



NEWS RELEASE

# KITS Attracts Record 271,000 New Customers in 2021 Driven by Expansion into Eyeglasses Category

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VANCOUVER, BC, March 9, 2022 /CNW/ - **Kits Eyecare Ltd.** (KITS) (TSX: KITS), a leading direct-to-consumer glasses manufacturer and digital eyecare provider has released its financial results for Fiscal Year 2021 and the fourth quarter of 2021.

In 2021, our objective was to broaden our vision care offering by adding a world-class direct-to-consumer, eyeglasses offering starting with the build out and expansion of our onshore optical lab. We began by connecting state-of-the-art Vancouver manufacturing to our large and growing community of vision corrected customers to offer them a complete vision care solution. We attracted a record 271,000 new customers to the KITS community, bringing total Active Customers to 680,000, an increase of 36% year-on-year. In addition, we delivered 163,000 pairs of eyeglasses to the Kits community in 2021 as compared to 38,000 eyeglasses in 2020 representing growth of over 300%.

## Highlights

- Revenue was \$82,403,000 representing growth of 15.1% adjusted for the impact of foreign exchange compared to the corresponding prior year period, or 9.6% unadjusted
- Record two-year Active Customers were 680,000, an increase of 36.0% year-over-year
- Glasses delivered grew by over 300% year-over-year to 163,000 in the year up from 38,000
- Glasses delivered in the fourth quarter grew to 50,000 up from 20,000 in the fourth quarter of 2020
- Gross margin expanded to 30.1% in the fourth quarter of 2021, a 680 basis point expansion compared to the fourth quarter of 2020, and up 420 basis point increased compared to the third quarter of 2021
- Returning customers comprised 71% of our 2021 revenue and loyal customers who have made more than

three purchases made up 54% of 2021 revenue

- Eyeglasses delivered to new customers increased by over 270% in 2021 compared to 2020
- Kits branded search increased 625% in the year as a result of our brand investments and community engagement
- Autoship subscriptions grew to 22.1% of total contact lens orders in 2021 and 23.9% in Q4 2021
- Recurring revenue from repeat contact lens customers in Q4 2021 was 75.1% of total contact lens revenue
- Strong cash balance of \$20,505,000 at the end of Q4 2021

2021 was a year of investment for KITS. First, we made capital investments in building a fully automated onshore optical lab with the capacity to produce thousands of single vision and digital progressive lenses per day. This investment came online in Q3. Next, we invested in attracting a strong base of new customers who we hope to recruit to our loyal community and to spread the word about our high-quality, comprehensive eyecare offering. To achieve this, we offered introductory offers to first time glasses and subscription customers believing that once they experience the KITS advantages they will become long-term loyal customers. Finally, we invested in building the KITS brand, with expanded top of funnel marketing efforts designed to improve awareness and grow first time customers.

"I am incredibly proud of the milestones our KITS team achieved in 2021. Building on the extraordinary growth we saw in 2020 and achieving revenue growth of 15.1% and customer growth of 36% is solid validation that our community of vision corrected customers trusts our brand and offering. We are pleased to have been able to deliver more than 163,000 eyeglasses to our customers in just our second year of offering eyeglasses, which is a truly remarkable achievement for our team at KITS. It's amazing to look back and see how much the team and community at KITS came together to accomplish, and we look forward to an exciting 2022 at KITS," said Roger Hardy, CEO.

"Our investments in building our optical lab, a meaningful eyeglasses business, and B2B foundation provide us with a hard to replicate, enviable moat in the \$35B+ optical industry. While we began to see the return on investment for our 2021 efforts in Q4, it's just the beginning of the impact we will have across optical in the years ahead," said Joseph Thompson, COO.

## 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 March 9, 2022 to discuss KITS' financial results and outlook. To attend the call, participants may dial: (416) 764-8659 Conference Id: 54836984 or join our webcast:

[https://produceredition.webcasts.com/starthere.jsp?ei=1527124&tp\\_key=8b301ac6cf](https://produceredition.webcasts.com/starthere.jsp?ei=1527124&tp_key=8b301ac6cf)

## 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, 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](http://www.KITS.com).

## Financial Highlights

The following selected financial information is qualified in its entirety by and should be read in conjunction with audited consolidated financial statements for the year ended December 31, 2021 and December 31, 2020 and accompanying notes and Management's Discussion and Analysis ("MD&A") which may be viewed on SEDAR at [www.sedar.com](http://www.sedar.com).

	Three Months Ended		Year Ended	
	December 31,	December 31,	December 31,	December 31,
	2021	2020	2021	2020
<b>Financial and Operating Data</b>				
Revenue	\$ 20,270	\$ 20,283	\$ 82,403	\$ 75,217
Gross profit	\$ 6,104	\$ 4,736	\$ 20,891	\$ 21,388
Net income (loss)	\$ (4,054)	\$ (6,216)	\$ (14,617)	\$ (6,583)
Non-IFRS Measures (a):				
	\$ 20,775	\$ 20,283	\$ 86,582	\$ 75,217
Constant Currency Revenue	\$ (1,177)	\$ (1,220)	\$ (8,004)	\$ 3,548
Adjusted EBITDA	(5.8%)	(6.0%)	(9.7%)	4.7%
Adjusted EBITDA Margin %				
Reconciliation of constant currency				

## revenue

Revenue	\$	20,270	\$	20,283	\$	82,403	\$	75,217
Foreign exchange impact		505		-		4,179		-
Constant Currency Revenue	\$	20,775	\$	20,283	\$	86,582	\$	75,217
Change in constant currency	\$	492			\$	11,365		
Change in constant currency %		2.4%				15.1%		

## Reconciliation of Adjusted EBITDA

Net income / (loss) for the period	\$	(4,054)	\$	(6,216)	\$	(14,617)	\$	(6,583)
Add back:								
Income taxes		442		(1,065)		(4,226)		(505)
Finance costs - net		400		1,433		1,798		3,090
IPO related fair value accrual preferred(b)		-		3,375		-		3,773
Depreciation and amortization		858		509		2,673		2,013
Share-based compensation (c)		497		307		1,516		811
Brand expenses (d)		607		-		3,248		-
One-time costs (e)		73		437		1,604		949
Adjusted EBITDA	\$	(1,177)	\$	(1,220)	\$	(8,004)	\$	3,548

## Notes:

- (a) Refer to "Non-IFRS Measures and Industry Metrics" section of the MD&A filed on [www.sedar.com](http://www.sedar.com).
- (b) IPO related fair value accrual for Class A and C preferred shares for the three months and year ended December 31, 2020 is a non-cash one-time expense. These Class A and C preferred shares were converted into common shares and are no longer outstanding.
- (c) Represents non-cash share-based compensation expense associated with restricted share rights ("RSRs") and options recognized in the period.
- (d) 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.

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

(e) 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, 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 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, 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