



illumin Holdings Inc.
(formerly AcuityAds Holdings Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2024

Dated March 14, 2025

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illumin Holdings Inc. (formerly AcuityAds Holdings Inc.)

Management's Discussion and Analysis for the three and twelve months ended December 31, 2024
(In thousands of Canadian dollars, except share amounts)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") explains the variations in the consolidated operating results, financial position, and cash flows of illumin Holdings Inc. ("illumin" or the "Company") as at and for the three and twelve months ended December 31, 2024. In this MD&A, "this quarter", "the quarter", or "fourth quarter" refer to the three months ended December 31, 2024, unless the context indicates otherwise. All results commentary is compared to the equivalent period in 2023 or as at December 31, 2023, as applicable, unless otherwise indicated. This analysis should be read in conjunction with illumin's audited consolidated financial statements for the twelve months ended December 31, 2024 and related notes (the "Consolidated Financial Statements") thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), using the accounting policies described therein. As a result of the rounding of dollar differences, certain total dollar amounts in this MD&A may not add exactly to their constituent amounts. All dollar amounts are presented in Canadian dollars unless otherwise indicated. Throughout this MD&A, percentage changes are calculated using numbers rounded as they appear. Readers are cautioned that this MD&A contains certain forward-looking information (please see the "Forward Looking Statements" section below for a discussion of the use of such information in this MD&A).

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

The information in this report is dated as at March 13, 2025.

NON-IFRS ACCOUNTING STANDARDS FINANCIAL MEASURES

This MD&A includes certain measures which are not defined terms in accordance with IFRS Accounting Standards, such as "Net Revenue", "Net Revenue Margin", and "Adjusted EBITDA".

The term "Net Revenue", or Gross Profit, refers to the net amount of revenue after deducting media-related costs. Net Revenue 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 "Net Revenue Margin", or Gross Margin, refers to the amount that "Net Revenue" represents as a percentage of total revenue for a given period.

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

"Net Revenue", "Net Revenue Margin", and "Adjusted EBITDA" are not measures of performance under IFRS Accounting Standards and should not be considered in isolation or as a substitute for comprehensive income (loss) prepared in accordance with IFRS Accounting Standards or as a measure of operating performance or profitability. "Net Revenue", "Net Revenue Margin", and "Adjusted

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EBITDA" do not have a standardized meaning prescribed by IFRS Accounting Standards and are not necessarily comparable to similar measures presented by other companies.

TRADEMARKS AND TRADE NAMES

This MD&A includes certain trademarks and trade names which are protected under applicable intellectual property laws and are the property of the Company. Solely for convenience, the trademarks and trade names referred to in this MD&A may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A that are not current or historical factual information may constitute "forward-looking" statements within the meaning of applicable securities laws, regarding, among other things, the beliefs, plans, objectives, strategies, estimates, intentions or expectations of the Company, including as they relate to its financial results and its projected total revenue growth, its ability to execute on its investing and business strategies, the benefits of the illumin platform and illumin's programmatic marketing platform (the "Programmatic Marketing Platform"), and the continuing competitiveness and strategy relating to the Company's service offerings, such as its Programmatic Marketing Platform (as described herein) and the illumin platform. 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. Forward-looking information is provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operations. Forward-looking information may not be appropriate for other purposes. Except as required by applicable law, the Issuer assumes no obligation to update forward-looking statements.

In developing the forward-looking statements in this MD&A, the Company has applied several material assumptions, including the availability of financing on reasonable terms, and general business and economic conditions. Many risks, uncertainties and other factors could cause the actual results of illumin to differ materially from the results, performance, achievements, or developments expressed or implied by forward-looking statements that are contained in this MD&A. These risks, uncertainties and other factors include, but are not limited to the following: overall economic conditions, rapid technological changes, use of cookies, demand for the Company's products and services, the Company's ability to retain existing customers and attract new customers, including under the illumin platform; the Company's ability to expand into additional advertising channels and expand its customer base in Canada, the U.S. and globally; the introduction of competing technologies, competitive pressures, network restrictions, fluctuations in foreign currency exchange rates, and other factors that may cause the actual results, performance or achievements to differ materially from those expressed or implied in these forward-looking statements.

Any financial outlook or future-oriented financial information (as defined in applicable securities laws) contained in this MD&A regarding prospective financial performance, financial position or cash flows

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is based on assumptions about future economic conditions or courses of action based on management's assessment of the relevant information that is currently available. Future-oriented financial information contains forward-looking information and is based on a number of material assumptions and factors, as are set out above. The actual results of the Company's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. Actual results will vary from projected results. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein.

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 contained elsewhere in this MD&A, actual events may differ materially from current expectations. These risks and uncertainties include, among other things, the factors discussed in the "Risk Factors" section of this MD&A and under the "Risk Factors" section of the most recent Annual Information Form and included or discussed in the Company's other periodic filings, such as previous MD&A, which are available under the Company's profile on SEDAR+ at www.sedarplus.com. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements contained in the MD&A are expressly qualified in their entirety by this cautionary statement.

