

KITS

KITS Achieves Another Record Quarter as Q2 Patient Orders Rise 27%
and First Half 2021 Revenues Rise 21% Year-on-Year to \$42,101,000

VANCOUVER, August 12, 2021 – [Kits Eyecare Ltd.](#) (KITS) (TSX: KITS / OTCQX: KTYCF), a digital eyecare platform inspired by the beauty of Kits beach, where the Pacific Ocean meets the rainforest and snow covered mountains of Vancouver, British Columbia has released its financial results for the second quarter of 2021.

Second Quarter 2021 Highlights

- First half 2021 revenue was \$42,101,000, an increase of 21% compared to the same period last year. On a constant currency basis, first half 2021 revenue grew by 28% year-on-year
- Record 2Q 2021 revenue, reaching \$21,669,000, an increase of 7% compared to 2Q 2020. On a constant currency basis, 2Q 2021 revenue grew by 16% over 2Q 2020
- Orders delivered grew by 27% vs. 2Q 2020 and 15% vs. 1Q 2021 demonstrating our ability to grow and retain customers in a post COVID environment
- Record 43,000 eyeglasses delivered in 2Q 2021, up 8x compared to 2Q 2020
- Delivered our first 100,000 pairs of prescription eyeglasses
- KITS generated over 45% more in revenue per Autoship customer compared to our average non-subscription contact lens customer in the last twelve months
- Gross margins in the quarter were 22% as we maximized all levers for acquisition in the first half
- First half 2021 net loss of \$8.4 million, which includes IPO related costs of \$1.5 million, share-based compensation expense of \$0.7 million, and brand investment of \$2.4 million from proceeds earmarked from our IPO

The second quarter was a key strategic investment period as we completed the build out of our new state-of-the-art optical lab, with the ability to produce both single vision and progressive lenses and glasses. Our strong second quarter revenue and exceptional order growth reflects our continued investment to acquire first time glasses patients and move our contact lens patients from transactional to recurring subscription revenue. We believe our best use of capital is to acquire new glasses and subscription customers now as consumers are changing their traditional buying behaviors. These are long-term investments to drive financial performance and growth.

Our strong order volume in the second quarter reflects the success of our investment strategy. We organically grew orders by 27% compared to 2Q 2020. We delivered a record 43,000 pairs of eyeglasses to patients in 2Q 2021 as compared to 5,000 eyeglasses in 2Q 2020, an 8-fold increase in a year, and we delivered our 100,000th pair of prescription glasses.

The transition to our ‘giga’ lab, within our new fulfillment center, occurred a month earlier than planned and pairs manufacturing with fulfillment enabling us to provide superior speed of service to our customers as we maintain one of the largest contact lens and glasses inventories in the optical industry. We expect to complete two additional new production lines in the second half of the year, which will expand production capability to meet growing demand.

In the second quarter, we delivered 136,000 contact lens orders, a 17% increase over the prior quarter. The strong growth in order and reorder volume was driven by our continued investment in expanding our inventory selection and improving speed to customers via logistics and fulfillment improvements. We are constantly refining our

Autoship subscription introductory and program offers to both attract new subscribers and increase subscriber retention as we balance revenue and margin growth. Our new customer growth outstripped growth in our Autoship program which represented 20% of contact lens orders this quarter. In addition, overall revenue from repeat customers rose slightly to 66% in the first half of 2021 relative to 65% for the full year 2020.

In summary, 2Q 2021 was another record quarter in terms of adding predictable recurring revenue and new glasses customers, with a strong long-term margin profile. We believe the combination of building the largest subscription business in the category paired with the lowest cost of eyeglasses production is strategically critical as patients continue to move online in search for better and more cost-effective ways of buying eyewear. The balance of the year will be centered on continuing to improve our offering, service times, and satisfaction numbers.

Financial Outlook

Based on our strategic investments this year and the positive momentum we are seeing on new customer growth and the expansion of LTV through our subscription program, we expect sustained growth of our core contact lens customers and substantial growth in our newly launched glasses business to continue through 2022 and beyond.

Having invested heavily in the first half of 2021 in our infrastructure and customers, we expect revenue of \$115-125 million in 2022 and to return to positive EBITDA in early 2022. This will enable us to return to funding our growth from internally generated cash flow.

We look forward to updating stakeholders on our progress in the coming quarters.

Conference Call and Webcast Information

Roger Hardy, Chief Executive Officer, Joseph Thompson, Chief Operating Officer, and Sabrina Liak, Chief Financial Officer will host a conference call at 1:30 p.m. Pacific Time on August 12, 2021 to discuss KITS' financial results and outlook. To attend the call, participants may dial: (416) 764-8659 or (888) 664-6392
 Conference Id: 94667977 or join our
 webcast: https://produceredition.webcasts.com/starthere.jsp?ei=1486503&tp_key=c7e7ba2993

About KITS

KITS is a rapidly growing, vertically integrated, digitally native eyecare platform for eyes everywhere. We offer customers access to a vast selection of contact lenses and eyeglasses, including our own exclusive KITS designed products, as well as a robust suite of online vision tools. Our efficient digital platform, backed by our industry-leading manufacturing and designs, removes intermediaries and enables us to offer great prices and deliver made to order personalized products with incredible care and accuracy. We are creating disruption in the industry by constantly pursuing cutting-edge technologies to enable the best customer experience, including online eyewear fitting tools, virtual try-on for glasses, and an integrated online vision test. We strive to delight our customers with our competitive prices, a convenient digital shopping experience, fast and reliable delivery options and an unrelenting focus on earning our customers' lifelong trust. For more information on KITS, visit: www.KITS.com.

