

SOURCE: HIT Technologies Inc.



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HIT Technologies Reports Third Quarter Fiscal 2017 Results

New HITCASE PRO 7 ready to launch, while cost control continued at 38% reduction

VANCOUVER, BC--(Marketwired - May 30, 2017) - HIT Technologies Inc. (TSX VENTURE: HIT) ("HIT" or the "Company"), which designs, develops, manufactures and distributes the world's most advanced adventure products for iPhone, today reported its third quarter (Q3 F2017) financial and operating results for the quarter and nine months ended March 31, 2017 prepared in accordance with International Financial Reporting Standards (IFRS). All results are reported in Canadian dollars unless otherwise stated.

Selected Quarter and Year to Date Information

	Q3- Fiscal 2017	Q3-Fiscal 2016	9mo to March 31, 2017	9mo to March 31, 2016
Revenue	\$147,459	\$365,749	\$599,510	\$1,457,231
% Increase over Prior Year	-60%		-59%	
Gross Margin				
Gross Margin %	30%	37%	34%	31%
Operating Expenses (excluding non-cash and cost of sales)	\$447,826	\$716,731	\$1,371,202	\$2,803,600
% change over Prior Year	-38%		-51%	
Adjusted EBITDA (Loss)	\$(426,830)	\$(562,747)	\$(1,211,661)	\$(2,344,409)
% change over Prior Year	-24%		-48%	
Net (Loss)				
Per share, Basic	\$(0.01)	\$(0.02)	\$(0.02)	\$(0.06)
			March 31, 2017	June 30, 2016
Cash and Cash Equivalents			\$268,661	\$368,018
Inventory			\$412,339	\$471,436
Net Working Capital			\$64,980	\$328,939
Total Assets			\$1,356,109	\$1,663,854
Accounts payable and accrued liabilities			\$775,169	\$760,730
Total liabilities			\$1,686,000	\$861,156

"We are pleased to report that despite our reduced spend levels, and the resulting decrease in current period sales, we have launched the new HITCASE PRO 7," said Brooks Bergreen, Chairman and CEO of HITCASE. "We ran a successful Kickstarter campaign for the HITCASE PRO 7 launch and have exceeded our funding target, which we believe is a good indication of the quality of our completely re-designed flagship offering. With our tighter budget, we are laser focused on producing the best cases on the planet, and reviewers are agreeing with us - such as the Cult of Mac who said 'it's the best waterproof case I've ever tested'. Our new HITCASE SHIELD and soon to be launched HITCASE PRO 7 have already had a great response from customers and media. We are proud of these new designs and believe we are a standout in the market with both products and our evolving ecosystem."

Continued Mr. Bergreen, "Strategically, we believe that by designing our best possible product suite and conducting limited production and sales runs to capture important market feedback, we can position HITCASE to win the support of a large U.S. retailer for a formal re-launch program. With our iPhone 7 launching in June 2017, new product lineup transition is complete, and we are now looking forward to turning up our sales channels to position us for broader distribution in the coming fall and winter season. We expect to accomplish this through our partnership with Crowd & Company, an accomplished group of former Lifeproof executives, who have successfully positioned us for opportunities with proven big-box U.S. retailers. Importantly, we are executing on this against a backdrop of reduced development and marketing costs, and by focusing where we have the best return on our investment to minimize our capital requirements."

Operational Summary for Q3 Fiscal 2017 include:

- Generated sales of \$147,459 in Q3 F2017, down 60% from \$365,749 in Q3 Fiscal 2016. The decline reflects the Company's reduced spending on sales, marketing and distribution, and to intentionally keeping production runs limited until the full product line for iPhone 7 is completed.
- Gross margin of \$43,679 in Q3 F2017 was down from \$136,299 generated in Q3 of last year due to decreased sales. The gross margin percent decreased to 30% compared to 37% last year.
- During the quarter, the Company reduced operating expenditures (excluding non-cash items and cost of sales) to \$447,829, a 38% reduction from Q3 F2016. The Company continues to look for additional opportunities to realize further reductions while maintaining its ability to continue its product development and to pursue the support of a large partner to re-launch the product-line;
- Reported an Adjusted EBITDA loss of \$426,830 for Q3 F2017, a 24% reduction from \$562,747 in Q3 F2016;
- Closed the quarter with working capital of \$64,980 including cash and cash equivalents of \$268,661 and inventory of \$412,339 at March 31, 2017.
- The Company completed private placements of secured convertible debentures and Units for gross proceeds of \$362,000 in the quarter. Subsequent to March 31, 2017, the Company closed an additional private placement of secured convertible debentures for gross proceeds of \$330,000.
- Subsequent to quarter end, completed the new HITCASE PRO design for iPhone 7 and 7+, and launched the product via a successful "crowdfunding" campaign with shipments beginning in June 2017. The Company's "crowdfunding" campaign exceeded its \$50,000 targeted funding.
- Announced a partnership with Crowd & Company for sales and marketing initiatives. Crowd & Company executives have extensive experience in marketing and selling protective iPhone cases to large US retailers, having successfully launched a protective iPhone case line by the name of Lifeproof in 2011. With completion of the HITCASE PRO-7, Crowd & Company has been successful at generating interest from large U.S. based retailers for the full HITCASE line-up.

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 unaudited interim Consolidated Financial Statements for the three months ended December 31, 2016 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>.

About HIT Technologies Inc.

HIT Technologies, Inc. (TSX VENTURE: 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.

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.

