



NEWS RELEASE

# Kits Eyecare Glasses Revenue Grows 63% year-on-year, on 40% Lower Marketing Spend

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VANCOUVER, BC, May 11, 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 the first quarter of 2022.

## First Quarter 2022 Financial Highlights

- Revenue was \$20,052,000, while gross profit grew 24.7% year-on-year
- Revenue reached a two-year compounded annual growth rate of 18.0% in the first quarter of 2022
- Record two-year Active Customers of 710,000, an increase of 29.3% year-over-year
- Gross margin expanded to 30.5% in the first quarter of 2022, a 650-basis point expansion compared to 24.0% in the first quarter of 2021
- Returning customers comprised 70% of first quarter 2022 revenue
- Our subscription Autoshop orders grew to 25.1% of total contact lens orders in the first quarter of 2022 up from 23.9% in the first quarter of 2021
- Glasses revenue grew 63% year-on-year
- Marketing expenses decreased 40% to \$2,694,000 from \$4,439,000 in the three months ended March 31, 2022 as we scaled back investments in light of macro-economic uncertainty
- Adjusted EBITDA improved to \$(0.9) mm
- Strong cash balance of \$18,330,000 at the end of Q1 2022

"Glasses revenue increased 63% year-over-year in the quarter, while marketing investments decreased by 40%. Revenue remained constant in the quarter, demonstrating the strength and recurring nature of our customer base and the company's ability to adapt quickly to macro uncertainty. 70% of our revenue came from returning customers, and gross profit margins expanded 650 basis points to 30.5% in the quarter. Overall, we made

tremendous headway in what was a challenging environment. Having proven our model's resilience and category leading loyalty metrics, we will continue growing our glasses business in the coming quarters," said Roger Hardy co-founder and CEO.

"We delivered a total of 148,000 eyecare orders in Q1. We are proud to have delivered a 20% quarter-on-quarter increase in custom progressive eyeglasses in the first quarter of 2022. Our vertically integrated high volume onshore optical lab has allowed us to avoid supply chain disruptions and to maintain a healthy growing gross margin, while delivering prescription glasses to customers in as little as 1 day." 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 May 11, 2022 to discuss KITS' financial results and outlook. To attend the call, participants may dial: (416) 764-8659 or (888) 664-6392 Conference Id: 32458009 or join our webcast: [https://produceredition.webcasts.com/starthere.jsp?ei=1547490&tp\\_key=292d3ae1c1](https://produceredition.webcasts.com/starthere.jsp?ei=1547490&tp_key=292d3ae1c1)

## 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, 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](http://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 months ended March 31, 2022 and March 31, 2021 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).

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Three Months Ended

Financial and Operating Data	March 31, 2022	March 31, 2021
Revenue	\$ 20,052	\$ 20,432
Gross profit	\$ 6,113	\$ 4,904
Net income (loss)	\$ (2,264)	\$ (3,568)
Non-IFRS Measures (a): Constant Currency Revenue	\$ 20,049	\$ 20,432
Adjusted EBITDA	\$ 918	\$ (2,717)
Adjusted EBITDA Margin %	(4.6%)	(13.3%)
Reconciliation of constant currency revenue		
Revenue	\$ 20,052	\$ 20,432
Foreign exchange impact	(3)	-
Constant Currency Revenue	<u>\$ 20,049</u>	<u>\$ 20,432</u>
Change in constant currency	\$ (383)	-
Change in constant currency %	(1.9%)	-
Reconciliation of Adjusted EBITDA		
Net income / (loss) for the period	\$ (2,264)	\$ (3,568)
Add back: Income taxes	(714)	(2,586)
Finance costs - net	404	736
Depreciation and amortization	851	508
Share-based compensation (b)	306	339
Brand expenses (c)	-	1,304
Exchange loss/(gain)	485	(154)
One-time costs (d)	14	704
Adjusted EBITDA	<u>\$ (918)</u>	<u>\$ (2,717)</u>

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) 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](http://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.

## 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.

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