

KIDPIK Reports Second Quarter 2022 Results

NEW YORK -- Kidpik Corp. (NASDAQ: PIK) (“KIDPIK” or the “Company”) subscription-based e-commerce company, today reported its financial results quarter ended July 2, 2022.

Second Quarter 2022 Highlights:

- Revenue, net: was \$3.8 million, a year over year decrease of 33.4%
- Gross margin: was 61.0%, a year over year increase of 70 basis points from the second quarter of 2021
- Shipped items: were 354,000 items, compared to 579,000 shipped items of 2021
- Average shipment keep rate: of 69.2%, compared to 69.4% in the second quarter of 2021
- Net Loss: was \$1.6 million or \$0.21 loss per share
- Adjusted EBITDA: was a loss of \$1.1 million compared to a loss of \$1.2 million in the second quarter of 2021 (see also “Non-GAAP Financial Measures,” below)

“New customer revenue and conversion rates increased over the past two months, while our active subscriber base increase over the past month. KIDPIK’s second quarter results were below our expectations due to continued weakness in new customer acquisition and a decline in industry-wide consumer confidence,” said Ezra Dabah, CEO of KIDPIK.

“As we previously mentioned, the rate of our new customer acquisition has been impacted by privacy policies changes across social media. To address this challenge, we’ve launched our ambassador program, and are focused on our search platform strategy, leveraging our email database and other channels. Last week we introduced KIDPIK Baby, adding new product offerings, which presents growth opportunities for new subscribers. Additionally, we have re-launched our [website](#), creating a streamlined user experience and an elevated brand image for the back-to-school season,” concluded Dabah.

Revenue by Subscription (For the 13 weeks ended July 2, 2022)

Active Subscriptions (recurring boxes): decreased by 31.6% to \$2.7 million

New Subscriptions (first boxes): decreased by 66.1% to \$0.3 million

Total Subscriptions: decreased by 38.4% to \$3.0 million or 78.8% of total revenue

Today at 4:30pm ET, the company will host a live teleconference call that is available on the internet at the company's website, <https://investor.kidpik.com> and additionally by dialing 1-825-9789 or 412-317-5180 for international callers. The conference ID is 10170361. A replay of the conference call will be available approximately two hours after the call on the investor relations section of the KIDPIK website at <https://investor.kidpik.com> by dialing 1-844-512-2921, or 1-412-317-6671, internationally, with the Replay ID 10170361. The replay will be available until August 23, 2022.

About Kidpik Corp.

Founded in 2016, KIDPIK (NASDAQ:PIK) is an online clothing subscription marketplace that offers mix & match, expertly styled outfits that are curated based on each member's preferences. KIDPIK delivers a surprise box monthly or seasonally, providing an effortless way for parents to shop for their kids and a fun discovery for kids. Each seasonal collection is designed with decades of experience designing childrenswear. KIDPIK combines the expertise of top stylists with proprietary data and technology to translate kids' unique style preferences into surprise boxes of curated outfits. We also sell our branded clothing and footwear on our e-commerce website, shop.kidpik.com. For more information, visit www.kidpik.com.

Non-GAAP Financial Measures

We report our financial results in accordance with generally accepted accounting principles in the United States ("GAAP"). However, management believes that certain non-GAAP financial measures provide users of our financial information with additional useful information in evaluating our performance. We believe that adjusted EBITDA is frequently used by securities analysts in their evaluations of companies, and that this supplement facilitates comparisons between companies. This non-GAAP financial measure may be different from similarly titled measures used by other companies.

