

## Internet, Media &amp; Enabling Technologies

## Corporate Access Event

## AcuityAds Holdings, Inc. | ATY - \$2.75 - NASDAQ | Neutral

## Stock Data

52-Week Low - High	\$2.08 - \$15.56
Shares Out. (mil)	60.73
Mkt. Cap.(mil)	\$167.02
3-Mo. Avg. Vol.	202,017
12-Mo.Price Target	\$3.50
Cash (mil)	\$80.5
Tot. Debt (mil)	\$5.4

Cash and Debt converted to USD assuming 0.81 CAD/USD

## Revenue (C\$ millions)

Yr Dec	—2021—	—2022E—	—2023E—
		Curr	Curr
1Q	27.5A	26.0E	-
2Q	30.3A	34.4E	-
3Q	27.5A	36.7E	-
4Q	36.8A	49.3E	-
YEAR	122.0A	146.4E	178.4E

## EBITDA

Yr Dec	—2021—	—2022E—	—2023E—
		Curr	Curr
1Q	4.5A	0.1E	-
2Q	5.4A	4.6E	-
3Q	4.4A	5.5E	-
4Q	5.9A	11.7E	-
YEAR	20.3A	21.9E	28.1E

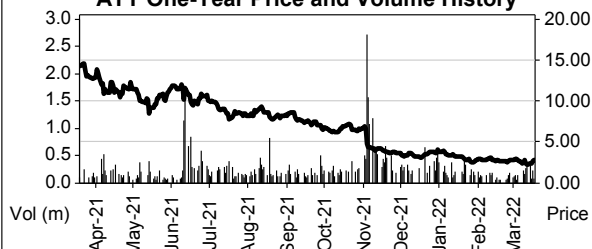
Adj. EBITDA. CAD

## EPS C\$

Yr Dec	—2021—	—2022E—	—2023E—
		Curr	Curr
1Q	0.02A	(0.04)E	-
2Q	0.06A	0.02E	-
3Q	0.06A	0.03E	-
4Q	0.04A	0.10E	-
YEAR	0.18A	0.11E	0.18E

CAD, Diluted

## ATY One-Year Price and Volume History



## ATY: 34th Annual ROTH Conference Takeaways

We recently hosted ATY Co-Founder and CEO Tal Hayek and CFO Elliot Muchnik for a series of presentations and 1x1 meetings. Our key takeaways can be found in our full report.

**Tier-2 customer traction moving the needle near-term.** We continue to highlight a growing pipeline of Tier-1 customers for Illumin which are classified as Fortune 1000 enterprises. While that pipeline is expanding, these customers typically require more effort on the selling front which could include over a dozen various touch points/decision makers per customer. We are encouraged by future deal sizes from these clients as they likely have larger ad spend budgets than smaller companies, however, Tier-1 customers also generally take more time to transition to new systems from those currently utilized, thereby likely limiting the amount of spend on Illumin right out of the gate. In the near-term, much of the P&L impact on Illumin thus far is stemming from mid-tier (Tier-2) customers which are classified as companies with ~\$5M-\$500M in revenue. Compared to Tier-1 customers, Tier-2 customers generally have lower overall ad spend but are more likely to allocate a higher portion of their spend towards Illumin soon after being on boarded. We believe this traction is encouraging to help fill the gap between the initial onboarding of Tier-1 customers and material P&L impacts from these customers, especially given the targeted ~\$11M in anticipated re-investment in FY22 to build out its Tier-1 focused sales force.

From a capital allocation perspective, we believe the Company is strongly considering a buyback, and would be encouraged to see that, especially given the level of FCF the business spun off last year, even in the face of some macro headwinds.

## VALUATION

Our \$3.50 price target is based on a ~8x EV/22E adj. EBITDA multiple to our ~\$21.9M CAD estimate.

While our ATY price target falls outside of ROTH's definition for a Neutral rated stock, we believe this is warranted given the uncertainty around ATY's customers in regard to continued budget reductions and elongated sales cycles related to the current supply chain disruptions globally which limit visibility into FY22 business operations.

Factors that could impede ATY from achieving our price target include: lack of illumin adoption, competition, customer retention, ad fraud, internet tracking policies, and customer concentration.

## RISKS

**Competition.** The ad tech sector is highly competitive, especially among demand side platforms (DSPs) in the programmatic space. While ATY has a differentiated product, it competes against much larger and better capitalized peers. If it does not maintain a competitive edge with its technology, its business could adversely impacted.

**Customer retention.** Brands usually run marketing campaigns on a campaign by campaign basis. In the ad tech space there are few, if any, long-term contracts. Failure of ATY to retain customers could add volatility to its business and stock.

