MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2026

The following Management's Discussion and Analysis ("MD&A") dated May 6, 2026, provides information concerning the financial condition and results of operations of Kits Eyecare Ltd. (together with its consolidated subsidiaries, referred to herein as "KITS", the "Company", "we", "us" or "our"). This MD&A should be read in conjunction with our unaudited condensed interim consolidated financial statements for the three months ended March 31, 2026, and March 31, 2025, including the related notes thereto. In addition, this MD&A should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2025 and 2024, including the related notes thereto, and the related Management's Discussion and Analysis for the year ended December 31, 2025, each filed on March 4, 2026. This discussion contains forward-looking information that involves risks and uncertainties. Our actual results, performance and achievements could differ materially from those implied by such forward-looking information as a result of various factors discussed below, particularly under "Forward-Looking Information" and "Risk Factors". Unless otherwise noted, all dollar amounts in this MD&A are in thousands of Canadian Dollars.

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects development of new technologies, product launches, industry trends, consumer preferences or opportunities in the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

Forward-looking information is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. The factors and assumptions on which forward-looking information is based include, but are not limited to the expansion and enhancement of our fulfillment network, including our optical laboratory for glasses and warehouse facilities; our future plans for marketing and expenditures related thereto; the growth of our business; the resilience, efficiency and scalability of our model; our ability to leverage new technologies; the performance of our existing infrastructure, technologies and online tools; premium lens adoption and smart eyewear expansion; our ability to drive sales growth and expectations regarding customer conversion into the Company's premium offerings; our ability to maintain, enhance, and grow within our addressable market; our ability to sustain customer growth and continue to attract and retain customers; trends and customers habits and preferences; our ability to drive ongoing development and innovation of our exclusive brands and product categories; our ability to continue directly sourcing from third party suppliers and manufacturers; our ability to retain key personnel; our ability to maintain, automate, optimize and expand our manufacturing and distribution capabilities; our ability to continue investing in infrastructure to support our growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition and our position within the market we operate in; the changes and trends in our industry or the global economy; exchangeable securities vesting rights and the changes in laws, rules, regulations, and global standards.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, and are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk factors described in greater detail in the Company's Annual Information Form for the year ended December 31, 2025, which was filed on March 5, 2026 (the "AIF"). If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions described under the heading "Risk Factors" in the AIF should also be considered carefully by readers. A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Data Analysis and Retrieval ("SEDAR+") at www.sedarplus.ca.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in the forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward looking information. There can be no assurance that such information will prove to be accurate. Accordingly, readers should not place undue reliance on such information, which speaks only as of the date made. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. If we do update certain forward-looking information, no inference should be made that we will further update such or other forward-looking information.

All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

Overview

KITS makes eyecare easy. KITS is a fast-growing vertically integrated vision care platform redefining how the world experiences eyecare, providing eyecare for eyes everywhere. As a vertically integrated vision care platform, we combine digital innovation, operational excellence, and customer obsession to make eyecare easy, accessible, and affordable. Through our advanced technology stack and proprietary suite of online vision tools including OpticianAI™, our AI-powered fitting engine trained on more than one million customer interactions we help customers find their perfect fit. Our end-to-end infrastructure from in-house frame design and North American optical lab to just-in-time manufacturing and intelligent fulfillment enables us to deliver made-to-order products with category-leading speed, accuracy, and value. By removing intermediaries and leveraging real-time data, we offer competitive prices, exceptional customer service, and a seamless digital and omni channel shopping experience. At KITS, our mission is to earn our customers' lifelong trust by delivering beautiful products they love, service they remember, and an experience that sets a new standard for the future of eyecare.

Recent Key Events

KITS Achieves Another Record Quarter: Revenue Growth of 23% Year-over-Year, with Glasses Revenue increasing 61% Year-over-Year, and 14th Consecutive Quarter of Positive Adjusted EBITDA

Q1 2026 marked a step-change in the underlying economics of the KITS platform. We delivered record revenue of $57.5 million, up 23.3% year-over-year and 27% on a constant currency basis, but the more significant story sits beneath the headline. Our 2-year Active Customer base grew 17.1% year-over-year to 1,108,000, with repeat orders contributing 63.9% of revenue. Repeat revenue alone reached $36.7 million in the quarter, an annuity that continues to compound as our customer base scales. The 2026 cohort of new glasses customers is generating first-order revenue that exceeds the entire three-year cumulative revenue of customers we acquired in 2022. Our 14th consecutive quarter of positive Adjusted EBITDA was achieved while we deliberately accelerated investment in customer acquisition during a period of expanding unit economics.

Recurring Revenue and Customer Lifetime Economics

KITS operates a vertically integrated vision care platform with structurally recurring economics. Repeat orders represented 63.9% of Q1 2026 revenue, up from 61.9% in the prior-year period.

Our contact lens business in particular exhibits subscription-like characteristics. Customers reorder on cycles consistent with their prescription wear schedule, and revenue per active contact lens customer has grown each year as our customer base has scaled. Our Autoship subscription program represents an annualized $23.6 million annuity within this base.

Our glasses business is showing accelerating per-customer economics. Premium lens upgrades continued to demonstrate strong customer adoption, representing 41.8% of Glasses revenue, with Digital Progressives revenue increasing by over 65% year-over-year. Glasses units delivered reached approximately 156,000, a 50.0% year-over-year increase, of which 78,000 units were delivered to new customers. Newer customer cohorts demonstrate first-order revenue that meaningfully exceeds the multi-year cumulative revenue of cohorts acquired in earlier years, reflecting the expansion of our premium product offering and the maturation of our pricing architecture.

Management evaluates the business through a customer lifetime value framework that accounts for compounding revenue per customer over multi-year periods. We believe this lens, rather than period-over-period transactional metrics, best reflects the durability and underlying value of the business we are building.

We evaluate every dollar of marketing investment against a long-horizon return framework that compares cumulative cohort revenue to acquisition cost. The metrics that drive this framework include first-order revenue per new customer, year-one repeat order rate, multi-category attach rate, and cumulative cohort revenue at 12, 24, and 36 months post-acquisition.

Across each of these metrics, the customer cohorts acquired in 2024, 2025, and 2026 are demonstrating materially superior economics relative to cohorts from 2021 through 2023. This pattern reflects the strengthening of our brand awareness, the maturation of our product offering, the rollout of OpticianAI™ across the customer journey, and the continued expansion of our premium lens and frame architecture.

Where the data supports it, we intend to continue investing aggressively in customer acquisition. We expect quarterly marketing intensity to vary based on the observed economics of the customer cohorts available to acquire in any given period. Investors should evaluate our customer acquisition spend against the long-term value of the customers we are acquiring, rather than against historical period-over-period spend ratios while we continue to maintain Adjusted EBITDA positive framework.

