

KITS

KITS Eyecare Reports Record Third Quarter 2022 Financial Results

Momentum Continues with Q3 Revenue Increasing 18%, Eyeglasses Revenue Up 81% and Gross Profit Growing 39%

Disciplined Performance Drove Cash Flow of \$3.9 million, EBITDA of \$1.1 million and Positive Net Income

VANCOUVER, November 9, 2022 – [Kits Eyecare Ltd.](#) (KITS) (TSX: KITS) Canada’s fastest growing direct-to-consumer eyeglasses manufacturer and digital eyecare brand has released its financial results for the third quarter of 2022.

Third Quarter 2022 Financial Highlights

- Revenue increased 18% year-over-year to \$23.6 million and was up 8% quarter-over-quarter
- Gross profit grew 39% year-over-year to a record \$7.2 million and was up 3% quarter-over-quarter
- Eyeglasses revenue grew 81% year-over-year and eyeglasses units delivered grew 118% year-over-year to 61,000 eyeglasses
- Record two-year Active Customers of 765,000, an increase of 20% year-over-year
- EBITDA improved to \$1.1 million up \$2.7 million year-over-year
- Cash flow from operations was \$3.9 million resulting in a strong cash balance of \$20.4 million

“The vision category remains compelling given its legacy actors and KITS is driving improved long-term value for shareholders with a differentiated model in a quickly changing landscape that is resonating with consumers. This quarter the KITS team delivered superior results with revenue improving 18%, glasses growing 81% and margins growing 39% year-on-year, while achieving positive EBITDA and positive net income. Much of the team’s disciplined work consolidated into outperformance across all functional areas of our business as the team asked smart questions that accelerated value creation. The solid operational foundation we have built enables us to invest in bigger and bolder initiatives as we continue our drive to become the pre-eminent brand in eyecare,” said Roger Hardy, co-founder and CEO. “Overall, it was a tight quarter at KITS, there was no drift. We have the edge and we will be leaning into it.”

“In the quarter, our team has worked tirelessly to enhance our offering while keeping prices accessible. Our strong results demonstrate that especially during these uncertain economic times, customers appreciate KITS’ continued focus on value and convenience,” said Sabrina Liak, co-founder, President and CFO. “We’re also pleased with the continued progress we are making to strengthen our balance sheet and position ourselves for growth and opportunities ahead.”

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 November 9, 2022, to discuss KITS’ financial results and outlook. To attend the call, participants may dial: (416) 764-8659 or (888) 664-6392
Conference Id: 10916277 or join our webcast: <https://app.webinar.net/Yq5D32PRZn0>

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, 2022, and September 30, 2021 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, 2022 (unaudited)	September 30, 2021 (unaudited)	September 30, 2022 (unaudited)	September 30, 2021 (unaudited)
Financial and Operating Data				
Revenue	\$ 23,578	\$ 20,032	\$ 65,400	\$ 62,133
Gross profit.....	\$ 7,213	\$ 5,197	\$ 20,343	\$ 14,787
Net income (loss).....	\$ 20	\$ (2,137)	\$ (3,167)	\$ (10,563)
Net income (loss) per share				
Basic.....	\$ 0.00	\$ (0.07)	\$ (0.10)	\$ (0.35)
Diluted	\$ 0.00	\$ (0.07)	\$ (0.10)	\$ (0.35)
Non-IFRS Measures (a):				
Constant currency revenue.....	\$ 22,863	\$ 20,032	\$ 64,134	\$ 62,133
EBITDA	\$ 1,050	\$ (1,600)	\$ (532)	\$ (12,018)
Adjusted EBITDA	\$ (795)	\$ (1,629)	\$ (2,268)	\$ (7,543)
Adjusted EBITDA Margin %	(3.4) %	(8.1) %	(3.5) %	(12.1) %
Reconciliation of constant currency revenue				
Revenue	\$ 23,578	\$ 20,032	\$ 65,400	\$ 62,133
Foreign exchange impact	(715)	-	(1,266)	-
Constant Currency Revenue	\$ 22,863	\$ 20,032	\$ 64,134	\$ 62,133
Change in constant currency	\$ 2,831		\$ 2,001	
Change in constant currency %	14.1 %		3.2 %	
Reconciliation of Adjusted EBITDA				
Net income loss for the period	\$ 20	\$ (2,137)	\$ (3,167)	\$ (10,563)
Add back:.....				
Income taxes	(250)	(649)	(1,148)	(4,668)
Finance costs - net.....	396	372	1,185	1,398
Depreciation and amortization.....	884	814	2,598	1,815
EBITDA.....	\$ 1,050	\$ (1,600)	\$ (532)	\$ (12,018)
Add back				
Share-based compensation (a)	\$ 308	\$ 358	\$ 976	\$ 1,019
Brand expenses (b).....	-	193	-	2,641
Exchange loss / (gain)	(2,156)	(655)	(2,733)	(716)
One-time costs (c)	3	75	21	1,531
Adjusted EBITDA.....	\$ (795)	\$ (1,629)	\$ (2,268)	\$ (7,543)
Revenue	\$ 23,578	\$ 20,032	\$ 65,400	\$ 62,133
Adjusted EBITDA Margin % (d)	(3.4) %	(8.1) %	(3.5) %	(12.1) %

Notes:

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

About KITS

KITS is Canada's fastest growing, 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

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