



AcuityAds Holdings Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

Dated November 14, 2018

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AcuityAds Holdings Inc.

Management's Discussion and Analysis for the three and nine months ended September 30, 2018 and 2017

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 and nine months ended September 30, 2018 and 2017. This analysis should be read in conjunction with AcuityAds' consolidated interim financial Statements for the three and nine months ended September 30, 2018 and 2017 and related notes (the "Consolidated Interim Financial Statements"). The Consolidated Interim Financial Statements and extracts of those Consolidated Interim Financial Statements provided in this MD&A, were prepared in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS"). 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. 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 Consolidated Interim Financial Statements include the accounts of the Company and its wholly-owned subsidiaries AcuityAds Inc. ("Acuity"), AcuityAds US Inc., 140 Proof, Inc., ("140 Proof,"), Visible Measures Corp., ("Visible Measures"), ADman Interactive S.L. ("ADman"), AcuityAds MM Inc. ("Acuity MM"), and 2422330 Ontario Inc. All inter-company balances and transactions have been eliminated on consolidation.

The information in this report is dated as of November 14, 2018.

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 Corporation, including as they relate to its financial results and the ability to execute on its investing and business strategies. 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. 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 product, 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.

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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. 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, powered by proprietary machine learning technology, is at the core of its business, accompanied by patented solutions for analytics-led video and mobile targeting that leverages data. AcuityAds empowers marketers by offering near realtime reporting and analytics, bringing accountability to programmatic advertising to deliver business results and help solve the key challenges that digital advertisers face. AcuityAds is headquartered in Toronto and has offices in the U.S., Canada, Spain, Brazil, Chile, Mexico, Colombia, and Argentina. Its key customers include both agencies and brands, including large Fortune 500 enterprises and small to mid-sized businesses.

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

The AcuityAds 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 technology 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.

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RESULTS OF OPERATIONS

Significant developments during the three-month period ended September 30, 2018 include the following:

Effective September 1, 2018, AcuityAds acquired certain sales related assets of Magnetic Media Online Holdings Inc., a US-based artificial intelligence adtech company for \$0 upfront and an earnout which is expected to be US\$2,435,388 (\$3,179,398). This transaction was accounted for in a newly formed subsidiary called AcuityAds MM Inc.

Significant developments subsequent to September 30, 2018 include the following:

On October 18, 2018, the Company and Silicon Valley Bank agreed to increase its line of credit to US\$15,000,000 from US\$10,000,000 and extend the maturity date to March 2020. In addition, the applicable interest rate has been reduced from prime plus 3.0% to prime plus 1.50%.

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 percentage that Revenue less media costs for any period represents as a percentage of total revenue for that period.

"Adjusted EBITDA" refers to net income (loss) after adjusting for finance costs, 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 and earnout liabilities. 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 prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration depreciation of property and equipment and the other items listed above. It is a key measure used by the Company's management (the "Management") and board of directors (the "Board of Directors") to understand and evaluate the Company's operating performance, to prepare annual budgets and to help develop operating plans.

"Adjusted EBITDA" and "Revenue less media costs" 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. "Adjusted EBITDA" and "Revenue less media costs" do not have a standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies.

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Results for the three and nine months ended September 30, 2018 and 2017

The following table provides selected financial information from the consolidated interim statements of comprehensive loss for the three and nine months ended September 30, 2018 and 2017:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenue	\$ 17,298,170	\$ 14,523,649	\$ 37,299,663	\$ 43,316,219
By line of service:				
Managed services	12,887,288	10,050,099	26,680,891	26,605,351
Self-service	4,410,882	4,473,550	10,618,772	16,710,868
By geography:				
Canada	4,257,643	3,101,443	9,167,285	8,058,988
US	10,978,490	8,756,502	22,947,871	24,161,247
Other	2,062,037	2,665,704	5,184,507	11,095,984
Revenue less media costs ¹ (gross profit)	9,312,594	7,116,433	19,834,859	21,360,038
Adjusted EBITDA ^{1,2}	1,097,707	(1,240,078)	(469,865)	(463,243)
Loss from operations	(1,243,521)	(1,738,770)	(6,043,053)	(3,531,778)
Comprehensive loss	(1,860,469)	(1,602,439)	(6,910,907)	(3,946,201)
Loss per share (basic and diluted)	\$ (0.06)	\$ (0.07)	\$ (0.20)	\$ (0.17)

(1) As defined in "Non-IFRS Financial Measures".

(2) For the three and nine months ended September 30, 2017, the Adjusted EBITDA above has been adjusted to exclude the \$3,316,080 fair value gain related to the reduction in the earn out liability.

Revenue for the three and nine months ended September 30, 2018 compared to the same periods of the prior year increased \$2,774,521 to \$17,298,170 from \$14,523,649 and decreased \$6,061,556 to \$37,299,663 from \$43,316,219. Sales of the Company's Managed Service Platform increased \$2,837,189 to \$12,887,288 from \$10,050,099 and \$75,540 to \$26,680,891 from \$26,605,351 from the prior year periods for the three and nine months ended September 30, 2018. Sales of the Company's Self-service Platform contributed revenue of \$4,410,882 and \$10,618,772 during the three and nine months ended September 30, 2018 compared to \$4,473,550 and \$16,710,868 in the same periods of 2017, a decrease of \$62,668 and \$6,092,096.

Revenue generated in the United States was \$10,978,490 and \$22,947,871 for the three and nine months ended September 30, 2018, an increase of \$2,221,988 and a decrease of \$1,213,376 from the prior year periods.

Adjusted EBITDA was \$1,097,707 and (\$469,865) for the three and nine months ended September 30, 2018 compared to an EBITDA of \$(1,240,078) and \$(463,243) in the same period of 2017. The increase in Adjusted EBITDA from the prior year's period is attributable to revenue increase and margin improvement. As noted above, Adjusted EBITDA for the three and nine months ended September 30, 2017 excludes the \$3,316,080 fair value gain related to the reduction in earn out liability.

Comprehensive loss for the three and nine months ended September 30, 2018 decreased \$258,030 and \$2,964,706 due to reasons noted above.

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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 cyclicity.

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		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenue	\$ 17,298,170	\$ 14,523,649	\$ 37,299,663	\$ 43,316,219
Media costs	7,985,576	7,407,216	17,464,804	21,956,181
Revenue less media costs	9,312,594	7,116,433	19,834,859	21,360,038
Revenue less media costs margin	54%	49%	53%	49%

Media costs comprise advertising impressions the Company purchased from real-time advertising exchanges or through other third parties. For the three and nine months ended September 30, 2018 media costs were \$7,985,576 and \$17,464,804 compared to \$7,407,216 and \$21,956,181 for the three and nine months ended September 30, 2017, representing an increase of \$578,360 and a decrease of \$4,491,377, which is attributable to the increased revenue during the quarter and the decreased cost of buying media for a lesser number of advertising campaigns during the year. As a percentage of revenue, revenue less media costs were 54% and 53% for the three and nine months ended September 30, 2018 compared to 49% and 49% for the prior year periods as a result of technology efficiencies. The Company's management team regularly evaluates the Company's pricing strategy in order to optimize the Company's objectives of market penetration and profitability and, accordingly margins may fluctuate from quarter to quarter.