Gross profit for the three months ended March 31, 2026, increased $6.4 million year-over-year to $23.5 million, compared to $17.1 million for the corresponding period of 2025, with gross margin expanding to 40.9% of revenue. Reported gross margin and Adjusted EBITDA include a $2.1 million non-recurring tariff recovery; excluding this item, gross margin remained above 37%, reflecting the strength of the underlying product mix combined with increased customer adoption of premium lens upgrades. Adjusted EBITDA was $4.1 million, or 7.2% of revenue, representing the Company's fourteenth consecutive quarter of positive Adjusted EBITDA.

We entered Q1 with a deliberate focus to accelerate customer acquisition during a period of favorable unit economics, acquiring 99,900 new customers while growing our 2-year Active Customer base by 17.1% year-over-year to 1,108,000. Marketing investment represented 18.9% of revenue, compared to 13.5% in the prior-year period, reflecting the strategic deployment of capital toward the acquisition of high-intent customers across premium segments. In addition to an investment in brand awareness initiatives which carry a longer return horizon but are expected to compound into lower customer acquisition costs and stronger word-of-mouth conversion over time as the KITS brand continues to build recognition across North America. Our decision to accelerate Q1 customer acquisition reflects a material improvement in the underlying unit economics of new customer cohorts. New glasses customers acquired in Q1 2026 generated first-order revenue 62% higher than the comparable Q1 2025 cohort, with no change to our entry-level pricing, customers are selecting higher value product configurations with the help of optician AI, earlier in their relationship with KITS. We will continue to deploy marketing investments at the level supported by the unit economics of our growing customer base. Management's framework for evaluating marketing investment is grounded in lifetime customer value rather than period-over-period expense ratios, and we expect marketing as a percentage of revenue to fluctuate in any given quarter based on observed cohort economics and the strategic deployment of growth capital within our existing positive Adjusted EBITDA framework.

Operating leverage continued to build across the remainder of the cost structure. Fulfillment expenses improved as a percentage of revenue, decreasing from 10.9% in Q1 2025 to 10.5%, driven by continued optimization of our shipping logistics and order consolidation strategies across our vertically integrated manufacturing and distribution center. General and administrative expenses similarly declined from 6.3% to 5.7% of revenue as revenue growth continued to outpace our infrastructure costs, and we expect both to continue declining as a percentage of revenue as we scale.

Cash used in operating activities was approximately $5.0 million for the quarter, driven primarily by an increase in inventory levels and the timing of vendor payments; we expect cash flows related to working capital to vary from quarter to quarter, and management expects the operating working capital balance to normalize in Q2. The Company ended the quarter with a cash position of $19.0 million, no outstanding long-term debt, and an undrawn $15 million revolving asset-based lending facility.

Financial Highlights

We measure our business using both financial and operating data and use the following metrics and measures to assess the near term and long-term performance of our overall business, including identifying trends, formulating financial projections, making strategic decisions, assessing operational efficiencies, and monitoring our business. See the sections in this MD&A entitled “Components of Our Results of Operations and Trends Affecting Our Business” and “Non-IFRS Measures and Industry Metrics”. The following table summarizes our financial highlights for the three months ended March 31, 2026 and March 31, 2025.

	Three Months Ended	
Financial and Operating Data	**March 31, 2026** (unaudited)	**March 31, 2025** (unaudited)
Revenue	$ 57,469	$ 46,595
Net income	$ 1,975	$ 1,603
Net income per share		
Basic	$ 0.06	$ 0.05
Diluted	$ 0.06	$ 0.05
Non-IFRS Measures (a):		
Constant currency revenue	$ 59,172	$ 46,595
EBITDA	$ 4,386	$ 3,102
Adjusted EBITDA	$ 4,134	$ 3,461
Adjusted EBITDA Margin %	7.2%	7.4%

Notes:

(a) Refer to "Non-IFRS Measures and Industry Metrics" section

Non-IFRS Measures and Industry Metrics

In addition to our results determined in accordance with IFRS, we believe the following non-IFRS measures and industry metrics provide useful information both to management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and they should not be construed as an alternative to other financial measures determined in accordance with IFRS.

Non-IFRS Measures

Management uses these non-IFRS financial measures to exclude the impact of certain expenses and income that management does not believe are reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of the underlying operating performance.

"**Constant Currency Revenue**" As a majority of our sales are transacted in U.S. dollars, the comparability of revenue reported in Canadian dollars is affected by foreign currency exchange rate fluctuations of U.S. dollars compared to the Canadian dollar over time. The rate fluctuations can have a significant impact on our reported results. Therefore, in addition to financial measures prepared in accordance with IFRS, our revenue discussions may contain references to constant currency measures, which are calculated by translating current period results in local currency using the conversion rates from the comparative period. This measure should not be considered in isolation or as a substitute for any standardized measure under IFRS and the most directly comparable financial measure that is disclosed in our interim consolidated financial statements is revenue. We present constant currency financial information, which is a non-IFRS financial measure, as a supplement to our reported operating results. We use constant currency information to provide a framework to assess how our business performed excluding the effects of foreign currency exchange rate fluctuations. We believe this information is useful to investors to facilitate comparisons of operating results and better identify trends in our businesses. Other companies in our industry may calculate this measure differently than we do, limiting its usefulness as a comparative measure. The following table provides a quantitative reconciliation of reported revenue to revenue on a constant currency basis for the periods presented:

	Three Months Ended	
	March 31, 2026 (unaudited)	**March 31, 2025** (unaudited)
Reconciliation of constant currency revenue		
Revenue	$ 57,469	$ 46,595
Foreign exchange impact	1,703	-
Constant Currency Revenue	$ 59,172	$ 46,595
Change in constant currency	$ 12,577	
Change in constant currency %	27.0%	

"**Adjusted EBITDA**" is defined as EBITDA, adjusted for the impact of certain items, including non-cash items such as stock-based compensation, unrealized foreign exchange gains or losses and other items we consider non-recurring and not representative of our ongoing operating performance. The most directly comparable financial measure that is disclosed in our interim consolidated financial statements is net income.

"**Adjusted EBITDA Margin**" is defined as Adjusted EBITDA divided by revenue from the same period.

"**EBITDA**" is defined as consolidated net income before depreciation and amortization, finance cost and provision for income taxes.

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin are financial measures that are not defined under IFRS. We use these non-IFRS financial measures and believe they enhance an investor's understanding of our financial and operating performance from period to period, because they exclude certain material non-cash items and certain other adjustments, which we believe are not reflective of our ongoing operations and our performance.

Accordingly, we use these metrics to measure our core financial and operating performance for business planning purposes and as a component in the determination of incentive compensation for salaried employees.