OVERVIEW

illumin is a technology company that enables marketers to connect intelligently with audiences across video, mobile, out-of-home, social, connected TV and online display advertising campaigns. illumin's 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. illumin empowers marketers by offering near real-time reporting and analytics, bringing accountability to programmatic advertising to deliver business results and help solve the key challenges that digital advertisers face. illumin is headquartered in Toronto and has offices in the U.S., Canada, Spain, France, 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. illumin's 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.

illumin's Programmatic Marketing Platform allows advertisers to optimize their purchasing of digital advertising in real-time using programmatic ad buying, a method of buying digital advertising in which ad spots (called impressions) are released in an auction that occurs in milliseconds. illumin 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.

The illumin[™] software enables the creation of consumer journeys with custom messages tied to a propensity-scored audience, increasing efficiency and return on advertising investments. illumin is an

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advertising automation technology that offers planning, media buying and omnichannel intelligence from a single platform, allowing advertisers to map their consumer journey playbooks across screens and execute in real-time using programmatic technology.

RESULTS OF OPERATIONS

Significant developments during the three and twelve months ended December 31, 2024 and to the date of this report

On November 13, 2023, the Company commenced a normal course issuer bid ("2023 NCIB") for its common shares that remained open until November 12, 2024. Under the 2023 NCIB, the Company was able to purchase for cancellation up to 4,330,226 common shares, representing approximately 10% of the Company's public float as at November 2, 2023. Daily purchases were limited to 20,621 common shares. The common shares purchased were done so on behalf of the Company by a registered broker through the facilities of the Toronto Stock Exchange ("TSX") and through other alternative Canadian trading systems at the prevailing market price at the time of such transaction. For the three and twelve months ended December 31, 2024, the Company purchased nil and 3,310,384 common shares, respectively, pursuant to the 2023 NCIB at an average price of \$nil and \$1.61 per share for total consideration of approximately \$nil and \$5,317, respectively.

On March 27, 2024, the Company announced the appointment of Simon Cairns as Chief Executive Officer, effective April 15, 2024. Mr. Cairns succeeds Tal Hayek, who has transitioned to Non-Executive Vice Chairman on the Board of Directors of illumin.

On June 6, 2024, the Company announced its successful upgrade of the trading of the Company's common shares from the OTC Pink Open Market to the OTCQB Venture Market (the "OTCQB") in the United States under the ticker symbol "ILLMF".

On August 7, 2024, the Company announced the additions of a new Chief Revenue Officer, Liz Ritzcovan, and a new Senior Vice President of Marketing, Bridget Westerholz.

On December 23, 2024, the Company commenced a new normal course issuer bid ("2024 NCIB") for its common shares that will remain open until December 22, 2025, or such earlier time as the 2024 NCIB is completed or terminated at the option of the Company. Under the 2024 NCIB, the Company may purchase for cancellation up to 3,914,167 common shares, representing approximately 10% of the Company's public float as at December 10, 2024. Daily purchases are limited to 12,518 common shares. The common shares will be purchased on behalf of the Company by a registered broker through the facilities of the Toronto Stock Exchange ("TSX") and through other alternative Canadian trading systems at the prevailing market price at the time of such transaction. For the three and twelve months ended December 31, 2024, the Company purchased nil and nil common shares, respectively, pursuant to the 2024 NCIB.

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Factors Affecting the Company's Performance

We believe that the growth and success of the Company in the future depends on factors including, but not limited to, those described below.

Economic factors

Economic conditions may affect the Company's results of operations and predictability of future income. Demand and supply are both driven by movements in the end consumer market, which may be affected by factors such as high inflation, recessionary fear and potential scope and duration impact of trade restrictions imposed by the new U.S. government administration. These conditions may reduce the spending committed by our existing and potential customers on marketing campaigns, and a less observable impact of our product (such as conversion rate) as received by the end consumers. Therefore, we expect a less predictable period in the foreseeable future, where the Company's revenue and other results may fluctuate, as we lack the visibility as to how customers may react to the economic factors discussed above.

Seasonality

Seasonality and cyclicity of the retail sales business may affect the Company's revenue and operating results. Typically, retail advertisers concentrate spending in the fourth quarter during holiday seasons. However, some advertisers, such as those in the entertainment industry, may concentrate advertising spending outside of the fourth quarter to coincide with the launch and display of contents or programs. As a result of these factors, one quarter's operating results do not necessarily indicate future quarters' operating results.

Foreign Currency

A large portion of the Company's revenue is earned in U.S. dollars from customers based in the U.S. Our results of operations are converted into our functional currency, Canadian dollars, using the average foreign exchange rates for the Consolidated Statement of Comprehensive Income (Loss) and the spot rate for the Consolidated Statement of Financial Position for each period presented. Given the materiality of our revenue earned in U.S. dollars, our operating results may be adversely impacted by an increase in the value of the Canadian dollar in relation to the U.S. dollar.

