UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 30, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-41032



Kidpik Corp.
(Exact name of Registrant as specified in its charter)

Delaware	**81-3640708**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 Park Avenue South, 3rd Floor New York, New York	**10003**
(Address of principal executive offices)	(Zip Code)

(212) 399-2323
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	**PIK**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated Filer ☐
Non-accelerated Filer ☒

Accelerated Filer ☐
Smaller reporting company ☒
Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of registrant’s common stock outstanding as of May 14, 2024: 1,951,638.

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Cautionary Statement Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995, regarding future events and the future results of Kidpik Corp. (the "Company") that are based on current expectations, estimates, forecasts, and projections about the industry in which the Company operates and the beliefs and assumptions of the management of the Company. In some cases, you can identify forward-looking statements by the following words: "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "should," or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. Forward-looking statements are not a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time the statements are made and involve known and unknown risks, uncertainties and other factors that may cause our results, levels of activity, performance or achievements to be materially different from the information expressed or implied by the forward-looking statements in this Report. Factors that might cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this Report, including under, or incorporated by reference into, "Risk Factors", which factors include:

- our ability to obtain additional funding, the terms of such funding and potential dilution caused thereby;
- the Company's ability to complete the pending acquisition of Nina Footwear Corp.; and disruptions caused by such acquisition and other risks associated therewith;
- the continuing effect of changing interest rates and inflation on our operations, sales, and market for our products;
- deterioration of the global economic environment;
- our ability to build and maintain our brand;
- cybersecurity, information systems and fraud risks and problems with our websites;
- our ability to expand and grow our operations, and successfully market our products and services;
- changes in, and our compliance with, rules and regulations affecting our operations, sales, the internet in general and/or our products;
- competition from existing competitors or new competitors or products that may emerge;
- high interest rates and inflation and our ability to control our costs, including employee wages and benefits and other operating expenses, as a result thereof;
- Our ability to establish or maintain vendor and supplier relations and/or relationships with third parties;
- Our ability and third parties' abilities to protect intellectual property rights;
- Our ability to attract and retain key personnel to manage our business effectively; and
- other risk factors included under "Risk Factors" below.

You should read the matters described in "Risk Factors" and the other cautionary statements made in this Report, as being applicable to all related forward-looking statements wherever they appear in this Report. We cannot assure you that the forward-looking statements in this Report will prove to be accurate and therefore prospective investors are encouraged not to place undue reliance on forward-looking statements. All forward-looking statements included herein speak only as of the date of the filing of this Report. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements above. Other than as required by law, we undertake no obligation to update or revise these forward-looking statements, even though our situation may change in the future.

Summary Risk Factors

Our business is subject to varying degrees of risk and uncertainty. Investors should consider the risks and uncertainties summarized below, as well as the risks and uncertainties discussed in Part II, Item 1A, "Risk Factors" of this Quarterly Report on Form 10-Q and Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 30, 2023, which was filed with the Securities and Exchange Commission on April 10, 2024 (the "2023 Annual Report"). Investors should also refer to the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q, including our financial statements and related notes, and our other filings made from time to time with the Securities and Exchange Commission. Our business operations could also be affected by factors that we currently consider to be immaterial or that are unknown to us at the present time. If any of these risks occur, our business, financial condition, and results of operations could be materially and adversely affected, and the trading price of our common stock could decline or our common stock could become worthless:

- Our history of losses, our ability to achieve profitability, our need for additional funding and the availability and terms of such funding, as well as potential dilution caused thereby, and risks that if we do not raise such funding, we may be forced to seek bankruptcy protection and/or liquidate;
- Our ability to maintain current members and customers and grow our members and customers;
- Risks associated with our third-party service providers, costs due to inflation, disruptions at our warehouse facility and/or of our data or information services, issues affecting our shipping providers, and disruptions to the internet, any of which may have a material adverse effect on our operations and other risks associated with the fact that we are not currently manufacturing any new products;
- Reductions in revenue caused by the Company's recent warehouse move from California to Texas and delays caused thereby;
- Risks of changes in consumer spending due to changes in interest rates, increased inflation, declines in economic activity or recessions;
- Risks that effect our ability to successfully market our products to key demographics;
- The effect of data security breaches, malicious code and/or hackers;
- Increased competition and our ability to maintain and strengthen our brand name;
- Changes in consumer tastes and preferences and changing fashion trends;
- Material changes and/or terminations of our relationships with key vendors;
- Significant product returns from customers, excess inventory and our ability to manage our inventory;
- Our ability to compete against competitors which may have greater resources;
- Our significant reliance on related party transactions and loans;
- The fact that our Chief Executive Officer, Ezra Dabah, has majority voting control over the Company;
- If the use of "cookie" tracking technologies is further restricted, regulated, or blocked, or if changes in technology cause cookies to become less reliable or acceptable as a means of tracking consumer behavior, the amount or accuracy of internet user information would decrease, which could harm our business and operating results;
- Our ability to comply with future loan covenants;
- Our ability to prevent credit card and payment fraud;
- The risk of unauthorized access to confidential information;
- System interruptions that impair client access to our website or other performance failures in our technology infrastructure could damage our business;

- Our ability to protect our intellectual property and trade secrets, claims from third parties that we have violated their intellectual property or trade secrets and potential lawsuits in connection therewith;

- Our ability to comply with changing regulations and laws, penalties associated with any non-compliance (inadvertent or otherwise), the effect of new laws or regulations, our ability to comply with such new laws or regulations, and changes in tax rates;

- Our reliance on our current management, who is not party to any employment agreements with us;

- The outcome of future lawsuits, litigation, regulatory matters or claims;

- Certain terms and provisions of our governing documents which may prevent a change of control, and which provide for indemnification of officers and directors, limit the liability of officers or directors, and provide for the Board of Directors' ability to issue blank check preferred stock;

- Dilution which will occur upon the closing of the Merger (defined below); costs, fees and expenses, and the timing associated with, the Merger Agreement; the Company's ability to meet conditions to closing the Merger Agreement; the ability of the parties to the Merger Agreement (defined below) to terminate such agreement, and potential break-fees due in connection therewith; uncertainties while the Merger Agreement is pending; and risks related to the ability of the combined company to recognize the benefits of the Merger;

- The fact that we have a limited operating history; the effect of future acquisitions on our operations and expenses;

- Our significant indebtedness;

- The fact that we may require additional capital to support business, and this capital might not be available or may be available only by diluting existing stockholders;

- The anticipated volatile nature of the trading prices of our common stock and dilution which may be caused by future sales of securities; and

- Our ability to maintain the listing of our common stock on the Nasdaq Capital Market.