In addition, we believe EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin are measures commonly used by investors to evaluate companies in the e-commerce industry. However, they are not presentations made in accordance with IFRS and the use of the terms EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin vary from others in our industry. These financial measures are not intended to represent and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with IFRS as measures of operating performance or operating cash flows or as measures of liquidity.

We have updated our Adjusted EBITDA to exclude any non-cash unrealized foreign exchange gains or losses as these are not reflective of our ongoing operations or our performance. Comparatives for Adjusted EBIDTA have been updated to reflect the above.

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under IFRS. For example, these financial measures:

- exclude certain tax payments that may reduce cash available to us;
- do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- do not reflect changes in, or cash requirements for, our working capital needs; and
- do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt.

The following table provides a quantitative reconciliation of net income to EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin for the periods presented:

	Three Months Ended			
	March 31, 2026 (unaudited)		**March 31, 2025** (unaudited)	
Reconciliation of Adjusted EBITDA				
Net income for the period	$	1,975	$	1,603
Add back:				
Income taxes..		977		704
Finance costs – net		950		171
Depreciation and amortization		484		624
EBITDA	$	4,386	$	3,102
Add back				
Share-based compensation (a)	$	451	$	269
Exchange loss / (gain)		(706)		87
One-time costs (b)		3		3
Adjusted EBITDA	$	4,134	$	3,461
Revenue	$	57,469	$	46,595
Adjusted EBITDA Margin % (c)		7.2%		7.4%

Notes:

(a) Represents non-cash share-based compensation expense associated with restricted share rights and options recognized in the period.
(b) One-time IPO, directors' and officers' insurance costs which is expensed over the insurance coverage period.
(c) Represents Adjusted EBITDA divided by revenue from the same period.

Industry Metrics

"**Active Customers**" As of the last date of each reporting period, we determine our number of active customers by counting the total number of individual customers who have ordered, and for whom an order has shipped, at least once during the preceding stated period. We introduced this number for a 2-year period to provide greater visibility in measuring our business performance as a 2-year period more closely reflects the frequency of repeat purchases in the eyecare sector. The change in active customers in the reporting period captures both the inflow of new customers and the outflow of customers who have not made a purchase in the stated period. We view the number of active customers as a key indicator of our growth, acquisition and retention of customers and, as such, an indicator of the results of our marketing efforts and the value we provide to our customers.

"**Autoship Subscribers**" We define Autoship Subscribers as customers that have an active Autoship subscription as of the last date of each reporting period.

Summary of Factors Affecting Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and in the "Risk Factors" section of the AIF.

Repeat Customer Behavior

We believe the appropriate framework for evaluating the long-term value of our business is the cumulative revenue generated by each customer cohort over their relationship with KITS. Mature cohorts within our customer base demonstrate strong annual revenue retention, with revenue per continuing customer increasing in successive years after acquisition. This pattern, more characteristic of subscription-based consumer businesses than traditional retail, reflects the recurring nature of vision care and the deepening engagement of customers as they expand from a single product category into multi-category KITS relationships. As at March 31, 2026, we had 1,108,000 2-year Active Customers, up from 946,000 as at March 31, 2025. We continue to successfully attract a record number of new customers and serve past customers whose value continues to compound. Repeat revenue in the three months ended March 31, 2026 was over $36.7 million, an increase of $7.9 million from the same period in 2025. In this quarter, we continued to focus our marketing spend on attracting higher value new orders and orders from repeat customers. We served a record of 99,900 new customers in the first quarter of 2026.

A significant component of our repeat business is driven by our Autoship subscription program. We believe that our recurring revenues anchored in our subscription program gives KITS a competitive advantage over other eyecare providers. Our Autoship subscription delivery program delivered $5.9 million in revenue for the three months ended March 31, 2026. Autoship offers the "set it and forget it" convenience to our community of customers, free upgraded shipping, and complimentary vision perks. We believe that our Autoship program gives us a competitive advantage over traditional optical providers and ecommerce providers alike. At a $23.6-million-dollar annuity and minimal costs associated with maintaining these customers, we believe that our Autoship program will continue to deliver value and convenience to our customers with minimal acquisition costs and provide higher lifetime customer value.

Growth of Our Glasses Business

Glasses customers acquired in 2026 are generating per-customer first-order revenue that materially exceeds the multi-year cumulative revenue of cohorts acquired in earlier years. This trend reflects the maturation of our premium product offering, the rollout of OpticianAI™ across the funnel, and the strength of our tiered pricing architecture. Customers are self-selecting into higher-value product tiers aided by optician AI suggestions without changes to entry-level pricing. The North American glasses market continues to evolve rapidly as consumers move away from fragmented traditional retailers toward providers offering greater value, convenience, and personalization. Digital innovation is accelerating this shift, enabling customers to confidently purchase eyewear online, and especially in younger cohorts of consumers who are more digitally native and who seek out better value and convenience online.

This transformation presents an opportunity for KITS to continue redefining the eyewear experience through innovation and a direct-to-consumer model that aims to make eyecare easy and accessible. Our Virtual Try-On (VTO) and OpticianAI™ technologies guide customers through every step of their eyewear journey, replicating and enhancing key elements of the in-clinic experience while driving higher purchase intent, stronger conversion, and greater adoption of premium lenses. Combined with our vertically integrated, automated manufacturing, we believe these innovations deliver industry-leading efficiency, scalability, and a modern, personalized approach to eyecare.

In addition, our expanded tiered pricing architecture provides customers with enhanced choice across a range of price points, supporting broader accessibility. Demand for KITS-branded frames remains strong among consumers seeking a balance of design, quality, and value, which continues to support repeat purchasing behavior and customer loyalty.

Glasses delivered grew 60.5% year-over-year to $10.8 million for the three months ended March 31, 2026, up from $6.7 million in 2025. Growth was driven by higher unit volumes and increased adoption of premium lens upgrades, highlighting the strength of our product offering and deepening customer engagement.

Returning customers were a key contributor to Q1 performance, with many opting for higher-value orders and premium enhancements. We continue to see that returning customers spend more than new customers, validating our view that as customers become familiar with KITS, they return to purchase additional pairs and invest more in premium eyewear and other specialty vision categories. This trend reflects rising demand for high-quality, customized eyewear and underscores the effectiveness of our pricing and product-tiering strategy. Glasses delivered to repeat customers grew by 53% year-over-year, increasing from 51,000 in 2025 to over 78,000 in 2026.

New glasses customers acquired in Q1 2026 generated first-order revenue 62% higher than the comparable Q1 2025 cohort, on consistent entry-level pricing. This reflects deeper basket composition rather than price increases, customers are purchasing more line items per first order, with greater premium lens attach. Because premium lenses carry higher gross margins than entry-level configurations, the unit economics of our newest customer cohort are improving on both a revenue and a margin basis simultaneously.