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.)
Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	As at March 31, 2017	As at June 30, 2016
Assets		
Current assets		
Cash	256,049	355,607
Restricted cash	12,612	12,412
Accounts receivable	32,669	40,355
Other Receivables	-	23,217
Government assistance and other receivables	-	65,887
Inventory	412,339	471,436
Prepaid expenses and deposits	205,966	190,768
	<u>919,636</u>	<u>1,159,682</u>
Property and equipment	201,244	290,114
Intangible assets	235,140	214,058
	<u>1,356,019</u>	<u>1,663,854</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	775,169	760,730
Deferred revenue	72,096	62,786
Current portion of lease liability	7,391	7,227
	<u>854,656</u>	<u>830,743</u>
Lease liability	24,848	30,413
Convertible notes and advance	806,495	-
Shareholders' Equity		
Share capital	10,039,667	9,865,699
Contributed surplus	993,479	838,311
Deficit	(11,363,125)	(9,901,312)
	<u>(329,979)</u>	<u>802,698</u>
	<u>1,356,019</u>	<u>1,663,854</u>

Hit Technologies Inc. (Formerly Friday Capital Inc.)
Statements of Operations and Comprehensive Loss
For the quarter and nine months ended March 31, 2017 & 2016
(Unaudited)
(Expressed in Canadian dollars)

	Quarter ended March 31 2017	2016	Nine months ended 2017	2016
Revenue	147,459	365,749	599,510	1,457,231
Cost of sales	103,780	229,450	394,462	1,004,218

	43,679 30%	136,299 37%	205,048 34%	453,013 31%
Expenses				
Depreciation	37,170	49,347	138,848	158,394
Share based compensation	31,693	49,804	111,304	222,003
General and administrative	311,666	414,852	893,569	1,396,854
Research and development	17,842	56,580	63,897	224,629
Selling and marketing	118,319	245,299	413,736	1,182,117
	<u>516,689</u>	<u>815,882</u>	<u>1,621,354</u>	<u>3,183,997</u>
Loss before other income (expenses)	(473,010)	(679,583)	(1,416,307)	(2,730,984)
Other income (expenses)				
Finance costs	(25,753)	(2,819)	(40,251)	(4,375)
Foreign exchange loss	3,071	20,504	(5,256)	10,553
	<u>(22,682)</u>	<u>17,685</u>	<u>(45,507)</u>	<u>6,178</u>
Loss and comprehensive loss for the period	(495,692)	(661,898)	(1,461,813)	(2,724,806)
Basic and diluted loss per share	(0.01)	(0.02)	(0.02)	(0.06)
Weighted average shares outstanding	70,435,615	42,769,584	68,791,598	42,769,584

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

	Share capital			Total Shareholders' equity/(deficit)	
	Number of shares	Amount \$	Subscription receipts	Contributed Surplus \$	Deficit \$
Balance - June 30, 2015	42,769,584	9,158,838		349,918	(6,643,364)
Loss for the period					(2,724,806)
Share based compensation expense				222,003	
Balance - March 31, 2016	42,769,584	9,158,838		571,921	(9,368,170)
Balance - June 30, 2016	67,369,589	9,865,699		838,311	(9,901,312)
Loss for the period					(1,461,813)
Share based compensation expense				111,304	
Equity component of convertible debenture				43,864	
Private placement	3,040,000	152,000			
Shares issued on settlement of amounts owing	439,359	21,968			
Balance - March 31, 2017	70,848,948	10,039,667		993,479	(11,363,125)

Hit Technologies Inc. (Formerly Friday Capital Inc.)
Statements of Cashflow
Quarters ended March 31, 2017 & 2016
(Unaudited)
(Expressed in Canadian dollars)

	Quarter ended March 31		Nine months ended March 31,	
	2017	2016	2017	2016
Cash flows from/(used in) operating activities				
Loss for the period	(495,692)	(661,898)	(1,461,813)	(2,724,806)
Item not involving cash - depreciation	37,170	49,347	138,848	158,394
Share based compensation	31,693	49,804	111,304	222,003
Accounts receivable	(8,030)	3,218	7,686	(148,541)
Other receivable	-	-	23,217	-
Government assistance and other receivable	-	66,011	65,887	(74,044)
Inventory	28,382	115,478	59,097	(269,507)
Accounts payable and accrued liabilities	(13,380)	160,552	36,407	174,944
Deferred revenue	43,375	47,863	9,310	(21,788)
Prepaid expenses and deposits	17,180	19,309	(15,198)	36,539
	<u>(359,302)</u>	<u>(150,316)</u>	<u>(1,025,255)</u>	<u>(2,646,806)</u>
Cash flows from/(used in) investing activities				
Restricted cash	64	156,843	(200)	118,193
Acquisition of property and equipment	(24,934)	(9,319)	(45,017)	(82,123)
Acquisition of intangible assets	(11,573)	(20,712)	(26,046)	(70,265)
	<u>(36,443)</u>	<u>126,812</u>	<u>(71,262)</u>	<u>(34,195)</u>
Cash flows from/(used in) financing activities				
Lease liability	(1,813)	(1,814)	(5,401)	(5,401)
Share capital issuance	62,000		152,000	
Net proceeds from convertible notes & advances	507,879		850,360	
	<u>568,066</u>	<u>(1,814)</u>	<u>996,959</u>	<u>(5,401)</u>
Increase/(decrease) in cash	172,321	(25,318)	(99,558)	(2,686,402)
Cash - Beginning of period	83,727	128,051	355,607	2,789,135
Cash - End of period	<u>256,049</u>	<u>102,733</u>	<u>256,049</u>	<u>102,733</u>

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