**Continued success of illumin.** To date illumin has seen rapid early growth and success. The continued success of illumin represents the bulk of future top-line growth. If growth of and traction with illumin were to wane, it could adversely impact overall growth and stock performance.

**Ad fraud.** There is a risk of fraud within the ad tech business. Bad actors can utilize bots to mimic real humans, inflating the number of clicks and impressions. Acuity does what it can to mitigate these bad actors; however, there is a risk that Acuity could be liable or partially liable for fraudulent actions taken within its platform. The same risk exists for the managed service component of the business as well.

**Policy on internet and app tracking.** Marketers use a variety of tools to strategically deploy ads across internet and app platforms. Software companies that design and operate these platforms (apps, Chrome, Firefox, Safari, Android, and iOS) are all within their right to change policies as it relates to advertisers' ability to collect data from targeted audiences. Government policies from agencies such as the FTC can also levy advertiser's ability to collect data from users and track targeted audiences. These policy changes can affect companies' ad budgets, thereby affecting the potential revenue flow for Acuity.

**Customer concentration.** While Acuity operates a model that uses a volume of customers rather than few long-term subscribers, ~39% of its business came from its top 10 customers in 2020, with one customer representing ~9% of total revenue. Customers are often not tied to long-term commitments which means there is a risk for a significant reduction in revenue if one or more of these customers were to no longer conduct business with Acuity.

**Macroeconomic risk.** Global events, or changes in the economic landscape can have adverse impacts on the digital advertising environment. Whether through recession or something like a pandemic, these events tend to dampen the digital advertising spending environment, which would adversely impact most industry participants, including Acuity.

## COMPANY DESCRIPTION

AcuityAds Holdings, Inc. (ATY) is an advertising technology company that offers programmatic advertising solutions including self-service, managed services and automated self-services (illumin). Illumin is ATY's newest product that leverages AI/machine learning to automate the advertising journey with real-time insights and bidding to optimize and measure marketing spend for brands. Acuity customers include both Fortune 500 enterprises and medium-sized businesses. AcuityAds is headquartered in Toronto, Canada.

## AcuityAds Holdings Inc. (ATY-NASDAQ)

Fiscal year end - December

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(CAD\$ in thousands except per share data)

