illumin Holdings Inc.
(formerly AcuityAds Holdings Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2023

Dated March 7, 2024

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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, 2023. In this MD&A, "this quarter", "the quarter", or "fourth quarter" refer to the three months ended December 31, 2023, unless the context indicates otherwise. All results commentary is compared to the equivalent period in 2022 or as at December 31, 2022, 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, 2023, 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 ("IASB"), 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 6, 2024.

NON-IFRS FINANCIAL MEASURES

This MD&A includes certain measures which are not defined terms in accordance with IFRS 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 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. "Net Revenue", "Net Revenue Margin", and "Adjusted EBITDA" do not have a standardized meaning prescribed by IFRS 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 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 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 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. 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 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. illumin has had excellent traction and experienced rapid growth since its launch and, in 2022, replaced the legacy platform at the Company with all new campaigns now utilizing the illumin software platform.

RESULTS OF OPERATIONS

Significant developments during the three and twelve months ended December 31, 2023, and to the date of this report

On May 16, 2022, illumin commenced a normal course issuer bid (the "2022 NCIB") for its common shares, which expired on May 15, 2023. Under the 2022 NCIB, the Company had the option to purchase for cancellation up to 5,500,000 common shares or approximately 9.95% of its public float as at May 3, 2022. For the twelve months ended December 31, 2023, the Company purchased 701,114 common shares at an average price of $2.14 per share pursuant to the 2022 NCIB. Over the duration of the 2022 NCIB, the Company acquired and cancelled 5,404,894 common shares at an average price of $2.96 per share.

On April 17, 2023, the Company changed both of its Toronto Stock Exchange and Nasdaq Capital Market trading symbols from "AT" to "ILLM" and "ATY" to "ILLM", respectively.

On May 31, 2023, the Company repaid the outstanding term loan in full including all outstanding interest.

On June 14, 2023, the Company changed its name from AcuityAds Holdings Inc. to illumin Holdings Inc.

On July 26, 2023, the Company announced the launch of a substantial issuer bid ("SIB"). The SIB commenced on July 27, 2023 and expired on August 30, 2023 and was conducted by way of "Dutch Auction". As a result of the SIB, the Company repurchased 4,593,200 of its outstanding common shares at a purchase price of $2.65 per share, for an aggregate purchase price of approximately $12,172. The total transaction costs that were associated with the SIB totaled $965, which were capitalized to common shares.

On September 11, 2023, the Company voluntarily delisted its common shares from the Nasdaq Capital Market. On December 7, 2023, the Company filed a Form 15F with the Securities and Exchange Commission to voluntarily terminate its Securities and Exchange Commission reporting obligations (termination was effective on March 6, 2024). The Company's common shares are currently listed on the Toronto Stock Exchange in Canada under the trading symbol "ILLM".

On October 6, 2023, the Company secured a funding commitment of up to a maximum of $10,000 from the National Research Council's Industrial Research Assistance Program ("IRAP") towards eligible research and development expenses. The commitment covers expenses incurred for the period April 1, 2023 to December 31, 2024. During the three and twelve months ended December 31, 2023, $2,793 and $4,169 of eligible costs were received from IRAP. Of this amount, $1,817 and $2,524 were recognized as a reduction to sales and marketing costs and technology costs on the Consolidated Statement of Comprehensive Loss for the three and twelve months ended December 31, 2023. In addition, $976 and $1,645 was recognized as a reduction of previously capitalized development expenses on the Consolidated Statement of Financial Position for the three and twelve months ended December 31, 2023.

On November 13, 2023, the Company commenced a normal course issuer bid ("2023 NCIB" and collectively with the 2022 NCIB, the "NCIBs")) for its common shares that will remain open until November 12, 2024, or such earlier time as the 2023 NCIB is completed or terminated at the option of the Company. Under the 2023 NCIB, the Company may 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 are limited to 20,621 common shares. The common shares will be purchased on behalf of the Company by a registered broker through the facilities of the 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, 2023, the Company purchased 445,362 common shares pursuant to the 2023 NCIB at an average price of $1.52 per share. During the year ended December 31, 2023, the Company, via the 2022 NCIB and 2023 NCIB, repurchased 1,146,476 common shares through the facilities of the TSX and alternative Canadian trading systems at a weighted-average price of approximately $1.90 per share, for total cash consideration of approximately $2,176.

