

HIT Technologies Reports Second Quarter Fiscal 2016 Results



- Company delivers revenue growth of 56% and expands margins to 37% -

VANCOUVER, Feb. 29, 2016 /CNW/ - HIT Technologies Inc. (TSXV: HIT) ("HIT" or the "Company"), which designs, develops, manufactures and distributes the world's most advanced adventure products for iPhone, today reported its second quarter (Q2 F2016) and year-to-date (YTD F2016) fiscal 2016 financial and operating results for the periods ended December 31, 2015, prepared in accordance with International Financial Reporting Standards (IFRS). All results are reported in Canadian dollars unless otherwise stated.

Second Quarter Fiscal 2016 Financial and Operational Highlights

- Generated revenue of \$684,731, up 56% from \$440,327 in Q2 F2015 and 68% from \$406,751 in Q1 F2016;
 - Grew HITCASE product sales (total sales less legacy product sales) 164% over Q2 F2015 and 139% over Q1 F2016;
 - Increased average online monthly sales to \$110,000 up from \$32,000 in Q2 F2015 and \$85,000 in Q1 F2016;
- Delivered gross margin of 37%, up from 24% for Q2 F2015 and 16% in Q1 F2016;
- Reported Adjusted EBITDA loss of \$806,920, compared to \$624,660 for Q2 F2015 and \$963,237 in Q1 F2016;
- Closed quarter with working capital of \$467,326, compared to \$1,350,062 at September 30, 2015 and \$2,374,933 at June 30, 2015;
 - Recorded cash and cash equivalents, including restricted cash, of \$297,347 compared to \$1,422,107 at September 30, 2015 and \$2,919,781 at June 30, 2015;
 - Recorded inventory of \$699,839 compared to \$514,341 at September 30, 2015 and \$314,854 at June 30, 2015;
- Expanded social media Fan-Base to 473,000 followers, up 32% from 359,000 at the end of Q1 F2016;
- Launched HITCASE SNAP for iPhone 6, 6s and 6 Plus in October 2015, and saw quick market uptake at 20% of Q2 F2016 online sales. SNAP is a sleek, light and streamlined HITCASE that is designed for everyday adventures and that leverages the HITCASE lens and mounting system;
- Partnered with Best Buy Canada to sell HITCASE PRO, HITCASE SNAP, lenses and accessories through 192 Best Buy stores across Canada and online;
- Subsequent to quarter end, announced partnership with one of the largest tour/travel companies, Travel Corporation's, leading travel brand for 18 to 35 year olds, Contiki Travel for a winter campaign, #travelgoals.

"Our Q2 2016 revenue growth reflects record online and channel sales," said Brooks Bergreen, CEO of HIT Technologies. "With higher margin online HITCASE sales up approximately 28% sequentially and 235% year-over-year, and channel sales (including Best Buy) increasing roughly 100% both sequentially and year-over-year, we delivered significant top-line improvements and gross margin expansion. The majority of our sales were driven by our online marketing activities and fan base conversion as we continued to gain traction for our new products, especially during the holiday shopping season. We also benefitted from more distributor and retailer partners."

Bergreen continued: "We are confident in the mass appeal of our HITCASE product suite and the continued sales growth it will translate into. We have recently received numerous five-star ratings with many prominent tech product reviewers, which underscore the competitive advantages of our offering. The second half of our fiscal year includes the softer retail season. Nonetheless, we expect strong seasonal sales growth to continue. I believe that we have established great momentum for HITCASE, and we are focused on translating this into shareholder value. To address our current cash position, subsequent to quarter end we scaled back our workforce, reduced all remaining salaries across the Company and have significantly lowered our overall cash operating expenses. We expect to reduce our fiscal third quarter spend by 25% to 35% sequentially, with further decreases in our fourth quarter. With this, we have minimized our cash requirements, while still enabling us to continue moving the business forward."

Second Quarter and Year-to-Date Fiscal 2016 Financial Review

Revenue for Q2 F2016 was \$684,731, a 56% improvement over \$440,327 in Q2 F2015 and a 68% sequential increase over \$406,751, in Q1 F2016. The year-over-year and sequential increase reflects strong online and retail sales traction for the Company's HITCASE SNAP that launched in the quarter, HITCASE PRO-6 that launched in Q1 F2016, as well as related accessories. The Company benefitted from increased sales momentum in Q2 2016 as a result of its growing fan-base and online sales, the holiday shopping season and expanding relationships with partners and distributors. YTD F2016 revenue was \$1,091,482, a 52% increase over \$716,235 for YTD F2015.

Gross margin for Q2 F2016 was 37% compared to 24% last year and 16% in Q1 F2016. The significant year-over-year and sequential improvement reflects lower shipping costs. With more inventory on hand, the Company was able to reduce the number of split and expedited shipments. YTD F2016 gross margin was 29% compared to 19% for the same period in F2015.

