



NEWS RELEASE

KITS Eyecare Reports Record Second Quarter 2024 Results

2024-08-07

Revenue Increased 26% Year-Over-Year to a Record \$37.9 million

Canadian Revenue Increased 47% Year-Over-Year

Seventh Consecutive Quarter Reporting Positive Adjusted EBITDA

VANCOUVER, BC, Aug. 7, 2024 /CNW/ - **Kits Eyecare Ltd.** (TSX: KITS) ("KITS" or the "Company"), the leading vertically integrated eyecare provider, is reporting its results for the second quarter ended June 30, 2024.

Second Quarter 2024 Financial & Operational Highlights

For the second quarter of 2024, compared to the first quarter of 2023:

- Revenue increased by 26% to a record \$37.9 million compared to \$30.0 million
- Gross profit was \$12.4 million or 32.8% of revenues, compared to \$9.9 million or 33.0% of revenues
- Marketing expenses as a percentage of revenue improved by 30 basis points to 13.4% compared to 13.7%
- Fulfillment expenses as a percentage of revenue improved by 140 basis points to 11.2% compared to 12.6%
- General and administrative expenses as a percentage of revenue were 7.2% compared to 6.6%. Excluding Share-based compensation, General and administrative expenses as a percentage of revenue improved to 5.8% compared to 5.9%
- EBITDA improved by \$1.6 million to \$1.1 million compared to \$(0.5) million
- Adjusted EBITDA improved by \$0.8 million to \$1.3 million compared to \$0.5 million
- Net income was \$0.2 million compared to a net loss of \$1.2 million

- Glasses revenue increased by 41.7% to a record \$5.0 million compared to \$3.5 million
- Record revenue milestone of \$13.8 million from new customers

Year-to-Date 2024 Financial & Operational Highlights

For the six months ended June 30, 2024, compared to the six months ended June 30, 2023:

- Revenue increased 25.9% to \$72.6 million compared to \$57.7 million
- Gross profit was \$23.6 million or 32.5% of revenues, compared to \$19.0 million or 33.0% of revenues
- Marketing expenses as a percentage of revenue declined by 80 basis points to 13.2% compared to 14.0%
- Fulfillment expenses as a percentage of revenue declined by 110 basis points to 11.5% compared to 12.6%
- General and administrative expenses as a percentage of revenue were 7.1% compared to 6.8%. Excluding Share-based compensation, General and administrative expenses as a percentage of revenue were 6.0% compared to 6.0%
- Adjusted EBITDA improved by \$1.1 million to \$1.9 million compared to \$0.8 million
- Net income was \$0.3 million compared to a net loss of \$2.2 million
- Strong quarter end cash balance of approximately \$19.3 million compared to \$19.8 million
- Generated positive cash flow from operations of \$7.0 million compared to \$3.5million

Management Commentary

"Again this quarter the KITS team executed across all the key metrics in our business as we continued on our mission to make eyecare easy for everyone, everywhere." said Roger Hardy, co-founder and CEO of KITS. "Once again we are leading the category in growth providing record revenue, at the high end of our range, led by our Canadian business which grew 47%, while our overall business accelerated to 26% growth year over year. Our glasses business grew more than 41% in the quarter, and we were excited to launch our Pangolins which look to lead with design and innovation in the smart eyewear category. We achieved leverage across our fulfillment, operations and marketing, and held all other costs steady while paying down debt and growing our cash flows, achieving our seventh straight quarter of positive EBITDA. Overall, it was an excellent quarter by the team which shows an acceleration across almost every key metric in the business."

Second Quarter 2024 Financial Results

Revenue increased by 26% to \$37.9 million compared to \$30.0 million in the second quarter of 2023 (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 growth in the Canadian market.

Gross profit increased by 25.2% to \$12.4 million compared to \$9.9 million in the prior year period.

Net income was \$0.2 million, or \$0.01 per share , compared to a net loss of \$1.2 million, or \$(0.04) per share , in the

prior year period. EBITDA increased to \$1.1 million compared to \$(0.5) million in the prior year period, while Adjusted EBITDA improved to \$1.3 million compared to \$0.5 million in the prior year period. The bottom-line improvements were primarily attributable to the aforementioned increase in revenue and gross profit, along with achieving marketing and fulfillment efficiencies as a percentage of revenue.

On June 30, 2024, cash and cash equivalents totaled \$19.3 million compared to \$16.0 million on December 31, 2023, and \$18.4 million on March 31, 2024

Third Quarter 2024 Outlook

For the third quarter of 2024, KITS management expects revenue to be in the range of \$39 million to \$41 million, with Adjusted EBITDA as a percentage of revenue between 3% and 5%. See "Forward-Looking Statements" below for important disclosure with respect to expectations and forward-looking information.

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 7, 2024

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

Presentation webcast link: **<https://app.webinar.net/qoaRjx9Q73v>**

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

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

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

Confirmation #: 17009422

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 three and six months ended June 30, 2024 and June 30, 2023 and accompanying notes and Management's Discussion and Analysis ("MD&A") which may be viewed on SEDAR at www.sedarplus.ca.

Three Months Ended

Six Months Ended

Financial and Operating Data	June 30, 2024 (unaudited)	June 30, 2023 (unaudited)	June 30, 2024 (unaudited)	June 30, 2023 (unaudited)
Revenue	\$ 37,852	\$ 30,030	\$ 72,634	\$ 57,697
Net income (loss)	\$ 187	\$ (1,184)	\$ 251	\$ (2,204)
Net income (loss) per share				
Basic	\$ 0.01	\$ (0.04)	\$ 0.01	\$ (0.07)
Diluted	\$ 0.01	\$ (0.04)	\$ 0.01	\$ (0.07)
Non-IFRS Measures (a):				
Constant currency revenue	\$ 37,407	\$ 30,030	\$ 72,262	\$ 57,697
EBITDA	\$ 1,131	\$ (469)	\$ 2,288	\$ (516)
Adjusted EBITDA	\$ 1,316	\$ 513	\$ 1,925	\$ 817
Adjusted EBITDA Margin %	3.5 %	1.7 %	2.7 %	1.4 %
Reconciliation of constant currency revenue				
Revenue	\$ 37,852	\$ 30,030	\$ 72,634	\$ 57,697
Foreign exchange impact	\$ (445)	\$ -	\$ (372)	\$ -
Constant Currency Revenue	\$ 37,407	\$ 30,030	\$ 72,262	\$ 57,697
Change in constant currency	\$ 7,377		\$ 14,565	
Change in constant currency %	24.6 %		25.2 %	
Reconciliation of Adjusted EBITDA				
Net income (loss) for the period	\$ 187	\$ (1,184)	\$ 251	\$ (2,204)
Add back:				
Income taxes	207	(266)	225	(540)
Finance costs – net	147	226	467	607
Depreciation and amortization	590	755	1,345	1,621
EBITDA	\$ 1,131	\$ (469)	\$ 2,288	\$ (516)
Add back:				
Share-based compensation (b)	\$ 539	\$ 204	\$ 809	\$ 512
Exchange loss / (gain)	(358)	775	(1,179)	814
One-time costs (c)	4	3	7	7
Adjusted EBITDA	\$ 1,316	\$ 513	\$ 1,925	\$ 817
Revenue	\$ 37,852	\$ 30,030	\$ 72,634	\$ 57,697
Adjusted EBITDA Margin % (d)	3.5 %	1.7 %	2.7 %	1.4 %

Notes:

- (a) Refer to "Non-IFRS Measures and Industry Metrics" section of the MD&A filed on www.sedarplus.ca.
- (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, annual revenue run-rate, 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 a 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.

SOURCE KITS