



NEWS RELEASE

KITS Eyecare Reports Record Second Quarter 2023 Financial Results

2023-08-09

Revenue increased 38% to \$30.0 million compared to \$21.8 million in the prior year

Gross profit increased 41% to \$9.9 million compared to \$7.0 million in the prior year

Adjusted EBITDA improved by \$1.1 million to \$0.5 million

VANCOUVER, BC, Aug. 9, 2023 /CNW/ - **Kits Eyecare Ltd.** (TSX: KITS) ("KITS" or the "Company"), a leading vertically integrated eyecare provider, is reporting its results for the second quarter ended June 30, 2023.

Second Quarter 2023 Financial & Operational Highlights

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

- Revenue increased 38% to a record \$30.0 million compared to \$21.8 million
- Gross margin increased 80 basis points to 33.0% compared to 32.2%
- Marketing expenses as a percent of revenue declined by 160 basis points to 13.7% compared to 15.3%
- Fulfillment expenses as a percent of revenue declined by 210 basis points to 12.6% compared to 14.7%
- General and administrative expenses as a percent of revenue declined 120 basis points to 6.6% compared to 7.8%
- Generated positive cash flow from operations of \$1.5 million compared to \$2.3 million
- Adjusted EBITDA improved by \$1.1 million to \$0.5 million compared to \$(0.6) million

Year-to-Date 2023 Financial & Operational Highlights

For the six months ended June 30, 2023, compared to the six months ended June 30, 2022:

- Revenue increased 38% to \$57.7 million compared to \$41.8 million
- Gross margin increased 160 basis points to 33.0% compared to 31.4%
- Marketing expenses as a percent of revenue declined by 40 basis points to 14.0% compared to 14.4%
- Fulfillment expenses as a percent of revenue declined by 170 basis points to 12.6% compared to 14.3%
- General and administrative expenses as a percent of revenue declined 250 basis points to 6.8% compared to 9.3%
- Adjusted EBITDA improved by \$2.3 million to \$0.8 million compared to \$(1.5) million
- Strong quarter end cash balance of approximately \$19.8 million compared to \$18.9 million
- Generated positive cash flow from operations of \$3.5 million compared to \$1.2million

Management Commentary

"Throughout the first half of the year, the KITS team continued to fire on all cylinders as we reported another record quarter driven by new customer growth and strong recurring revenues from repeat customers," said Roger Hardy, co-founder and CEO of KITS. "We also made tangible progress expanding our gross profit and improving costs as a percentage of sales. Our data-driven approach allows us to efficiently target high-value customers, while our digitally driven platform provides customers with best-in-class affordability and unparalleled customer experiences. We are pleased this is resonating with consumers and translating into record financial results, and we look forward to continuing to execute our strategy as we further scale revenues and earnings this year."

Second Quarter 2023 Financial Results

Revenue increased 38% to \$30.0 million compared to \$21.8 million in the prior year period. The increase was primarily attributable to an increase in eyeglasses delivered, strong repeat customer revenue and growth in first-time eyeglass customers.

Gross profit increased 41% to \$9.9 million compared to \$7.0 million in the prior year period, while gross margin increased 80 basis points to 33.0% compared to 32.2% 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 was \$1.2 million, or \$(0.04) per share, compared to a net loss of \$0.9 million, or \$(0.03) per share, in the prior year period. The change was primarily attributable to the higher revenue and gross profit, offset by an increase in foreign exchange loss during the period.

EBITDA was \$(0.5) million compared to \$0.1 million in the prior year period, while adjusted EBITDA improved to \$0.5 million compared to \$(0.6) 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 June 30, 2023, cash and cash equivalents totaled \$19.8 million compared to \$18.8 million on December 31, 2022, and \$19.6 million on March 31, 2023.

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, August 9, 2023

Time: 8:00 a.m. Eastern time (5:00 a.m. Pacific time)

Presentation webcast link: **<https://app.webinar.net/zaQVZRdr3Yw>**

Rapid connect link: **<https://emportal.ink/44tguFW>**

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

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

Confirmation #: 147742

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 unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2023 and June 30, 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		Six Months Ended	
	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Revenue	\$ 30,030	\$ 21,770	\$ 57,697	\$ 41,822
Net income (loss)	\$ (1,184)	\$ (923)	\$ (2,204)	\$ (3,187)
Net income (loss) per share				
Basic	\$ (0.04)	\$ (0.03)	\$ (0.07)	\$ (0.10)
Diluted	\$ (0.04)	\$ (0.03)	\$ (0.07)	\$ (0.10)
Non-IFRS Measures (c):				
Constant currency revenue	\$ 28,703	\$ 21,770	\$ 55,344	\$ 41,822
EBITDA	\$ (469)	\$ 141	\$ (516)	\$ (1,582)
Adjusted EBITDA	\$ 513	\$ (556)	\$ 817	\$ (1,474)
Adjusted EBITDA Margin %	1.7 %	(2.6) %	1.4 %	(3.5) %

Reconciliation of constant currency revenue

Revenue	\$ 30,030	\$ 21,770	\$ 57,697	\$ 41,822
Foreign exchange impact	(1,327)	-	(2,353)	-
Constant Currency Revenue	\$ 28,703	\$ 21,770	\$ 55,344	\$ 41,822
Change in constant currency	\$ 6,933		\$ 13,522	
Change in constant currency %	31.8 %		32.3 %	

Reconciliation of Adjusted EBITDA

Net income (loss) for the period	\$ (1,184)	\$ (923)	\$ (2,204)	\$ (3,187)
Add back:				
Income taxes	(266)	(184)	(540)	(898)
Finance costs – net	226	385	607	789
Depreciation and amortization	755	863	1,621	1,714
EBITDA	\$ (469)	\$ 141	\$ (516)	\$ (1,582)
Add back				
Share-based compensation (a)	\$ 204	\$ 362	\$ 512	\$ 668
Exchange loss / (gain)	775	(1,063)	814	(578)
One-time costs (b)	3	4	7	18
Adjusted EBITDA	\$ 513	\$ (556)	\$ 817	\$ (1,474)
Revenue	\$ 30,030	\$ 21,770	\$ 57,697	\$ 41,822
Adjusted EBITDA Margin % (c)	1.7 %	(2.6) %	1.4 %	(3.5) %

Notes:

- (a) Represents non-cash share-based compensation expense associated with restricted share rights ("RSRs") and options recognized in the period.
- (b) 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.
- (c) Refer to "Non-IFRS Measures and Industry Metrics" section of the MD&A filed on www.sedar.com.

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 9, 2023. 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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