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Reconciliation of net loss to adjusted EBITDA for the three and nine months ended September 30, 2018 and 2017

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

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net loss for the period	\$ (2,251,417)	\$ (2,346,063)	\$ (7,656,490)	\$ (5,228,217)
Adjustments:				
Finance costs	586,735	463,854	1,430,987	1,232,399
Impairment loss	-	1,894,849	-	1,894,849
Fair Value Gain	-	(3,316,080)	-	(3,316,080)
Foreign exchange (gain) loss	421,161	121,774	163,749	326,260
Depreciation and amortization	1,470,995	1,230,892	3,238,215	2,314,738
Income taxes	-	21,665	18,701	137,780
Share-based compensation	221,949	541,697	897,739	1,134,572
Acquisition costs	748,252	-	1,261,706	547,106
Severance expenses	(99,968)	147,334	175,528	493,350
Total adjustments	3,349,124	4,422,065	7,186,625	8,081,054
Adjusted EBITDA*	\$ 1,097,707	\$ (1,240,078)	\$ (469,865)	\$ (463,243)

* For the three and nine months ended September 30, 2017, the Adjusted EBITDA above has been adjusted to exclude the \$3,316,080 fair value gain related to the reduction in the earn out liability.

Adjusted EBITDA for the three and nine months ended September 30, 2018 was \$1,097,707 and (\$469,865) compared to \$(1,240,078) and \$(463,243) for the prior year periods. The increase of approximately \$2,338,000 in adjusted EBITDA for the three months ending September 30, 2018 was attributable primarily to the increase in revenue and the improved margins.

Operating Expenses, Finance Costs, and Foreign Exchange

The following table summarizes various expenses for the three and nine months ended September 30, 2018 and 2017:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Sales and marketing expenses	\$ 5,235,354	\$ 4,702,051	\$ 12,160,569	\$ 12,312,329
Research and development	1,495,077	2,438,053	4,070,141	6,045,853
General and administrative	1,384,488	1,363,741	4,249,542	3,958,449
Share-based compensation	221,949	541,697	897,739	1,134,572
Acquisition costs	748,252	-	1,261,706	547,106
Depreciation and amortization	1,470,995	1,230,892	3,238,215	2,314,738
Finance costs	586,735	463,854	1,430,987	1,232,399
Foreign exchange (gain) loss	421,161	121,774	163,749	326,260

Sales and marketing expenses

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Sales and marketing expenses consist of all costs associated with selling and marketing the Company's services and products. The costs contain 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 and marketing teams. Sales and marketing expenses for the three and nine months ended September 30, 2018 increased \$533,303 and decreased \$151,760 compared to the same periods of the prior year. Both the increased and the decreased costs were realized primarily from the respective increase and decrease in revenue in the three and nine month periods. As a percentage of gross revenue sales and marketing expenses are 30% and 33% of revenue for the three and nine months ending September 30, 2018 compared to 32% and 28% for the prior year period.

Research and development

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

During the nine months ended September 30, 2018 the Company capitalized \$1,248,174 of development costs relating to revenue generating technology.

Excluding capitalization, investment tax credits, and other grants, during the three and nine months ending September 30, 2018, research and development expenses decreased by \$394,802 and \$1,113,445 compared to the prior year periods primarily due to the restructuring of Visible Measures.

For the three and nine months ended September 30, 2018, research and development expenses as a percentage of gross revenue are 9% and 17% compared to 17% and 14% from the prior year periods.

General and administrative

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 increased \$20,747 and \$291,093 over the three and nine months ended September 30, 2018. The increased expense is primarily attributable to the acquisition of Adman and the assets of Magnetic Media. As a percentage of revenue, general and administrative expenses are 8% and 11% compared to 9% and 9% from the prior year periods.

Share based compensation

Share-based compensation expense was \$221,949 and \$897,739 for the three and nine months ended September 30, 2018 compared to \$541,697 and \$1,134,572 in the comparable prior year periods.

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Acquisition costs

On June 15, 2018, the Company completed the acquisition of ADman. As a result, acquisition costs of \$185,364 and \$698,818 were incurred during the three and nine months ended September 30, 2018.

Effective September 1, 2018, the Company acquired certain sales related assets of Magnetic Media. As a result, acquisition costs of \$562,888 were incurred during the period ending September 30, 2018.

Depreciation and amortization

Depreciation and amortization for the three and nine months ended September 30, 2018 increased \$240,103 and \$923,477 from the comparable periods in the prior year, due mainly to additions of equipment to the Company's data centres and to a lesser extent, computer equipment and office furniture.

Finance costs

For the three and nine months ended September 30, 2018 finance costs were \$586,735 and \$1,430,987, an increase of \$122,881 and \$198,588 from the prior year periods. Increased finance costs are primarily due to the increased interest rate on the revolving line of credit compared to the prior year period as well as the increased term loan balance.

Foreign exchange loss

Foreign exchange loss consists of realized and unrealized exchange differences due to fluctuations between the Canadian and the U.S. dollar. The Company recorded a net foreign exchange loss of \$421,161 and \$163,749 for the three and nine months ended September 30, 2018 compared to a loss of \$121,774 and \$326,260 for the three and nine months ended September 30, 2017.

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.

LIQUIDITY AND CAPITAL RESOURCES

Selected financial information from the statements of financial position as at September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
Cash and restricted cash	\$ 4,650,735	\$ 4,942,880
Working capital ⁽¹⁾	227,429	(3,546,416)
Total assets	66,228,462	41,429,152
Current liabilities	32,719,323	25,220,299
Other non-current liabilities	18,869,387	1,766,264
Shareholders' equity	14,639,752	14,442,589

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

As at September 30, 2018, the Company had cash and cash equivalents and restricted cash of \$4,650,735 compared to \$4,942,880 at the prior year end date. The decrease in cash was primarily attributable to the acquisition of two companies.

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Cash flows used in operations were (2,422,102) during the nine months ended September 30, 2018, compared to cash flows used in operations of (4,329,953) in the prior year period.

Common Shares

Changes in the number of issued common shares from December 31, 2017 to September 30, 2018 are as follows:

	Number of Common Shares
Balance December 31, 2017	35,280,120
Equity financing	4,600,000
Shares issued – acquisition	658,989
Warrants exercised	–
Options exercised	254,570
DSU's exercised	112,400
Balance September 30, 2018	40,906,079

Stock Options

Under the Company's stock option plan (the "Plan"), the Board of Directors may grant options to employees, officers, independent directors and consultants of the Company. As at September 30, 2018, the Company was entitled to issue 4,090,608 stock options under the Plan. The maximum number of common shares which may be issued under the Plan is a rolling fixed maximum percentage of 10% of the common shares issued and outstanding at a point in 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.