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SELECTED FINANCIAL INFORMATION

The following table presents selected summarized financial data for the Company for the three most recently completed financial years. The selected consolidated financial information set out below for fiscals 2024, 2023, and 2022 has been derived from the Company's audited annual Consolidated Financial Statements and related notes.

	2024	2023	2022
Revenue	\$ 140,389	\$ 126,318	\$ 121,038
Media-related costs	74,931	66,023	60,251
Gross Profit	65,458	60,295	60,787
<i>Gross Margin</i>	47%	48%	50%
Sales and marketing expenses	25,927	26,104	24,043
Technology	20,407	19,695	16,805
General and administrative	15,069	14,666	14,753
Share-based compensation	3,732	5,725	5,851
Depreciation and amortization	5,355	5,482	4,853
	70,490	71,672	66,305
Loss from operations	(5,032)	(11,377)	(5,518)
Finance costs (income)	(1,821)	(2,122)	544
Foreign exchange (gain) loss	(5,066)	2,827	(6,270)
	(6,887)	705	(5,726)
Income tax expense (benefit)	988	(1,095)	962
Net income (loss) for the year	867	(10,987)	(754)
Net income (loss) per share – basic and diluted	0.02	(0.20)	(0.01)
Adjusted EBITDA	6,333	1,294	5,756
Total assets	125,822	116,895	141,647
Total non-current liabilities	5,943	7,135	5,019
Working capital	63,233	65,953	90,232

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Results for the three and twelve months ended December 31, 2024 and 2023

The following table provides selected financial information from the Consolidated Statements of Comprehensive Income (Loss) for the three and twelve months ended December 31, 2024 and 2023:

	Three months ended		Twelve months ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Revenue	\$ 49,928	\$ 37,005	\$ 140,389	\$ 126,318
By line of service:				
Managed service ³	23,734	18,530	67,677	72,874
Self-service ³	12,951	8,935	38,437	21,629
Exchange services ³	13,243	9,540	34,275	31,815
By geography:				
U.S. ²	39,259	20,513	105,306	77,488
Canada	3,676	4,005	13,638	12,515
Europe, LATAM & Other ²	6,993	12,487	21,445	36,315
Gross Profit (Net Revenue ¹)	22,686	18,048	65,458	60,295
Adjusted EBITDA ¹	3,947	2,788	6,333	3,107
Income (loss) from operations	922	(991)	(5,032)	(11,377)
Net income (loss)	4,127	(2,579)	867	(10,987)
Net income (loss) per share – basic	0.08	(0.05)	0.02	(0.20)
Net income (loss) per share – diluted	0.07	(0.05)	0.02	(0.20)

(1) As defined in “Non-IFRS Accounting Standards Financial Measures”.

(2) Certain revenue was previously classified in the U.S. geography according to billing arrangements, but has been reclassified to Europe, LATAM, & Other. Management considers the current breakdown more relevant and reflective of business in each geography.

(3) The Company disaggregates its revenue into “Managed service”, “Self-service”, and “Exchange services”. Managed service is revenue earned on fully managed campaigns, Self-service is revenue earned from the illumin platform, and Exchange services is all revenue earned outside of Managed service and Self-service, which includes, among other things, transactions generated from buying and selling of ad inventory through other bidding systems.

Three months ended December 31, 2024 and 2023

Revenue for the quarter was \$49,928, an increase of \$12,923, or 35%, from the same prior year period. The increase in total revenue for the quarter was driven by increases across all three revenue lines. illumin has taken a more customer-centric approach to its strategy, which has led to more balanced growth while still continuing to build and strengthen our self-service platform, as we believe this is the area of differentiation for the Company within the programmatic industry. The Company endeavours to provide our clients with solutions that best fit their needs and strategy, and that includes fully managed campaigns, self-service and, where possible, a hybrid approach, if it fits the client's needs. As a result of that balanced strategy, coupled with a stronger US dollar, the fourth quarter yielded strong revenue growth and delivered record results.

The Company's Managed service revenue for the quarter was \$23,734, an increase of \$5,204, or 28%, from the same prior year period. The Company's Self-service revenue for the quarter was \$12,951, an increase of \$4,016, or 45%, from the same prior year period. The Company's Exchange services revenue for the quarter was \$13,243, an increase of \$3,703, or 39%, from the same prior year period. As noted above, there was strong and balanced growth across all of our revenue lines. As a result, Managed service revenue returned to growth, Self-service revenue continued its steady growth trajectory due to the unique and differentiated solution it provides for marketers and advertisers, and Exchange services revenue also grew, primarily due to an increase in our efforts and focus.

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Revenue generated in the United States for the quarter was \$39,259, an increase of \$18,746, or 91%, from the same prior year period. Revenue generated in Canada for the quarter was \$3,676, a decrease of \$329, or 8%, from the same prior year period. Revenue earned from US clients, represented 91% of total revenue in North America (2023 – 85%) and increased due to the reasons discussed above.