We ended the quarter with over 609,994 frames in stock and more than 21,438 styles, ensuring that KITS remains a leading destination for premium, affordable eyewear while maintaining an efficient and scalable supply chain.

The economic signals from our Q1 2026 glasses cohort are the strongest in the Company's history. New glasses customers acquired in the quarter generated first-order revenue that meaningfully exceeds the multi-year cumulative revenue of glasses customers acquired in earlier years. Premium lens upgrades represented 42% of glasses revenue, Digital Progressives revenue grew over 65% year-over-year, and 78,000 of approximately 156,000 glasses delivered went to repeat customers. Each of these signals reinforces our strategic conviction.

Glasses currently represent 18.8% of revenue, up from 14.4% in the prior-year period. Management views this as the early phase of a multi-year mix shift toward a more balanced contact lens and glasses revenue base. We expect to continue investing in glasses customer acquisition, premium lens product development, frame design, and the continued rollout of OpticianAI™ at the level the underlying economics support. We believe this category represents the most significant operating leverage opportunity in the Company today, and we intend to deploy capital accordingly.

Components of Our Results of Operations and Trends Affecting Our Business

Revenue

We generate revenue primarily from sales of our own brand of KITS contact lenses and glasses, as well as third-party contact lenses and glasses. Revenue is recognized when products are delivered, net of promotional discounts and refund allowances. Revenue is primarily driven by the number of Active Customers and the frequency with which customers re-order products from KITS.

Cost of Sales

Cost of goods sold consists of the cost of materials, assembly, KITS contact lenses and glasses as well as third-party products sold to customers, inventory freight, inventory shrinkage costs, and inventory valuation adjustments, offset by reductions for promotions and percentage or volume rebates offered by our suppliers, which may depend on reaching minimum purchase thresholds. During the reporting period, the Company experienced stable input costs and operating expenses. While broader economic inflationary trends have affected many industries, KITS has effectively managed its costs through an emphasis on strategic sourcing and strong vendor partnerships. The Company monitors cost fluctuations closely and may strategically adjust selling prices if necessary to maintain profitability.

Fulfillment

Fulfillment costs primarily consist of costs incurred in operating and staffing our fulfillment center, optical lab, customer service centers, third party fulfillment costs, and payment processing costs. Fulfillment costs as a percentage of revenue may vary due to factors, such as payment processing and related transaction costs, our level of productivity and accuracy, changes in volume, size, and weight of units received and fulfilled, the timing of fulfillment network and optical lab expansion, the extent to which we utilize fulfillment services provided by third parties, mix of products and services sold, and our ability to improve efficiency per shipment through optimization of our operations and enhancements to our customer self-service features.

We continue to expand our fulfillment network to accommodate a greater selection and facilitate faster delivery times. We regularly evaluate our facility and lab requirements. We are continuing to automate and optimize our consolidated manufacturing and distribution center.

Marketing

We are focused on providing exceptional products, service and post purchase experience to drive customer loyalty and brand awareness. Organic word-of-mouth and our loyal repeat customers are essential to our growth. We believe that the company with the highest net promoter score, or NPS, in any category ultimately derives the highest value in the category. Accordingly, we work hard to ensure we deliver exceptional products and service to customers and actively invest in delivering exceptional experiences across all customer touch points, to ensure customers long-term and lifetime value. We believe this allows our customers to become advocates for our brand and share their KITS experience with friends and family, becoming our most efficient marketing channel and validated by our incredible retention rates. Most of our customers arrive at our sites directly, which we believe is fueled by word-of-mouth and customer engagement. Since launching glasses, we have continued to see our NPS increase steadily. Our goal is to maintain the highest customer satisfaction metrics in the category.

Marketing includes brand development, advertising and payroll and related expenses for personnel engaged in marketing and selling activities. We direct customers to our platforms through a number of marketing channels, such as our TV advertising, performance search, third party customer referrals, social media influencers, online advertising, and other initiatives. Our marketing costs are largely variable and can be adjusted to align with growth objectives. In general, our marketing expenditures have been getting more efficient over time as word of mouth continues to grow. To the extent there is increased or decreased competition for these traffic sources, or to the extent our mix of these channels' shifts, we would expect to see a corresponding change in our marketing costs. As the majority of our business is repeat or subscription-based, and the majority of our store traffic and customers come to us via word of mouth, we expect to become less reliant on external forms of marketing over time. We believe our return on invested capital is among the highest in the category and that our lifetime value metrics demonstrate that the investments we are making in sales and marketing are balanced to ensure long-term sustainable growth. We specifically design differentiated and relevant marketing programs to accelerate word-of-mouth adoption and to decrease reliance on large providers such as Google and Facebook.

Selected Quarterly Consolidated Financial Information

The following table summarizes our recent results of operations for the periods indicated. The selected consolidated financial information set out below for the three months ended March 31, 2026 and 2025, has been derived from our condensed interim consolidated financial statements and related notes.

Financial and Operating Data	Three Months Ended March 31, 2026 (unaudited)	Three Months Ended March 31, 2025 (unaudited)
CAD $000s, unless otherwise noted		
Revenue	$ 57,469	$ 46,595
Cost of sales	33,945	29,481
Gross profit	23,524	17,114
Fulfillment	6,009	5,088
Marketing	10,857	6,294
General and administrative	3,279	2,942
Exchange (gain)/loss	(706)	87
Depreciation and amortization	183	225
Operating income	3,902	2,478
Finance costs, net	950	171
Income before income taxes	$ 2,952	$ 2,307
Income tax expense	977	704
Net Income	$ 1,975	$ 1,603
Non-IFRS measures (a)		
Constant currency revenue	$ 59,172	$ 46,595
EBITDA	$ 4,386	$ 3,102
Adjusted EBITDA	$ 4,134	$ 3,461
Adjusted EBITDA Margin %	7.2%	7.4%

Notes:
(a) Refer to "Non-IFRS Measures and Industry Metrics" section of this MD&A.

Three Months Ended March 31, 2026, Compared to Three Months Ended March 31, 2025

The following section provides an overview of our financial performance during the three months ended March 31, 2026 to the three months ended March 31, 2025. The selected consolidated financial information contained herein for these periods has been derived from our condensed interim consolidated financial statements and related notes.

Revenue

Revenue was $57,469 in the three months ended March 31, 2026, an increase of $10,874, compared to $46,595 in the three months ended March 31, 2025. On a Constant Currency Revenue basis, revenue was $59,172 in the three months ended March 31, 2026, an increase of 27% compared to the three months ended March 31, 2025. This strong Q1 performance was fueled by multiple consecutive record-breaking sales weeks, high customer engagement, and increased repeat purchases.