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 geopolitical instability. 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 cyclicality 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 Loss and the spot rate for the Consolidated Statement of Financial Position for each period presented. Given the material magnitude 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.

(In thousands of Canadian dollars, except share amounts)

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 2023, 2022, and 2021 has been derived from the Company's audited annual Consolidated Financial Statements and related notes.

	2023	2022	2021 (As restated)
Revenue	$ 126,318	$ 121,038	$ 122,026
By line of service:			
Managed services	72,874	80,978	91,808
Self-service	53,444	40,060	30,218
Media-related costs	66,023	60,251	58,461
Gross Profit	60,295	60,787	63,565
Gross Margin	48%	50%	52%
Sales and marketing expenses	26,104	24,043	22,274
Research and development	19,695	16,805	12,680
General and administrative	14,666	14,753	8,838
Share-based compensation	5,725	5,851	4,132
Depreciation and amortization	5,482	4,853	5,057
Income (loss) from operations	(11,377)	(5,518)	10,584
Finance costs (income)	(2,122)	544	1,053
Foreign exchange (gain) loss	2,827	(6,270)	(3,374)
	705	(5,726)	(2,321)
Income tax expense (benefit)	(1,095)	962	1,151
Net income (loss) for the year	(10,987)	(754)	11,754
Net income (loss) per share (basic and diluted)	(0.20)	(0.01)	0.20
Adjusted EBITDA	1,294	5,756	20,272
Total assets	116,895	141,647	149,826
Total non-current liabilities	7,135	5,019	6,002
Working capital	65,953	90,232	105,692

(In thousands of Canadian dollars, except share amounts)

Results for the three and twelve months ended December 31, 2023 and 2022

The following table provides selected financial information from the Consolidated Statements of Comprehensive Loss for the three and twelve months ended December 31, 2023 and 2022:

	Three months ended		Twelve months ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Revenue	$ 37,005	$ 40,010	$ 126,318	$ 121,038
By line of service:				
Managed services	18,530	26,641	72,874	80,978
Self-service	18,475	13,369	53,444	40,060
By geography:				
U.S.	20,513	26,953	77,488	81,877
Canada	4,005	4,288	12,515	17,243
Europe, LATAM & Other[3]	12,487	8,769	36,315	21,918
Gross Profit (Net Revenue) [1]	18,048	19,360	60,295	60,787
Adjusted EBITDA[1]	2,357	2,446	1,294	5,756
Loss from operations	(991)	(217)	(11,377)	(5,518)
Net loss	(2,579)	(820)	(10,987)	(754)
Net loss per share (basic and diluted) [2]	(0.05)	(0.01)	(0.20)	(0.01)

(1) As defined in "Non-IFRS Financial Measures".
(2) Exercisable options to purchase 632,669 (2022 – 672,803) common shares were outstanding as at December 31, 2023. The weighted average number of options and warrants were excluded from the calculation of diluted loss per share for the years ended December 31, 2023 and 2022 because their inclusion would have been anti-dilutive.
(3) This line includes revenue previously classified in the U.S. geography according to billing arrangements. Management considers current breakdown more relevant and reflective of business in each geography.

Three months ended December 31, 2023 and 2022

Revenue for the quarter was $37,005, a decrease of $3,005, or 8%, from the same prior year period. The decrease in total revenue for the quarter was driven by a decline in managed service revenue primarily in the US. Challenging market conditions for advertisers and the perception of sustained weaker consumer demand significantly impacted the activity of the quarter. illumin has undertaken a strategic shift in our business model by moving from a primary focus on a transactional revenue model with no contractual commitment to a sustainable reoccurring, self-service model with longer-term contracts. Over time, this shift will result in better quality and more consistent revenue growth performance.