	2017A	2018A	2019A	2020A	1Q21A	2Q21A	3Q21A	4Q21A	2021A	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E
	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$	CAD\$
<b>Income Statement</b>															
Total revenue - CAD	58,459	70,236	119,134	104,894	27,455	30,285	27,485	36,802	122,026	25,990	34,369	36,740	49,313	146,412	178,445
Total revenue - USD	47,352	56,891	96,499	84,964	22,238	24,531	22,263	28,528	97,560	20,465	27,062	28,930	38,829	115,285	140,508
FX rate	0.81	0.81	0.81		0.81	0.81	0.81	0.78		0.79	0.79	0.79	0.79		
Media costs (IFRS)	29,364	33,858	61,712	50,809	13,091	14,476	13,232	17,663	58,461	12,735	16,875	18,260	24,459	72,330	89,801
Gross profit (IFRS)	29,096	36,378	57,422	54,085	14,364	15,809	14,253	19,139	63,565	13,255	17,494	18,480	24,854	74,083	88,644
Operating expenses (IFRS)															
Sales and marketing	16,379	20,728	27,019	18,127	4,554	5,167	5,261	7,292	22,274	7,329	6,942	6,981	7,002	28,255	31,286
Technology	7,768	6,151	13,801	13,157	3,793	3,342	2,581	2,964	12,680	3,457	3,506	3,527	3,600	14,089	16,351
General and administrative	5,502	6,860	7,873	5,919	1,532	1,895	2,012	3,399	8,838	2,417	2,440	2,462	2,515	9,834	12,900
Stock-based compensation	1,605	1,137	1,410	998	864	1,624	1,466	1,375	5,329	1,000	1,100	1,200	1,300	4,600	5,060
Depreciation and amortization	3,134	6,034	8,124	8,894	1,383	1,262	1,172	1,240	5,057	1,521	1,388	1,290	1,364	5,563	6,119
Total operating expenses (cash)*	28,775	39,272	50,149	37,203	9,879	10,404	9,854	13,655	43,793	13,203	12,888	12,969	13,117	52,178	62,895
Total operating expenses (IFRS)	33,513	46,443	59,683	47,095	12,127	13,290	12,492	16,270	54,179	15,724	15,376	15,459	15,781	62,341	71,716
Adj. EBITDA - CAD	187	2,841	9,714	15,798	4,541	5,439	4,419	5,872	20,272	52	4,605	5,511	11,737	21,905	28,107
Adj. EBITDA - USD	151	2,301	7,869	12,711	3,679	4,405	3,580	4,552	16,216	41	3,626	4,339	9,241	17,248	22,132
Operating income/(loss) (IFRS)	(4,417)	(10,065)	(2,261)	6,990	2,237	2,519	1,760	2,869	9,386	(2,469)	2,118	3,022	9,072	11,742	16,928
Interest (expense)	1,631	2,095	2,494	1,663	275	259	263	256	1,053	275	275	275	275	1,100	1,100
Other income (expense), net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income (loss) before taxes (IFRS)	(6,397)	(12,181)	(5,454)	5,189	1,394	3,563	3,362	3,387	11,706	(2,744)	1,843	2,747	8,798	10,643	15,829
Provision for income taxes	163	(903)	153	1,498	30	201	0	919	1,151	0	498	742	2,375	3,614	4,274
Adj. Net income/(loss)	(5,729)	(2,322)	4,791	13,184	4,180	4,944	4,135	4,309	17,568	(223)	3,833	4,495	9,086	17,191	22,734
Net income/(loss)	(6,560)	(11,278)	(5,607)	3,691	1,364	3,362	3,362	2,468	10,556	(2,744)	1,345	2,005	6,422	7,028	11,555
Adj. EPS - CAD (diluted)	(\$0.18)	(\$0.06)	\$0.09	\$0.24	\$0.07	\$0.09	\$0.07	\$0.07	\$0.30	(\$0.00)	\$0.06	\$0.07	\$0.14	\$0.28	\$0.36
Adj. EPS - USD	(\$0.15)	(\$0.05)	\$0.07	\$0.19	\$0.06	\$0.07	\$0.06	\$0.06	\$0.24	(\$0.00)	\$0.05	\$0.06	\$0.11	\$0.22	\$0.28
EPS - basic - CAD	(\$0.21)	(\$0.29)	(\$0.12)	\$0.07	\$0.03	\$0.06	\$0.05	\$0.04	\$0.18	(\$0.04)	\$0.02	\$0.03	\$0.09	\$0.10	\$0.16
EPS - diluted - CAD	(\$0.21)	(\$0.29)	(\$0.10)	\$0.07	\$0.02	\$0.06	\$0.06	\$0.04	\$0.18	(\$0.04)	\$0.02	\$0.03	\$0.10	\$0.11	\$0.18
Weighted avg. shares - diluted	31,589	39,134	54,352	55,972	57,961	58,014	60,638	60,720	59,333	61,220	61,720	62,220	62,720	61,970	63,970
<b>Margin analysis:</b>															
Gross profit	49.8%	51.8%	48.2%	51.6%	52.3%	52.2%	51.9%	52.0%	52.1%	51.0%	50.9%	50.3%	50.4%	50.6%	49.7%
Sales and marketing	28.0%	29.5%	22.7%	17.3%	16.6%	17.1%	19.1%	19.8%	18.3%	28.2%	20.2%	19.0%	14.2%	19.3%	17.5%