Revenue from our glasses delivered increased by 60.5% to $10,793 for the three months ended March 31, 2026, an increase of $4,070 from $6,723 for the three months ended March 31, 2025. The increase in revenue from glasses is attributable to our growing base of repeat customers and consistent growth of new customers. 78,000 glasses were delivered to returning customers in the three months ended March 31, 2026, compared to 51,000 glasses delivered in the three months ended March 31, 2025. In addition to an increased number of repeat purchases, repeat customers often placed orders with higher average order values compared to their initial purchases, deepening customer engagement and rising lifetime value on orders subsequent to their first order.

Gross Profit

Gross profit increased by $6,410 to a record $23,524 in the three months ended March 31, 2026, compared to $17,114 in the three months ended March 31, 2025. Gross margins were 40.9% for the three months ended March 31, 2026, compared to 36.7% in the three months ended March 31, 2025. Reported gross margin include a $2.1 million tariff recovery; excluding this item, gross margin remained above 37%, reflecting the strength of the underlying product mix combined with increased customer adoption of premium lens upgrades

This improvement was achieved through strategic pricing, optimizing product mix, and implementing targeted promotions intended to boost customer acquisition and encourage repeat purchases. We remain committed to progressing toward our long-term gross margin target, supported by the continued growth of our glasses business and increasing revenue from returning contact lens customers, both of which contribute to a more profitable and sustainable revenue mix.

Fulfillment

Fulfillment expenses increased by $921 to $6,009 in the three months ended March 31, 2026, compared to $5,088 in the three months ended March 31, 2025. Fulfillment expense as a percentage of revenue improved to 10.5% in the three months ended March 31, 2026, compared to 10.9% in the three months ended March 31, 2025. We continued to enhance our state-of-the-art manufacturing and distribution center, further improving shipping efficiency and streamlining operations. By optimizing shipping logistics and order consolidation strategies, we leveraged higher order volumes to drive greater operational efficiency. Our vertically integrated optical lab remains a key competitive advantage, ensuring consistent production quality and operational excellence. This in-house capability enables us to deliver faster, higher-quality products and an exceptional customer experience.

Marketing

Marketing expenses increased by $4,563 to $10,857 in the three months ended March 31, 2026, compared to $6,294 in the three months ended March 31, 2025. Marketing expense as a percentage of revenue was 18.9% in the three months ended March 31, 2026, compared to 13.5% in the three months ended March 31, 2025.

The increase in marketing expense as a percentage of revenue reflects our continued investment in customer acquisition. We acquired a record of 99,900 new customers in Q1, who accounted for approximately 36.1% of total revenue. Average order value for the three months ended March 31, 2026, increased to $206, a 7.9% increase as compared to $191 for the three months ended March 31, 2025, and repeat customer contribution to approximately 63.9% of revenue. As our customer base continues to scale and brand awareness deepens, we expect the mix of marketing efficiency improvements and growth investment to be calibrated to the cohort economics we observe in any given period. We will not artificially constrain growth investment when the unit economics support continued acceleration as brand awareness. Our decision to accelerate Q1 marketing investment reflects management's view that current customer acquisition unit economics are highly favorable. The cumulative revenue generated per acquired customer continues to expand year-over-year, supported by rising average order values, deepening repeat purchase behavior, and increasing cross-category participation. We assess every marketing dollar against a long-horizon return framework, and the data supporting Q1 deployment reinforces our conviction in the durability of our customer relationships and the compounding value of our base

General and administrative

G&A expenses declined as a percentage of revenue from 6.3% to 5.7% in the three months ended March 31, 2026, compared to the three months ended March 31, 2025, as we continued to grow our top line and leverage our existing infrastructure. G&A expenses were $3,279 in the three months ended March 31, 2026 compared to $2,942 in the three months ended March 31, 2025.

The change in G&A expenses was outpaced by our revenue growth, enabling us to realize continued scale efficiencies and improve G&A as a percentage of revenue. This improvement reflects our ongoing focus on disciplined administrative spending and optimized resource allocation. As we continue to scale the business, we expect general and administrative expenses to further decline as a percentage of revenue.

Exchange (gain)/loss

Exchange gain was $706 in the three months ended March 31, 2026, compared to an exchange loss of $87 in the three months ended March 31, 2025. The exchange gain in the three months ended March 31, 2026 was due to the strengthening of the US dollar against the Canadian dollar in the same period.

EBITDA and Adjusted EBITDA

EBITDA increased to $4,386 in the three months ended March 31, 2026, compared to $3,102 in the three months ended March 31, 2025. EBITDA as a percentage of revenue was 7.6% in the three months ended March 31, 2026, compared to 6.7% in the three months ended March 31, 2025.

Adjusted EBITDA increased to $4,134 in the three months ended March 31, 2026, compared to $3,461 in the three months ended March 31, 2025. Adjusted EBITDA as a percentage of revenue was 7.2% in the three months ended March 31, 2026, compared to 7.4% in the three months ended March 31, 2025. Reported Adjusted EBITDA include a $2.1 million non-recurring tariff recovery.

The improvements in EBITDA and Adjusted EBITDA reflect our focus on profitability and operating discipline, as we capture leverage across marketing, fulfillment, and G&A expenses.

Finance costs

Finance costs increased by $779 to $950 in the three months ended March 31, 2026, compared to $171 in the three months ended March 31, 2025. The change is mainly attributed to the unrealized loss on our investment in a Bitcoin exchange-traded fund.

Income Taxes

Income tax expense was $977 in the three months ended March 31, 2026, compared to an income tax expense of $704 in the three months ended March 31, 2025. These changes were primarily a result of generating income during the year within the operating entity.

Net Income

Net income was $1,975 in the three months ended March 31, 2026, an increase of $372 compared to a net income of $1,603 in the three months ended March 31, 2025.

The improvement in net income was mainly due to an improvement in our revenue, fulfillment and G&A efficiency. Refer to the factors discussed above related to the variance in the costs incurred in the current quarter.

Quarterly Results and Performance Measures

The following table summarizes the results of KITS' operations for the last eight most recently completed quarters. This unaudited quarterly information, other than comparable sales growth, has been prepared in accordance with IFRS.