Our non-GAAP financial measure should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Adjusted EBITDA is an analytical tool, and you should not consider it in isolation or as a substitute for our financial results as reported under GAAP. Some of these limitations are:

- Although depreciation and amortization are non-cash charges, the assets and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new acquisitions;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs;
- Adjusted EBITDA does not consider the potentially dilutive impact of stock-based compensation;
- Adjusted EBITDA does not reflect tax payments that may represent a cash requirement available to us;
- Adjusted EBITDA does not reflect certain non-routine items that may not be representative of our ongoing operations in cash available to us; and

Forward-Looking Statements

This press release may contain statements that constitute “forward-looking statements” under the federal securities laws, including The Private Securities Litigation Reform Act of 1995, which provide a safe-harbor for forward-looking statements. In particular, when used in a forward-looking discussion, the words “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “estimate,” “predict,” “potential,” “continue,” “likely,” “will,” “would” and “may” and similar terms and similar expressions, or the negative of these terms or similar expressions, are intended to identify forward-looking statements within the meaning of such laws, and are intended to take advantage of the safe-harbor created by such applicable laws. Any statements made in this news release that are not statements of historical fact, about an action, event or development, are forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the results of KIDPIK to be materially different than those expressed or implied in the forward-looking statements. The forward-looking statements may include projections and estimates of KIDPIK’s future financial performance, strategies, future operations and plans, including the costs thereof. We have based the forward-looking statements on our current expectations and assumptions and analyses of our experience and our perception of historical trends, current conditions and future prospects and developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks and uncertainties, including our ability to achieve profitability, our potential need for additional funding and the terms of such funding; our ability to execute our growth strategy and scale our operations; the risks associated with such growth, our ability to maintain current members and attract new members and customers; risks associated with the effect of the COVID-19 pandemic and governmental responses thereto on our operations, those of our vendors, our customers and the economy in general; risks associated with our supply chain, including our reliance on service providers, interruptions in the supply of raw materials and merchandise; fluctuations in the prices of raw materials, products and shipping costs due to inflation, disruptions at our suppliers; the security of our data or information services, issues affecting our shipping providers, our ability to connect to the internet, any of which may have a material adverse effect on our operations; our ability to successfully market our products to key demographics; the effect of data breaches, malicious code and/or hackers; increased competition and our ability to differentiate and strengthen our brand name; changes in consumer tastes and preferences and market trends; material changes and/or terminations of our relationships with key vendors; low product returns from customers, excess inventory and our ability to manage our inventory; the effect of trade restrictions and tariffs, increased costs associated therewith and the unavailability of products; our ability to innovate, expand our offerings and compete with our competitors which may have greater resources; certain anti-dilutive, drag-along rights which may be deemed to be held by a former minority stockholder; our reliance on related party transactions and loans; the fact that our Chief Executive Officer holds a controlling voting control over the Company; if the use of “cookie” tracking technologies is regulated, or blocked, or if changes in technology cause cookies to become less acceptable as a means of tracking consumer behavior, the amount or accuracy of our

current management; the outcome of future lawsuits, litigation, regulatory matters; the fact that we have a limited operating history; the effect of future acquisitions and expenses; our significant indebtedness; and others that are included from filings made by KIDPIK with the Securities and Exchange Commission, many of which are beyond our control, including, but not limited to, in the “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors” sections in its Form 10-Ks and Form 10-Qs as well as other reports which it has filed, and files from time to time, with the U.S. Securities and Exchange Commission. These reports are available at www.sec.gov. The Company cautions that the foregoing list of important factors is not complete. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on behalf of the Company are qualified in their entirety by the cautionary statements referenced above. Other unknown factors also could have material adverse effects on KIDPIK’s future results and actual results and financial condition to differ materially from those indicated in the forward-looking statements. The forward-looking statements included in this press release are made as of the date hereof. KIDPIK cannot guarantee future results, levels of activity, or achievements. Accordingly, you should not place undue reliance on these forward-looking statements. We undertake no obligation to update publicly any of these forward-looking statements to reflect actual results, new information or future events, changes in assumptions, or other factors affecting forward-looking statements, except to the extent required by applicable laws and take no obligation to update or correct information prepared by third parties and paid for by the Company. If we update one or more forward-looking statements, you should be aware that we will make additional updates with respect to those forward-looking statements.

