



NEWS RELEASE

KITS Eyecare Reports Fourth Quarter and Full Year 2023 Results

2024-03-06

FY 2023 Revenue Increased by 32% Year-Over-Year to \$120.5 million, with Q4 Revenue

Increasing to \$31.7 million

FY 2023 Gross Profit Increased by 40% Year-Over-Year to \$40.8 million, with Q4 Gross Profit

Increasing to \$11.1 million

Fifth Consecutive Quarter Reporting Positive Adjusted EBITDA

VANCOUVER, BC, March 6, 2024 /CNW/ - **Kits Eyecare Ltd.** (TSX: KITS) ("KITS" or the "Company"), a leading vertically integrated eyecare provider, is reporting its results for the fourth quarter and full year ended December 31, 2023.

Fourth Quarter 2023 Financial & Operational Highlights

For the fourth quarter of 2023, compared to the fourth quarter of 2022:

- Revenue increased by 21% to a record \$31.7 million compared to \$26.2 million
- Gross margin increased by 110 basis points to 35.0% compared to 33.9%
- Marketing expenses as a percentage of revenue increased by 50 basis points to 14.2% compared to 13.7%
- Fulfillment expenses as a percentage of revenue declined by 60 basis points to 12.6% compared to 13.2%
- General and administrative expenses as a percentage of revenue declined 130 basis points to 6.7% compared to 8.0%

- Adjusted EBITDA improved by 100% to \$0.9 million compared to \$0.4 million

Full Year 2023 Financial & Operational Highlights

For the full year 2023, compared to full year 2022:

- Revenue increased by 32% to a record \$120.5 million compared to \$91.6 million
- Gross margin increased by 190 basis points to 33.8% compared to 31.9%
- Marketing expenses as a percentage of revenue declined by 10 basis points to 14.0% compared to 14.1%
- Fulfillment expenses as a percentage of revenue declined by 110 basis points to 12.6% compared to 13.7%
- General and administrative expenses as a percentage of revenue declined 210 basis points to 6.7% compared to 8.8%
- Adjusted EBITDA improved by 225% to \$2.3 million compared to \$(1.8) million

Management Commentary

"Q4 was another record setting quarter for the team at KITS as we delivered meaningful progress across customer experience, revenue, margins and Adjusted EBITDA," said Roger Hardy, Co-Founder and CEO of KITS. "But more importantly, the strength of our core business continued to gain momentum as we continued to improve on the things that have made us leaders in the category. Our focus on quality first, category leading selection, speed and delivering meaningful savings all continued to resonate with customers and allowed us to close out the year with yet another record quarter on the top-line and our fifth consecutive quarter reporting positive Adjusted EBITDA. As we move into 2024, there is no question momentum has continued and our world-class offering is continuing to build momentum. We look forward to updating shareholders on our continued progress as the year unfolds."

Fourth Quarter 2023 Financial Results

Revenue increased by 21% to \$31.7 million compared to \$26.2 million in the prior year period. The increase was primarily attributable to strong repeat customer revenue in both contact lens and eyeglasses, higher average order value and a growth in repeat eyeglass customers.

Gross profit increased by 24% to \$11.1 million compared to \$8.9 million in the prior year period, while gross margin increased by 110 basis points to 35.0% compared to 33.9% in the prior year period. The increase was primarily due to a reduction in promotions to prioritize higher-margin orders and capturing improved margins from returning customers.

Net loss improved to \$0.5 million, or \$(0.02) per share (basic), compared to a net loss of \$1.4 million, or \$(0.04) per share (basic), in the prior year period. The improvement was primarily attributable to the higher revenue and gross profit, offset by an increase in foreign exchange loss during the period.

EBITDA increased by 67% to \$(0.1) million compared to \$(0.3) million in the prior year period, while Adjusted EBITDA improved by 100% to \$0.9 million compared to \$0.4 million in the prior year period. The improvement in Adjusted EBITDA was primarily attributable to the increase in revenue and gross profit, offset by an increase in foreign exchange loss during the period.

On December 31, 2023, cash and cash equivalents totaled \$16.0 million compared to \$18.8 million on December 31, 2022.

Conference Call

KITS management will host the conference call followed by a question-and-answer period. To access the call instantly, please click **here** to register your name and phone number via the rapid connect link.

The conference call will also be webcast live with a presentation and available for replay **here** and via the investor relations section of the Company's website at **www.kits.com**.

Date: Wednesday, March 6, 2024

Time: 9:00 a.m. Eastern time (6:00 a.m. Pacific time)

Presentation webcast link: **<https://app.webinar.net/vljyepwbBAz>**

Rapid connect link: **<https://emportal.ink/3OoP1iF>**

North American toll-free number: 1-888-664-6392

Local Toronto dial-in number: 416-764-8659

Confirmation #: 71756133

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Group at 1-949-574-3860.

Financial Highlights

The following selected financial information is qualified in its entirety by and should be read conjunction with our consolidated financial statements for the years ended December 31, 2023 and 2022 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 December 31, 2023 (unaudited)	Three Months Ended December 31, 2022 (unaudited)	Year Ended December 31, 2023	Year Ended December 31, 2022
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Revenue	\$	31,663	\$	26,239	\$	120,510	\$	91,639
Net income (loss)	\$	(491)	\$	(1,385)	\$	(2,215)	\$	(4,552)
Net income (loss) per share								
Basic	\$	(0.02)	\$	(0.04)	\$	(0.07)	\$	(0.15)
Diluted	\$	(0.02)	\$	(0.04)	\$	(0.07)	\$	(0.15)
Non-IFRS Measures (a):								
Constant currency revenue	\$	31,546	\$	26,239	\$	117,593	\$	91,639
EBITDA	\$	(121)	\$	(295)	\$	807	\$	(827)
Adjusted EBITDA	\$	862	\$	441	\$	2,284	\$	(1,828)
Adjusted EBITDA Margin %		2.7 %		1.7 %		1.9 %		(2.0) %
Reconciliation of constant currency revenue								
Revenue	\$	31,663	\$	26,239	\$	120,510	\$	91,639
Foreign exchange impact		117		-		2,917		-
Constant Currency Revenue	\$	31,546	\$	26,239	\$	117,593	\$	91,639
Change in constant currency	\$	5,307			\$	25,954		
Change in constant currency %		20.2 %				28.3 %		
Reconciliation of Adjusted EBITDA								
Net income (loss) for the period	\$	(491)	\$	(1,385)	\$	(2,215)	\$	(4,552)
Add back:								
Income taxes		(208)		(176)		(676)		(1,324)
Finance (income) costs – net		(216)		339		509		1,524
Depreciation and amortization		794		927		3,189		3,525
EBITDA	\$	(121)	\$	(295)	\$	807	\$	(827)
Add back								
Share-based compensation (b)	\$	119	\$	343	\$	513	\$	1,319
Exchange loss / (gain)		861		390		950		(2,344)
One-time costs (c)		3		3		14		24
Adjusted EBITDA	\$	862	\$	441	\$	2,284	\$	(1,828)
Revenue	\$	31,663	\$	26,239	\$	120,510	\$	91,639
Adjusted EBITDA Margin % (d)		2.7 %		1.7 %		1.9 %		(2.0) %

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) One-time IPO directors' and officers' insurance costs which are expensed over the insurance coverage period.
(d) Represents Adjusted EBITDA divided by revenue from the same period.

About KITS

KITS makes eyecare easy. KITS is a leading vertically integrated digital eyecare brand 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.

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 6, 2024. 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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