Revenue generated in the Europe, LATAM and Other category for the quarter was \$6,993, a decrease of \$5,494, or 44%. The primary factor for the decrease in this geography was specifically related to the South American region, where revenue decreased to \$2,806 from \$7,952 for the same period of the prior year. This 65% decrease was mainly attributed to revenue generated in Argentina. With changes in the political climate within Argentina and foreign exchange instability, the Company decided in late 2023 to substantively reduce its risk exposure in this region. As a result, revenue from Argentina was minimal for the three months ended December 31, 2024. The Company believes that this will continue for the foreseeable future and as such, will maintain its cautious approach to this region until conditions improve.

Adjusted EBITDA for the quarter was \$3,947, an increase of \$1,159, or 42%, from the same prior year period and was primarily attributable to higher revenue and a strengthened US dollar, partly offset by higher operating costs. Net income for the quarter was \$4,127, an increase of \$6,706 from a loss of \$2,579 in the prior year period. This was primarily a result of higher revenue and a net foreign exchange gain versus a loss in the prior year period, partially offset by higher costs described more fully in the following sections.

Twelve months ended December 31, 2024 and 2023

Revenue for the year was \$140,389, an increase of \$14,071, or 11%, from the prior year. The increase in total revenue for the period was driven by a significant increase in Self-service revenue as well as an increase in Exchange services revenue, but was slightly offset by a decline in Managed service revenue. During the year, the Company shifted towards a more custom-centric approach to its strategy that emphasizes the customers' needs, but with the view to continue to build and strengthen our self-service platform, as we believe this is the area of differentiation for the Company within the programmatic industry. We endeavour to provide our clients with solutions that best fit their needs and strategy, and that includes fully managed campaigns, self-service and, where possible, a hybrid approach if it fits the client's needs.

Managed service revenue for the period was \$67,677, a decrease of \$5,197, or 7%, from the same prior year period. Self-service revenue for the period was \$38,437, an increase of \$16,808, or 78%, from the same prior year period. Exchange services revenue for the period was \$34,275, an increase of \$2,460, or 8%, from the same prior year period. As noted above, the market conditions continue to be challenging with high inflation, consumer demand worries, and conflict in Europe and the Middle East. This environment has softened demand for our Managed service revenue, although we saw that trend improve in the second half of the year. Despite the general market conditions, there has been steady growth in Self-service revenue due to the unique and differentiated solution it provides for marketers and advertisers. It provides a more efficient, cost-effective and flexible approach to target advertising spend via the Journey Platform canvas. The overwhelming majority of the growth in Self-service revenue has been achieved from new relationships to the Company. Exchange services revenue also grew during the year, primarily due to an increase in our efforts and focus, partially offset by lower revenue in Europe and LATAM.

Revenue generated in the United States for the period was \$105,306, an increase of \$27,818, or 36%, from the same prior year period. Revenue generated in Canada for the period was \$13,638, an increase

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of \$1,123, or 9%, from the same prior year period. These increases were primarily attributable to a strong fourth quarter, which was driven by improved operational rigour and more focus on quality prospects. Revenue earned from US clients, which represented 89% of total revenue in North America (2023 – 86%), increased due to the reasons discussed above on the overall revenue improvement.

Revenue generated in the Europe, LATAM and Other category for the period was \$21,445, a decrease of \$14,870, or 41%. The primary factor for the decrease in this geography was specifically related to the South American region, where revenue decreased to \$8,661 from \$22,845 for the same period of the prior year. This 62% decrease was mainly attributed to revenue generated in Argentina. With changes in the political climate within Argentina and foreign exchange instability, the Company decided in late 2023 to substantively reduce its risk exposure here. As a result, revenue from Argentina was minimal for the twelve months ended December 31, 2024. The Company believes that this will continue for the foreseeable future and as such, will maintain its cautious approach to this region until conditions improve.

Adjusted EBITDA for the year was \$6,333, an increase of \$3,226, or 104%, from the same prior year period and was primarily attributable to higher revenues, partially offset by higher operating costs. Net income for the period was \$867, an increase of \$11,854, primarily as a result of higher revenues, a net foreign exchange gain versus a loss in the prior year period, and a lower share-based compensation expense, partially offset by higher operating costs.

Net Revenue

The following table sets out a reconciliation of Net Revenue (Gross Profit) to Revenue for each of the periods indicated:

	Three months ended		Twelve months ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Revenue	\$ 49,928	\$ 37,005	\$ 140,389	\$ 126,318
Media-related costs	27,242	18,957	74,931	66,023
Net Revenue	22,686	18,048	65,458	60,295
Net Revenue Margin	45%	49%	47%	48%

Three months ended December 31, 2024 and 2023

Media-related costs are comprised of advertising impressions and specific costs, such as data acquisition, validation and verification, that the Company purchases from real-time advertising exchanges or through other third parties. Media-related costs were \$27,242 for the quarter compared to \$18,957 for the same prior year period, for an increase of \$8,285, or 44%. This increase in Media-related costs was attributable to the increased revenue during the period. Net Revenue Margin was 45% for the quarter, a decrease from 49% during the same prior year period and was due to higher revenue in products with lower margins.