Financial Highlights

The following selected financial information is qualified in its entirety by and should be read in conjunction with our unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2021 and June 30, 2020 and accompanying notes and Management's Discussion and Analysis ("MD&A") which may be viewed on SEDAR at www.sedar.com.

Financial and Operating Data	Three Months Ended		Six Months Ended	
	June 30, 2021 (unaudited)	June 30, 2020 (unaudited)	June 30, 2021 (unaudited)	June 30, 2020 (unaudited)
Revenue	\$ 21,669	\$ 20,322	\$ 42,101	\$ 34,733
Gross profit	\$ 4,686	\$ 6,410	\$ 9,590	\$ 10,711
Net income (loss)	\$ (4,858)	\$ 221	\$ (8,426)	\$ (235)
Non-IFRS Measures (a):				
Constant currency revenue	\$ 21,669	\$ 18,496	\$ 42,101	\$ 32,277
EBITDA	\$ (5,508)	\$ 1,511	\$ (10,418)	\$ 2,695
Adjusted EBITDA	\$ (3,290)	\$ 1,636	\$ (5,853)	\$ 3,050
Adjusted EBITDA Margin %	(15.2%)	8.1%	(13.9%)	8.8%
Reconciliation of constant currency revenue				
Revenue	\$ 21,669	\$ 20,322	\$ 42,101	\$ 34,733
Foreign exchange impact	-	(1,826)	-	(2,456)
Constant Currency Revenue	\$ 21,669	\$ 18,496	\$ 42,101	\$ 32,277
Change in constant currency	\$ 3,173		\$ 9,824	
Change in constant currency %	15.6%		28.3%	
Reconciliation of Adjusted EBITDA				
Net income / (loss) for the period	\$ (4,858)	\$ 221	\$ (8,426)	\$ (235)
Add back:				
Income taxes	(1,433)	153	(4,019)	394
Finance costs - net	290	625	1,026	1,530
Depreciation and amortization	493	512	1,001	1,006
EBITDA	\$ (5,508)	\$ 1,511	\$ (10,418)	\$ 2,695

Financial and Operating Data	Three Months Ended		Six Months Ended	
	June 30, 2021 (unaudited)	June 30, 2020 (unaudited)	June 30, 2021 (unaudited)	June 30, 2020 (unaudited)
Add back:				
Share-based compensation (b).....	\$ 322	\$ 48	\$ 661	\$ 178
Brand expenses (c).....	1,144	-	2,448	-
One-time costs (d)	752	77	1,456	177
Adjusted EBITDA	\$ (3,290)	\$ 1,636	\$ (5,853)	\$ 3,050

Notes:

- (a) Refer to "Non-IFRS Measures and Industry Metrics" section of the MD&A filed on www.sedar.com.
- (b) Represents non-cash share-based compensation expense associated with restricted share rights ("RSRs") and options recognized in the period.
- (c) Represent expenses associated with brand and content creation for KITS including film and other brand assets. The Company plans to use these brand assets over time and therefore will be able to derive future economic benefits from these expenses incurred.
- (d) In connection with the acquisition of Kits.com and the IPO, the Company incurred expenses related to professional fees, consulting, legal, and accounting that would otherwise not have been incurred and were directly related to these two matters. These fees are not indicative of the Company's ongoing costs. Other than the one-time IPO directors and officers insurance costs which is expensed over the insurance coverage period, we expect the remaining cost to discontinue following the completion of the IPO.

Non-IFRS Financial Measures and Industry Metrics

This press release includes references to certain non-IFRS financial measures such as Constant Currency Revenue, EBITDA and Adjusted EBITDA, and industry metrics. These financial measures and industry metrics are employed by the company to measure its operating and economic performance and to assist in business decision-making, as well as providing key performance information to senior management. The company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors and analysts use this information to evaluate the company's operating and financial performance. These financial measures are not defined under IFRS nor do they replace or supersede any standardized measure under IFRS. Other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures. Definitions and reconciliations of non-IFRS measures to the nearest IFRS measure and Industry Metrics can be found in our Management's Discussion and Analysis. Such non-IFRS reconciliations can also be found in this press release under "Financial Highlights".

Forward-Looking Statements

This press release contains forward-looking statements, including statements relating to the execution of our proposed strategy, our operating performance and prospects on the business. These forward-looking statements generally can be identified by the use of words such as "intend," "believe," "could," "continue," "expect," "estimate," "forecast," "may," "potential," "project," "plan," "would," "will," and other words of similar meaning. Each forward-looking statement contained in this press release is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statement. Our business is subject to substantial risks and uncertainties. This forward-looking information and other forward-looking information are 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 the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the expansion and enhancement of our optical laboratory for glasses and warehouse facilities; the growth of our business and launch of new technologies; our ability to drive sales growth; our ability to maintain, enhance, and grow within our addressable market; 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 add, maintain and expand production, distribution and fulfillment 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; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management's expectations. KITS' risks and uncertainties are discussed in detail in the company's Annual Information Form, which was filed on SEDAR on March 30, 2021. Investors, potential investors, and others should give careful consideration to these risks and uncertainties. We caution investors not to rely on the forward-looking statements contained in this press release when making an investment decision in our securities. The forward-looking statements in this press release speak only as of the date of this release, and we undertake no obligation to update or revise any of these statements, except as required

under applicable securities laws. If we do update certain forward-looking information, no inference should be made that we will further update such or other forward-looking information.

For further information:

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