



## AcuityAds Stock Tanks 20% Post Q3 Earnings

### Description

Shares of programmatic advertising company **AcuityAds** (TSX:AT)(NASDAQ:ATY) are trading almost 20% lower in early market trading today after the company announced its [Q3 earnings](#). In the third quarter of 2021, AcuityAds reported revenue of \$27.5 million — an increase of 5.4% year over year. After accounting for foreign exchange fluctuations, its revenue growth stood at 11.3%. Comparatively, its adjusted net income per share rose to \$0.06 in Q3, up from \$0.02 in the year-ago period.

Bay Street forecasted AcuityAds to report revenue of \$30.97 million and earnings per share of \$0.03 in Q3 of 2021. We can see that while the company beat earnings forecasts, it missed revenue estimates by a significant margin, resulting in the selloff.

### What impacted AcuityAds in Q3?

AcuityAds stated that top-line growth was due to a strong performance from illumin, which helped to offset lower ad spend from its legacy customers, which, in fact, was attributed to supply chain disruptions. Revenue also grew due to strong performance from verticals, including pharmaceutical, technology, automotive, and e-commerce.

illumin sales in Q3 rose 42% on a sequential basis to \$7.4 million, accounting for 27% of total revenue. In the last 12 months, illumin has generated \$17.3 million in total sales. AcuityAds revenue from its TV segment more than tripled year over year, while its gross margin was 51.9%, similar to the year-ago period.

Adjusted EBITDA in Q3 stood at \$4.4 million compared to \$4 million in the year-ago period while net income rose to \$3.4 million, up from just \$0.9 million in the year-ago period. AcuityAds increased its operating cash flow by 41.8% year over year to \$9.5 million from \$6.7 million in Q3 of 2020. It ended Q3 with a cash balance of \$100.3 million, up from just \$22.6 million at the end of 2020.

### What's next for investors?

After rising 975% in 2020, AcuityAds stock is currently down 80% from all-time highs, valuing the company at a market cap of \$400 million. Last year, the company delivered stellar results, as an increase in screen time and multiple online entertainment options acted as tailwinds for AcuityAds.

It also launched illumin last October, an [automated ad-tech platform](#), that allows advertisers to plan, buy, and report on campaigns, all on a single-user interface. It basically allows users to map the customer journey across communication channels.

After reporting sales of \$1.5 million in Q4, illumin has generated over \$15 million in sales this year and is a key revenue driver for the company.

Tier-one clients using illumin rose 53% on a sequential basis, which suggests the company continues to successfully engage with larger brands. AcuityAds experienced robust cash flows in Q3, and these trends are expected to continue going forward, allowing the company to deploy resources towards inorganic growth and accretive acquisitions.

## The Foolish takeaway

While revenue growth has been less than impressive, AcuityAds managed to report a net income of \$8.08 million in the last three quarters compared to a loss of \$474,000 in the prior-year period. Its adjusted EBITDA also rose from \$8 million to \$14.4 million in this period.

If illumin can continue to gain traction over the upcoming quarters and remain a key driver of revenue growth, AcuityAds can make a strong comeback in the next few months.

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