The Company's managed service revenue for the quarter was $18,530, a decrease of $8,111, or 30%, from the same prior year period. The Company's self-service revenue for the quarter was $18,475, an increase of $5,106, or 38%, 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 as well as impacted the rate of growth of our self-service model, which is also subject to the same pressure. However, despite the general market conditions, there has been a steady growth in illumin 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 illumin self-serve has been achieved from new relationships to the Company.

Revenue generated in the United States for the quarter was $20,513, a decrease of $6,440, or 24%, from the same prior year period. Revenue generated in Canada for the quarter was $4,005, a decrease of $283, or 7%, from the same prior year period. Revenue earned from Canadian clients is relatively stable, as it represents a small portion of total clients. Revenue earned from US clients, which represents 85% of total revenue in North America, declined due to reasons discussed above on the reduction of overall revenue.

Revenue generated in Europe, LATAM and other countries outside of North America for the quarter was $12,487, an increase of $3,718, or 42%, driven by revenue generated in LATAM subsidiaries. The primary factor in the LATAM subsidiaries increase was specifically the South American region where revenue increased to $7,952 from $4,474 for the same period of the prior year. This 78% increase was mainly attributed to revenue generated in Argentina. With changes in the political climate within Argentina and foreign-exchange instability, the Company has decided to substantively reduce the risk exposure. Revenue from Argentina will be minimal for 2024 and beyond until conditions once again become favourable in this region going forward.

Adjusted EBITDA for the quarter was $2,357, a decrease of $89, or 4%, from the same prior year period and was primarily attributable to lower revenue. Net loss for the quarter was ($2,579), a decrease of $1,759, primarily as a result of lower total revenue and lower margins.

Twelve months ended December 31, 2023 and 2022

Revenue for the period was $126,318, an increase of $5,280, or 4% from the same prior year period. The Company's managed service revenue for the period was $72,874, a decrease of $8,104, or 10%, from the same prior year period. The Company's self-service revenue for the period was $53,444, an increase of $13,384, or 33%, from the same prior year period. The increase in total revenue for the period was primarily a result of increased spend by our illumin self-service clients. The Company has had a strategic shift to move from quick, single occurrence revenue, with no contractual commitment to a sustainable reoccurring revenue with longer-term contracts. As noted above, the market conditions throughout the year have softened demand for both managed service and self-service. However, despite the general market conditions, there has been a steady growth in illumin 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 illumin self-service has been achieved from new relationships to the Company. During the year, the Company has also successfully migrated all legacy self-service clients to its illumin self-service platform.

Revenue generated in the United States for the period was $77,488, a decrease of $4,389, or 5%, from the same prior year period. Revenue generated in Canada for the period was $12,515, a decrease of $4,728, or 27% from the same prior year period. The decrease in North American revenue is primarily attributable to many companies reducing their overall marketing spend due to economic uncertainty.

Revenue generated in Europe, LATAM, and other countries outside of North America for the period was $36,315, an increase of $14,397, or 66%. The primary factor in the LATAM subsidiaries increase was specifically the South American region where revenue increased to $22,845 from $7,654 for the same period of the prior year. This 198% increase was mainly attributed to revenue generated in Argentina, however due to the recent political instability in Argentina, we have reduced our operations and, as a result, will have a substantial decrease in the revenue generated in that region going forward.

Adjusted EBITDA for the period was $1,294, a decrease of $4,462, or 78%, from the same prior year period and was primarily attributable to higher operating expenses and lower margins from business outside North America. This increase in operating expenses was mostly derived from growth in strategic investments started in 2022 that are now fully impacting the 2023 results. Net loss for the period was ($10,987), a decrease of $10,233, primarily as a result of an increase in operating costs, lower margin revenue, and foreign exchange loss due to a weakened U.S. dollar compared to the prior year period, partially offset by the recognition of a current income tax benefit from losses carried back within illumin Inc.