The following table reflects the activity of the options from December 31, 2017 to September 30, 2018:

	Number of Options	Weighted Average Exercise Price
Balance outstanding December 31, 2017	2,595,596	\$2.03
Granted	945,000	\$0.84
Forfeited or cancelled	(205,667)	\$3.74
Exercised	(254,570)	\$0.81
Options outstanding September 30, 2018	3,080,359	\$1.65

During the three and nine months ended September 30, 2018, the Company recorded share-based compensation expense related to stock options granted to employees, officers, and directors of the Company of \$221,949 and \$897,739 compared to \$541,697 and \$1,134,572 for the same period of the prior year. During the nine months ended September 30, 2018 the Company granted 945,000 stock options with a weighted average exercise price of \$0.84. Of those, 500,000 options were granted to an officer of the Company and 17,500 options were granted to a consultant, as compensation for services rendered and vest annually over a 3 year period and are exercisable at a weighted average price of \$0.65 all expiring during 2023.

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Deferred Share Units ("DSU's")

For the three and nine months ended September 30, 2018, the Company issued 358,108 and 701,808 DSU's to employees, officers, directors, and consultants of the Company. Of those amounts, 67,250 and 151,450 were granted to executives in lieu of bonuses and 54,692 and 165,292 were granted to directors in lieu of director fees, all vesting immediately.

CONTRACTUAL OBLIGATIONS

The contractual obligations as at September 30, 2018 are summarized below:

	Less than 1 year	Between 1 and 5 years	Total
Office leases	1,006,421	322,818	1,329,239
Revolving line of credit	6,518,974	-	6,518,974
Term loans	1,815,750	5,447,250	7,263,000
International loans	1,905,520	1,979,532	3,885,052
Earn out – acquisition	0	12,363,009	12,363,009
Finance lease obligations	1,325,527	1,205,331	2,530,858
Total	\$12,572,192	\$21,317,940	\$33,890,132

TRANSACTIONS WITH RELATED PARTIES

The key management personnel of the Company are the members of the Company's Management and Board of Directors.

Executive officers of the Company received compensation in the aggregate amount of \$225,000 and \$714,522 during the three and nine months ended September 30, 2018 (three and nine months ended September 30, 2017 – \$242,950 and \$1,048,182).

Executive officers own directly or beneficially 35% of the issued common shares of the Company as at September 30, 2018.

Executive officers and directors are eligible to participate in the Company's Stock Option Plan. Nil and 500,000 stock options were granted to an officer of the Company during the three and nine months ended September 30, 2018.

During the three and nine months ended September 30, 2018, the Company paid \$11,875 and \$36,625 cash compensation to its Board of Directors (2017 – \$23,750 and \$35,625).

Directors, who are not executive officers, own directly or beneficially 5% of the common shares of the Company.

During the three and nine months ended September 30, 2018 the Company issued 67,250 and 151,450 DSU's to executives in lieu of bonuses and 54,692 and 165,292 to independent directors, in lieu of director fees, respectively.

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During the nine months ended September 30, 2018 the Company obtained a \$7,300,000 subordinated term loan (the "Subordinated Term Loan") from a group of private lenders (the "Subordinated Term Lenders"). The Subordinated Term Loan was made pursuant to a credit agreement dated as of June 15, 2018, between the Company, its subsidiary, and various Subordinated Term Lenders, including several individuals that are non-arms length to the Company (the "NAL Subordinated Term Lenders"). The NAL Subordinated Term Lenders include several officers and directors of the Company who funded an aggregate of \$2,263,000 of the loan.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Consolidated Interim 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. 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 Consolidated Interim Financial Statements.

CHANGES IN ACCOUNTING POLICIES

Recently adopted accounting pronouncements

Amendments to IAS 32, Offsetting Financial Assets and Liabilities ("Amendments to IAS 32"). The adoption of the amendments to this standard did not have an impact on the Company's Consolidated Interim Financial Statements.

International Financial Reporting Interpretations Committee 21, Levies ("IFRIC 21"). The adoption of this standard did not have an impact on the Company's Consolidated Interim Financial Statements.

RISK FACTORS

The following risk factors should not be considered to be exhaustive and may not be all of the risks that AcuityAds may face. Management of the Company believes that the factors set out below could cause actual results to be different from expected and historical results.

Business Risks

Limited Operating History

AcuityAds was founded in 2009 and commenced sales in 2011. As a result, it has a limited operating history upon which its business and future prospects may be evaluated. To date, AcuityAds has incurred losses and may never maintain predictable profitability. See Note 1 to AcuityAds Consolidated Interim Financial Statements ("Corporate information and going concern"). Although AcuityAds has experienced substantial revenue growth during its limited history, it may not be able to sustain this rate of growth or maintain current revenue levels. In order for AcuityAds to meet future operating and debt service requirements, it will need to continue to be successful in its marketing and sales efforts. AcuityAds may not gain customer acceptance of any of its offerings in

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new markets due to its lack of an established track record, its financial condition, competition, price or a variety of other factors. If sales are increased, AcuityAds' current operational infrastructure may require changes to scale AcuityAds' business efficiently and effectively to keep pace with demand and achieve long-term profitability. AcuityAds' future revenues and expenses are subject to conditions that may change to an extent that cannot be determined at this time. If AcuityAds' offerings are not accepted by new customers, or if new and existing customers do not purchase AcuityAds' offerings at anticipated levels, AcuityAds' operating results may be materially and adversely affected.

Fluctuation of Financial Results

AcuityAds' quarterly and annual operating results have fluctuated in the past. AcuityAds is a relatively new company that is rapidly expanding. Thus, revenues may be materially affected by the decisions of its management and/or customers, or due to a variety of other factors, many of which may be beyond the Company's control. In addition, expenses may exceed estimates or be incurred in the expectation of sales that do not occur or that occur later than expected. General economic conditions or conditions in the industries in which AcuityAds' customers compete, technological innovations and the adoption of technical standards can also be expected to affect operating results. Management expects its operating expenses to continue to increase in the foreseeable future as it continues to expand its business, including adding employees and contractors in existing and new territories, to support continued investments in AcuityAds' technology and to support its growth and expansion. Fluctuating results could cause significant, unanticipated quarterly losses and cause AcuityAds' performance to fall below the expectations of investors, which could adversely affect the price of the common shares. In addition, because AcuityAds' business is changing and evolving rapidly, historical operating results may not be useful in predicting future operating results.

Reliance on Key Customers

Historically, a majority of AcuityAds' sales have been to relatively few customers. For the three months ended September 30, 2018, approximately 25% of the Company's revenues were derived from its top ten customers. While it is expected that this reliance will decrease over time AcuityAds will continue to depend upon a relatively small number of customers for a significant portion of its revenue for the foreseeable future. The loss of a significant customer or failure to attract new customers could harm AcuityAds' business and severely impact the future financial success of Acuity.