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Twelve months ended December 31, 2024 and 2023

Media-related costs were \$74,931 for the period compared to \$66,023 for the same prior year period, for an increase of \$8,908, or 13%. This increase in Media-related costs was attributable to the increased revenue during the period. Net Revenue Margin was 47% for the period, a decrease from 48% during the prior year period, reflecting the increased share of Self-service revenue, which has lower margins.

Reconciliation of Net income (loss) to Adjusted EBITDA

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

	Three months ended		Twelve months ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Net income (loss) for the period	\$ 4,127	\$ (2,579)	\$ 867	\$ (10,987)
Adjustments:				
Finance income, net	(414)	(528)	(1,821)	(2,122)
Foreign exchange loss (gain)	(3,617)	2,034	(5,066)	2,827
Depreciation and amortization	1,309	1,110	5,355	5,482
Income tax expense (benefit)	826	82	988	(1,095)
Share-based compensation	850	1,141	3,732	5,725
Severance expenses	835	940	1,195	1,307
Nasdaq-related costs ¹	-	431	736	1,813
Other non-recurring expenses	31	157	347	157
Total adjustments	(180)	5,367	5,466	14,094
Adjusted EBITDA	\$ 3,947	\$ 2,788	\$ 6,333	\$ 3,107

(1) Nasdaq-related costs are listing fees and directors' and officers' insurance specific to the Company's Nasdaq listing and have been reclassified below Adjusted EBITDA as they are not recurring. The prior year numbers have been adjusted to conform to the current year presentation.

Operating Expenses, Finance Income, and Foreign Exchange

The following table summarizes various expenses for the three and twelve months ended December 31, 2024 and 2023:

	Three months ended		Twelve months ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Sales and marketing ¹	\$ 8,123	\$ 7,081	\$ 25,927	\$ 26,104
Technology ¹	6,042	4,759	20,407	19,695
General and administrative	5,440	4,948	15,069	14,666
Share-based compensation	850	1,141	3,732	5,725
Depreciation and amortization	1,309	1,110	5,355	5,482
Finance income, net	(414)	(528)	(1,821)	(2,122)
Foreign exchange loss (gain)	(3,617)	2,034	(5,066)	2,827

(1) Effective January 1, 2024, the Company changed its operating expense presentation to reclassify certain costs from Sales and marketing to Technology in order to better reflect the nature of these costs.

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Sales and marketing expenses

Sales and marketing expenses consist of all costs associated with selling and marketing the Company's services. The costs include all salary and benefit costs, commissions and variable compensation, travel, marketing, payroll taxes and employee health and related benefit expenses for the sales, marketing, and account management teams. Sales and marketing expenses for the quarter were \$8,123, an increase of \$1,042, or 15%, compared to the same period of the prior year. The year-over-year increase was primarily related to higher revenue for the quarter and the variable commission and bonus costs that increased as a result, as well as lower funding from IRAP (see below). Sales and marketing expenses represented 16% of revenue for the quarter, compared to 19% in the prior year period.

During the quarter, the Company recognized \$147 in government grants related to Sales and marketing costs from funding from the National Research Council's Industrial Research Assistance Program ("IRAP") compared to \$521 for the prior year period. Excluding government grants, Sales and marketing expenses for the quarter increased by \$668 compared to the same period from the prior year and represented 17% of revenue compared to 21% for the same period from the prior year.

Sales and marketing expenses for the year were \$25,927, a decrease of \$177, or 1%, compared to the prior year. The year-over-year decrease was primarily related to a reduced senior leadership team and lower advertising and promotion costs, mostly offset by higher commissions as a result of higher sales. Sales and marketing expenses represented 18% of revenue for the year, compared to 21% for the prior year.

During the twelve month period, the Company recognized \$850 in government grants related to Sales and marketing costs from IRAP compared to \$759 for the prior year period. Excluding government grants, Sales and marketing expenses for the twelve month period decreased by \$86 compared to the same period from the prior year and represented 19% of revenue compared to 21% for the same period from the prior year.

Technology

Technology expenses consist of all costs associated with increasing the Programmatic Marketing Platform's effectiveness and efficiency. The majority of such costs are comprised of salary and benefit costs and costs associated with housing the required computer equipment. Technology expenses for the quarter were \$6,042, an increase of \$1,283, or 27%, compared to the same period of the prior year. Excluding capitalized salaries and government grants, Technology expenses for the quarter increased by \$1,127 compared to the same period from the prior year and represented 16% of revenue compared to 19% for the same period of the prior year. The year-over-year increase was primarily related to higher variable hosting and data costs as a result of higher revenues for the quarter, lower capitalized development costs, and increased consulting expenses.