(In thousands of Canadian dollars, except share amounts)

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, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Revenue	$ 37,005	$ 40,010	$ 126,318	$ 121,038
Media-related costs	18,957	20,650	66,023	60,251
Net Revenue	18,048	19,360	60,295	60,787
Net Revenue Margin	49%	48%	48%	50%

Three months ended December 31, 2023 and 2022

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 $18,957 for the quarter compared to $20,650 for the same prior year period, for a decrease of $1,693, or 8%. This decrease in Media-related costs was attributable to the decreased revenue during the period. Net Revenue Margin was 49% for the quarter compared to 48% for the same prior year period. Net Revenue Margins have remained relatively flat from the prior year period.

Twelve months ended December 31, 2023 and 2022

Media-related costs were $66,023 for the period compared to $60,251 for the same prior year period, for an increase of $5,772, or 10%. This increase in Media-related costs was attributable to the increased revenue during the period partly due to the increased self-service revenue, which has lower margins than managed. The increase in Media-related cost is in line with the Company's goal of growing self-service customers that generate more long-term and stable revenue. Net Revenue Margin was 48% for the year compared to 50% for the same prior year period. This drop in Net Revenue Margin was largely due to increased self-service revenue, which has lower margins, especially outside of North America.

(In thousands of Canadian dollars, except share amounts)

Reconciliation of Net loss to Adjusted EBITDA

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

	Three months ended		Twelve months ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Net loss for the period	$ (2,579)	$ (820)	$ (10,987)	$ (754)
Adjustments:				
Finance costs (income)	(528)	115	(2,122)	544
Foreign exchange loss (gain)	2,034	958	2,827	(6,270)
Depreciation and amortization	1,110	1,326	5,482	4,853
Income tax expense (benefit)	82	(470)	(1,095)	962
Share-based compensation	1,141	1,245	5,725	5,851
Severance expenses	940	92	1,307	491
Other expenses	157	-	157	79
Total adjustments	4,936	3,266	12,281	6,510
Adjusted EBITDA	$ 2,357	$ 2,446	$ 1,294	$ 5,756

Three months ended December 31, 2023 and 2022

Adjusted EBITDA for the three months ended December 31, 2023 was $2,357 compared to $2,446 for the same prior year period. The year-over-year decrease of $89 was primarily attributable to lower revenue as discussed under the previous sections.

Twelve months ended December 31, 2023 and 2022

Adjusted EBITDA for the twelve months ended December 31, 2023 was $1,294 compared to $5,756 for the same prior year period. The year-over-year decrease of $4,462 was primarily attributable to higher operating expenses as discussed under the operating expenses section.

Operating Expenses, Finance Costs (Income), and Foreign Exchange

The following table summarizes various expenses for the three and twelve months ended December 31, 2023 and 2022:

	Three months ended		Twelve months ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Sales and marketing	$ 7,081	$ 7,297	$ 26,104	$ 24,043
Technology	4,759	5,040	19,695	16,805
General and administrative	4,948	4,669	14,666	14,753
Share-based compensation	1,141	1,245	5,725	5,851
Depreciation and amortization	1,110	1,326	5,482	4,853
Finance costs (income)	(528)	115	(2,122)	544
Foreign exchange loss (gain)	2,034	958	2,827	(6,270)

The Company's strategic growth has led to fluctuating overall operating results due to higher expenditures in sales and marketing and research and development from quarter to quarter and increases in employee headcount.

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 $7,081, a decrease of $216, or 3%, compared to the same period of the prior year. The year-over-year decrease was primarily related to a higher proportion in total revenue of lower commission revenue (LATAM) as well as to receipt of IRAP funding during the quarter. Sales and marketing expenses represented 19% of revenue for the quarter, compared to 18% in the prior year period.

During the quarter, the Company recognized $521 in government grants related to sales and marketing costs from IRAP compared to nil for the prior year period. Excluding government grants, sales and marketing expenses for the quarter increased by $305 compared to the same period from the prior year and represented 21% of revenue compared to 18% for the same period from the prior year.