Additional Information

Unless the context otherwise requires, all references in this Quarterly Report on Form 10-Q to "we," "us," "our," "our company," and "Kidpik" refer to Kidpik Corp. The Kidpik design logo, "kidpik," and our other registered or common law trademarks, service marks, or trade names appearing in this Quarterly Report on Form 10-Q are the property of Kidpik Corp. Other trade names, trademarks, and service marks used in this Quarterly Report on Form 10-Q are the property of their respective owners. Solely for convenience, we have omitted the ® and ™ designations, as applicable, for the trademarks we name in this Quarterly Report on Form 10-Q.

Part I – FINANCIAL INFORMATION

Item 1. Financial Statements

Kidpik Corp.
Condensed Interim Balance Sheets

	March 30, 2024 (Unaudited)	December 30, 2023 (Audited)
Assets		
Current assets		
Cash	$ 10,354	$ 194,515
Restricted cash	4,618	4,618
Accounts receivable	103,820	211,739
Inventory	4,181,100	4,854,641
Prepaid expenses and other current assets	688,890	761,969
Total current assets	4,988,782	6,027,482
Leasehold improvements and equipment, net	84,561	97,136
Operating lease right-of-use assets	1,686,722	992,396
Total assets	$ 6,760,065	$ 7,117,014
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities		
Accounts payable	$ 1,819,337	$ 1,862,266
Accounts payable, related party	1,954,699	1,868,411
Accrued expenses and other current liabilities	472,116	438,034
Operating lease liabilities, current	394,521	281,225
Short-term debt and related party loans	1,149,197	850,000
Total current liabilities	5,789,870	5,299,936
Operating lease liabilities, net of current portion	1,368,918	780,244
Total liabilities	7,158,788	6,080,180
Commitments and contingencies		
Stockholders' equity		
Preferred stock, par value $0.001, 25,000,000 shares authorized, of which no shares are issued and outstanding as of March 30, 2024 and December 30, 2023, respectively	-	-
Common stock, par value $0.001, 75,000,000 shares authorized, of which 1,951,638 shares are issued and outstanding as of March 30, 2024, and 1,872,433 shares issued and outstanding on December 30, 2023	1,952	1,872
Additional paid-in capital	52,808,963	52,475,189
Accumulated deficit	(53,209,638)	(51,440,227)
Total stockholders' (deficit) equity	(398,723)	1,036,834
Total liabilities and stockholders' (deficit) equity	$ 6,760,065	$ 7,117,014

The accompanying notes are an integral part of these condensed interim financial statements.

Kidpik Corp.
Condensed Interim Statements of Operations
(Unaudited)

	13 Weeks Ended	
	March 30, 2024	**April 1, 2023**
Revenue, net	$ 2,239,305	$ 4,029,478
Cost of goods sold	673,541	1,619,226
Gross profit	1,565,764	2,410,252
Operating expenses		
Shipping and handling	781,025	1,189,222
Payroll, related costs and non-cash stock-based compensation	898,559	1,111,101
General and administrative	1,611,816	2,024,562
Depreciation and amortization	12,575	10,689
Total operating expenses	3,303,975	4,335,574
Operating loss	(1,738,211)	(1,925,322)
Other expenses		
Interest expense	31,200	25,190
Total other expenses	31,200	25,190
Net loss	$ (1,769,411)	$ (1,950,512)
Net loss per share attributable to common stockholders:		
Basic	$ (0.94)	$ (1.27)
Diluted	$ (0.94)	$ (1.27)
Weighted average common shares outstanding		
Basic	1,890,794	1,537,639
Diluted	1,890,794	1,537,639

The accompanying notes are an integral part of these condensed interim financial statements.

Kidpik Corp.
Condensed Interim Statements of Changes in Stockholders' Equity (Deficit)
For the 13 Weeks Ended March 30, 2024 and April 1, 2023
(Unaudited)

	Common Stock		Preferred Stock		Additional paid-in capital	Accumulated deficit	Total
	Shares	Amount	Shares	Amount			
Balance, December 31, 2022	1,537,639	$ 1,537	-	$ -	$ 50,282,662	$ (41,534,445)	$ 8,749,754
Equity-based compensation	-	-	-	-	267,476	-	267,476
Net loss	-	-	-	-	-	(1,950,512)	(1,950,512)
Balance, April 1, 2023	1,537,639	$ 1,537	-	$ -	$ 50,550,138	$ (43,484,957)	$ 7,066,718
Balance, December 30, 2023	1,872,433	$ 1,872	-	$ -	$ 52,475,189	$ (51,440,227)	$ 1,036,834
Issuance of Common Stock	79,205	80	-	-	(80)	-	-
Equity-based compensation	-	-	-	-	333,854	-	333,854
Net loss	-	-	-	-	-	(1,769,411)	(1,769,411)
Balance, March 30, 2024	1,951,638	$ 1,952	-	$ -	$ 52,808,963	$ (53,209,638)	$ (398,723)

The accompanying notes are an integral part of these condensed interim financial statements.

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

	13 Weeks Ended	
	March 30, 2024	**April 1, 2023**
Cash flows from operating activities		
Net loss	$ (1,769,411)	$ (1,950,512)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	12,575	10,689
Equity-based compensation	333,854	267,476
Bad debt expense	19,684	80,153
Changes in operating assets and liabilities:		
Accounts receivable	88,235	63,597
Inventory	673,541	1,515,014
Prepaid expenses and other current assets	73,079	137,521
Operating lease right-of-use assets and liabilities	7,644	13,217
Accounts payable	(42,929)	(436,759)
Accounts payable, related parties	86,288	230,382
Accrued expenses and other current liabilities	34,082	(191,466)
Net cash used in operating activities	(483,358)	(260,688)
Cash flows from investing activities		
Purchases of leasehold improvements and equipment	-	(75,238)
Net cash used in investing activities	-	(75,238)
Cash flows from financing activities		
Net proceeds from advance payable	214,197	
Net proceeds from related party loan	85,000	-
Net cash provided by financing activities	299,197	-
Net decrease in cash and restricted cash	(184,161)	(335,926)
Cash and restricted cash, beginning of period	199,133	605,213
Cash and restricted cash, end of period	$ 14,972	$ 269,287
Reconciliation of cash and restricted cash:		
Cash	$ 10,354	$ 264,669
Restricted cash	4,618	4,618
	$ 14,972	$ 269,287
Supplemental disclosure of cash flow data:		
Interest paid	$ 3,760	$ -
Supplemental disclosure of non-cash investing and financing activities:		
Record right-of-use asset and operating lease liabilities	$ 768,756	$ -

The accompanying notes are an integral part to these condensed interim financial statements.