Retaining and Attracting Customers

To sustain or increase AcuityAds' existing revenue, the Company must add new advertisers and encourage existing advertisers, which may be represented by advertising agencies, to purchase additional offerings. As the digital advertising industry matures and as competitors introduce lower cost or differentiated products or services that compete with, or are perceived to compete with, AcuityAds', its ability to complete sales with new and existing advertisers based on AcuityAds' current offerings, pricing, technology platform and functionality could be impaired. If AcuityAds fails to retain or cultivate the spending of newer, lower-spending advertisers, it will be difficult for it to sustain and grow its revenue. Even with long-time advertisers, AcuityAds may reach a point of saturation at which it cannot continue to grow revenue from those advertisers because of internal limits that advertisers may place on the allocation of their advertising budgets to digital media, to particular campaigns, to a particular provider or for other reasons not known to management.

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AcuityAds has invested significant resources in its sales and marketing teams to educate potential and prospective advertisers and advertising agencies about the value of its platform. The Company's sales teams often are required to explain how AcuityAds' platform can optimize advertising campaigns in real time. AcuityAds' business depends in part upon advertisers' confidence, and the confidence of the advertising agencies that represent those advertisers, that using real-time advertising exchanges to purchase inventory is superior to other methods of purchasing digital advertising. AcuityAds often spends substantial time and resources responding to requests for proposals from potential advertisers and their advertising agencies, including developing material specific to the needs of such potential advertisers. AcuityAds may not be successful in attracting new advertisers despite its investment in business development, sales and marketing.

AcuityAds continues to be substantially dependent on its sales team to obtain new customers and to drive sales from existing customers. Management of AcuityAds believes that there is significant competition for sales personnel with the skills and technical knowledge that it requires. AcuityAds' ability to achieve significant revenue growth will depend, in large part, on its success in recruiting, training, integrating and retaining sufficient numbers of sales personnel to support its growth. New hires require significant training and it may take significant time before they achieve full productivity. Recent hires and planned hires may not become productive as quickly as expected, and AcuityAds may be unable to hire or retain sufficient numbers of qualified individuals in the markets where it does business or plans to do business. In addition, if AcuityAds continues to grow rapidly, a large percentage of its sales team will be new to the Company and its offerings. If AcuityAds is unable to hire and train sufficient numbers of effective sales personnel, or the sales personnel are not successful in obtaining new customers or increasing sales to its existing customer base, its business will be adversely affected.

No Long-Term Customer Commitments

AcuityAds' customers do business with AcuityAds by placing insertion orders ("IO") for particular advertising campaigns. If AcuityAds performs well on a particular campaign, then the advertisers or the advertising agency representing such advertisers may place new insertion orders with AcuityAds for additional advertising campaigns. AcuityAds generally has no commitment from an advertiser beyond the campaign governed by a particular insertion order. Insertion orders may be cancelled by advertisers or their advertising agencies prior to the completion of the campaign without penalty.

As a result, AcuityAds' success is dependent upon its ability to outperform competitors and win repeat business from existing advertisers, while continually expanding the number of advertisers for whom it provides services. In addition, it is relatively easy for advertisers and the advertising agencies that represent them to seek an alternative provider for their advertising campaigns because there are no significant switching costs, and agencies often have relationships with many different providers, each of whom may be running portions of the same advertising campaign. Because AcuityAds does not have long-term contracts, management may not accurately predict future revenue streams and there can be no assurance that current advertisers will continue to use AcuityAds' platform, or that AcuityAds will be able to replace departing advertisers with new advertisers that provide AcuityAds with comparable revenue.

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Failure to Properly Manage Growth

AcuityAds' business has grown rapidly since its inception. Continued rapid growth may strain AcuityAds' management, financial and other resources. AcuityAds relies heavily on information technology systems to manage critical functions such as advertising campaign management and operations, data storage and retrieval, revenue recognition, budgeting, forecasting and financial reporting. To manage any future growth effectively, AcuityAds must expand its sales, marketing, technology and operational staff, invest in research and development of the Programmatic Marketing Platform and/or new offerings, enhance its financial and accounting systems and controls, integrate new personnel or contractors, and successfully manage expanded operations. If AcuityAds continues its rapid growth, it will incur additional expenses, and its growth may continue to place a strain on resources, infrastructure and ability to maintain the quality of its offering. Accordingly, AcuityAds may not be able to effectively manage and coordinate growth so as to achieve or maximize future profitability.

Acquisitions by AcuityAds

As part of its business strategy, AcuityAds acquires businesses or technologies that it believes are a strategic fit with its business. Accordingly, AcuityAds' ability as an organization to acquire and integrate other companies, products or technologies in a successful manner can be challenging. In addition it may not be possible to find suitable acquisition candidates, and AcuityAds may not be able to complete such acquisitions on favorable terms, if at all. Any future acquisition may result in unforeseen operating difficulties and expenditures, and may absorb significant management attention that would otherwise be available for ongoing development of its business. Since AcuityAds may not be able to accurately predict these difficulties and expenditures, these costs may outweigh the value it realizes from a future acquisition, and any acquisitions AcuityAds completes could be viewed negatively by its advertisers. Future acquisitions could result in issuances of securities that would dilute shareholders' ownership interest, the incurrence of debt, contingent liabilities, amortization of expenses related to other intangible assets and the incurrence of large, immediate write-offs.

Reliance on Third Parties

AcuityAds anticipates that it will continue to depend on various third-parties in order to grow its business. AcuityAds continues to pursue additional third parties, such as technology and content providers, real-time advertising exchanges, market research companies, co-location facilities and other strategic parties. Identifying, negotiating and documenting with third parties requires significant time and resources as does utilizing third-party data and services. AcuityAds' channel partners and providers of technology, computer hardware, co-location facilities, content and consulting services and real-time advertising exchanges are typically non-exclusive, do not prohibit them from working with AcuityAds' competitors or from offering competing services. These third parties may terminate at any time.

AcuityAds' competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce purchases of AcuityAds' offerings. In addition, these third parties may not perform as expected with Acuity, and AcuityAds may have disagreements or disputes with such third parties, which could negatively affect AcuityAds' brand and reputation. In particular, AcuityAds' continued growth depends on its ability to source computer hardware, including servers built to its specifications, and the ability to locate those servers and related hardware in co-location facilities in the most desirable locations to facilitate the timely delivery of its services. Similarly, disruptions in the services provided at co-location facilities that AcuityAds relies upon can degrade the level of services that it can provide, which may harm AcuityAds' business. AcuityAds

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also relies on its utilization with many third-party technology providers to execute its business on a daily basis. AcuityAds must efficiently direct a large amount of network traffic to and from its servers to consider billions of bid requests per day, and each bid typically must take place in approximately 50 milliseconds or less. AcuityAds relies on a third-party domain name service, or DNS, to direct traffic to its closest data center for efficient processing. If AcuityAds' DNS provider experiences disruptions or performance problems, this could result in inefficient balancing of traffic across AcuityAds' servers as well as impairing or preventing web browser connectivity to AcuityAds' platform, which may harm its business.

Personnel

The loss of any member of AcuityAds' Management and in particular, its co-founders, could have a material adverse effect on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on AcuityAds' business and operating results.