CAD $000s, unless otherwise noted	March 31, 2026	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024
	Summary of Quarterly Results							
Revenue	$ 57,469	$ 53,891	$ 52,392	$ 49,580	$ 46,595	$ 44,833	$ 41,871	$ 37,852
Net income (loss)	$ 1,975	$ 264	$ 1,937	$ (694)	$ 1,603	$ 2,733	$ 132	$ 187
Weighted average number of shares								
Basic	33,686,674	32,196,355	32,135,986	32,013,063	31,858,190	31,583,405	31,565,907	31,461,257
Diluted	34,012,712	34,110,476	34,175,827	32,013,063	33,848,924	33,879,476	33,884,309	33,640,629
Net income (loss) per share								
Basic	$ 0.06	$ 0.01	$ 0.06	$ (0.02)	$ 0.05	$ 0.09	$ 0.00	$ 0.01
Diluted	$ 0.06	$ 0.01	$ 0.06	$ (0.02)	$ 0.05	$ 0.08	$ 0.00	$ 0.01
Average US$/Canadian dollar exchange rate (a)	$ 1.3717	$ 1.3942	$ 1.3773	$ 1.3838	$ 1.4352	$ 1.3995	$ 1.3640	$ 1.3683

Notes:

(a) Average US$/Canadian dollar exchange rate is the average of Bank of Canada daily noon rates based on calendar days within the quarter.

Revenue

Over the last eight quarters, revenue has been impacted by the following:

- the growth in orders and increased new and returning customers;
- vision corrected customers seeking more affordable and convenient eyecare offerings;
- the successful growth of our Kits.com and Kits.ca sites and amalgamation of some of our other web properties;
- the rollout of our own KITS-branded glasses offering and expanded lens offering;
- the integration of insurances programs with our web properties
- the launch of our progressive glasses offerings
- the introduction and continued focus to grow our Autoship subscription program; and
- the continual increase in branded glass frames selection and inventory.

Net Income

Net income has been affected by the following factors over the last eight quarters:

- the impact of the items noted in revenue above;
- improved margins from higher margin categories;
- growth of recurring revenue;
- growth of returning number of customers;
- increase in average order sizes;
- launch and growth of our progressive category;
- growth of Kits branded contact lens category;
- growth of insurance partnership revenues;
- reduction in marketing spend growth in our Autoship subscription business and glasses offering;
- the increase in brand, marketing, and personnel costs to support our brand and corporate growth, and expanded operating capabilities including the optical lab expansion;
- the investment in our fulfillment and optical lab center; and
- the impact of foreign exchange on our revenue and costs.

Financial Condition, Liquidity and Capital Resources

Overview

The objectives of our capital management strategy are to invest in growing our business while maintaining our financial and operating flexibility, providing benefits to our stakeholders, and providing an adequate return on investment to our shareholders. We allocate capital based on our assessment of the expected risk and return profile of each investment. This strategy is adjusted with changes in the economic environment and risks of the underlying investments. We are currently subject to working capital requirements through the BMO ABL Facility (defined herein) agreement.

Our primary need for liquidity is to fund working capital requirements of our business, capital expenditures, debt service, and general corporate purposes. Our primary source of liquidity is funds generated by operating activities and proceeds from our IPO. Our ability to fund our operations, to make planned capital expenditures, to make scheduled debt payments, and to repay or refinance indebtedness depends on our future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business, and other factors, some of which are beyond our control.

Working Capital

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its growth strategy, to establish a strong capital base to satisfy its obligations towards its creditors, and to provide an adequate return to shareholders.

Our primary sources of cash flow are from sales growth, operations, debt financing, and equity issuances. Our approach to managing liquidity is to ensure, to the extent possible, that we optimize the working capital funded by our operations and maintain sufficient liquidity to meet our liabilities as they become due. We do so by monitoring cash flow and performing budget-to-actual analysis on a regular basis.

Net working capital as at March 31, 2026 was $23,215 compared to $15,313 as at December 31, 2025. Similar to other e-commerce businesses, customers pay for purchases upfront and we deliver goods from inventory or from suppliers. We have favorable payment terms with suppliers of goods and services typically resulting in a net positive source of working capital. We believe that cash generated from our operations and our current cash balance will adequately meet our capital requirements and operational needs for the next 12 months. Additionally, our growth-focused marketing budget provides a lever the Company can use to increase cash generated from operations. Our goal is to increase capital as we grow and remain an asset-light eyecare company.

Indebtedness

Prior to 2025, the Company's primary debt obligation was a secured term loan with BDC Capital Inc. (the "BDC Loan"), which was subject to a floating interest rate and secured by a first-ranking interest in all personal and intellectual property. During the year ended December 31, 2025, the Company elected to repay the BDC Loan in full ahead of its maturity. During the year ended December 31, 2025, the Company elected to repay the loan in full. This early repayment was executed without any penalties or fees.

On November 24, 2025, the Company secured a three-year, $15.0 million revolving asset-based lending facility with the Bank of Montreal (the "BMO ABL Facility"), maturing November 24, 2028. This facility replaces the BDC Loan and provides liquidity at a lower cost of capital. The BMO ABL Facility provides a maximum borrowing capacity of the lesser of $15.0 million or a borrowing base determined by eligible accounts receivable and inventory. The agreement includes an uncommitted accordion feature allowing for a potential increase of up to $5.0 million, subject to lender approval. The BMO ABL Facility matures on November 24, 2028, and bears interest at variable rates based on the Company's option, CAD Prime, US Base Rate, Adjusted Term CORRA, or Adjusted Term SOFR, plus an applicable margin. As at March 31, 2026, the Company's borrowings bore interest at CAD Prime plus 0.75% (5.2%). The BMO ABL Facility is secured by a first-priority lien on substantially all present and future personal property of the Company. The Company has various covenants under the BMO ABL Facility, including requirements to maintain certain financial ratios. The BMO ABL Facility is in good standing as of the date hereof.

In 2021, the Company issued a $2,412 non-interest-bearing promissory note to settle accrued dividends upon the conversion of all outstanding preferred shares. The note matures the earlier of January 31, 2026, or the full repayment of the BDC Loan. During the three months ended March 31, 2026, the Company repaid $nil to the promissory note holders (2025: $2,122). As at March 31, 2026, the carrying value of the note was $290 (2025: $290).

Cash Flows

The following table presents cash and cash equivalents as at March 31, 2026 and March 31, 2025:

	Three Months Ended	
	March 31, 2026 (unaudited)	**March 31, 2025** (unaudited)
Net cash provided by (used in) operating activities	$ (4,985)	$ 474
Net cash used in financing activities	(5,738)	(2,105)
Net cash provided by (used in) investing activities	(36)	13
Decrease in cash	(10,759)	(1,618)
Cash and cash equivalents, end of period	$ 18,958	$ 17,675

Analysis of Cash Flows for the three months ended March 31, 2026, compared to the three months ended March 31, 2025

Cash Used in Operating Activities

Cash flow used in operating activities was $4,985 in the three months ended March 31, 2026, compared to cash provided by operating activities of $474 in the three months ended March 31, 2025, an increase of cash used of $5,459. This change was primarily driven by fluctuations in working capital, particularly the timing of vendor payments and increasing inventory levels to support our growth. We expect cash flows related to working capital to vary from quarter to quarter, reflecting normal business seasonality and the timing of routine receipts and disbursements.