NOTE 1: NATURE OF BUSINESS

Kidpik Corp. (the "Company", "kidpik", "we", "our" or "us") was incorporated on April 16, 2015, under the laws of Delaware. The Company is a subscription-based e-commerce business geared toward kid products for girls' and boys' apparel, footwear, and accessories. The Company serves its customers through the clothing subscription box business, its retail website, www.kidpik.com, and third-party websites. The Company commenced operations in March 2016 and its executive office is located in New York.

On March 29, 2024, Kidpik and Nina Footwear Corp. ("Nina Footwear"), a private company operating a brand specializing in women's and kids dress shoes and accessories for special occasions, entered into a definitive merger agreement. Mr. Ezra Dabah, the Company's Chief Executive Officer and Chairman and his children (including Moshe Dabah, the Company's Vice President, Chief Operating Officer and Chief Technology Officer, and Secretary) own approximately 79.3% of Nina Footwear, and Mr. Dabah and his extended family own 100% of Nina Footwear. The Board of Directors of both companies have approved the all-stock transaction. The combined company will operate as Nina Holdings Corp., with the transactions anticipated to close in the third quarter of 2024. As a result of the transaction, the stockholders of Nina Footwear will receive 80% of the outstanding stock of the combined company.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting: The accompanying condensed interim financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"), and the rules and regulations of the SEC that apply to interim financial statements and with the instructions to Form 10-Q and of Regulation S-X. Accordingly, they do not include all of the information and footnotes normally included in financial statements prepared in conformity with U.S. GAAP. They should be read in conjunction with the financial statements and notes thereto included in the Company's 2023 Annual Report on Form 10-K, filed with the SEC on April 10, 2024 (the "Form 10-K").

The accompanying condensed interim financial statements are unaudited and include all adjustments (consisting of normal recurring adjustments) that management considers necessary for a fair presentation of its condensed interim financial position and results of operations for the interim periods presented.

The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the entire year.

Fiscal year: The Company uses a 52-53-week fiscal year ending on the Saturday nearest to December 31 each year. The quarters ended March 30, 2024 and April 1, 2023, consist of 13 weeks. These quarters are referred to herein as the first quarter of "2024" and "2023", respectively.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reporting values of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed interim financial statements, and the reported amounts of revenue and expenses during the reporting period. The more significant estimates and assumptions are those used in determining the recoverability of long-lived assets and inventory obsolescence. Accordingly, actual results could differ from those estimates.

Emerging growth company: The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act") are required to comply with the new or revised financial accounting standards.

Accounting standards adopted: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses*, which replaces the incurred loss impairment methodology for financial instruments in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The FASB has issued ASU 2019-10 which has resulted in the postponement of the effective date of the new guidance for eligible smaller reporting companies to the fiscal year beginning January 1, 2023. The guidance must be adopted using a modified retrospective approach and a prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations and related disclosures.

Accounting standards issued but not yet adopted: In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure, to require a public entity to disclose significant segment expenses and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. Public entities with a single reportable segment are required to provide the new disclosures and all the disclosures required under ASC 280.

Concentration of credit risk: Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash, restricted cash and accounts receivable. We maintain our cash and restricted cash with high-quality financial institutions with investment-grade ratings. Although the Company's cash balance held with a U.S. bank may exceed the amount of federal insurance provided on such deposits, the Company has not experienced any losses in such accounts. The Company is exposed to credit risk in the event of a default by the financial institution holding its cash for the amount reflected on the balance sheets. A majority of the cash balances are with U.S. banks and are insured to the extent defined by the Federal Deposit Insurance Corporation ("FDIC").

Net loss per common share: The Company complies with the accounting and disclosure requirements of FASB Accounting Standards Codification ("ASC") Topic 260, *Earnings Per Share*. Net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share reflects the impact of stock options and restricted stock units, if any, under the treasury stock method unless their impact is anti-dilutive.

Revenue recognition: The Company recognizes revenue from three sources: its subscription box sales, kidpik's online website sales, and third-party website sales. Revenue is gross billings net of promotional discounts, actual customer credits and refunds, as well as customer credits and refunds expected to be issued, and sales tax. Customers are charged for subscription merchandise which is not returned, or which is accepted, and are charged for general merchandise (non-subscription) when they purchase such merchandise. Customers can receive a refund on returned merchandise for which return shipping is a cost to the Company.

Revenue for subscription box sales is recognized when control of the promised goods is transferred and accepted by the subscriber. Subscribers have a maximum of 10 days from the date the product is delivered to return any items in the pre-paid delivery bag. Control is transferred either when a subscriber checks out or automatically 10 days after the goods are delivered, whichever occurs first. Upon checkout or the 10-day period, the amount of the order not returned is recognized as revenue. Payment is due upon checkout or the end of the 10-day period after the goods are delivered, whichever occurs first.

Revenue from online website sales, which includes sales from our and third-party websites (currently Amazon and Walmart), are recognized when control of the promised goods are transferred to the Company's customers, in an amount that depicts the consideration the Company expects to be entitled to in exchange for those goods. Control is transferred at the time of shipment. Upon shipment, the total amount of the order is recognized as revenue. Payment for online website sales is due upon time of order.

The provision for anticipated sales returns consists of both contractual return rights and discretionary authorized returns.

Estimates of discretionary authorized returns for sales other than subscription sales, discounts and claims are based on (1) historical rates, (2) specific identification of outstanding returns not yet received from customers and outstanding discounts and claims, and (3) estimated returns, discounts and claims expected, but not yet finalized with customers. Actual returns, discounts and claims in any future period are inherently uncertain and thus may differ from estimates recorded. If actual or expected future returns, discounts or claims were significantly greater or lower than reserves established, a reduction or increase to net revenue would be recorded in the period in which such determination was made.

Shipping and handling costs associated with outbound freight fulfillment before control over a product has transferred to a customer are accounted for as a shipping and handling cost in the condensed interim statements of operations.

Taxes assessed by governmental authorities that are both imposed on and concurrent with a specific revenue producing transaction and are collected by the Company from a customer are excluded from revenue and cost of goods sold in the condensed interim statements of operations.

Inventory: Inventory, consisting primarily of finished goods, is valued at the lower of cost or net realizable value using the weighted average cost method. In addition, the Company capitalizes freight, duty and other supply chain costs in inventory. The Company recorded a reserve in the fourth quarter of 2023 of approximately $2.9 million.

Leasehold improvements and equipment: Leasehold improvements and equipment are recorded at cost. Depreciation for equipment is computed using the straight-line method over the estimated useful life of the assets ranging from three to five years. Leasehold improvements are amortized over the shorter of the term of the lease or the life of the improvement on a straight-line method. Expenditures that extend the useful lives of the equipment are capitalized. Expenditure for the repairs and maintenance are charged to expense as incurred. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in operations.