At present and for the near future, AcuityAds will depend upon a relatively small number of employees and contractors to develop, market, sell and support its platform. The expansion of technology, marketing and sales of its platform will require AcuityAds to find, hire and retain additional capable employees or subcontractors who can understand, explain, market and sell its technology. There is intense competition for capable personnel in all of these areas and AcuityAds may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, AcuityAds may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them.

In addition, as AcuityAds moves into new geographies, it will need to attract and recruit skilled employees in those areas. AcuityAds has little experience with recruiting in geographies outside of Canada and the United States and may face additional challenges in attracting, integrating and retaining international employees.

Conflicts of Interest

Certain of the directors and officers of AcuityAds are or may become directors or officers of, or have significant shareholdings in, other companies and, to the extent that such other companies may participate in ventures in which AcuityAds may participate, the directors and officers of AcuityAds may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such other companies may also compete with Acuity.

In the event that any such conflict of interest arises, a director who has such a conflict will disclose the conflict to a meeting of the Board of Directors of AcuityAds and will abstain from voting for or against the approval of such participation or such terms.

In accordance with applicable laws, the directors of AcuityAds are required to act honestly, in good faith and in the best interests of Acuity. In determining whether or not AcuityAds will participate in a particular transaction, the directors will primarily consider the potential benefits to Acuity, the degree of risk to which AcuityAds may be exposed and its financial position at that time.

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Dependence on Display, Mobile, and Video Advertising

Historically, AcuityAds' customers have predominantly used the Programmatic Marketing Platform for display advertising, and the substantial majority of AcuityAds' revenue is derived from advertisers that use the Programmatic Marketing Platform for display advertising. AcuityAds expects that the online advertising channels it supports will continue to be a primary channel used by its customers. Should customers lose confidence in the value or effectiveness of these channels, the demand for the Programmatic Marketing Platform may decline. While revenues from mobile, social and video advertising have grown rapidly, AcuityAds' failure to achieve market acceptance of the Programmatic Marketing Platform for social and video advertising would harm its growth prospects, operating results and financial condition.

Financial and Accounting Risks

Additional Financing

There can be no certainty that AcuityAds' financial resources and revenue from sales will be sufficient for its future needs. AcuityAds may need to incur significant expenses for growth, operations, research and development, as well as sales and marketing of AcuityAds' Programmatic Marketing Platform. In addition, other unforeseen costs could also require additional capital. The ability of AcuityAds to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of Acuity. It may be difficult or impossible for AcuityAds to obtain debt financing or equity financing on commercially acceptable terms. This may be further complicated by the limited market liquidity for shares of smaller companies such as Acuity, restricting access to some institutional investors. There is a risk that interest rates will increase given the current historical low level of interest rates. An increase in interest rates could result in a significant increase in the amount that AcuityAds pays to service future debt incurred by AcuityAds and affect AcuityAds' ability to fund ongoing operations. If additional financing is raised by the issuance of shares or other forms of convertible securities, control of AcuityAds may change and shareholders may suffer dilution. If adequate funds are not available, or not available on acceptable terms, AcuityAds may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and continue operations. Any debt financing that is secured in the future could involve restrictive covenants relating to AcuityAds' future capital raising activities and other financial and operational matters, including the ability to pay dividends. This may consequently make it more difficult for AcuityAds to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Existing Debt

AcuityAds has granted a security interest in its assets, including its intellectual property, to various Lenders as security for the revolving line of credit and term loan. The revolving line of credit also requires AcuityAds to comply with certain financial covenants, which are tested on a monthly basis, and contains a number restrictive covenants, which would, among other things, prevent AcuityAds from: (i) disposing of or selling its assets; (ii) making any changes in its debt or capital structure or amending its bylaws, (iii) consolidating or merging with other entities; (iv) entering into contracts outside of the normal course of business; (v) purchasing or redeeming any shares; (vi) paying dividends; or (vii) incurring lease obligations or capital expenditures above defined thresholds. The Lender has proposed terms that are acceptable to AcuityAds that will amend certain of these covenants. A failure by AcuityAds to repay the Loan in accordance with its terms would entitle the Lender to, among other things, foreclose on AcuityAds' assets, which would likely terminate its ability to continue operations.

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Foreign Sales

AcuityAds currently has certain foreign sales that are denominated in United States dollars and Euro's and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, AcuityAds incurs a portion of its operating expenses in United States dollars. In the future, AcuityAds' international sales may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact AcuityAds' business, financial condition and results of operations. AcuityAds has not previously engaged in foreign currency hedging. If AcuityAds decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide AcuityAds from foreign currency fluctuations and can themselves result in losses.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with International Financial Reporting Standards, or IFRS, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. 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. AcuityAds' operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause AcuityAds' operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of Acuity. Significant assumptions and estimates used in preparing the financial statements include those related to the 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.

Internal Controls over Financial Reporting

As a result of AcuityAds' limited administrative staffing levels, internal controls which rely on segregation of duties in many cases are not possible. AcuityAds does not have the resources, size and scale to warrant the hiring of additional staff to address this potential weakness at this time. To help mitigate the impact of this, AcuityAds is highly reliant on the performance of compensating procedures and senior management's review and approval.

As a venture issuer, AcuityAds will not be required to certify the design and evaluation of its disclosure controls and procedure ("DC&P") and internal controls over financial reporting ("ICFR"), and as such AcuityAds has not completed such an evaluation. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 Certification of Disclosure In Issuers' Annual and Interim Filings may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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Industry Risks

Competition

The existing and anticipated markets for AcuityAds' Programmatic Marketing Platform are highly competitive. Barriers to enter the market are low and additional companies may enter the market with competing offerings as the size and visibility of the market opportunity continues to increase. Existing industry participants may also develop or improve their own offerings to achieve cost efficiencies and deliver additional value. In addition, AcuityAds' customers could develop their own solutions. Many of AcuityAds' competitors have longer operating histories, greater name recognition, substantially greater financial, technical, marketing, management, service, support, and other resources than does Acuity. They may be able to respond more quickly than AcuityAds can to new or changing opportunities, technologies, standards, or customer requirements.

In addition to other companies offering Programmatic and real time bidding solutions, AcuityAds also competes with services offered through large online portals that have significant brand recognition, such as Yahoo and Google. These large portals have substantial proprietary digital advertising inventory that may provide them with competitive advantages, including far greater access to internet user data, and the ability to significantly influence pricing for digital advertising inventory. AcuityAds also competes for a share of advertisers' total advertising budgets with online search advertising, for which AcuityAds does not offer a solution, and with traditional advertising media, such as direct mail, television, radio, cable and print.

Some of the competitors mentioned above also act as suppliers of Acuity, putting them in a potential conflict of interest position. There is a risk that such competitors may, in the future, constrain or entirely cut off AcuityAds from its sources of supply of inventory in order to improve their own competitive position in the markets targeted by Acuity.

New products or technologies will likely increase competitive pressures and competition could result in pricing pressures, reduced margins, or the failure of AcuityAds' offerings to achieve or maintain acceptance in existing or anticipated markets. The development of competing offerings or technologies by market participants or the emergence of new industry or government standards may adversely affect AcuityAds' competitive position.

