



KITS Eyecare Reports Record Fourth Quarter and Full Year 2022 Financial Results

29% Year-over-Year Revenue Growth in Q4

Q4 Gross Margin Improved to a Record 34%

Delivered More Than 240,000 pairs of Eyeglasses in Second Full Year of Glasses Production

VANCOUVER, March 9, 2023 – [Kits Eyecare Ltd.](#) (TSX: KITS) (“KITS” or the “Company”), a leading, vertically integrated eyecare provider, is reporting its results for the fourth quarter and full year ended December 31, 2022.

Fourth Quarter 2022 Financial & Operational Highlights

For the fourth quarter of 2022, compared to the fourth quarter of 2021:

- Revenue increased \$6.0 million or 29% to a record \$26.2 million compared to \$20.3 million
- Repeat customers drove over 60% of revenue
- Record two-year active customers of 780,000, representing an increase of 15%
- Gross margin increased 380 basis points to a record 34% compared to 30%
- Net loss improved to \$1.4 million, compared to a net loss of \$4.1 million
- EBITDA improved to \$(0.3) million from \$(2.4) million, an increase of \$2.1 million
- Adjusted EBITDA improved by \$1.6 million to \$0.4 million compared to \$(1.2) million

Full Year 2022 Financial & Operational Highlights

For the full year 2022, compared to the full year 2021:

- Revenue increased 11% to a record \$91.6 million compared to \$82.4 million
- Repeat customers drove approximately 65% of revenue
- Glasses revenue growth of 45% to \$11.5 million compared to \$8.0 million
- Significant growth in repeat glasses delivered of 128%
- Gross margin increased 656 basis points to 31.9% compared to 25.4%
- Net loss improved to \$4.6 million compared to a net loss of \$14.6 million
- EBITDA improved to \$(0.8) million compared to \$(14.4) million
- Adjusted EBITDA improved by \$6.9 million to \$(1.8) million
- Strong year-end cash balance of approximately \$19 million
- Generated positive cash flow from operations of \$4.7 million

Management Commentary

“We closed out the year with accelerated momentum and delivered another quarter of double-digit revenue growth, margin expansion, and impressive performance,” said Roger Hardy, co-founder and CEO of KITS. “In 2022, the team delivered record results as the KITS brand continued to resonate with new and returning customers.

“Since our inception just four years ago, we’ve established KITS as the fastest growing brand in the compelling optical category, built a one-of-a-kind automated manufacturing facility, and expanded to a current annual revenue run rate exceeding \$100 million. As we continue to expand our footprint across North America, we’ll lean on the deep skill sets of the KITS team along with our highly recurring business model to drive organic growth. Even during tough economic times, the vision care category remains resilient with what we believe will deliver asymmetric upside for

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shareholders. With a strong balance sheet and growth funded through cash flow, we are confident that we are on the right path to accelerated value creation. We look forward to continuing to execute on our growth strategy in 2023, while providing the best care and value for our customers.”

Fourth Quarter 2022 Financial Results

Revenue growth accelerated to 29% to \$26.2 million compared to \$20.3 million in the prior year period. The increase was primarily attributable to growth in new customers and strong repeat revenue driven by the strength of the KITS Brand.

Gross profit increased 46% to \$8.9 million, compared to \$6.1 million in the prior year period, while gross margin increased 380 basis points to 33.9% compared to 30.1% in the prior year period. The increase was primarily driven by a moderation in promotions to focus on higher margin orders and improved margins from returning customers.

Net loss was \$1.4 million, or \$(0.04) per share, compared to a net loss of \$4.1 million, or \$(0.13) per share, in the prior year period. The improvement was primarily attributable to higher revenue and gross profit, a reduction in public company expenses and a decrease in marketing and administrative expenses.

EBITDA improved to \$(0.3) million compared to \$(2.4) million the prior year period, while Adjusted EBITDA improved to \$0.4 million compared to \$(1.2) million in the prior year period. The improvement was primarily attributable to the higher revenue and gross profit and a decrease in marketing and administrative expenses.

Full Year 2022 Financial Results

Revenue increased 11% to \$91.6 million compared to \$82.4 million in 2021. The increase was primarily attributable to growth in new customers, repeat revenue from active customers, and a significant expansion in glasses offerings during the year.