Impairment of long-lived assets: The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Company compares the carrying value of the assets with their estimated future undiscounted pre-tax cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the assets' carrying value and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. As a result of its review, the Company does not believe that any material impairment currently exists related to its long-lived assets.

Income taxes: The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized with respect to the future tax consequences attributable to differences between the tax bases of assets and liabilities and their carrying amounts for financial statement purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company applies U.S. GAAP accounting for uncertainty in income taxes. If the Company considers that a tax position is more likely than not of being sustained upon audit, based solely on the technical merits of the position, it recognizes the tax benefit. The Company measures the tax benefit by determining the amount that is greater than 50% likely of being realized upon settlement, presuming the tax position is examined by the appropriate taxing authority that has full knowledge of relevant information.

The Company has no unrecognized tax benefits at March 30, 2024 and December 30, 2023. The Company's federal, state and local income tax returns prior to fiscal year 2019 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Company recognizes interest and penalties associated with tax matters, if any, as part of operating expenses and includes accrued interest and penalties with accrued expenses in the condensed interim balance sheets.

Equity-based compensation: The Company measures equity-based compensation expense associated with the awards granted based on their estimated fair values at the grant date. For awards with service condition only, equity-based compensation expense is recognized over the requisite service period using the straight-line method. The grant-date fair value of stock options is estimated using the Black-Scholes option pricing model. Forfeitures are recorded as they occur. See Note 11, *Equity-based compensation*, for additional details.

Segment information: The Company has one operating segment and one reportable segment as its chief operating decision maker, who is its Chief Executive Officer, reviews financial information on a consolidated basis for purposes of allocating resources and evaluating financial performance. All long-lived assets are located in the United States.

NOTE 3: LIQUIDITY AND GOING CONCERN

The Company has sustained losses from operations since inception, negative operating cash flows and has an accumulated deficit of $53,209,638 as of March 30, 2024. Accordingly, the Company may not be able to achieve profitability, and the Company may incur significant losses for the foreseeable future.

To support the Company's existing operations, the Company must have sufficient capital to continue to make investments and fund operations.

The Company's ability to continue its operations is dependent upon obtaining new financing for its ongoing operations. To manage operating cash flows in the near term, the Company has ceased purchasing new inventory and if available, may enter into cash advance or other financing arrangements. Future financing options available to the Company include equity financings, debt financings or other capital sources, including collaborations with other companies or other strategic transactions to fund existing operations and execute management's growth strategy, and borrowings from related parties, including Ezra Dabah, the Company's Chief Executive Officer, and Nina Footwear. Equity financings may include sales of common stock. Such financing may not be available on terms favorable to the Company or at all. The terms of any financing may adversely affect the holdings or rights of the Company's stockholders and may cause significant dilution to existing stockholders. Although management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continued operations, if at all, which would have a material adverse effect on its business, financial condition and results of operations, and it could ultimately be forced to discontinue its operations and liquidate. These matters, when considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time, which is defined as within one year after the date that the condensed interim financial statements are issued. The accompanying condensed interim financial statements do not contain any adjustments to reflect the possible future effects on the classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

NOTE 4: INVENTORY

Inventory consists of the following:

	March 30, 2024 (unaudited)	December 30, 2023
Finished goods	$ 4,181,100	$ 4,854,641
Total	$ 4,181,100	$ 4,854,641

NOTE 5: LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consist of the following:

	March 30, 2024 (unaudited)	December 30, 2023
Computer equipment	$ 120,459	$ 120,459
Furniture and fixtures	185,290	185,290
Leasehold improvements	139,121	139,121
Machinery and equipment	32,666	32,666
Total cost	477,536	477,536
Accumulated depreciation	(392,975)	(380,400)
Leasehold improvements and equipment, net	$ 84,561	$ 97,136

Depreciation expense amounted to $12,575 and $10,689 for the 13 weeks ended March 30, 2024 and April 1, 2023, respectively.

NOTE 6: LEASES

The Company entered into a sub-lease agreement for warehouse space from a related party on April 1, 2021. The Company pays 33.3% of the related party's fixed monthly rent. The lease expired on September 30, 2023, but was extended until January 31, 2024, on a month-to-month basis, with the Company able to terminate said lease with 15 days' notice. As of March 30, 2024, the Company terminated the month-to-month agreement, with the minimum lease payments amounting to $282,680 for the 13 weeks ended March 30, 2024.

The Company entered into a new sub-lease agreement for warehouse space from related party, Nina Footwear, on March 26, 2024. The Company pays 26% of the related party's fixed monthly rent, along with contingent rental expenses. The lease is set to expire on February 1, 2029, with an average monthly rent of $18,534.

On June 27, 2022, the Company together with a related party, entered into a new agreement to extend the lease agreement with a third party for the office space. The Company will pay 50% of the total monthly rent, including contingent rental expenses. The lease is set to expire on April 30, 2027, with an average monthly rent of $29,259.

The discount rate used in the calculation of the lease liability ranged from 7% - 14%, which is based on our estimate of the rate of interest that we could have to pay to borrow on collateralized basis over a similar term and amount equal to the lease payments in a similar economic environment as the lease does not provide an implicit rate.

As of March 30, 2024, the remaining lease term on the corporate lease was 3.1 years and incremental borrowing rate was 7.00%.

As of March 30, 2024, the remaining lease term on the warehouse lease was 4.8 years and the incremental borrowing rate was 13.6%.

The table below includes the balances of operating lease right-of-use assets and operating lease liabilities as of March 30, 2024:

	March 30, 2024
Assets	
Operating lease right-of-use assets, net	$ 1,686,722
Liabilities	
Operating lease liabilities – current	$ 394,521
Operating lease liabilities – non-current	1,368,918
Total Lease Liabilities	$ 1,763,439

The maturities of our operating lease liabilities as of March 30, 2024, are as follows:

Maturity of Operating Lease Liabilities	
2024	$ 411,988
2025	564,798
2026	583,819
2027	348,454
2028	233,634
2029	19,532
Total lease payments	2,162,225
Less: imputed interest	(398,785)
Present value of lease liabilities	$ 1,763,439

NOTE 7: RELATED PARTY TRANSACTIONS

In the normal course of business, the Company made purchases from related parties for merchandise and shared services which amounted to ($43,200) and $12,591 for the 13 weeks ended March 30, 2024 and April 1, 2023, respectively. The negative amount for the 13 weeks ended March 30, 2024, was the result of a chargeback to the related party that exceeded the expenses charged to the Company.

A related party performs certain management services for the Company pursuant to a management services agreement. For these services, the Company pays a monthly management fee equal to 0.75% of the Company's net sales collections. Management fees amounted to $16,859 and $28,990 for the 13 weeks ended March 30, 2024 and April 1, 2023, respectively, and are included in general and administrative expenses in the condensed interim statements of operations.