As a result of these and other factors, AcuityAds may be unable to compete effectively with current or future competitors. Such inability would likely have a material adverse effect on AcuityAds' business, financial condition and results of operations.

Use of Third Party Cookies

AcuityAds uses "cookies" (small text files) in connection with its Programmatic Marketing Platform. AcuityAds' cookies are known as "third party cookies" because they are placed on individual browsers when internet users visit a website owned by a publisher, advertiser or other first party that has given

AcuityAds permission to place cookies. These cookies are placed through an internet browser on an internet user's computer and correspond with a data set that is kept on AcuityAds' servers. AcuityAds' cookies record certain information, such as when an internet user views an ad, clicks on an ad, or visits one of AcuityAds' advertiser's websites through a browser while the cookie is active. AcuityAds uses these cookies to help it achieve advertisers' campaign goals, to help it ensure that the

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same internet user does not unintentionally see the same advertisement, to report aggregate information to advertisers regarding the performance of their advertising campaigns and to detect and prevent fraudulent activity. AcuityAds' also uses data from cookies to help it decide whether to bid on, and how to price, an opportunity to place an advertisement in a certain location, at a given time, in front of a particular internet user. Without cookie data, AcuityAds may bid on advertising without as much insight into activity that has taken place through an internet user's browser. A lack of cookie data may detract from AcuityAds' ability to make decisions about which inventory to purchase for an advertiser's campaign and undermine the effectiveness of the Programmatic Marketing Platform.

Cookies may easily be deleted or blocked by internet users. Most commonly used internet browsers allow internet users to modify their browser settings to prevent cookies from being accepted by their browsers. Internet users can also delete cookies from their computers at any time. Certain internet users also download free or paid "ad blocking" software that prevents third party cookies from being stored on a user's computer. If more internet users adopt these settings or delete their cookies more frequently than they currently do, AcuityAds' business could be harmed. In addition, some internet browsers block third party cookies by default, and other internet browsers may implement similar features in the future. Unless such default settings in browsers are altered by internet users to accept third party cookies, fewer of AcuityAds' cookies may be set in browsers, adversely affecting its business.

Certain international jurisdictions have adopted and implemented legislation that negatively impacts the use of cookies for online advertising, and additional jurisdictions may do so in the future. Currently, although the Canadian Anti-Spam Legislation ("CASL") requires consent to install a computer program, CASL provides a deemed express consent for the installation of a cookie. Limitations on the use or effectiveness of cookies may impact the performance of the Programmatic Marketing Platform. AcuityAds may be required to, or otherwise may determine that it is advisable to, develop or obtain additional tools and technologies to compensate for the lack of cookie data. AcuityAds may not be able to develop or implement additional tools that compensate for the lack of cookie data. Moreover, even if AcuityAds is able to do so, such additional tools may be subject to further regulation, time consuming to develop or costly to obtain, and less effective than AcuityAds' current use of cookies.

Potential "Do Not Track" Standards

As the use of cookies has received ongoing media attention in recent years, some government regulators and privacy advocates have suggested creating a "Do Not Track" standard that would allow internet users to express a preference, independent of cookie settings in their browser, not to have website browsing recorded. In 2010, the United States Federal Trade Commission, or FTC, issued a staff report criticizing the advertising industry's self-regulatory efforts as too slow and lacking adequate consumer protections. The FTC emphasized a need for simplified notice, choice and transparency to the consumer regarding collection, use and sharing of data, and suggested implementing a "Do Not Track" browser setting that allows consumers to choose whether to allow "tracking" of their online browsing activities.

All major internet browsers have implemented some version of a "Do Not Track" setting. Microsoft's Internet Explorer 10 includes a "Do Not Track" setting that is selected by default. However, there is no definition of "tracking," and no consensus regarding what message is conveyed by a "Do Not Track" setting and no industry standards regarding how to respond to a "Do Not Track" preference. The World Wide Web Consortium chartered a "Tracking Protection Working Group" in 2011 to convene a multi-stakeholder group of academics, thought leaders, companies, industry groups and consumer advocacy organizations, to create a voluntary "Do Not Track" standard for the web. The group has yet to agree upon a standard. The "Do-Not-Track Online Act of 2013" was introduced in

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the United States Senate in February 2013. If a "Do Not Track" browser setting is adopted by many internet users and the standard either imposed by legislation or agreed upon by standard setting groups, prohibits AcuityAds from using non-personal information as it currently does, then that could hinder growth of advertising and content production on the web generally, cause AcuityAds to change its business practices and adversely affect its business.

Legislation and Regulation

Government regulation may increase the costs of doing business online. The Canadian and certain foreign governments have enacted or are considering legislation related to online advertising and management of AcuityAds expects to see an increase in legislation and regulation related to advertising online, the use of geo-location data to inform advertising, the collection and use of anonymous internet user data and unique device identifiers, such as IP address or mobile unique device identifiers and other data protection and privacy regulation. Such legislation could affect the costs of doing business online and may adversely affect the demand for AcuityAds' offerings or otherwise harm its business, results of operations and financial condition. For example, a wide variety of provincial, state, national and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal information. The Personal Information Protection and Electronic Documents Act and substantially similar provincial privacy laws in Canada provide that IP addresses are personal information. Currently, AcuityAds collects and stores IP addresses.

In Europe, the General Data Protection Regulation ("GDPR"), which entered into force in May 2018, provides for new obligations that apply internationally to entities that control or process the personal data of citizens of the European Union. Several of these obligations, if applicable, could require changes to the processes used by AcuityAds. Existing and proposed laws and regulations, in particular in the European Union and the United States, concerning user privacy, use of personal information and on-line tracking technologies could affect the efficacy and profitability of internet-based and digital marketing. The costs of compliance with these laws may increase in the future as a result of the implementation of new laws or regulations, such as the GDPR, or changes in interpretations of current ones. Any failure on our part to comply with these legal requirements, or their application in an unanticipated manner, could harm our business and result in penalties or significant legal liability.

While AcuityAds takes measures to protect the security of information that it collects, uses and discloses in the operation of its business, if there is a data breach, there is a potential for claims for damages by consumers whose personal information has been disclosed without authorization. Evolving and changing definitions of personal information, within the Canada, the United States and elsewhere, especially relating to classification of machine or device identifiers, location data and other information, have in the past, and may cause AcuityAds to, in the future, change business practices, or limit or inhibit AcuityAds' ability to operate or expand its business. Data protection and privacy-related laws and regulations are evolving and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. While AcuityAds takes measures to protect the security of information that it collects, uses and discloses in the operation of its business, and to offer certain privacy protections with respect to such information, such measures may not always be effective.

In addition, while AcuityAds takes steps to avoid collecting personally identifiable data about consumers (other than IP addresses), it may inadvertently receive this information from advertisers or advertising agencies or through the process of delivering advertising and may inadvertently release this information in contravention of applicable privacy legislation. AcuityAds' failure to comply with applicable laws and regulations, or to protect personal information, could result in enforcement action

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against Acuity, including fines, imprisonment of its officers and public censure, claims for damages by consumers and other affected individuals, damage to the Company's reputation and loss of goodwill, any of which could have a material adverse impact on operations, financial performance and business. Even the perception of privacy concerns, whether or not valid, may harm AcuityAds' reputation and inhibit adoption of its offerings by current and future advertisers and advertising agencies.

