

KITS

NEWS RELEASE

Glasses Revenue Grows 48% year-on-year, Gross Profit Grows 50%

2022-08-11

Delivers Positive Cash Flow from Operations of \$2.3 million and Positive EBITDA

VANCOUVER, BC, Aug. 11, 2022 /CNW/ - **Kits Eyecare Ltd.** (KITS) (TSX: KITS) Canada's largest direct-to-consumer eyeglasses manufacturer and digital eyecare provider has released its financial results for the second quarter of 2022.

Second Quarter 2022 Financial Highlights

- Revenue was consistent at \$21,770,000 year-on-year, and up 8.6% quarter-on-quarter
- Gross profit grew 49.7% year-on-year to a record \$7,017,000 and up 14.8% quarter-on-quarter
- Glasses revenue grew 48.3% year-on-year and units grew 72.1% to a record 74,000 eyeglasses delivered
- Record two-year Active Customers of 740,000, an increase of 23.3% year-over-year
- Gross margin expanded to a record 32.2% in the second quarter of 2022, a 1060-basis point expansion compared to 21.6% in the second quarter of 2021
- Returning customers were 69% of second quarter 2022 revenue continuing category leading retention
- Marketing expenses declined 23.3% in the quarter year-on-year
- EBITDA improved to \$141,000 up \$5,649,000 year-on-year
- Cash flow from operations was \$2.3 million resulting in a strong cash balance of \$19 million at the end of Q2 2022

"It was an outstanding quarter as we delivered 175,000 eyecare orders in Q2, delivering almost 2,700 orders a day to vision-corrected patients making us one of the largest vision providers in Canada, our asset-light platform also became a free cash flow generator in Q2 a key milestone as we continue to build momentum. Glasses revenue

increased 48% year-over-year in the quarter, while marketing investments decreased by 23%. 69% of our revenue came from returning customers, and gross profit margins expanded 1060 basis points to 32.2% in the quarter. Overall, we made tremendous headway in what was a challenging macro environment. Having proven our asset light, cash generating model's resilience and category-leading loyalty metrics, fueled by beautifully high NPS and satisfaction metrics, we will continue growing our leadership position in coming quarters." said Roger Hardy co-founder and CEO.

"This quarter showed the ability of our digital, vertically-integrated, onshore business model to outperform in times of disruption and volatility. The KITS team efficiently executed through tough consumer and supply chain circumstances. This quarter, we reached a significant milestone and generated positive cash from operations and EBITDA for the first-time since our IPO. Our strong team, data driven culture, operational excellence, and lasting connection with our loyal consumers position us well for the future." said Sabrina Liak, CFO.

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 11, 2022, to discuss KITS' financial results and outlook. To attend the call, participants may dial: (416) 764-8659 or (888) 664-6392 Conference Id: 41442194 or join our webcast: <https://app.webinar.net/wZ8WGRJGX9B>

About KITS

KITS is a rapidly growing, digital eyecare platform providing eyewear 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, and virtual try-on for glasses. 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, 2022, and June 30, 2021 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, 2022 (unaudited)	June 30, 2021 (unaudited)	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Revenue	\$ 21,770	\$ 21,669	\$ 41,822	\$ 42,101
Gross profit	\$ 7,017	\$ 4,686	\$ 13,130	\$ 9,590
Net loss	\$ (923)	\$ (4,858)	\$ (3,187)	\$ (8,426)
Net loss per share				
Basic	\$ (0.03)	\$ (0.16)	\$ (0.10)	\$ (0.29)
Diluted	\$ (0.03)	\$ (0.16)	\$ (0.10)	\$ (0.29)
Non-IFRS Measures (a):				
Constant currency revenue	\$ 21,238	\$ 21,669	\$ 41,280	\$ 42,101
EBITDA	\$ 141	\$ (5,508)	\$ (1,582)	\$ (10,418)
Adjusted EBITDA	\$ (556)	\$ (3,197)	\$ (1,474)	\$ (5,914)
Adjusted EBITDA Margin %	(2.6) %	(14.8) %	(3.5) %	(14.0) %
Reconciliation of constant currency revenue				
Revenue	\$ 21,770	\$ 21,669	\$ 41,822	\$ 42,101
Foreign exchange impact	(532)	-	(542)	-
Constant Currency Revenue	\$ 21,238	\$ 21,669	\$ 41,280	\$ 42,101
Change in constant currency	\$ (431)		\$ (821)	
Change in constant currency %	(2.0) %		(2.0) %	
Reconciliation of Adjusted EBITDA				
Net income loss for the period	\$ (923)	\$ (4,858)	\$ (3,187)	\$ (8,426)
Add back:				
Income taxes	(184)	(1,433)	(898)	(4,019)
Finance costs - net	385	290	789	1,026
Depreciation and amortization	863	493	1,714	1,001
EBITDA	\$ 141	\$ (5,508)	\$ (1,582)	\$ (10,418)
Add back:				
Share-based compensation (b)	362	322	668	661
Brand expenses (c)	-	1,144	-	2,448
Exchange loss / (gain)	(1,063)	93	(578)	(61)
One-time costs (d)	4	752	18	1,456
Adjusted EBITDA	\$ (556)	\$ (3,197)	\$ (1,474)	\$ (5,914)
Revenue	\$ 21,770	\$ 21,669	\$ 41,822	\$ 42,101
Adjusted EBITDA Margin % (a)	(2.6) %	(14.8) %	(3.5) %	(14.0) %

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 are 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 such as Active Customers. 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 for 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, filed on SEDAR on March 9, 2022. 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.

SOURCE KITS