In addition, the Company is using a related party to run its Amazon Marketplace site. The consulting fees for this service amounted to $9,814 and $19,323 for the 13 weeks ended March 30, 2024 and April 1, 2023, respectively. The consulting fees for this service are included in general and administrative expenses in the condensed interim statements of operations.

The Company entered into a new sub-lease agreement for warehouse space from a related party on April 1, 2021. The Company will pay 33.3% of the related party's fixed monthly rent. The lease was to expire on September 30, 2023, but was extended until January 31, 2024, on a month-to-month basis, with the Company terminating the lease on March 30, 2024.

The Company entered into a new sub-lease agreement for warehouse space from related party on March 26, 2024. The Company pays 26% of the related party's fixed monthly rent, along with contingent rental expenses. The lease is set to expire on February 1, 2029.

For the 13 weeks ended March 30, 2024 and April 1, 2023, related party office rent amounted to $84,975 and $63,702, respectively, and is included in general and administrative expenses in the condensed interim statements of operations.

As of March 30, 2024 and December 30, 2023, there was $1,954,699 and $1,868,411 due to related party, respectively.

See Note 8 for a description of short-term debt from affiliated entities under common control and from stockholders.

NOTE 8: SHORT-TERM DEBT

On August 13, 2021, the Company entered into two unsecured convertible promissory notes with stockholders in the aggregate amount of $200,000. Each of the convertible notes were payable on January 15, 2022 and were automatically convertible into shares of the Company's common stock at a conversion price equal to the per share price of the next equity funding completed by the Company in an amount of at least $2,000,000 and requires the repayment of 110% of such convertible note amount upon a sale of the Company (including a change of 50% or more of the voting shares). On August 25, 2021, the parties agreed to amend the previously convertible notes to remove the conversion rights provided for therein and clarify that no interest accrues on the convertible notes. On March 31, 2022, and effective on January 15, 2022, the parties amended the notes to be payable on demand.

In September, October and November 2021, the Company borrowed $2,500,000 from a stockholder. The notes are unsecured, noninterest-bearing and the principal was due on January 15, 2022, or was due at the rate of 110% of such note amount, upon a sale of the Company (including a change of 50% or more of the voting shares). On December 27, 2021, the Company paid $500,000 of the outstanding loan amounts. On March 31, 2022, and effective on January 15, 2022, the parties amended the notes to be payable on demand. On July 2, 2022, the Company paid $150,000 of the outstanding loan amounts.

On September 18, 2023, the Company entered into a Debt Conversion agreement with Ezra Dabah, the holder of the September, October and November 2021 notes, the Chief Executive Officer and Chairman of the Company. The Company and Mr. Dabah agreed to convert an aggregate of $1,200,000 of principal owed by the Company under the September 2021 note and part of the October 2021 note, into an aggregate of 310,760 shares of restricted common stock of the Company. The conversion price was equal to $3.8615 per share, which was above the closing consolidated bid price of the Company's common stock on the date the Debt Conversion Agreement was entered into. Pursuant to the Debt Conversion Agreement, which included customary representations and warranties of the parties, the stockholder agreed that the shares of common stock issuable in connection therewith were in full and complete satisfaction of the amounts owed under the converted notes.

During March 2024, Mr. Dabah loaned the Company $85,000, of which $35,000 was repaid in April 2024. The amount loaned was not evidenced by a promissory note, does not accrue interest and is payable on demand.

On February 7, 2024, the Company entered into a cash advance agreement with a financial institution and was advanced cash totaling $240,000, to be used for operating expenses. In accordance with the agreement, the Company agreed to repay $271,200, plus interest, in daily payments equaling 17% of funds from transactions associated with the Company's Shopify Services account. The loan has an 18-month term from the effective date, and bears an interest rate of 15.61% per annum.

NOTE 9: NET LOSS PER COMMON SHARE

The computation of basic net loss per share is based on the weighted average number of common shares outstanding for the 13 weeks ended March 30, 2024 and April 1, 2023. Diluted net loss per share gives effect to stock options and restricted stock units using the treasury stock method, unless the impact is anti-dilutive. Diluted net loss per share for the 13 weeks ended March 30, 2024 does not include 27,000 stock options and 8,467 restricted stock units as their effect was anti-dilutive.

	March 30, 2024	April 1, 2023
Net loss	$ (1,769,411)	$ (1,950,512)
Weighted Average Shares – Basic	1,890,794	1,537,639
Dilutive effect of stock options and restricted stock units	-	-
Weighted Average Shares – Diluted	1,890,794	1,537,639
Basic net loss per share	(0.94)	(1.27)
Diluted net loss per share	(0.94)	(1.27)

NOTE 10: STOCKHOLDERS' EQUITY

On May 10, 2021, the Company filed an amended and restated Certificate of Incorporation which authorized 75,000,000 shares of common stock having a par value of $0.001 per share and 25,000,000 shares of preferred stock having a par value of $0.001 per share. All shares of common stock shall be of the same class and have equal rights, powers and privileges. The preferred stock may be issued from time to time in one or more series and each issued series may have full or limited designations, preferences, participating, special rights and limitations as adopted by the Board of Directors. In conjunction with this amendment, the Company completed a forward split of existing common stock whereby each one share of common stock was automatically split up and converted into 671 shares of common stock. The condensed interim statements of changes in stockholders' equity were restated to retroactively incorporate this stock split.

On June 19, 2023, at the Company's 2023 Annual Meeting of the Stockholders (the "Annual Meeting"), of the Company, the stockholders of the Company approved an amendment to the Company's Second Amended and Restated Certificate of Incorporation, to effect a reverse stock split of our issued and outstanding shares of our common stock, par value $0.001 per share, by a ratio of between one-for-four to one-for-twenty, inclusive, with the exact ratio to be set at a whole number to be determined by our Board of Directors or a duly authorized committee thereof in its discretion, at any time after approval of the amendment and prior to April 24, 2024 (the "Stockholder Authority").

On February 20, 2024, the Company's Board of Directors (the "Board"), with the Stockholder Authority, approved an amendment to our Second Amended and Restated Certificate of Incorporation to effect a reverse stock split of our common stock at a ratio of 1-for-5 (the "Reverse Stock Split"). On March 4, 2024, the Company filed a Certificate of Amendment to its Second Amended and Restated Certificate of Incorporation (the "Certificate of Amendment") with the Secretary of State of the State of Delaware to affect the Reverse Stock Split.