Ability to Protect AcuityAds' Proprietary Offering

Any failure to protect AcuityAds' proprietary Programmatic Marketing Platform could harm its business and competitive position. There can be no assurance that any steps AcuityAds has taken or intends to take will be adequate to defend and prevent misappropriation of technology, including the possibility of reverse engineering and the possibility that potential competitors will independently develop technologies that are designed around and are substantially equivalent or superior to AcuityAds' technology.

AcuityAds may use a combination of trade secret, copyright law, nondisclosure agreements, passing-off laws, other common law intellectual property protections and technical measures to protect its proprietary technology. AcuityAds has generally entered into confidentiality agreements with and obtains assignments of intellectual property and waivers of moral rights from its employees and contractors and has worked to limit access to and distribution of its technology, documentation and other proprietary information. However, the steps taken may not be adequate to deter misappropriation or independent third-party development of AcuityAds' technology. In addition, the laws of some foreign countries do not protect proprietary technology rights to the same extent as do the laws of Canada and the United States. If AcuityAds resorts to legal proceedings to enforce its intellectual property rights, the proceedings could be burdensome and expensive and could involve a high degree of risk to AcuityAds' proprietary rights if it is unsuccessful in such proceedings. Moreover, AcuityAds' financial resources may not be adequate to enforce or defend its rights in its technology. Additionally, any patents that AcuityAds may apply for or obtain in the future may not be broad enough to protect all of the technology important to its business, and its ownership of patents would not in itself prevent others from securing patents that may prevent AcuityAds from engaging in actions necessary to its business, products, or services.

Infringement of Intellectual Property Rights

If AcuityAds' proprietary Programmatic Marketing Platform violates or is alleged to violate third party proprietary rights, AcuityAds may be required to reengineer its technology or seek to obtain licenses from third parties to continue offering its technology without substantial reengineering. Any such efforts may not be successful or if successful could require payments that may have a material adverse effect on profitability and financial condition. Any litigation involving infringement claims would be expensive and time-consuming, and an adverse outcome may result in payment of damages or injunctive relief that could materially and adversely affect AcuityAds' business.

AcuityAds does not independently verify whether it is permitted to deliver advertising to its advertisers' internet users or that the content of the advertisements it delivers is legally permitted. AcuityAds receives representations from advertisers that the content of the advertising that AcuityAds places on their behalf is lawful. AcuityAds also relies on representations from its advertisers that they maintain

adequate privacy policies that allow AcuityAds to place pixels on their websites and collect valid consents from users that visit those websites to collect and use such user's information to aid in delivering AcuityAds' product. If any of these representations are untrue and AcuityAds' advertisers

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do not abide by laws governing their content or privacy practices, AcuityAds may become subject to legal claims and exposed to potential liability and expense (for which it may or may not be indemnified), and its reputation may be damaged.

Use of Open Source Software Components

AcuityAds' Programmatic Marketing Platform, including its computational infrastructure, relies on software licensed to it by third-party authors under "open source" licenses. The use of open source software may entail greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain requirements that AcuityAds make available source code for modifications or derivative works AcuityAds creates based upon the type of open source software AcuityAds uses. If AcuityAds combines its proprietary software with open source software in a certain manner, AcuityAds could, under certain open source licenses, be required to release the source code of its proprietary software to the public. This would allow AcuityAds' competitors to create similar solutions with lower development effort and time and ultimately put AcuityAds at a competitive disadvantage.

Although AcuityAds monitors its use of open source software to avoid subjecting its products to conditions it does not intend, the terms of many open source licenses have not been interpreted by Canadian courts and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on AcuityAds' ability to commercialize its services. Moreover,

AcuityAds cannot guarantee that its processes for controlling its use of open source software will be effective. If AcuityAds is held to have breached the terms of an open source software license, it could be required to seek licenses from third parties to continue operating its platform on terms that are not economically feasible, to re-engineer its platform or the supporting computational infrastructure to discontinue use of certain code, or to make generally available, in source code form, portions of its proprietary code, any of which could adversely affect AcuityAds business, operating results and financial condition.

Unanticipated Problems Associated with the Programmatic Marketing Platform

AcuityAds depends upon the sustained and uninterrupted performance of its platform to operate a number of campaigns at any given time; manage its inventory supply; bid on inventory for each campaign; serve or direct a third party to serve advertising; collect, process and interpret data; and optimize campaign performance in real time and provide billing information. Because AcuityAds' technology is complex, undetected errors and failures may occur, especially when new versions or updates are made. AcuityAds' Programmatic Marketing Platform may contain undetected errors or "bugs", which result in system failures, or failure to perform in accordance with industry or customer expectations. Despite AcuityAds' plans for quality control and testing measures, its Programmatic Marketing Platform, including any enhancements, may contain such bugs or exhibit performance degradation, particularly during periods of rapid expansion. In such an event, AcuityAds may be required or choose to expend additional resources to help mitigate any problems resulting from errors in its technology. Product or system performance problems could result in loss of or delay in revenue, loss of market share, failure to achieve market acceptance, adverse publicity, diversion of development resources and claims against AcuityAds by its customers and other parties.

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Social Data

AcuityAds' social data offering is currently based on publicly available social data signals from users on social media platforms. Acuity, via its 140 Proof Inc. acquisition in September 2016, is able to access this social user data for audience targeting. As a result, AcuityAds' ability to grow its revenue in this channel is closely tied to the availability and access to this social data signal from these social media platforms. These social media platforms may restrict AcuityAds' access to their publicly available data, intentionally or unintentionally. Additionally, the performance of this type of data in a particular scenario cannot be predicted. Also, data obtained in this way may not always correlate precisely with the target audience resulting in distorted insights. Another risk is that social media companies may cease to exist or become less relevant, based on the size and reach of their platforms which could harm AcuityAds' social data offering and revenues.

Additionally, other players in the market could potentially develop competing tools potentially limiting AcuityAds' market penetration which in turn could negatively impact revenues.

Mobile Advertising

AcuityAds' success in the mobile advertising channel depends upon the ability of its Programmatic Marketing Platform to integrate with mobile inventory suppliers and provide advertising for most mobile connected devices, as well as the major operating systems that run on them and the thousands of applications that are downloaded onto them. The design of mobile devices and operating systems is controlled by third parties with whom AcuityAds does not have any formal relationships. These parties frequently introduce new devices and from time to time they may introduce new operating systems or modify existing ones. Network carriers may also impact the ability to access specified content on mobile devices. If AcuityAds' platform is unable to work on these devices or operating systems, either because of technological constraints or because a maker of these devices or developer of these operating systems wished to impair AcuityAds' ability to provide advertisements on them or AcuityAds' ability to fulfill advertising space, or inventory, from developers whose applications are distributed through their controlled channels, AcuityAds' ability to generate revenue could be significantly harmed.