Operating expenses (excluding non-cash items) for Q2 F2016 totaled \$1,057,448 up from \$728,631 in Q2 F2015, but essentially in line with \$1,029,241 for Q1 F2016 while supporting a 68% sequential increase in sales. The year-over-year increase reflects greater investment in: sales and marketing to build the Company's brand and fan-base, increase market awareness and drive growth; research and development to support the Company's expanded product portfolio and drive continued innovation; and general and administration related to the Company's public listing and expanded organizational infrastructure. YTD F2016 operating

expenses (excluding non-cash items) were \$2,086,869 compared to \$1,041,379 for YTD F2015.

Q1 F2016 Adjusted EBITDA loss was \$806,920, compared to \$624,660 for Q2 F2015 as a result of the Company's increased investments in the business to drive long-term growth, which were partially offset by the Company's year-over-year top-line improvement. Adjusted EBITDA loss improved sequentially from \$963,237 for Q1 F2016. YTD F2016 Adjusted EBITDA loss was \$1,770,156 compared to a loss of \$938,619 for YTD F2015.

Non-IFRS Measures

Adjusted EBITDA is a non-IFRS measure and management defines this metric as the loss and comprehensive loss under IFRS, adjusted by adding back interest, taxes, amortization, and other non-cash expenses. Please review the reconciliation of Adjusted EBITDA to net income (loss) in the Company's MD&A for the corresponding period.

This press release should be read in conjunction with our Consolidated Financial Statements for the three and six months ended December 31, 2015 and the accompanying Management Discussion and Analysis, which can be found on SEDAR at www.sedar.com and on the Company's website <http://www.hitcase.com/invest>.

Forward Looking Statements

This news release contains certain "forward-looking information" within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about the Company's anticipated use of available funds, and the future plans and objectives of the Company are forward-looking information.

Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking information and are intended to identify forward-looking information.

This forward-looking information is based on reasonable assumptions and estimates of management of the Company at the time it was made, and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others, global economic climate; dilution; the Company's limited operating history; future capital needs and uncertainty of additional financing; the competitive nature of the industry; currency exchange risks; the need for the Company to manage its planned growth and expansion; the effects of product development and need for continued technology change; protection of proprietary rights; the effect of government regulation and compliance on the Company and the industry; network security risks; the ability of the Company to maintain properly working systems; theft and risk of physical harm to personnel; reliance on key personnel; global economic and financial market deterioration impeding access to capital or increasing the cost of capital; and volatile securities markets impacting security pricing unrelated to operating performance. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.

About HIT Technologies Inc.

HIT Technologies, Inc. (TSXV: HIT) develops and markets a portfolio of products that transform Apple iPhones into high-performing, weather- and shock-resistant video cameras. Both its flagship product, HITCASE PRO and its newer SNAP allows users to easily capture action photo and video content hands-free, using a variety of HIT Technologies' patented Railslide™ mounts that attach to virtually any surface. Swappable lenses and accessories provide a variety of perspectives otherwise unattainable while participating in adventure sports. HIT Technologies is headquartered in Vancouver, British Columbia, Canada and trades on the TSX Venture Exchange. For more information about HITCASE, visit www.HITCASE.com. Search #hitcase on Instagram to see some of the amazing images created by HITCASE customers.

Cautionary Statement

No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein. Neither the TSX-V nor its Regulation Services Provider (as that term is defined in the policies of the TSX-V) accepts responsibility for the adequacy of this release.

HIT Technologies Inc. (Formerly Friday Capital Inc.)

Statement of Financial Position

(Unaudited)

(Expressed in Canadian dollars)

	As at December 31, 2015	As at June 30, 2015
Assets		
Current assets		
Cash	128,051	2,789,135
Restricted cash	169,296	130,646
Accounts receivable	184,079	32,320
Government assistance and other receivables	328,324	188,269
Inventory	699,839	314,854
Prepaid expenses and deposits	38,121	55,351
	<u>1,547,710</u>	<u>3,510,575</u>
Property and equipment	363,328	396,598
Intangible assets	178,084	131,504
	<u>2,089,122</u>	<u>4,038,677</u>

Liabilities

Current liabilities

Accounts payable and accrued liabilities	1,027,570	1,013,284
Deferred revenue	45,693	115,344
Current portion of lease liability	<u>7,120</u>	<u>7,015</u>
	1,080,384	1,135,643

Lease liability	34,055	37,642
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Shareholders' Equity

Share capital	9,158,838	9,158,838
Contributed surplus	522,117	349,918
Deficit	<u>(8,706,273)</u>	<u>(6,643,364)</u>
	<u>974,682</u>	<u>2,865,392</u>
	<u>2,089,120</u>	<u>4,038,677</u>

HIT Technologies Inc. (Formerly Friday Capital Inc.)
Statements of Operations and Comprehensive Loss
For the quarter and six months ended December 31, 2015 & 2014

(Unaudited)

(Expressed in Canadian dollars)