The Reverse Stock Split was effective on March 7, 2024, at which time every five (5) shares of issued and outstanding common stock were converted into one (1) share of issued and outstanding common stock, and the total outstanding shares of common stock were reduced from approximately 9.5 million to approximately 1.9 million, without giving effect to any rounding up of fractional shares. Because the Certificate of Amendment did not reduce the number of authorized shares of our common stock, the effect of the Reverse Stock Split was to increase the number of shares of our common stock available for issuance relative to the number of shares issued and outstanding. The Reverse Stock Split did not alter the par value of our common stock or modify any voting rights or other terms of our common stock.

The Reverse Stock Split has been retroactively reflected throughout this report.

NOTE 11: EQUITY-BASED COMPENSATION

On May 9, 2021, the Board of Directors and majority stockholders adopted an Equity Incentive Plan which provides an opportunity for any employee, officer, director or consultant of the Company to receive incentive stock options, nonqualified stock options, restricted stock, stock awards, shares in performance of services or any combination of the foregoing.

On September 30, 2021, the Board of Directors and majority stockholders of the Company amended and restated its 2021 Equity Incentive Plan (as amended and restated, the "2021 Plan"). The 2021 Plan provides for the grant of incentive stock options, or ISOs, within the meaning of Section 422 of the Internal Revenue Code, to our employees, and for the grant of nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards ("RSU awards"), performance awards and other forms of awards to our employees, directors and consultants and any of our affiliates' employees and consultants. Subject to adjustment in connection with the payment of a stock dividend, a stock split or subdivision or combination of the shares of common stock, or a reorganization or reclassification of the Company's common stock, the aggregate number of shares of common stock which may be issued pursuant to awards under the 2021 Plan is the sum of (i) 520,000 shares, and (ii) an automatic increase on April 1st of each year commencing on April 1, 2022 and ending on (and including) April 1, 2031, in an amount equal to the lesser of (A) five percent (5%) of the total shares of common stock of the Company outstanding on the last day of the immediately preceding fiscal year; and (B) 300,000 shares of common stock; provided, however, that the Board may act prior to April 1st of a given year to provide that the increase for such year will be a lesser number of shares of common stock, also known as an "evergreen" provision. Notwithstanding the above, no more than 1,560,000 incentive stock options may be granted pursuant to the terms of the 2021 Plan. The number of shares of common stock available for awards under the 2021 Plan increased automatically on April, 1, 2022, by 76,178 shares, equal to 5% of our outstanding shares of common stock as of January 2, 2022, April 1, 2023, by 76,881 shares, equal to 5% of our outstanding shares of common stock as of December 31, 2022, and April 1, 2024, by 95,687 shares, equal to 5% of our outstanding shares of common stock as of December 30, 2023, and as a result a total of 768,748 shares are currently available for awards under the 2021 Plan, not including awards previously granted, of which 619,298 shares remain available for future awards, when including awards previously granted.

On November 10, 2021, prior to the pricing of the Company's initial public offering (the "IPO"), the Company granted (a) options to purchase an aggregate of 96,000 shares of our common stock at an exercise price of $42.50 per share, to certain employees and consultants of the Company in consideration for services rendered and to be rendered through May 2024; (b) 50,800 restricted stock units, to certain executive officers; and (c) 2,000 restricted stock units ("RSU") to a board of director member. Such options and restricted stock units vested (i) 1/3 on May 15, 2022; and (ii) 1/3 on May 15, 2023; and continue to vest (to the extent not forfeited) 1/3 on May 15, 2024. The options each have a term of five years. On May 15, 2022, 17,600 restricted stock units were vested of which 14,072 common stock shares were issued and 3,528 were forfeited and cancelled to settle tax liability on the vested shares. On May 15, 2023, 17,600 restricted stock units were vested of which 16,304 common stock shares were issued and 1,296 were forfeited and cancelled to settle tax liability on the vested shares. On July 21, 2023, 8,467 restricted stock units were vested of which 7,730 shares were issued and 737 were forfeited and cancelled to settle tax liability on the vested shares, in connection with a separation agreement entered into with the Company's former Chief Financial Officer.

In determining the fair value of the stock-based awards, we used the Black-Scholes option-pricing model and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment. *Expected Term* – The expected term represents the period that our stock options are expected to be outstanding and is determined using the simplified method (generally calculated as the mid-point between the vesting date and the end of the contractual term). *Expected Volatility* – The expected volatility was estimated based on the average volatility for publicly-traded companies that we considered comparable, over a period equal to the expected term of the stock option grants. *Risk-Free Interest Rate* – The risk-free interest rate is based on the U.S. Treasury zero coupon notes in effect at the time of grant for periods corresponding with the expected term of the option. *Expected Dividend* – We have not paid dividends on our common stock and do not anticipate paying dividends on our common stock; therefore, we use an expected dividend yield of zero.

The fair value of each option we issued–on November 10, 2021 was $15.80. The weighted average assumptions used included a risk-free interest rate of 0.88%, an expected stock price volatility factor of 52.4% and a dividend rate of 0%. The fair value of each restricted stock unit ("RSU") we issued on November 10, 2021 was $42.50.

A summary of the Company's time-based stock option activity under the 2021 Plan was as follows:

	Number of Options	Weighted Average Exercise Price
Unvested options as of December 30, 2023	34,800	$ 42.50
Granted	-	-
Vested	-	-
Forfeited/Repurchased	(7,800)	-
Unvested options as of March 30, 2024	27,000	$ 42.50

As of March 30, 2024, there was approximately $0.6 million of total unrecognized compensation cost related to unvested options and RSUs granted under the 2021 Plan, which is expected to be recognized over a weighted average service period of 0.4 years. The Company records the impact of any forfeitures of options as they occur.

Amortization of this charge, which is included in non-cash compensation expense, for the 13 weeks ended March 30, 2024 and April 1, 2023, was $333,854 and $267,476, respectively, and is included as part of payroll expense.

NOTE 12: RISK CONCENTRATION AND UNCERTAINTIES

The Company uses various vendors for purchases of inventory. For the 13 weeks ended March 30, 2024 and April 1, 2023, no inventory had been purchased.

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising the Company's customer base. In addition, the Company reviews receivables and recognizes bad debt on a monthly basis for accounts that are deemed uncollectible.

NOTE 13: REVENUE, NET

	March 30, 2024	April 1, 2023
Revenue by channel		
Subscription boxes	$ 1,516,665	$ 2,971,567
3rd party websites	258,900	436,298
Online website sales	463,740	621,613
Total revenue	$ 2,239,305	$ 4,029,478

NOTE 14: SUBSEQUENT EVENTS

On April 18, 2024, the Company entered into a $346,000 Promissory Note (the "Nina Footwear Note"), with Nina Footwear, with whom the Company is party to a March 29, 2024, Agreement and Plan of Merger and Reorganization (the "Merger Agreement"), with Nina Footwear, and Kidpik Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"), as previously disclosed. Upon the terms and subject to the satisfaction of the conditions described in the Merger Agreement, Merger Sub will be merged with and into Nina Footwear, with Nina Footwear surviving as a wholly-owned subsidiary of the Company (the "Merger"). The closing of the merger is subject to customary closing conditions, including the preparation and mailing of a proxy statement by the Company, and the receipt of required stockholder approvals from the Company and Nina Footwear stockholders, and is expected to close in the third quarter of 2024.