Technology	13.3%	8.8%	11.6%	12.5%	13.8%	11.0%	9.4%	8.1%	10.4%	13.3%	10.2%	9.6%	7.3%	9.6%	9.2%
General and administrative	9.4%	9.8%	6.6%	5.6%	5.6%	6.3%	7.3%	9.2%	7.2%	9.3%	7.1%	6.7%	5.1%	6.7%	7.2%
Total operating expenses (cash)	49.2%	55.9%	42.1%	35.5%	36.0%	34.4%	35.9%	37.1%	35.9%	50.8%	37.5%	35.3%	26.6%	35.6%	46.5%
Total operating expenses (IFRS)	57.3%	66.1%	50.1%	44.9%	44.2%	43.9%	45.5%	44.2%	44.4%	60.5%	44.7%	42.1%	32.0%	42.6%	40.2%
Adj. EBITDA	0.3%	4.0%	8.2%	15.1%	16.5%	18.0%	16.1%	16.0%	16.6%	0.2%	13.4%	15.0%	23.8%	15.0%	15.8%
Operating income/(loss) (IFRS)	(7.6%)	(14.3%)	(1.9%)	6.7%	8.1%	8.3%	6.4%	7.8%	7.7%	(9.5%)	6.2%	8.2%	18.4%	8.0%	9.5%
Tax rate	(2.6%)	7.4%	(2.8%)	28.9%	2.2%	5.7%	0.0%	27.1%	9.8%	0.0%	27.0%	27.0%	27.0%	34.0%	27.0%
Adj. net income/(loss)	(9.8%)	(3.3%)	4.0%	12.6%	15.2%	16.3%	15.0%	11.7%	14.4%	(0.9%)	11.2%	12.2%	18.4%	11.7%	12.7%
Net income/(loss)	(11.2%)	(16.1%)	(4.7%)	3.5%	5.0%	11.1%	12.2%	6.7%	8.7%	(10.6%)	3.9%	5.5%	13.0%	4.8%	6.5%
Adj. EPS	(0.0%)	(0.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(0.0%)	0.0%	0.0%	0.0%	0.0%	0.0%
EPS	(0.0%)	(0.0%)	(0.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(0.0%)	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Y/Y Growth:</b>															
Managed services		40.4%	61.7%	(8.5%)	15.2%	61.3%	3.0%	(4.2%)	14.0%	(25.0%)	(12.0%)	3.0%	3.0%	(7.6%)	(4.0%)
Self-service		(19.6%)	96.7%	(21.7%)	6.1%	35.5%	11.9%	40.0%	23.9%	78.9%	103.8%	106.3%	114.9%	103.9%	57.5%
Total revenue - CAD		20.1%	69.6%	(12.0%)	13.4%	54.9%	5.4%	5.0%	16.3%	(5.3%)	13.5%	33.7%	34.0%	20.0%	21.9%
Sales and marketing		26.6%	30.4%	(32.9%)	(5.7%)	37.8%	4.3%	61.9%	22.9%	60.9%	34.4%	32.7%	(4.0%)	26.9%	10.7%
Technology		(20.8%)	124.4%	(4.7%)	(6.4%)	18.4%	(12.3%)	(11.2%)	(3.6%)	(8.9%)	4.9%	36.7%	21.5%	11.1%	16.1%
General and administrative		24.7%	14.8%	(24.8%)	(4.3%)	13.7%	27.6%	216.3%	49.3%	57.8%	28.8%	22.3%	(26.0%)	11.3%	31.2%
Stock-based compensation		(29.2%)	24.1%	(29.2%)	503.9%	1,710.8%	480.9%	168.0%	433.8%	15.7%	(32.3%)	(18.1%)	(5.5%)	(13.7%)	10.0%
Total operating expenses (cash)		36.5%	27.7%	(25.8%)	(5.8%)	26.3%	3.0%	53.2%	17.7%	33.6%	23.9%	31.6%	(3.9%)	19.1%	58.9%
Total operating expenses (IFRS)		38.6%	28.5%	(21.1%)	(5.2%)	25.5%	3.8%	39.3%	15.0%	29.7%	15.7%	23.7%	(3.0%)	15.1%	15.0%
Adj. EBITDA		1,420.4%	241.9%	62.6%	151.9%	154.0%	9.5%	(23.9%)	28.3%	(98.9%)	(15.3%)	24.7%	99.9%	8.1%	28.3%
Operating income/(loss) (IFRS)		127.9%	(77.5%)	(409.2%)	(470.9%)	(626.5%)	17.8%	(56.4%)	34.3%	(210.4%)	(15.9%)	71.6%	216.2%	25.1%	44.2%
Adj. net income/(loss)		(59.5%)	(306.3%)	175.2%	318.0%	258.7%	10.5%	(39.0%)	33.3%	(105.3%)	(22.5%)	8.7%	110.9%	(2.1%)	32.2%
Net income/(loss)		71.9%	(50.3%)	(165.8%)	566.0%	(310.0%)	265.0%	(40.8%)	186.0%	(301.2%)	(60.0%)	(40.4%)	160.2%	(33.4%)	64.4%
Adj. EPS		(67.6%)		167.2%	300.8%	238.2%	1.7%	(41.9%)	25.7%	(105.0%)	(27.1%)	5.9%	104.2%	(6.3%)	28.1%
EPS		38.1%	(58.6%)	(158.3%)	NM	NM	164.2%	(45.4%)	150.6%	(266.8%)	(65.2%)	(43.9%)	145.1%	(40.3%)	55.2%

Source: SEDAR Filings, ROTH Capital Partners Estimates

\*Cash OpEx defined as IFRS plus stock-based compensation and D&amp;A

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### Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 03/18/22	
			Count	Percent
Buy [B]	348	82.86	234	67.24
Neutral [N]	45	10.71	24	53.33
Sell [S]	0	0.00	0	0
Under Review [UR]	27	6.43	17	62.96

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**Neutral:** A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

**Sell:** A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

**Under Review [UR]:** A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

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