Cash Used in Financing Activities

Cash flow used in financing activities was $5,738 in the three months ended March 31, 2026, compared to $2,105 of cash flow used in the three months ended March 31, 2025. Cash flows used in financing activities increased by $3,633 in the three months ended March 31, 2026 due to the repayments made under the BMO ABL Facility, offset by proceeds received from the exercise of stock options.

Cash Used in Investing Activities

Cash flow used in investing activities increased by $49 to $36 cash flow used in the three months ended March 31, 2026, compared to $13 of cash flow generated by investing activities in the three months ended March 31, 2025. The increase in cash flow used in investing activities in Q1 is primarily due to minor equipment purchases.

Off-Balance Sheet Arrangements and Commitments

As of March 31, 2026, the Company had outstanding capital commitments for equipment purchase of $2,778.

Contractual Obligations

The following table summarizes certain of our significant contractual obligations and other obligations as at March 31, 2026:

Contractual obligations	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
	Payments Due by Period ($ in thousands)				
Accounts payable and accrued liabilities.......	$ 23,709	$ 23,709	$ -	$ -	$ -
Promissory note	290	290	-	-	-
Lease liability	6,825	1,251	2,115	1,843	1,616
Total Contractual obligations	$ 30,824	$ 25,250	$ 2,115	$ 1,843	$ 1,616

As of March 31, 2026, we had additional liabilities which included pending or in-transit orders and sales returns. These liabilities have not been included in the table above as the timing and amount of future payments are uncertain.

Financial Instruments

The Company's financial instruments comprise of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, the BMO ABL Facility and the Promissory Note.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these financial instruments. These financial instruments, the BMO ABL Facility and the Promissory Note are classified as financial assets and liabilities at amortized cost. Investments comprise of a Bitcoin exchange-traded fund measured at fair value through profit or loss ("FVTPL") and are measured at fair value at the end of each reporting period. There were no financial liabilities that are measured at fair value as at March 31, 2026.

BMO ABL Facility

The BMO ABL Facility is recorded at amortized cost. During the three months ended Mar 31, 2026, the Company repaid the remaining outstanding balance under the BMO ABL Facility in full. As at March 31, 2026, the outstanding balance under the facility was $nil (2025: $9,988), and the Company recognized $nil (2025: $nil) of interest expense.

BDC Loan

As at March 31, 2026, the carrying amount of the loan was $nil (December 31, 2025: $nil). For the three months ended March 31, 2026, the Company made repayments of $nil (2025: $848) and recognized $nil (2025: $95) of interest expense in finance costs. Interest expense is calculated by applying the effective interest rate of 10.00% (2025: 10.50%).

Promissory Note

As at March 31, 2026, the carrying value of the Promissory Note is $290 (2025: $290). During the three months ended March 31, 2026, a total principal of $nil (2025: $2,122) was paid to the Promissory Note holders. The Company recorded accretion expense of $nil (2025: $16) in finance costs. Accretion expense is calculated by applying the effective interest rate of 8.00%.

Investment

Investments comprise of a Bitcoin exchange-traded fund measured at fair value through profit or loss ("FVTPL"). This is held primarily for capital appreciation. During the three months ended March 31, 2026, the Company recognized a fair value loss of $834 (2025: $nil) in respect to these investments within finance costs. As at March 31, 2026, the fair value of these investments was determined based on unadjusted quoted prices in active markets.

Risk Factors

For a detailed description of risk factors associated with the Company, refer to the "Risk Factors" section of the AIF, which is available on SEDAR at www.sedarplus.ca.

In addition, we are exposed to a variety of financial risks in the normal course of operations including foreign exchange, interest rate, credit, liquidity, and equity price risk, as summarized below. We believe that our overall risk management program and business practices help minimize any potential adverse effects on our consolidated financial performance.

The impact of changes in U.S. trade policy, including tariffs or adjustments to existing trade agreements, remains uncertain. We continue to monitor developments and adapt our strategies as needed to manage potential impacts. While these policies may affect costs, operations, or market dynamics, we remain focused on mitigating risks and maintaining flexibility in our business approach.

Risk management is carried out under practices approved by our board of directors (the "Board"). This includes reviewing the adequacy of our risk management policies and procedures with regard to identifying the Company's principal risks and implementing appropriate systems and controls to manage these risks. Risk management covers many areas of risk including, but not limited to, foreign exchange risk, interest rate risk, credit risk, liquidity risk and equity price risk.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a variety of financial risks in the normal course of operations including foreign exchange, interest rate, credit, and liquidity risk. Our overall risk management program and business practices seek to minimize any potential adverse effects on our consolidated financial performance. For a detailed description of risk factors associated with the Company, refer to the "Risk Factors" section of the AIF, which is available on SEDAR at www.sedarplus.ca.

Foreign Exchange Risk

The presentation currency for our consolidated interim financial statements is the Canadian dollar. Because we recognize sales in the United States in U.S. dollars, if the U.S. dollar weakens against the Canadian dollar, it would have a negative impact on our U.S. operating results upon translation of those results into Canadian dollars for the purposes of interim financial statement consolidation. We may face similar risks in other foreign jurisdictions where sales are recognized in foreign currencies. A 10% strengthening in the Canadian dollar against the U.S. dollar on net monetary accounts would, with all other variables being constant, have an approximate unfavorable impact of $264 on the three months ended March 31, 2026 consolidated income.

Interest Rate Risk

We are exposed to changes in interest rates on our cash and cash equivalents, loans and borrowings. Debt issued at variable rates exposes us to cash flow interest rate risk. As at March 31, 2026, the Company has determined that its interest rate risk is not significant as there was no borrowing during the quarter and outstanding balance under the BMO ABL Facility was repaid in full. Management has determined that a 1% change in the Prime rate would not have a material impact on the Company's consolidated statements of income.

Price Risk

The Company is exposed to price risk through its short-term investments in Bitcoin exchange-traded funds (ETFs), as the fair value of these instruments fluctuates based on the market price of Bitcoin. As at March 31, 2026, the Company's total exposure to this price risk was $3,025. A 30% increase or decrease in the market price of Bitcoin, with all other variables held constant, would result in a corresponding increase or decrease of approximately $908 in consolidated net income.

Credit Risks

Credit risk refers to the possibility that we can suffer financial losses due to the failure of our counterparties to meet their payment obligations. We are exposed to minimal credit risk. We do not extend credit to customers but do have some receivables exposure with respect to payment processors transferring customer funds to us and to rebates receivable from our vendors. The majority of accounts receivable are settled in under 30 days. To reduce this risk, we use industry leading payment processors, including Braintree Payment Gateway, American Express, Shopify and PayPal. We deposit our cash and cash equivalents with major financial institutions that have been assigned high credit ratings by internationally recognized credit rating agencies. We do not have any derivative contracts.