The Nina Footwear Note in the principal amount of $346,000, does not accrue interest and accrues interest of 5% per annum upon the occurrence of an event of default; with weekly payments of principal and interest in the amount of $14,605, due each week beginning with the week ended April 26, 2024, until the earlier of, the maturity date of such note, the payment in full thereof, or the closing of the Merger, where the Nina Footwear Note is expected to be forgiven by Nina Footwear. The Nina Footwear Note is due upon the earlier of October 31, 2024, and upon acceleration by Nina Footwear pursuant to the terms thereof.

The Nina Footwear Note includes customary events of default, and allows Nina Footwear the right to accelerate the amount due under the note upon the occurrence of such event of default, subject to certain cure rights.

Upon our entry into the Nina Footwear Note, Nina Footwear loaned us $346,000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

You should read the following discussion and analysis of our financial condition and results of operations together with the condensed interim financial statements and related notes that are included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and the notes to those financial statements for the fiscal year ended December 30, 2023, which were included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on April 10, 2024 (the "2023 Annual Report"). The following discussion contains forward-looking statements regarding future events and the future results of the Company that are based on current expectations, estimates, forecasts, and projections about the industry in which the Company operates and the beliefs and assumptions of the management of the Company. See also "Cautionary Statement Regarding Forward-Looking Information", above. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this Quarterly Report and in other reports we file with the SEC. The Company undertakes no obligation to revise or update publicly any forward-looking statements for any reason, except as otherwise provided by law.

The following discussion is based upon our financial statements included elsewhere in this Quarterly Report, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these condensed interim financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingencies. In the course of operating our business, we routinely make decisions as to the timing of the payment of invoices, the collection of receivables, the shipment of products, the fulfillment of orders, the purchase of supplies, and the building of inventory, among other matters. Each of these decisions has some impact on the financial results for any given period. In making these decisions, we consider various factors including contractual obligations, customer satisfaction, competition, internal and external financial targets and expectations, and financial planning objectives. On an on-going basis, we evaluate our estimates, including those related to sales returns, allowance for doubtful accounts, impairment of long-term assets, especially goodwill and intangible assets, assumptions used in the valuation of stock-based compensation, and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Kidpik Corp. (the "Company") uses a 52–53-week fiscal year ending on the Saturday nearest to December 31 each year. The years ended December 28, 2024 and December 30, 2023, are 52-week years and referred to herein as fiscal "2024" and "2023", respectively. The Company's fiscal quarters are generally 13 weeks in duration. When the Company's fiscal year is 53 weeks long, the corresponding fourth quarter is 14 weeks in duration. References to the first quarter of fiscal 2024 and the first quarter of fiscal 2023, refer to the 13 weeks ended March 30, 2024 and April 1, 2023, respectively.

Certain capitalized terms used below but not otherwise defined, are defined in, and shall be read along with the meanings given to such terms in, the notes to the unaudited financial statements of the Company for the 13 weeks ended March 30, 2024 and April 1, 2023, above.

References to our websites and those of third parties below are for information purposes only and, unless expressly stated below, we do not desire to incorporate by reference into this Report information in such websites.

Unless the context otherwise requires, references in this Report to "we," "us," "our," the "Registrant", the "Company," "Kidpik" and "Kidpik Corp." refer to Kidpik Corp.

In addition:

- "Active subscriptions" mean individuals who are scheduled to receive future boxes;
- "Boxes" mean the Company's subscription clothing, shoe and accessories boxes;
- "Customers" means anyone who has received at least one shipment through subscription, direct or indirect sale from the Company;
- "Exchange Act" refers to the Securities Exchange Act of 1934, as amended;
- "Members" means customers who registered at least one subscription;
- "NASDAQ" means the NASDAQ Capital Market;
- "SEC" or the "Commission" refers to the United States Securities and Exchange Commission;
- "Securities Act" refers to the Securities Act of 1933, as amended; and
- "Subscriptions" mean orders for recurring box shipments.

Available Information

The Company makes available free of charge through its internet website, https://investor.kidpik.com/sec-filings, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act, as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC. Our SEC filings are also available to the public at the SEC's web site at http://www.sec.gov. Information contained in, or that can be accessed through, our website is not a part of, and is not incorporated into, this Report. Further, the Company's references to website URLs are intended to be inactive textual references only.

Introduction

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided in addition to the accompanying condensed interim financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. MD&A is organized as follows:

- Overview.
- Recent Events.
- Key Performance Indicators.
- Factors Affecting Our Future Performance.
- Components of Results of Operations.
- Results of Operations.
- Liquidity and Capital Resources.
- Critical Accounting Estimates.

Overview

We began operations in 2016 as a subscription-based e-commerce company on the proposition of making shopping easy, convenient, and accessible for parents by delivering fashionable and customized kids' outfits in a box. Kidpik provides kids clothing subscription boxes for boys and girls (sizes 12M-16) that include mix-&-match, coordinated outfits that are personalized based on each member's style preferences. We focus on providing entire outfits from head-to-toe (including shoes) by designing each seasonal collection in-house from concept to box.

Staying ahead in an emerging industry requires constant innovation in product and services. After launching our girls' subscription boxes for sizes 4-14 in 2016. We expanded into boys' clothing, added larger sizes for boys and girls (up to 16 for apparel and 6 youth for shoes), in the Spring of 2022, added toddler sizes down to 2T & 3T for apparel and 7 & 8 toddler shoes. During the second quarter of 2022, we introduced sizes 12 months and 18 months apparel to our offerings. We have expanded our distribution by selling our branded products on third-party websites.

We also introduced an "add-on" option for all active members, whereby they can add additional items of their choosing to their next subscription box order. During the second quarter of 2022, we expanded our subscription box offerings, introducing a 12-piece box option in addition to our traditional 8-piece box, adding to the customer experience and providing an opportunity to drive additional revenue. We have also expanded our seasonal pre-styled fashion box and outfit assortment available on our e-commerce website, which provides an upsell opportunity for active members and additional variety for our e-commerce customers.

As of the date of the filing of this Report, we provide e-commerce services throughout the 48 contiguous U.S. states and Army Post Offices (APOs) and Fleet Post Offices (FPOs).