Kidpik Corp.
Condensed Interim Statements of Operations
(Unaudited)

	For the 13 weeks ended		For the
	July 2, 2022	July 3, 2021	July 3, 2020
Revenues, net	\$ 3,774,668	\$ 5,667,947	\$ 8,000,000
Cost of goods sold	1,473,380	2,249,475	3,000,000
Gross profit	2,301,288	3,418,472	5,000,000
Operating expenses			
Shipping and handling	959,141	1,557,823	2,000,000
Payroll and related costs	1,346,744	972,111	2,000,000
General and administrative	1,552,890	2,076,850	3,000,000
Depreciation and amortization	6,654	6,408	10,000
Total operating expenses	3,865,429	4,613,192	8,000,000

Net loss	\$ (1,572,066)	\$ (1,402,718)	\$ (3
Net loss per share attributable to common stockholders:			
Basic	(0.21)	(0.26)	
Diluted	(0.21)	(0.26)	
Weighted average common shares outstanding:			
Basic	7,636,493	5,325,570	7
Diluted	7,636,493	5,325,570	7

Kidpik Corp.
Condensed Interim Balance Sheets

	<u>July 2, 2022</u> (Unaudited)
<u>Assets</u>	
Current assets	
Cash	\$ 2,465,83
Restricted cash	4,44
Accounts receivable	171,17
Inventory	12,799,43
Prepaid expenses and other current assets	1,669,34
Total current assets	17,110,22
Leasehold improvements and equipment, net	65,96
Operating lease right-of-use assets	1,738,22
Total assets	\$ 18,914,41
<u>Liabilities and Stockholders' Equity</u>	
Current liabilities	
Accounts payable	\$ 1,499,29
Accounts payable, related party	783,95
Accrued expenses and other current liabilities	455,59
Advance payable	
Operating lease liabilities, current	488,59
Short-term debt, related party	2,050,00

January 1, 2022)

Common stock (par value \$0.001, 75,000,000 shares authorized, of which 7,688,194 and 7,617,834 shares are issued and outstanding as of July 2, 2022 and January 1, 2022)	7,68
Additional paid-in capital	49,676,55
Accumulated deficit	(37,301,92
Total stockholders' equity	12,382,31
Total liabilities and stockholders' equity	\$ 18,914,41

Kidpik Corp.
Condensed Interim Statements of Cash Flows
(Unaudited)

	2
	July 2, 2
Cash flows from operating activities	
Net loss	\$ (3,38
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	1
Amortization of debt issuance costs	
Equity-based compensation	1,05
Bad debt expense	24
Changes in operating assets and liabilities:	
Accounts receivable	(6
Inventory	(1,18
Prepaid expenses and other current assets	5
Operating lease right-of-use assets and liabilities	
Accounts payable	(1,00
Accounts payable, related parties	(12
Accrued expenses and other current liabilities	(34
Net cash used in operating activities	(4,80
Cash flows from investing activities	
Purchases of leasehold improvements and equipment	(3
Net cash used in investing activities	(3
Cash flows from financing activities	
Proceeds from issuance of long-term debt from related party	
Proceeds from issuance of common stock	
Cash used to settle net share equity awards	(3

Reconciliation of cash and restricted cash:	
Cash	\$ 2,46
Restricted cash	
	\$ 2,47
Supplemental disclosure of cash flow data:	
Interest paid	\$ 2
Taxes paid	\$
Supplemental disclosure of non-cash data:	
Record right-of use asset and operating lease liabilities	\$ 1,85
Conversion of shareholder debt	\$

RESULTS OF OPERATIONS

The Company's revenue, net is disaggregated based on the following categories:

	For the 13 weeks ended		For
	July 2, 2022	July 3, 2021	July 2
Subscription boxes	\$ 2,974,550	\$ 4,832,672	\$ 6
Amazon sales	559,077	716,617	1
Online website sales	241,041	118,658	
Total revenue	\$ 3,774,668	\$ 5,667,947	\$ 8

Gross Margin

Gross profit is equal to our net sales (revenues, net) less cost of goods sold. Gross profit as a percentage of net sales is referred to as gross margin. Cost of sales consists of the purchase price of merchandise, net of discounts, and includes import duties and other taxes, freight in, defective merchandise returned for credit, inventory write-offs, and other miscellaneous shrinkage.

