



NEWS RELEASE

KITS Serves Record 640,000 Active Customers

2021-11-15

Glasses Deliveries Increase 522% to 112,000 Pairs

VANCOUVER, BC, Nov. 15, 2021 /CNW/ - **Kits Eyecare Ltd.** (KITS) (TSX: KITS), a fast growing direct-to-consumer glasses brand and leading digital eyecare provider has released its financial results for the third quarter of 2021.

Our strong results reflect our continued focus on delivering an exceptional customer experience to vision corrected patients everywhere. Having secured a strong, loyal, and recurring base of the most valuable customers in the vision care category, we are continuing to build our brand and products for the vision customer of today. This customer is increasingly seeking savings and convenience that KITS, a holistic online provider, can deliver. Our business exists at the exciting intersection of healthcare and technology where customers are increasingly demanding convenient tools to manage their healthcare and affordable eyecare products they can access quickly from anywhere. We are heads down working to deliver this complete eyecare experience to our customers. Just three years into our business plan, we have experienced incredible growth from our core contact lens business and we have just begun expanding our value proposition to customers through our robust glasses offering. Through our category leading vertical integration, we are delivering a value proposition that is transformative for the industry.

Highlights

- Year-to-date revenue was \$62,133,000 representing growth of 20% adjusted for the impact of foreign exchange compared to the corresponding prior year period, or 13% unadjusted
- Revenue reached a two-year compounded annual growth rate of 29% in the three months ended September 30, 2021
- Two-year Active Customers were 640,000, an increase of 41% year-over-year



- Glasses delivered grew by 522% year-over-year to 112,000 pairs with 22,000 pairs of glasses delivered to returning customers year-to-date
- Recurring revenue from repeat contact lens customers in Q3 2021 was 71% of total contact lens revenue
- Strong cash balance of \$21,119,000 at the end of Q3 2021

"As we lapped Q3 2020, our highest revenue and customer growth quarter, KITS continued to outpace the vision care market and deliver another quarter of strong order and revenue growth. Our KITS model with an asset-light structure, loyal recurring customers, vertical integration, and high-quality eyeglasses offering is well positioned for the current migration from high-cost traditional retailers to our disruptive, online direct eyecare platform where we deliver exceptional customer value. We have been successful in building out a world-class eyeglasses collection this year that complements our existing large, recurring, contact lens business as experienced by over 640,000 Active Customers served by KITS over the past two years and more than 112,000 eyeglasses delivered this year alone making us the fastest growing eyeglasses provider in the category," said Roger Hardy, CEO.

Operational Milestones

- Total orders delivered grew by 7% to 151,000 orders compared to Q3 2020 orders of 141,000
- Exited the quarter with 80% of single vision and progressive glasses shipped within 48 hours
- Over 90% of glasses selected by customers were KITS branded frames in the third quarter from a selection of over 600 styles
- Last twelve months (LTM) revenue per Active Customer was \$260
- Manufacturing capacity expanded to over 4,000 eyeglasses per day and now includes digital progressives from our automated optical lab
- Improved Q3 2021 gross margin by 430 basis points to 25.9% compared to 21.6% in Q2 2021

"Our continued focus on operational improvements enables us to execute our disciplined strategy of consistently fulfilling customers' vision care needs cost effectively and quickly. We have now built out the leading vision correction offering in the eyewear category, a compelling blend of both high quality and good value, and we have earned a solid foothold among the largest and fastest growing retailers of glasses and contact lenses in North America. We believe that as the world reopens, updating both contacts and glasses will become an increasing priority for customers everywhere and we look forward to delighting them. In 2021, we took the opportunity to position ourselves for this anticipated growth in demand and we look forward to updating shareholders as the team continues to execute on this exciting mission," remarked Sabrina Liak, CFO.

"In the third quarter, we continued to build a platform to deliver an extraordinary and differentiated value proposition to our customers through investments in our extensive selection, our fast fulfillment network, and the expansion of our in-house, state-of-the-art optical capabilities. These investments, which were completed this

quarter, uniquely position KITS to exceed customer demands for exceptional design, value, quality, and speed. We are excited to be in a leading position to produce efficiently onshore, particularly during this period of increased supply chain turmoil," 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 9:00 a.m. Pacific Time on November 16, 2021 to discuss KITS' financial results and outlook. To attend the call, participants may dial: (416) 764-8659 or (888) 664-6392 Conference Id: 72824790 or join our webcast: https://produceredition.webcasts.com/starthere.jsp?ei=1510163&tp_key=e08d176a89

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 and nine months ended September 30, 2021 and September 30, 2020 and accompanying notes and Management's Discussion and Analysis ("MD&A") which may be viewed on SEDAR at www.sedar.com.

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Financial and Operating Data	(unaudited)	(unaudited)	(unaudited)	(unaudited)

Revenue	\$ 20,032	\$ 20,201	\$ 62,133	\$ 54,934
Gross profit	\$ 5,197	\$ 5,941	\$ 14,787	\$ 16,652
Net income (loss)	\$ (2,137)	\$ (132)	\$ (10,563)	\$ (367)
Non-IFRS Measures (a):				
Constant Currency Revenue	\$ 20,892	\$ 20,201	\$ 65,925	\$ 54,934
Adjusted EBITDA	\$ (974)	\$ 1,718	\$ (6,827)	\$ 4,768
Adjusted EBITDA Margin %	(4.9%)	8.5%	(11.0%)	8.7%

Reconciliation of constant currency revenue

Revenue	\$ 20,032	\$ 20,201	\$ 62,133	\$ 54,934
Foreign exchange impact	860	-	3,792	-
Constant Currency Revenue	\$ 20,892	\$ 20,201	\$ 65,925	\$ 54,934
Change in constant currency	\$ 691		\$ 10,991	
Change in constant currency %	3.4%		20.0%	

Reconciliation of Adjusted EBITDA

Net income / (loss) for the period	\$ (2,137)	\$ (132)	\$ (10,563)	\$ (367)
Add back				
Income taxes	(649)	165	(4,668)	559
Finance costs - net	372	525	1,398	2,055

Depreciation and amortization	814	498	1,815	1,504
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EBITDA	\$ (1,600)	\$ 1,056	\$ (12,018)	\$ 3,751
Add back:				
Share-based compensation (b)	\$ 358	\$ 326	\$ 1,019	\$ 504
Brand expenses (c)	193	-	2,641	-
One-time costs (d)	75	336	1,531	513
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Adjusted EBITDA	\$ (974)	\$ 1,718	\$ (6,827)	\$ 4,768

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. 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, 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 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, 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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