Liquidity Risk

Liquidity risk is the risk that we cannot meet a demand for cash or fund our obligations as they come due. We manage liquidity risk by managing our balance sheet and monitoring actual and projected cash flows, considering the seasonality of our revenue, income and working capital needs.

Risks Associated with Financial Instruments

We are currently indebted under the BMO ABL Facility and we may incur additional indebtedness in the future to support our growth strategy. This indebtedness subjects the Company to restrictive financial and operational covenants. These covenants may limit our ability to structure or operate the business as desired, including restrictions on certain investments, asset sales, or additional incurrence of debt. Our ability to satisfy these covenants is subject to factors beyond our control, such as general economic conditions. A failure to comply with these obligations could result in an event of default, potentially triggering the acceleration of our debt repayment and limiting our access to further liquidity.

As part of the Company's broader capital management strategy, which includes deleveraging the balance sheet and securing the $15.0 million BMO ABL Facility, we made a modest treasury allocation to a Bitcoin exchange-traded fund (ETF). This position is considered a non-core, long-term investment intended to complement our strong cash reserves. While we acknowledge the potential for short-term market volatility associated with digital assets, this allocation is managed to ensure it does not impair the Company's liquidity, operational stability, or strategic flexibility. We view this as an optional treasury component that is independent of the Company's primary eyecare operations.

Related Party Transactions

During the three months ended March 31, 2026, the Company recorded $33 (2025: $31) of non-executive director fees and $61 (2025: $56) of share-based compensation. As at March 31, 2026, $33 (2025: $31) of non-executive director fees were included in accounts payable and accrued liabilities. The Promissory Note holders are former holders of the Preferred Shares in the Company and include certain key management of the Company and their affiliates. For further details regarding the Promissory Note, see "Financial Condition, Liquidity and Capital Resources" and "Financial Instruments" above.

Key management compensation

Key management consists of the Board, the Chief Executive Officer, and the executives who report directly to the Chief Executive Officer. Key management compensation comprises wages, short-term employee benefits and cash-settled LTIP expenses. For the three months ended March 31, 2026, the Company paid $449 (2025: $433) of wages and short-term employee benefits to key management, and recorded $32 (2025: $nil) of cash-settled LTIP expenses to key management and $308 (2025: $166) of key management share-based compensation.

Critical Accounting Estimates and Judgments

Our interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Account Standards Board. The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and are based on a set of underlying data that may include our historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. We continually evaluate the estimates and judgments used in the preparation of the financial statements. Actual results could differ from these estimates. Areas requiring the most significant estimates and judgments are outlined below.

Management exercised judgment in determining the timing and measurement of recoveries related to US tariffs deemed unlawful by legal rulings. The Company concluded that the criteria for recognition were met as of the reporting date based on the substantive transfer of risks and rewards associated with the underlying claims. The recovery has been presented as a reduction of Cost of Sales, consistent with the line where the original duties were expensed.

Inventories

In estimating the net realizable value of inventory, we use estimates related to fluctuations in inventory levels, planned production, customer behavior, obsolescence, future selling prices, and costs necessary to sell the inventory.

Revenue

Revenue is recognized when the goods are delivered and have been accepted by customers. The critical assumptions and estimates used in determining the total revenue to be recognized for each reporting period are based on an estimated couriers' average transit time it takes for the customer to accept the goods.

Leases

We exercise judgment when contracts are entered into that may give rise to a right-of-use asset that would be accounted for as a lease. Judgment is required in determining the appropriate lease term on a lease-by-lease basis. We consider all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option at inception and over the term of the lease, including investments in major leaseholds, operating performance, and changed circumstances. The periods covered by renewal or termination options are only included in the lease term if the Company is reasonably certain to exercise that option. Changes in the economic environment or changes in the retail industry may impact the assessment of the lease term and any changes in the estimate of lease terms may have a material impact on the Company's consolidated statements of financial position.

The critical assumptions and estimates used in determining the present value of future lease payments require us to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets. We determine the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Company's creditworthiness, the security, term, and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

Impairment of non-financial assets (goodwill, intangible assets, property, plant & equipment, and right-of-use assets)

We are required to exercise judgment in determining the grouping of assets to identify their cash-generating units (CGUs) for the purposes of testing non-financial assets for impairment. In determining the recoverable amount of the CGU, various estimates are employed. The company determines value-in-use by using estimates including projected future revenues, margins, costs, and capital investment consistent with strategic plans presented to the Board and key management. Discount rates are consistent with external industry information reflecting the risk associated with the Company and its cash flows.

Share-based payments

Compensation expense for equity-settled share-based compensation granted to employees is measured at the fair value at the grant date. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured. The fair value of options is determined by using the Black-Scholes option pricing model. The critical assumptions used under the option valuation model at the grant date are forfeiture rate, expected time to exercise in years, expected dividend yield, and volatility. For options granted during the three months ended March 31, 2026, the Company applied an estimated forfeiture rate of 2.3% on these options and the exercise price is the closing price of the common shares on the date of the grant. The expected volatility was based on the Company's historical volatility.

Compensation expense for cash-settled awards is recognized as a liability based on the fair value of the services received to date. The fair value is estimated at each reporting date using a Monte Carlo simulation to incorporate market-based performance conditions. The critical assumptions used under the Monte Carlo simulation include share price volatility, risk-free interest rates, and the probability of achieving performance targets.

Income and other taxes

In determining the recoverable amount of deferred tax assets, the Company forecasts future taxable income by legal entity and the period in which the income occurs to ensure that sufficient taxable income exists to utilize the attributes. Inputs into those projections are management's financial forecasts and statutory tax rates.

Significant New Accounting Standards Not Yet Adopted

There are no IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's condensed interim consolidated financial statements.

Subsequent event

Subsequent to March 31, 2026, 5,000 stock options were exercised and converted into the Company's common shares ("Common Shares") at weighted average exercise price of $2.60 per share.

Subsequent to March 31, 2026, a principal of $290 was paid to the Promissory Note holders and the liability was fully settled.

Current Share Information

As at May 5, 2026, an aggregate of 33,995,464 Common Shares were issued and outstanding. There were no Preferred Shares issued and outstanding as of such date.

As at May 5, 2026, there were 1,079,951 options and 43,874 restricted share rights outstanding under the Company's equity incentive plans, of which 326,902, options and 3,345 restricted share rights were vested as of such date. Each option is exercisable for one Common Share. We expect that vested restricted share rights will be paid at settlement through the issuance of one Common Share per restricted share right.

Additional Information

Additional information relating to the Company, including the AIF, is available on SEDAR at www.sedarplus.ca. Our Common shares are listed for trading on the TSX under the symbol "KITS".