Obsolescence

AcuityAds' business is characterized by rapid technological change, frequent new product and service introductions and enhancements, uncertain product life cycles, changes in customer requirements, and evolving industry standards. The introduction of new products embodying new technologies, the emergence of new industry standards, or improvements to existing technologies could render AcuityAds' platform obsolete or relatively less competitive. AcuityAds' future success will depend upon its ability to continue to develop and expand its Programmatic Marketing Platform and to address the increasingly sophisticated needs of its customers. AcuityAds may experience delays in releasing new offerings or enhancements in the future. Material delays in introducing new offerings or enhancements may cause customers to forego purchases of AcuityAds' offering to purchase offerings of competitors instead.

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Catastrophic Events

AcuityAds maintains servers at co-location facilities in the United States that it uses to deliver advertising campaigns for its advertisers. Any of its existing and future facilities may be harmed or rendered inoperable by attack or security intrusion by a computer hacker, natural or man-made disasters, including earthquakes, tornadoes, hurricanes, wildfires, floods, nuclear disasters, war, acts of terrorism or other criminal activities, infectious disease outbreaks and power outages, any of which may render it difficult or impossible for AcuityAds to operate its business for some period of time. One co-location facility where AcuityAds maintains data used in its business operations is located in the Greater Los Angeles Area, a region known for seismic activity. If AcuityAds were to lose the data stored in its California co-location facility, it could take several days, if not weeks, to recreate this data from multiple sources, which could result in significant negative impact on its business operations, and potential damage to its advertiser and advertising agency relationships. Any disruptions in AcuityAds' operations could negatively impact its business and results of operations and harm its reputation. In addition, AcuityAds may not carry sufficient business interruption insurance to compensate for the losses that may occur. Any such losses or damages could have a material adverse effect on AcuityAds' business, financial condition and results of operations.

Economic, Political and Market Conditions

AcuityAds' business depends on the overall demand for advertising and on the economic health of its current and prospective advertisers. Economic downturns or instability in political or market conditions may cause current or new advertisers to reduce their advertising budgets. Adverse economic conditions and general uncertainty about continued economic recovery are likely to affect AcuityAds' business prospects. This uncertainty may cause general business conditions in the United States and elsewhere to deteriorate or become volatile, which could cause advertisers to delay, decrease or cancel purchases of AcuityAds' offering; and expose AcuityAds to increased credit risk on advertiser orders, which, in turn, could negatively impact its business, financial condition and results of operations. In addition, continued geopolitical turmoil in many parts of the world have and may continue to put pressure on global economic conditions, which could lead to reduced spending on advertising.

Fraud

AcuityAds operates as a technology and services provider in a dynamic eco-system where fraud exists. Typical forms of fraud include robotic traffic, where robots mimic the behavior of users in order to inflate the number of impressions, clicks, post clicks actions or other metrics associated with the ad; ads that have no potential to be viewed by a human; and activities designed to trick mechanisms for user data collection or attribution models. AcuityAds employs reasonable measures to detect and eliminate fraud to the best of its ability. However, despite its efforts, AcuityAds is not in the fraud detection business and there are no guarantees as to the degree to which fraud can be minimized.

Publisher Protection

AcuityAds offers managed media campaign services and licenses its technology to third parties who use it to carry out media buys. Despite AcuityAds' efforts to protect its suppliers from unwanted buying activities and ads, misuse of the system by advertising parties cannot be ruled out.

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Ad Blockers

Ad blockers represent an increased risk to the online advertising industry as a whole, as their use has lately risen. Ad blockers prevent ads from being displayed and can interfere with the collection and transmission of data required for the normal operation of the online advertising ecosystem, including user data, measurement and attribution. The industry is taking steps to combat ad blocking and tools have been created to detect ad blockers for use by publishers. These tools allow publishers who rely on ad revenue to withhold content from users with ad blockers. Additionally, in order to discourage the use of ad blockers, the industry is initiating a shift towards ads that are less disruptive to the user experience. Nevertheless, there are no guarantees that these measures will be sufficient to eliminate all ad blocking activities and that AcuityAds will not experience loss of potential revenue as a result of ad blocking.

Risks Related to the Common Shares

Market for Common Shares

There can be no assurance that an active trading market for the common shares will be sustained. Technology stocks have historically experienced high levels of volatility and AcuityAds cannot predict the prices at which the common shares will trade. Fluctuations in the market price of the common shares could cause an investor to lose all or part of its investment in common shares. Factors that could cause fluctuations in the trading price of the common shares include (i) announcements of new offerings, products, services or technologies, commercial relationships, acquisitions or other events by AcuityAds or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of technology companies in general and of companies in the digital advertising industry in particular; (iv) fluctuations in the trading volume of the common shares or the size of AcuityAds' public float; (v) actual or anticipated changes or fluctuations in AcuityAds' results of operations; (vi) whether AcuityAds' results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving Acuity, its industry, or both; (ix) regulatory developments in Canada, the United States and foreign countries; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of the common shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on AcuityAds from any of the other risks cited herein.

Substantial Control by Insiders

AcuityAds' directors, officers and control persons, in the aggregate, beneficially own approximately 40% of the common shares. As a result, these insiders will be able to influence or control matters requiring approval by AcuityAds' shareholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from those of investors and may vote in a manner that is adverse to investors' interests. This concentration of ownership may have the effect of deterring, delaying or preventing a change of control of Acuity, could deprive AcuityAds' shareholders of an opportunity to receive a premium for their common shares as part of a sale of AcuityAds and might ultimately affect the market price of the common shares.

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Significant Sales of Common Shares

Although the Company's common shares are freely tradable, the common shares held by AcuityAds' control persons are generally subject to contractual lock-up restrictions for periods of up to 120 days and will also be subject to escrow pursuant to the policies of the TSX Venture Exchange. Sales of a substantial number of the common shares in the public market after the expiry of lock-up or escrow restrictions, or the perception that these sales could occur, could adversely affect the market price of the common shares and may make it more difficult for investors to sell common shares at a favorable time and price.

Dividend Policy

AcuityAds may, in its discretion, retain any earnings to finance the operation and expansion of its business and, accordingly, may not pay any dividends in the future. As a result, an investor may only receive a return on its investment in the common shares if the market price of such shares increases. A revolving line of credit agreement, to which the Company is a party, contains restrictions on AcuityAds' ability to pay dividends.

Analyst Coverage

The trading market for the common shares will, to some extent, depend on the research and reports that securities or industry analysts publish about AcuityAds or its business. AcuityAds will not have any control over these analysts. If one or more of the analysts who covers AcuityAds should downgrade the common shares or change their opinion of AcuityAds' business prospects, AcuityAds' share price would likely decline. If one or more of these analysts ceases coverage of AcuityAds or fails to regularly publish reports on Acuity, AcuityAds could lose visibility in the financial markets, which could cause AcuityAds' share price or trading volume to decline.

Tax Issues

There may be income tax consequences in relation to the common shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

ADDITIONAL INFORMATION

Additional information relating to the Company is posted on SEDAR at www.sedar.com.