During the quarter, the Company had capitalized salary costs of \$1,238 that related to revenue generating technology compared to a reversal of \$28 in the prior year period.

During the quarter, the Company recognized \$850 in government grants related to technology from IRAP compared to \$2,272 for the prior year period.

Technology expenses for the year were \$20,407, an increase of \$712, or 4%, compared to the prior year. Excluding capitalized salaries and government grants, Technology expenses for the year

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increased by \$1,774 compared to the prior year and represented 21% of revenue compared to 22% for the prior year. The year-over-year increase was primarily related to higher hosting and data costs due to higher sales.

During the twelve month period, the Company had capitalized salary costs of \$4,144 that related to revenue generating technology compared to \$4,375 in the prior year period.

During the twelve month period, the Company recognized \$4,703 in government grants related to technology from IRAP compared to \$3,410 for the prior year period.

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 for the quarter were \$5,440, an increase of \$492, or 10%, compared to the same period of the prior year. Excluding capitalized salaries and government grants, General and administrative expenses for the quarter increased by \$603 compared to the same period from the prior year and represented 11% of revenue, compared to 13% for the same period of the prior year. The year-over-year increase was primarily related to higher bonuses, higher salaries, higher rent, and higher recruiting costs, partially offset by lower insurance and professional fees.

During the quarter, the Company had capitalized salary costs of \$45 that related to revenue generating technology compared to \$nil in the prior year period.

During the quarter, the Company recognized \$66 in government grants related to General and administrative costs from IRAP compared to \$nil for the prior year period.

General and administrative expenses for the year were \$15,069, an increase of \$403, or 3%, compared to the same period of the prior year. Excluding capitalized salaries and government grants, General and administrative expenses for the year increased by \$769 compared to the prior year and represented 11% of revenue, compared to 12% for the same prior year period. The year-over-year increase was primarily related to higher bonuses, higher rent, and higher recruiting costs, partially offset by lower insurance and professional fees.

During the twelve month period, the Company had capitalized salary costs of \$89 that related to revenue generating technology compared to \$nil in the prior year period.

During the twelve month period, the Company recognized \$277 in government grants related to General and administrative costs from IRAP compared to \$nil for the prior year period.

Share-based compensation

Share-based compensation expense for the quarter was \$850 a decrease of \$291, or 26%, compared to the prior year period. The decrease in Share-based compensation expense was primarily related to a general reduction in share-based grants, as compared to the prior year period.

Share-based compensation expense for the year was \$3,732, a decrease of \$1,993, or 35%, compared to the prior year. The decrease in Share-based compensation expense was primarily related to a general reduction in share-based grants and forfeitures from parting executives, as compared to the prior year.

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Depreciation and amortization

Depreciation and amortization expense for the quarter was \$1,309, an increase of \$199, or 18%, compared to the same period of the prior year. The year-over-year increase was attributable to an increase in capitalized salaries compared to the prior year period, partially offset by certain lease equipment assets being fully amortized prior to the end of the quarter.

Depreciation and amortization expense for the year was \$5,355, a decrease of \$127, or 2%, compared to the prior year. The year-over-year decrease was primarily attributable to certain lease equipment assets being fully amortized prior to the end of the year.

Finance income, net

Finance income for the quarter was \$414, a decrease of \$114, compared to the same period of the prior year. The decrease was primarily due to lower prime rates and lower average cash balances, which resulted in lower interest income during the quarter.

Finance income for the year was \$1,821, a decrease of \$301, compared to the prior year. The decrease was primarily due to the same reasons noted above.

Foreign exchange loss (gain)

Foreign exchange loss (gain) consists of the realized and unrealized exchange differences due to fluctuations between the Canadian dollar, the U.S. dollar, and the Euro. The Company recorded a net foreign exchange gain of \$3,617 for the quarter compared to a loss of \$2,034 for the same prior year period, largely due to the US dollar strengthening against the Canadian dollar in the current quarter, compared to the US dollar weakening in the prior year quarter.

The Company recorded a net foreign exchange gain of \$5,066 for the year compared to a loss of \$2,827 for the prior year, largely due to the US dollar strengthening against the Canadian dollar in the year, compared to the US dollar weakening in the prior year.

Historically, the Company has not hedged foreign currency transactions, but the Company may elect to do so in the future if it is determined to be advantageous.

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Summary of Quarterly Results

The following table sets out selected financial information for the Company on a consolidated basis for the last eight most recently completed quarters. The quarterly information has been prepared in accordance with IFRS Accounting Standards.