	Quarter ended December 31		Six months ended December 31	
	2015	2014	2015	2014
Revenue	684,731	440,327	1,091,482	716,235
Cost of sales	<u>434,202</u>	<u>336,356</u>	<u>774,768</u>	<u>576,937</u>
	250,529	103,971	316,713	139,298
Expenses				
Depreciation	55,701	13,499	109,047	25,286
Share based compensation	79,773	25,235	172,199	151,902
General and administrative	517,382	312,618	982,002	489,151
Research and development	79,659	70,513	168,049	115,485
Selling and marketing	<u>460,407</u>	<u>345,500</u>	<u>936,818</u>	<u>436,743</u>
	<u>1,192,923</u>	<u>767,365</u>	<u>2,368,115</u>	<u>1,218,567</u>
Loss before other income (expenses)	(942,394)	(663,394)	(2,051,402)	(1,079,269)
Other income (expenses)				
Finance costs	(452)	(1,896)	(1,556)	(7,349)
Foreign exchange loss	<u>(11,578)</u>	<u>(2,488)</u>	<u>(9,951)</u>	<u>(10,920)</u>
	<u>(12,029)</u>	<u>(4,384)</u>	<u>(11,507)</u>	<u>(18,269)</u>
Loss and comprehensive loss for the period	<u>(954,423)</u>	<u>(667,778)</u>	<u>(2,062,909)</u>	<u>(1,097,538)</u>
Basic and diluted loss per share	<u>(0.02)</u>	<u>(0.03)</u>	<u>(0.05)</u>	<u>(0.04)</u>
Weighted average shares outstanding	<u>42,769,589</u>	<u>26,200,000</u>	<u>42,769,589</u>	<u>25,466,667</u>

HIT Technologies Inc. (Formerly Friday Capital Inc.)
Statements of Changes in Shareholders' Equity/(Deficiency)
(Unaudited)
(Expressed in Canadian dollars)

Share capital

	Number of shares	Amount \$	Contributed Surplus \$	Deficit \$	Total Shareholders' equity/(deficit) \$
Balance - June 30, 2014	24,000,000	528,507		(1,143,857)	(615,350)
Loss for the period				(1,097,538)	(1,097,538)
Shares issued for cash	200,000	50,000			50,000
Shares issued pursuant to offset agreement	2,000,000	500,000			500,000
Share based compensation expense			151,902		151,902
Balance - December 31, 2014	26,200,000	1,078,507	151,902	(2,241,395)	(1,010,986)

Balance - June 30, 2015	42,769,589	9,158,838	349,918	(6,643,364)	2,865,392
Loss for the period				(2,062,909)	(2,062,909)
Share based compensation expense			172,199		172,199
Balance - December 31, 2015	42,769,589	9,158,838	522,117	(8,706,273)	974,682

HIT Technologies Inc. (Formerly Friday Capital Inc.)

Statements of Cashflow

Quarters and six months ended December 31, 2015 & 2014

(Unaudited)

(Expressed in Canadian dollars)

Quarter ended December 31 Six months ended December 31

	2015	2014	2015	2014
Cash flows from/(used in) operating activities				
Loss for the period	(954,423)	(667,778)	(2,062,909)	(1,097,538)
Item not involving cash - depreciation	55,701	13,499	109,047	25,286
Interest expense				
Share based compensation	79,773	25,235	172,199	151,902
Loss on write down of assets				
Reversed takeover listing expense				
Changes in non-cash working capital items				
Accounts receivable	(165,977)	(32,773)	(151,759)	(29,681)
Government assistance and other receivable	(115,759)	178	(140,055)	178
Inventory	(185,498)	(88,890)	(384,985)	(78,472)
Accounts payable and accrued liabilities	217,789	(38,659)	14,392	(56,972)
Deferred revenue	10,276	(2,661)	(69,651)	2,241
Prepaid expenses and deposits	(2,855)	31,689	17,230	8,151
	(1,060,973)	(760,160)	(2,496,491)	(1,074,905)

Cash flows from/(used in) investing activities

Restricted cash	(4,562)		(38,650)	
Cash acquired on acquisition				
Acquisition of property and equipment	(25,993)	(11,177)	(72,804)	(25,099)
Acquisition of intangible assets	(35,993)	(13,633)	(49,553)	(17,106)
	(66,548)	(24,810)	(161,006)	(42,205)

Cash flows from/(used in) financing activities

Advances (to)/from related parties		30,520		96,020
Interest paid				
Lease liability	(1,801)		(3,587)	
Share capital issuance				50,000

Net proceeds from convertible notes	572,181		1,370,001
Net proceeds from subscription receipts			
Increase (decrease) in bank and other indebtedness	(5,642)		(99,893)
	(1,801)	597,059	(3,587)
			1,416,128
Increase in cash	(1,129,322)	(187,911)	(2,661,084)
			299,018
Cash - Beginning of period	1,257,373	528,371	2,789,135
			41,442
Cash - End of period	128,051	340,460	128,051
			340,460

SOURCE HIT Technologies Inc.

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