Sales and marketing expenses for the twelve month period were $26,104, an increase of $2,061, or 9%, compared to the same period of the prior year. The year-over-year increase was primarily related to a full year of salary cost attributed to the sales and marketing senior leadership team, in contrast to the prior year, which only had these costs in the latter part of the year. Another factor that led to the increase in sales and marketing expenses was the bonus expense that is variably correlated to total overall revenue. Sales and marketing expenses represented 21% of revenue for the year, compared to 20% in the prior year period.

During the year, the Company recognized $759 in government grants related to sales and marketing costs from IRAP compared to nil for the prior year period. Excluding government grants, sales and marketing expenses for the year increased by $2,820 compared to the same period from the prior year and represented 21% of revenue compared to 20% for the same period of 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 $4,759, a decrease of $281, or 6%, compared to the same period of the prior year. Excluding capitalized salaries and government grants, technology expenses for the quarter increased by $854 compared to the same period from the prior year and represented 19% of revenue compared to 15% for the same period of the prior year. The year-over-year increase was primarily related to an increase in the size of the team and the average employee compensation, as well as increases in data hosting costs that were largely due to macroeconomic factors in Europe.

During the quarter, the Company had capitalized salary costs of $944 that related to revenue generating technology. Due to the timing of IRAP approvals, $972 was reversed in the fourth quarter related to third quarter spend that resulted in a net reversal of $28 in the quarter, compared to $1,109 for the same prior year period.

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

Technology expenses for the twelve month period were $19,695, an increase of $2,890, or 17%, compared to the same period of the prior year. Excluding capitalized salaries and government grants, technology expenses for the twelve month period increased by $6,938 compared to the same period from the prior year and represented 22% of revenue compared to 17% for the same period of the prior year. The year-over-year increase was primarily related to an increase in the size of the team and the average employee compensation, as well as increases in data hosting costs that were largely due to macroeconomic factors in Europe.

During the twelve month period, the Company capitalized $4,375 of salary costs that related to revenue generating technology compared to $3,737 for the same prior year period.

During the twelve month period, the Company recognized $3,410 in government grants related to technology from IRAP compared to nil 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 $4,948, an increase of $279, or 6%, compared to the same period of the prior year. The year-over-year increase was primarily related to a large one-time severance provision related to cost-cutting measures that will be realized in the coming year. General and administrative expenses for the quarter represented 13% of revenue compared to 12% for the same period of the prior year.

General and administrative expenses for the twelve month period were $14,666, a decrease of $87, or 1%, compared to the same period of the prior year. The year-over-year decrease was primarily related to decreased recruiting and insurance costs, as well as a strong focus on maintaining steady costs.

General and administrative expenses for the twelve month period represented 12% of revenue compared to 12% for the same period of the prior year.

Share-based compensation

Share-based compensation expense for the quarter was $1,141, a decrease of $104, or 8%, compared to the prior year period.

Share-based compensation expense for the twelve month period was $5,725, a decrease of $126, or 2%, compared to the prior year. This decrease was related to a lower overall share price from the prior year period to the current year.

Depreciation and amortization

Depreciation and amortization expense for the quarter was $1,110, a decrease of $216, or 16%, compared to the same period of the prior year. The year-over-year decrease was attributable to certain lease equipment assets being fully amortized prior to the end of the quarter.

Depreciation and amortization expense for the twelve month period was $5,482, an increase of $629, or 13%, compared to the same period of the prior year. The year-over-year increase was attributable to the growing balance of intangible assets.

(In thousands of Canadian dollars, except share amounts)

Finance costs (income)

Finance costs (income) for the quarter were ($528), a change of $643, compared to the same period of the prior year. The change was due to an increase in finance income and was primarily due to higher interest income earned during the period.

Finance costs (income) for the twelve month period were ($2,122), a change of $2,666 compared to the same period of the prior year. The change was due to higher interest income earned during the period as a result of higher interest rates and the repayment of debt earlier in the year.

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 loss of $2,034 for the quarter compared to $958 for the same prior year period. The Company recorded a net foreign exchange loss of $2,827 for the twelve month period compared to a gain of $6,270 for the same prior year period. The foreign exchange loss was a result of a decrease in the U.S. dollar balance held by the Company relative to the prior period and a weaker Argentine Peso.