Gross profit increased 40% to \$29.2 million compared to \$20.9 million in 2021, while gross margin increased 656 basis points to 31.9% compared to 25.4% in 2021. The increase was primarily driven by a reduction in promotions to prioritize higher margin orders and improved margins from repeat customers.

Net loss was \$4.6 million, or \$(0.15) per share, in 2022 compared to a net loss of \$14.6 million, or \$(0.49) per share, in 2021. The improvement was primarily attributable to higher revenue and gross profit and a decrease in marketing expenses, including a decrease in customer acquisition and retention costs. Additionally, the improvement was driven by a foreign exchange gain of \$2.3 million recognized in 2022 and one-time IPO costs incurred in the first quarter of 2021.

EBITDA improved to \$(0.8) million compared to \$(14.4) million in 2021, while Adjusted EBITDA improved to \$(1.8) million compared to \$(8.7) million in 2021. The improvement was primarily attributable to higher revenue and gross profit, a decrease in marketing expenses, one-time IPO costs recorded in the first quarter of 2021 and a foreign exchange gain recognized in 2022.

At December 31, 2022, cash and cash equivalents totaled \$18.8 million compared to \$20.4 million at September 30, 2022, and \$20.5 million at December 31, 2021.

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.

Date: Thursday, March 9, 2023

Time: 4:30 p.m. Eastern time (1:30 p.m. Pacific time)

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

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

Local Toronto dial-in number: 1-416-764-6392

Confirmation #: 491762

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.

The conference call will be also be broadcast live and available for replay [here](#) and via the investor relations section of the Company's website at www.kits.com.

Financial Highlights

The following selected financial information is qualified in its entirety by and should be read in conjunction with our consolidated financial statements for the year ended December 31, 2022 and 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		Year ended	
	December 31, 2022 (unaudited)	December 31, 2021 (unaudited)	December 31, 2022	December 31, 2021
Financial and Operating Data				
Revenue.....	\$ 26,239	\$ 20,270	\$ 91,639	\$ 82,403
Gross profit.....	\$ 8,904	\$ 6,104	\$ 29,247	\$ 20,891
Net income (loss).....	\$ (1,385)	\$ (4,054)	\$ (4,552)	\$ (14,617)
Net income (loss) per share.....				
Basic.....	\$ (0.04)	\$ (0.13)	\$ (0.15)	\$ (0.49)
Diluted	\$ (0.04)	\$ (0.13)	\$ (0.15)	\$ (0.49)
Non-IFRS Measures (a):				
Constant currency revenue	\$ 25,008	\$ 20,270	\$ 89,327	\$ 82,403
EBITDA	\$ (295)	\$ (2,354)	\$ (827)	\$ (14,372)
Adjusted EBITDA	\$ 441	\$ (1,174)	\$ (1,828)	\$ (8,717)
Adjusted EBITDA Margin %	1.7%	(5.8)%	(2.0)%	(10.6)%
Reconciliation of constant currency revenue				
Revenue.....	\$ 26,239	\$ 20,270	\$ 91,639	\$ 82,403
Foreign exchange impact	(1,231)	-	(2,312)	-
Constant Currency Revenue	\$ 25,008	\$ 20,270	\$ 89,327	\$ 82,403
Change in constant currency	\$ 4,738		\$ 6,924	
Change in constant currency %	23.4%		8.4%	
Reconciliation of Adjusted EBITDA				
Net income loss for the period	\$ (1,385)	\$ (4,054)	\$ (4,552)	\$ (14,617)
Add back:.....				
Income taxes	(176)	442	(1,324)	(4,226)
Finance costs - net	339	400	1,524	1,798
Depreciation and amortization	927	858	3,525	2,673
EBITDA	\$ (295)	\$ (2,354)	\$ (827)	\$ (14,372)
Add back				
Share-based compensation (a)	\$ 343	\$ 497	\$ 1,319	\$ 1,516
Brand expenses (b)	-	607	-	3,248
Exchange loss / (gain)	390	3	(2,344)	(713)
One-time costs (c)	3	73	24	1,604
Adjusted EBITDA	\$ 441	\$ (1,174)	\$ (1,828)	\$ (8,717)
Revenue.....	\$ 26,239	\$ 20,270	\$ 91,639	\$ 82,403
Adjusted EBITDA Margin % (d).....	1.7%	(5.8)%	(2.0)%	(10.6)%

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.

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- (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.

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.

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, 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

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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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