

KITS

NEWS RELEASE

KITS Achieves Record Revenue and New Customer Growth in Q1 2021 as Revenues Rise 42% Year-on-Year and Glasses Deliveries Increase Over 45x Year-on-Year

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VANCOUVER, BC, May 13, 2021 /CNW/ - **Kits Eyecare Ltd.** (KITS) (TSX: KITS) (OTCQX: KTYCF), a rapidly growing, vertically integrated, digitally native eyecare platform, has released its financial results for the first quarter of 2021.

First Quarter 2021 Highlights

- Successfully completed Initial Public Offering (IPO) on the Toronto Stock Exchange, resulting in net proceeds of \$51.0 million
- Record quarterly revenue of \$20,432,000 achieved, representing organic growth of 42% compared to revenue of \$14,412,000 in the same quarter of 2020
- Active Customers exceed 750,000 at quarter end, a record quarter for new customer additions
- Record 41,000 eyeglasses delivered in the first quarter, more than a 45x increase compared to the first quarter of 2020 and double quarter over quarter compared to 4Q 2020
- Enrollment in "Autoship" subscription program exceeds plan, with 24% of contact lens orders in the first quarter on Autoship
- KITS generated over 30% more in revenue per Autoship customer compared to the average customer in the same cohort
- Net loss of \$3.6 million, which includes one-time IPO related costs of \$0.7 million, share-based compensation expense of \$0.3 million, and brand investment of \$1.3 million from proceeds earmarked from our IPO

The results of Q1 are the product of our continued focus on investing in the growth of our glasses business and our

Autoship subscription offering, which we believe will form the foundation for recurring profits in the future. These investments consisted of promotional pricing for new customers, increased brand and marketing investments, and greater focus on providing an exceptional fulfillment experience. We made tremendous progress building out these two growth vectors, glasses and Autoship, in the first quarter.

In Q1, we achieved our highest eyeglasses volumes to date as we delivered 41,000 pairs of eyeglasses. Even at this early stage in our eyeglasses ramp up, consumers are attracted to our unique offering of premium quality, attractive prices, and incredible convenience.

We continue to prudently allocate capital to expand our manufacturing and fulfillment capabilities meaningfully to meet anticipated patient demand. We are in the midst of expanding our production capacity to four automated production lines with a total capacity of 4,000 eyeglasses per day and broadening our specialty lens capabilities. To complement our existing blue light and progressive lens offerings, we recently launched prescription sunglasses and photochromatic lenses. This will enable us to serve the needs of more customers while simultaneously improving our revenue and margin profile. In the short term, we will incur higher fulfillment costs as we scale up our expanded facility; however, in the long-term, we believe this investment will lead to significantly lower manufacturing costs and better speed of fulfillment. We are focused on building our optical platform into one of the largest eyecare retailers in North America and our current traction reinforces our belief that this large market is seeking an alternative to our more traditional competitors.

Our subscription Autoship program is on target to achieve 25% of contact lens orders on subscription by the summer. In the first quarter of 2021, 24% of orders were enrolled in our Autoship subscription program. KITS offered strong sign-up promotions in the fourth quarter of 2020, which had an impact on gross margins. In the first quarter, we continued to offer incentives to join Autoship as we continue to learn and to optimize the pricing of this valuable program. Reviewing the preliminary data on our Autoship program, the results, even with the promotions provided, are encouraging. Autoship customers acquired through the first quarter of 2021 placed 30% more orders, which translated into over 30% more in revenue per Autoship customer compared to the average customer in the same cohort. We are focused on making further progress on this initiative as we balance revenue and margin in the short-term with the higher future long-term value of subscription customers. We are strategically investing in this offering to acquire the most valuable customers in the optical category.

The use of cash in the first quarter was consistent with our planned use of proceeds from the IPO. We made greater investments to scale our team and the following one-time items were incurred in the period: (1) one-time increase in inventory purchases of \$3.6 million bringing our inventory to \$9.5 million to improve our speed of service, (2) \$1.4 million of cash invested in brand assets, and (3) IPO related cash outlay of \$1.2 million. We also made an early repayment on our debt of \$4.5 million. KITS ended the first quarter of 2021 with a strong cash position of \$34.4

million.

We believe we have completed the investments necessary in Q1 to create a strong foundation to serve the category in both contact lenses and eyeglasses and to meaningfully scale within the right segments in the category. Moving forward our goal will be to ensure sustainable revenue and earnings growth.

Roger Hardy, Chairman & CEO

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 May 13, 2021 to discuss KITS' financial results and outlook. To attend the call, participants may dial: (416) 764-8659 or (888) 664-6392 Conference Id: 16917663 or join our webcast: https://produceredition.webcasts.com/starthere.jsp?ei=1462101&tp_key=21a6e77318

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 months ended March 31, 2021 and March 31, 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 (CAD \$000s)	Three Months Ended March 31, 2021		Three Months Ended March 31, 2020	
	(unaudited)		(unaudited)	
Revenue	\$	20,432	\$	14,412
Gross profit	\$	4,904	\$	4,303
Net income (loss)	\$	(3,568)	\$	(456)
Non-IFRS Measures (a):				
EBITDA	\$	(4,910)	\$	1,185
Adjusted EBITDA	\$	(2,563)	\$	1,415
Reconciliation EBITDA and Adjusted EBITDA				
Net income / (loss) for the period	\$	(3,568)	\$	(456)
Add back				
Income taxes		(2,586)		241
Finance costs -net		736		905
Depreciation and amortization		508		495
EBITDA	\$	(4,910)	\$	1,185
Add back:				
Share-based compensation (b)		339		130
Brand expenses (c)		1,304		-
One-time costs (d)		704		100
Adjusted EBITDA	\$	(2,563)	\$	1,415

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 and we expect they will discontinue following the recent completion of the IPO.

Non-IFRS Financial Measures and Industry Metrics

This press release includes references to certain non-IFRS financial measures such as 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".

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 four year period. The change in active customers in a reporting period captures both the inflow of new customers as well as the outflow of customers who have not made a purchase in the last four years.

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 maintain and expand 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; 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.

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