,402,028)	76,175,718
Impact of foreign exchange on cash and cash equivalents	5,133,949	3,394,789
Cash and cash equivalents – beginning of year	102,208,807	22,638,300
Cash and cash equivalents – end of year	<u>85,940,728</u>	<u>102,208,807</u>
Supplemental disclosure of non-cash transactions		
Additions to property and equipment under leases	4,956,952	674,927

(1) Certain of the prior year numbers have been restated as detailed in Note 8(g) in the Notes to the Consolidated Financial Statements.