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

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.

	Quarter Ended							
	Dec 31, 2023	**Sept 30, 2023**	**Jun 30, 2023**	**Mar 31, 2023**	**Dec 31, 2022**	**Sep 30, 2022** (As restated)	**Jun 30, 2022** (As restated)	**Mar 31, 2022** (As restated)
Revenue	$37,005	$29,628	$33,190	$26,496	$40,010	$28,948	$28,260	$23,821
Net income (loss)	(2,579)	762	(5,608)	(3,562)	(818)	3,153	1,164	(4,250)
Net income (loss) per share - basic	($0.05)	$0.01	($0.10)	($0.06)	($0.01)	$0.05	$0.02	($0.07)
Net income (loss) per share - diluted	($0.05)	$0.01	($0.10)	($0.06)	($0.01)	$0.05	$0.02	($0.07)
Weighted average number of shares outstanding	51,597,683	53,923,067	56,929,238	56,811,532	56,903,951	57,524,111	59,414,313	60,886,379

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 quarter over quarter results is strongly correlated with the seasonality in the advertising industry, and the fluctuation in the past eight quarters is aligned with our expectation.

(In thousands of Canadian dollars, except share amounts)

LIQUIDITY AND CAPITAL RESOURCES

Selected financial information from the statements of financial position as at December 31, 2023 and December 31, 2022 are as follows:

	December 31, 2023	December 31, 2022
Cash and cash equivalents	$ 55,455	$ 85,941
Working capital(1)	65,953	90,232
Total assets	116,895	141,647
Current liabilities	29,062	33,502
Other non-current liabilities	7,135	5,019
Shareholders' equity	80,698	103,126

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

As at December 31, 2023, the Company had cash and cash equivalents of $55,455 compared to $85,941 as at December 31, 2022 for a decrease of $30,486, or 35%. This decrease was substantially attributable to a combination of share repurchases, net loan repayments, lease payments, and investments in our platform.

Cash flows used in operations were $1,391 during the twelve months ended December 31, 2023, compared to a generation of $1,781 during the same prior year period. The decrease of $3,172 in cash flow from operations was primarily due to a higher loss from operations during the year.

Cash flows used in investing activities were $5,242 during the twelve months ended December 31, 2023, compared to $3,828 during the same prior year period. The increase was primarily due to an increase in investments in our platform and property and equipment compared to the same prior year period.

Cash flows used in financing activities were $22,991 during the twelve months ended December 31, 2023, compared to $19,355 during the same prior year period. The increase was primarily due to share repurchases made under the NCIBs and the SIB, repayment of the term debt, and 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 $55,455 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. The Company currently has sufficient capital to meet its day-to-day operating expenses. 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.

(In thousands of Canadian dollars, except share amounts)

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 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, 2022 to December 31, 2023 are as follows:

	Number of Common Shares
Balance as at December 31, 2022	56,808,921
Shares issued – Options exercised	6,667
Shares issued – DSUs exercised	40,748
Shares issued – RSUs exercised	234,313
Repurchase of shares for cancellation under NCIB	(1,146,476)
Repurchase of shares for cancellation under SIB	(4,593,200)
Balance as at December 31, 2023	**51,350,973**

Preference Shares

While the Company is authorized to issue an unlimited number of preference shares, the Company has no 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, 2023, the Company was entitled to issue a maximum of 7,702,646 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, 2023, the total number of outstanding equity-based awards collectively was 6,689,168.

