



KITS Eyecare Reports Record Third Quarter 2023 Financial Results

Revenue increased 32% to \$31.2 million compared to \$23.6 million in the prior year

Gross profit increased 48% to \$10.7 million compared to \$7.2 million in the prior year

Adjusted EBITDA improved by \$1.4 million to \$0.6 million

Net Income was \$0.5 million

VANCOUVER, November 8, 2023 – [Kits Eyecare Ltd.](#) (TSX: KITS) (“KITS” or the “Company”), a leading vertically integrated eyecare provider, is reporting its results for the third quarter ended September 30, 2023.

Third Quarter 2023 Financial & Operational Highlights

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

- Revenue increased 32% to a record \$31.2 million compared to \$23.6 million
- Gross margin increased 370 basis points to 34.3% compared to 30.6%
- Marketing expenses as a percent of revenue declined by 50 basis points to 13.7% compared to 14.2%
- Fulfillment expenses as a percent of revenue declined by 80 basis points to 12.6% compared to 13.4%
- General and administrative expenses as a percent of revenue declined 250 basis points to 6.5% compared to 9.0%
- Adjusted EBITDA improved by \$1.4 million to \$0.6 million compared to \$(0.8) million
- Net income was \$0.5 million or \$0.02 per share (basic)

Year-to-Date 2023 Financial & Operational Highlights

For the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022:

- Revenue increased 36% to \$88.8 million compared to \$65.4 million
- Gross margin increased 230 basis points to 33.4% compared to 31.1%
- Marketing expenses as a percent of revenue declined by 40 basis points to 13.9% compared to 14.3%
- Fulfillment expenses as a percent of revenue declined by 140 basis points to 12.6% compared to 14.0%
- General and administrative expenses as a percent of revenue declined 250 basis points to 6.7% compared to 9.2%
- Adjusted EBITDA improved by \$3.7 million to \$1.4 million compared to \$(2.3) million

Management Commentary

“I’d like to give a big ‘thank you’ to the KITS team, who continue to execute upon our strategy of making eyecare easy for eyes everywhere, as we concluded another record quarter,” said Roger Hardy, co-founder and CEO of KITS. “We grew revenue by a category leading 32% year-over-year, expanded our gross margin by 370 basis points, kept a tight discipline around expenses and achieved our fourth consecutive quarter of positive adjusted EBITDA. We believe our business has a tremendous amount of momentum going into the holiday season as we started to see accelerating network effects and the benefit of operating in a non-discretionary category.”

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Third Quarter 2023 Financial Results

Revenue increased 32% to \$31.2 million compared to \$23.6 million in 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 a growth in repeat eyeglass customers.

Gross profit increased 48% to \$10.7 million compared to \$7.2 million in the prior year period, while gross margin increased 370 basis points to 34.3% compared to 30.6% 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 income improved to \$0.5 million, or \$0.02 per share (basic), compared to a net loss of \$0.0 million, or \$0.00 per share, in the prior year period. The change was primarily attributable to the higher revenue and gross profit, along with an increase in foreign exchange gain during the period.

EBITDA increased 27% to \$1.4 million compared to \$1.1 million in the prior year period, while adjusted EBITDA improved to \$0.6 million compared to \$(0.8) 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 September 30, 2023, cash and cash equivalents totaled \$19.3 million compared to \$18.8 million on December 31, 2022.

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, November 8, 2023

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

Presentation webcast link: <https://app.webinar.net/7WXRyDOd4Vk>

Rapid connect link: <https://emportal.ink/3QiNa0f>

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

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

Confirmation #: 61778451

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 nine months ended September 30, 2023 and September 30, 2022 and accompanying notes and Management's Discussion and Analysis ("MD&A") which may be viewed on SEDAR at www.sedar.com.

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Financial and Operating Data	Three Months Ended		Nine Months Ended	
	September 30, 2023 (unaudited)	September 30, 2022 (unaudited)	September 30, 2023 (unaudited)	September 30, 2022 (unaudited)
Revenue.....	\$ 31,150	\$ 23,578	\$ 88,847	\$ 65,400
Net income (loss).....	\$ 480	\$ 20	\$ (1,724)	\$ (3,167)
Net income (loss) per share.....				
Basic.....	\$ 0.02	\$ 0.00	\$ (0.05)	\$ (0.10)
Diluted.....	\$ 0.01	\$ 0.00	\$ (0.05)	\$ (0.10)
Non-IFRS Measures (a):				
Constant currency revenue.....	\$ 30,561	\$ 23,578	\$ 85,944	\$ 65,400
EBITDA.....	\$ 1,444	\$ 1,050	\$ 928	\$ (532)
Adjusted EBITDA.....	\$ 605	\$ (795)	\$ 1,422	\$ (2,268)
Adjusted EBITDA Margin %.....	1.9%	(3.4)%	1.6%	(3.5)%
Reconciliation of constant currency revenue				
Revenue.....	\$ 31,150	\$ 23,578	\$ 88,847	\$ 65,400
Foreign exchange impact.....	(589)	-	(2,903)	-
Constant Currency Revenue.....	\$ 30,561	\$ 23,578	\$ 85,944	\$ 65,400
Change in constant currency.....	\$ 6,983		\$ 20,544	
Change in constant currency %.....	29.6%		31.4%	
Reconciliation of Adjusted EBITDA				
Net income (loss) for the period.....	\$ 480	\$ 20	\$ (1,724)	\$ (3,167)
Add back:				
Income taxes.....	72	(250)	(468)	(1,148)
Finance costs – net.....	118	396	725	1,185
Depreciation and amortization.....	774	884	2,395	2,598
EBITDA.....	\$ 1,444	\$ 1,050	\$ 928	\$ (532)
Add back				
Share-based compensation (a).....	\$ (118)	\$ 308	\$ 394	\$ 976
Exchange loss / (gain).....	(725)	(2,156)	89	(2,733)
One-time costs (b).....	4	3	11	21
Adjusted EBITDA.....	\$ 605	\$ (795)	\$ 1,422	\$ (2,268)
Revenue.....	\$ 31,150	\$ 23,578	\$ 88,847	\$ 65,400
Adjusted EBITDA Margin % (c).....	1.9%	(3.4)%	1.6%	(3.5)%

Notes:

- Represents non-cash share-based compensation expense associated with restricted share rights (“RSRs”) and options recognized in the period.
- One-time IPO directors’ and officers’ insurance costs which are expensed over the insurance coverage period.
- 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

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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.

Investor Relations Contacts:

Cody Slach and Cody Cree
Gateway Group, Inc.
1-949-574-3860
KITS@gateway-grp.com