	For the 13 weeks ended		For th
	July 2, 2022	July 3, 2021	July 2, 20
Gross margin	61.0%	60.3%	

Shipped Items

We define shipped items as the total number of items shipped in a given period to our customers from our subscription, Amazon and online website sales.

	For the 13 weeks ended	For t

	For the 13 weeks ended		For th
	July 2, 2022	July 3, 2021	July 2, 2
Average Shipment Keep Rate	69.2%	69.4%	6

Revenue by Channel

	13 weeks ended July 2, 2022	13 weeks ended July 3, 2021	Change (\$)
<i>Revenue by channel</i>			
Subscription boxes	\$ 2,974,550	\$ 4,832,672	\$ (1,8
Amazon sales	559,077	716,617	(1
Online website sales	241,041	118,658	1
Total revenue	\$ 3,774,668	\$ 5,667,947	\$ (1,8
	26 weeks ended July 2, 2022	26 weeks ended July 3, 2021	Chang (\$)
<i>Revenue by channel</i>			
Subscription boxes	\$ 6,458,401	\$ 9,417,285	\$ (2,95
Amazon sales	1,108,577	1,324,866	(21
Online website sales	533,687	246,329	28
Total revenue	\$ 8,100,665	\$ 10,988,480	\$ (2,88

Subscription Boxes Revenue

	13 weeks ended July 2, 2022	13 weeks ended July 3, 2021	Change (\$)
<i>Subscription boxes revenue from</i>			
Active subscriptions – recurring boxes	\$ 2,650,324	\$ 3,875,803	\$ (1,2
New subscriptions - first box	324,226	956,869	(6
Total subscription boxes revenue	\$ 2,974,550	\$ 4,832,672	\$ (1,8
	26 weeks ended July 2, 2022	26 weeks ended July 3, 2021	Change (\$)
<i>Subscription boxes revenue from</i>			
Active subscriptions – recurring boxes	\$ 5,786,892	\$ 7,609,525	\$ (1,8
New subscriptions - first box	671,509	1,807,760	(1,1
Total subscription boxes revenue	\$ 6,458,401	\$ 9,417,285	\$ (2,9

Revenue by Product Line

13 weeks ended	13 weeks ended	Chang
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<i>Revenue by product line</i>			
Girls' apparel	\$	6,019,561	\$ 8,457,543 \$ (2,43
Boys' apparel		1,689,445	2,229,910 (54
Toddlers' apparel		391,659	301,027 9
Total revenue	\$	8,100,665	\$ 10,988,480 \$ (2,88

Adjusted EBITDA

Unaudited Reconciliation of Net Loss to Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

We define adjusted EBITDA as net loss excluding interest income, other (income) expense, taxes, depreciation and amortization, and equity-based compensation expense. The following table reconciles net loss to adjusted EBITDA, the most comparable GAAP financial measure, to adjusted EBITDA for the periods presented:

	For the 13 weeks ended		For
	July 2, 2022	July 3, 2021	July 2, 2020
Net loss	\$ (1,572,066)	\$ (1,402,718)	\$ (3,300,000)
Add (deduct)			
Interest expense	7,925	194,182	
Other (income)/expense	-	12,991	(2,000)
Provision for income taxes	-	825	
Depreciation and amortization	6,654	6,408	
Equity-based compensation	433,924	-	1,000
Adjusted EBITDA	\$ (1,123,563)	\$ (1,188,312)	\$ (2,500,000)

See also "Non-GAAP Financial Measures", above.

Contacts

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