	Quarter Ended							
	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sept 30, 2023	Jun 30, 2023	Mar 31, 2023
Revenue	\$49,928	\$36,305	\$29,204	\$24,952	\$37,005	\$29,628	\$33,190	\$26,496
Net income (loss)	4,127	(1,108)	(1,014)	(1,138)	(2,579)	762	(5,608)	(3,562)
Net income (loss) per share - basic	\$0.08	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.05)	\$0.01	(\$0.10)	(\$0.06)
Net income (loss) per share - diluted	\$0.07	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.05)	\$0.01	(\$0.10)	(\$0.06)
Weighted average number of shares outstanding	50,934,042	50,908,462	51,830,518	51,111,665	51,597,683	53,923,067	56,269,238	56,811,532

Traditionally, seasonality has affected the Company's results, where higher revenues are achieved in the fourth quarter and lower revenues in the first and third quarters of the year. The trend in the quarterly results is strongly correlated with the seasonality in the advertising industry, and the fluctuation in the past eight quarters is aligned with our expectation.

LIQUIDITY AND CAPITAL RESOURCES

Selected financial information from the statements of financial position as at December 31, 2024 and December 31, 2023 are as follows:

	December 31, 2024	December 31, 2023
Cash and cash equivalents	\$ 55,952	\$ 55,455
Working capital ⁽¹⁾	63,233	65,953
Total assets	125,822	116,895
Current liabilities	40,846	29,062
Other non-current liabilities	5,943	7,135
Shareholders' equity	79,033	80,698

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

As at December 31, 2024, the Company had Cash and cash equivalents of \$55,952 compared to \$55,455 as at December 31, 2023 for an increase of \$497. This increase was primarily attributable to a favourable foreign exchange impact on Cash and cash equivalents, positive cash from operating activities before changes in working capital, and timing of non-cash operating working capital in the year. This was partially offset by the repurchase of the Company's shares, investments in our platform and property and equipment, and payments on leases.

Cash flows generated from operations were \$10,131 during the year compared to a use of \$1,391 during the prior year. The increase of \$11,522 was primarily due to higher cash from operating activities before changes in working capital as a result of higher Net Revenue, combined with a continued focus on managing receivable and payable cycles.

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Cash flows used in investing activities were \$5,947 during the year, compared to \$5,242 during the prior year. The increase of \$705 was primarily due to higher additions to property and equipment, partially offset by a reduction in investments in our platform as a result of higher IRAP.

Cash flows used in financing activities were \$7,539 during the year, compared to \$22,991 during the prior year. The decrease of \$15,452 was primarily due to lower repurchases of the Company's common shares in the current year, repayment of the term loan in the prior year, and lower lease payments.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue and expenditures and cash flows from operations. The Company expects to generate positive cash flow from operations, while maintaining a sufficient balance in its operating accounts to meet its working capital requirements. The \$55,952 cash on hand provides sufficient liquidity and solvency for investing and capital activities planned for in the short and long-term. While the Company currently has sufficient capital to meet its day-to-day operating expenses, it is possible that the Company could experience a working capital deficiency in the future, which would have a materially adverse effect on the Company's liquidity. A possible working capital deficiency could occur in the event of a significant economic downturn that would hinder the Company's customers' ability to pay their debts. To mitigate this risk, management continuously monitors the receivable balances to analyze trends that may impact collectability. Management makes a concerted effort to align cash outflows to vendors against inflows from customers, to maintain optimal working capital. At this point in time, the Company does not have any contractual commitments for future capital expenditures. The Company does not plan to increase its capital expenditures significantly compared to current and historical years. If the Company was to continue investing at a pace similar to prior years, the current cash on hand would be sufficient to mitigate any type of liquidity risk.

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

Common Shares

Changes in the number of issued common shares of the Company from December 31, 2023 to December 31, 2024 are as follows:

	Number of Common Shares
Balance as at December 31, 2023	51,350,973
Shares issued – Options exercised	26,667
Shares issued – DSUs exercised	204,035
Shares issued – RSUs exercised	2,966,765
Repurchase of shares for cancellation under the 2023 NCIB	(3,310,384)
Balance as at December 31, 2024	51,238,056

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Preference Shares

While the Company is authorized to issue an unlimited number of preference shares, the Company does not have any preference shares issued and outstanding.

Stock Options

The Company presently issues stock options, deferred share units ("DSUs"), and restricted share units ("RSUs") pursuant to its omnibus long-term incentive plan (the "Omnibus Incentive Plan"). Prior to June 16, 2020, the Company issued stock options pursuant to its predecessor stock option plan (the "Stock Option Plan") and DSUs pursuant to its predecessor deferred share unit plan (the "DSU Plan"). Although the Company no longer issues new stock options or DSUs pursuant to the predecessor Stock Option Plan and DSU Plan, respectively, previously issued stock options and DSUs remain outstanding and are governed by the existing plans under which they were initially issued.

The maximum number of common shares reserved for issuance, in the aggregate, under the Omnibus Incentive Plan, the Stock Option Plan, the DSU Plan and any other security-based compensation arrangement of the Company, collectively, is 15% of the aggregate number of common shares issued and outstanding from time to time. As at December 31, 2024, the Company was entitled to issue a maximum of 7,685,708 equity-based awards collectively under the Omnibus Incentive Plan, the Stock Option Plan, the DSU Plan and any other security-based compensation arrangement. As at December 31, 2024, the total number of outstanding equity-based awards collectively was 5,162,423.