(In thousands of Canadian dollars, except share amounts)

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

	December 31, 2023		December 31, 2022	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding – January 1	704,469	$ 1.60	1,094,001	$ 1.90
Granted	-	-	-	-
Forfeited or cancelled	(81,800)	1.62	(141,666)	4.06
Exercised	(6,667)	1.01	(247,866)	1.51
Options outstanding – December 31	616,002	1.62	704,469	1.60
Options exercisable – December 31	616,002	1.62	661,135	1.60

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

	December 31, 2023		December 31, 2022	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding – January 1	23,334	$ 2.09	23,334	$ 2.09
Forfeited or cancelled	(6,667)	2.09	-	-
Options outstanding – December 31	16,667	2.09	23,334	2.09
Options exercisable – December 31	16,667	2.09	11,668	2.09

Deferred Share Units

During the three and twelve months ended December 31, 2023, the Company issued nil and 83,664 DSUs to employees, officers, directors, and consultants of the Company as compared to 56,296 and 166,432 during the prior year period.

During the three and twelve months ended December 31, 2023, 3,333 and 40,748 DSUs were exercised as compared to 5,867 and 183,505 during the prior year period. As at December 31, 2023, the Company had 705,814 DSUs outstanding.

Restricted Share Units

During the three and twelve months ended December 31, 2023, the Company issued 108,152 and 1,652,395 RSUs to employees, officers, directors, and consultants of the Company as compared to 1,260,581 and 3,057,160 during the prior year period.

During the three and twelve months ended December 31, 2023, 108,767 and 234,313 RSUs were exercised as compared to 44,768 and 347,527 during the prior year period. As at December 31, 2023, the Company had 5,350,685 RSUs outstanding.

(In thousands of Canadian dollars, except share amounts)

CONTRACTUAL OBLIGATIONS

The following are the contractual maturities for the financial liabilities:

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	-
Term loans	-	-	-	-	-
Lease obligations	7,813	10,019	2,287	3,618	4,114
	34,479	36,685	28,906	3,665	4,114

December 31, 2022	Carrying Amount	Total contractual cash flows	Less than 1 year	1 to 3 years	> 3 years
Accounts payable and accrued liabilities	$ 26,546	$ 26,546	$ 26,546	$ -	$ -
International loans	431	431	241	190	-
Term loans	3,791	3,963	3,963	-	-
Lease obligations	6,650	7,113	2,882	3,092	1,139
	37,418	38,053	33,632	3,282	1,139

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, 2023, there were no transactions with related parties.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Consolidated 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. 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 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, 2023, 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.

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 of December 31, 2023.

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, 2023. 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, 2023. The material weakness that was most recently disclosed as of September 30, 2023 has been remediated and is discussed further below.

During fiscal 2023, management, including the Certifying Officers, determined a material weakness existed in the Company's ICFR in the assessment of complex accounting transactions and in the design and implementation of the oversight processes related to the appropriate calculation of share-based compensation expense and the subsequent classification of exercised options between Share Capital and Contributed Surplus. One of the impacts of the material weakness described above resulted in the restatement of the 2021 Consolidated Statement of Comprehensive Income (Loss) and a further adjustment for the year ended December 31, 2022. The improper classification within Shareholders' Equity resulted in an overstatement of Contributed Surplus and an understatement of Share Capital. Management determined that there was a deficiency in the adequacy of the review process and the Company did not have individuals with the requisite technical accounting knowledge preparing the journal entries.

A material weakness is a deficiency, or combination of deficiencies, in ICFR such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements may not be prevented or detected on a timely basis. As a result of the material weakness determination, management has made adjustments to its control environment around share-based compensation accounting and has determined that the material weakness has been remediated. Management has corrected its amortization calculation with the system vendor to the appropriate method and implemented additional review controls as part of the period-end financial reporting process.

Management has concluded that, except as otherwise described above, there were no changes to the Company's ICFR for the three and twelve months ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

OUTSTANDING SHARE DATA

As at March 6, 2024, 50,522,388 common shares and no preference shares were issued and outstanding. In addition, as at March 6, 2024, there were 632,669 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 6, 2024, there were 705,814 DSUs outstanding and 4,785,913 RSUs outstanding, each of which represents the right to acquire one common share.

RISK FACTORS

illumin 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, 2023, 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 AIF, is posted on SEDAR+ at www.sedarplus.com. The Company's common shares are listed on the TSX under the symbol "ILLM" (formally "AT").