



AcuityAds Earnings: What to Watch on Wednesday

Description

AcuityAds Holdings (TSX:AT)(NASDAQ:ATY), a leading Canadian AdTech stock, is slated to report earnings before the market opens on Wednesday, November 3, with a conference call to follow at 8:30 am.

Investors will surely be watching the report with anticipation. While the company has a tonne of potential, and analysts have been incredibly bullish on the stock, it's severely underperformed the market all year. Since February 19, when the stock peaked, it's fallen by roughly 75%.

It was last fall when the company announced the launch of illumin, an innovative and proprietary self-serve platform for advertisers. This brought a lot of optimism to the stock. Unfortunately, that potential hasn't translated to numbers yet. For what it's worth, though, management did caution investors when illumin was launched that it could take a year to start seeing significant sales momentum.

That would mean that we could finally get a glimpse into some of that highly anticipated revenue growth in this earnings report. So, if you own AcuityAds or are interested in this intriguing stock, here's what to watch for when it reports earnings on Wednesday.

Top-line sales and profitability

As is always the case with many businesses, especially high-potential [growth stocks](#), sales will be one of the most important metrics investors are watching. Typically, the more growth, the better. But in AcuityAds's case, where the revenue comes from will also be interesting to see.

Right now, analysts are expecting the stock to do \$31.5 million in sales for the quarter. Anything more could result in a significant rally. Plus, if advertising demand continues to pick up as the economy rebounds from the pandemic, that could also have a positive impact on AcuityAds's sales.

The company's earnings and profitability will also be important to an extent. Right now, analysts are expecting AcuityAds to earn about \$0.03 in EPS. Furthermore, it's expected to report [earnings before interest, taxes, depreciation and amortization](#) of \$4.8 million — a 15% margin.

Although these numbers will be important to see as well, sales will still be the key metric to gauge the performance of AcuityAds's growth.

Illumin numbers

The growth of illumin's platform will also be another critical thing to watch when AcuityAds reports earnings next week. In addition to the total sales AcuityAds does, it will also be important to see where the revenue comes from.

Investors have been anxiously waiting for significant growth in AcuityAds's proprietary platform. Last quarter sales from illumin were \$5 million compared to \$30 million in consolidated revenue for the company. illumin also had 40 clients at the end of the second quarter, up from 17 at the end of the first quarter this year.

So, if AcuityAds can grow both the sales and number of clients meaningfully, it will certainly be positive for the stock.

What's AcuityAds's guidance going forward?

Lastly, regardless of how AcuityAds has performed in the past quarter, good or bad, investors will want to know the outlook.

This will mainly consist of the two factors above. How much in sales does management expect the company to do going forward? And based on the growth in illumin, where can the company go from here?

Investors will also want to get an idea of the outlook on the industry. If advertising demand still hasn't recovered fully, when does management think that could materialize?

And lastly, investors will want to get an update on any more plans for growth. AcuityAds had over \$90 million of cash on the balance sheet for an acquisition that adds attractive synergies at the end of the second quarter. It will be important to see how the balance sheet looks after the third quarter and what the company's guidance is for acquisitions going forward.

All in all, AcuityAds is one of the highest-potential tech stocks on the market, especially when you consider how cheap it is. All it needs is one solid earnings report in order for momentum to return to the name. So, it's a stock you'll certainly want to watch over the next week. If the numbers are strong, it could create a significant opportunity for investors.

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