The following table summarizes the continuity of stock options issued by the Company under the Stock Option Plan:

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding – January 1	616,002	\$ 1.62	704,469	\$ 1.60
Forfeited or cancelled	(449,335)	1.68	(81,800)	1.62
Exercised	(26,667)	1.22	(6,667)	1.01
Options outstanding – December 31	140,000	1.44	616,002	1.62
Options exercisable – December 31	140,000	1.44	616,002	1.62

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The following table summarizes the continuity of stock options issued by the Company under the Omnibus Incentive Plan:

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding – January 1	16,667	\$ 2.09	23,334	\$ 2.09
Granted	1,000,000	1.61	-	-
Forfeited or cancelled	-	-	(6,667)	2.09
Options outstanding – December 31	1,016,667	1.62	16,667	2.09
Options exercisable – December 31	16,667	2.09	16,667	2.09

Deferred Share Units

During the three and twelve months ended December 31, 2024, the Company issued nil and 131,889 DSUs (2023 – nil and 83,664), respectively, to employees, officers, directors, and consultants of the Company and 5,000 and 204,035 DSUs were exercised, respectively (2023 – 3,333 and 40,748). As at December 31, 2024, the Company had 634,538 DSUs outstanding.

Restricted Share Units

During the three and twelve months ended December 31, 2024, the Company issued nil and 1,950,781 RSUs (2023 – 108,152 and 1,652,395), respectively, to employees, officers, and consultants of the Company and 383,056 and 2,966,765 RSUs (2023 – 108,767 and 234,313) were exercised, respectively. As at December 31, 2024, the Company had 3,371,218 RSUs outstanding.

CONTRACTUAL OBLIGATIONS

The following are the contractual maturities for the financial liabilities:

	December 31, 2024				
	Carrying Amount	Total contractual cash flows	Less than 1 year	1 to 3 years	> 3 years
Accounts payable and accrued liabilities	\$ 39,148	\$ 39,148	\$ 39,148	\$ -	\$ -
International loans	48	48	48	-	-
Lease obligations	6,215	7,875	1,935	2,722	3,218
	45,411	47,071	41,131	2,722	3,218

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	December 31, 2023				
	Carrying Amount	Total contractual cash flows	Less than 1 year	1 to 3 years	> 3 years
Accounts payable and accrued liabilities	\$ 26,488	\$ 26,488	\$ 26,488	\$ -	\$ -
International loans	178	178	131	47	-
Lease obligations	7,813	10,019	2,287	3,618	4,114
	<u>34,479</u>	<u>36,685</u>	<u>28,906</u>	<u>3,665</u>	<u>4,114</u>

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

During the three and twelve months ended December 31, 2024, there were no transactions with related parties.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

CHANGES IN ACCOUNTING POLICIES**Recently adopted accounting pronouncements**

For the year ended December 31, 2024, the Company has adopted new accounting policies as disclosed in Note 2 of the Company's Consolidated Financial Statements. The application of those amendments and interpretations had no significant impact on the Company's consolidated financial position or results of operations.

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DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, under the supervision of the Company's Chief Executive Officer and Chief Financial Officer (collectively the "Certifying Officers"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P"), as that term is defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings. DC&P have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. Management, including the Certifying Officers, evaluated the effectiveness of the Company's DC&P and have concluded that the Company's DC&P were effective as at December 31, 2024.

Management, under the supervision of the Certifying Officers, is responsible for establishing and maintaining an adequate system of "internal control over financial reporting" ("ICFR"), as that term is defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings. Management, including the Certifying Officers, have assessed the effectiveness of the Company's ICFR in accordance with the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management, including the Certifying Officers, have determined that the Company's ICFR were effective as of December 31, 2024. Additionally, based on its assessment, management determined that there were no material weaknesses or significant deficiencies in the Company's ICFR as at December 31, 2024.

There have been no changes to the Company's ICFR during the three and twelve month periods ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, illumina's ICFR.

OUTSTANDING SHARE DATA

As at March 13, 2025, 51,238,056 common shares and nil preference shares were issued and outstanding. In addition, as at March 13, 2025, there were 1,156,667 stock options outstanding, each of which represents the right to acquire one common share, with exercise prices ranging from \$1.13 to \$2.09 per share. As at March 13, 2025, there were 634,538 DSUs outstanding and 3,321,120 RSUs outstanding, each of which represents the right to acquire one common share.

RISK FACTORS

illumina is exposed to a variety of business risks, financial and accounting risks, and industry risks in the normal course of operations. A detailed description of risk factors associated with the Company's business is given in the "Risk Factors" section of the Annual Information Form for the year ended December 31, 2024, which is available under the Company's profile on SEDAR+ at www.sedarplus.com.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2024, is posted on SEDAR+ at www.sedarplus.com. The Company's common shares are listed on the TSX under the symbol "ILLM" (formally "AT") and on the OTCQB in the United States under the ticker symbol "ILLMF".