Recent Events

On June 19, 2023, at the Company's 2023 Annual Meeting of the Stockholders (the "Annual Meeting"), of the Company, the stockholders of the Company approved an amendment to the Company's Second Amended and Restated Certificate of Incorporation, to effect a reverse stock split of our issued and outstanding shares of our common stock, par value $0.001 per share, by a ratio of between one-for-four to one-for-twenty, inclusive, with the exact ratio to be set at a whole number to be determined by our Board of Directors or a duly authorized committee thereof in its discretion, at any time after approval of the amendment and prior to April 24, 2024 (the "Stockholder Authority").

On February 20, 2024, the Company's Board of Directors (the "Board"), with the Stockholder Authority, approved an amendment to our Second Amended and Restated Certificate of Incorporation to effect a reverse stock split of our common stock at a ratio of 1-for-5 (the "Reverse Stock Split").

On March 4, 2024, we filed a Certificate of Amendment to our Second Amended and Restated Certificate of Incorporation (the "Certificate of Amendment") with the Secretary of State of the State of Delaware to affect the Reverse Stock Split.

Pursuant to the Certificate of Amendment, the Reverse Stock Split was effective on March 7, 2024 at 12:01 a.m. Eastern Time (the "Effective Time"). The shares of the Company's common stock began trading on the NASDAQ Capital Market ("NASDAQ") on a post-split basis on March 7, 2024, with new CUSIP number: 49382L207. No change was made to the trading symbol for the Company's shares of common stock, "PIK", in connection with the Reverse Stock Split.

At the Effective Time, every five (5) shares of issued and outstanding common stock were converted into one (1) share of issued and outstanding common stock, and the total outstanding shares of common stock were reduced from approximately 9.5 million to approximately 1.9 million, without giving effect to any rounding up of fractional shares. Because the Certificate of Amendment did not reduce the number of authorized shares of our common stock, the effect of the Reverse Stock Split was to increase the number of shares of our common stock available for issuance relative to the number of shares issued and outstanding. The Reverse Stock Split did not alter the par value of our common stock or modify any voting rights or other terms of our common stock.

No fractional shares were issued in connection with the Reverse Stock Split. Stockholders of record who otherwise would be entitled to receive fractional shares, instead were entitled to have their fractional shares rounded up to the nearest whole share.

In addition, the number of shares of common stock issuable upon exercise of our stock options and other equity awards (including shares reserved for issuance under the Company's equity compensation plan) were proportionately adjusted by the applicable administrator, using the 1-for-5 ratio, and rounded up to the nearest whole share, to be effective at the Effective Time, pursuant to the terms of the Company's equity plans. In addition, the exercise price for each outstanding stock option was increased in inverse proportion to the 1-for-5 split ratio such that upon an exercise, the aggregate exercise price payable by the optionee to the Company for the shares subject to the option will remain approximately the same as the aggregate exercise price prior to the Reverse Stock Split, subject to the terms of such securities.

The Reverse Stock Split has been retroactively reflected throughout this Report.

Merger Agreement

On March 29, 2024, the Company entered into an Agreement and Plan of Merger and Reorganization with Nina Footwear Corp., a Delaware corporation ("Nina Footwear"), a brand specializing in women's footwear, particularly in dress shoes and accessories for special occasions, and Kidpik Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"). Upon the terms and subject to the satisfaction of the conditions described in the Merger Agreement, Merger Sub will be merged with and into Nina Footwear, with Nina Footwear surviving as a wholly-owned subsidiary of the Company (the "Merger").

At the effective time of the Merger, the stockholders of the Company immediately prior to the Merger are expected to own approximately 20% of the outstanding shares of the Company's common stock immediately after the Merger and the stockholders of Nina Footwear immediately prior to the Merger will own approximately 80% of the outstanding shares of the Company's common stock immediately after the Merger.

Mr. Dabah and his children own approximately 79.3% of Nina Footwear, and Mr. Dabah and his extended family own 100% of Nina Footwear, and Moshe Dabah (Mr. Dabah's son), is the Vice President, Chief Operating Officer and Chief Technology Officer of the Company, and

the Secretary of Nina Footwear. There are also a number of related party transactions between Nina Footwear and the Company. Mr. Dabah and his family will continue to control approximately 76.8% of the combined company's voting shares following the closing of the Merger (the "Closing").

Following the Closing of the Merger, the Company's executive officers and directors will remain the same as immediately prior to the Merger.

The closing of the Merger is subject to certain mutual closing conditions. The Company's obligation to consummate the Merger is also subject to (i) Nina Footwear acknowledging that all of the debt owed by the Company to Nina Footwear (approximately $1.8 million currently and which amount may increase until the closing of the Merger) is extinguished as consideration of entering into the Merger; (ii) the waiver or termination of certain change of control and related triggering events held by certain stockholders of Nina Footwear which if not waived may have required approximately $2.55 million to be paid to such stockholders of Nina Footwear at Closing; and (iii) holders of no more than 10% of the shares of Nina Footwear capital stock exercising their statutory appraisal rights in connection with the Merger.

Warehouse Move From California to Texas

In March 2024, we moved our warehouse from California to Texas. As a result of such change in warehouse location, all of our California employees resigned and we were forced to hire and train new employees in Texas. As a result of such warehouse move, we were unable to ship products or process returns for the second half of March and the majority of April. The move in warehouse location from California to Texas was costly, used management resources, and significantly affected sales for March and April 2024, which were paused while merchandise was shipped from California to Texas and the Texas warehouse was brought online. Furthermore, we may lose customers who were not satisfied with the long shipping and return terms associated with the move. It will cost us additional money to continue to train new employees, and our new employees may not be as productive as older employees, which may increase expenses and decrease margins. If we are unable to adequately staff our new warehouse and any future warehouse(s) or if the cost of such staffing is higher than historical or projected costs, our margins may be negatively affected. In addition, warehousing comes with potential risks, such as workplace safety issues and employment claims for the failure or alleged failure to comply with labor laws or laws respecting union organizing activities. Any such issues may result in delays in shipping times or packing quality, and our reputation and operating results may be harmed.

Our revenues and margins were significantly negatively affected by the move in our warehouse from California to Texas in March and April 2024, and may be further affected throughout the remainder of 2024 as we ramp our warehouse operations up following the move.

Key Performance Indicators

Key performance indicators that we use to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions include gross margin, shipped items, and average shipment keep rate, each described in greater detail below.

We also use the following metrics to assess the progress of our business, make decisions on where to allocate capital, time and technology investments and assess the near-term and longer-term performance of our business.

Gross Margin

	For the 13 weeks ended	
	March 30, 2024	**April 1, 2023**
Gross margin	69.9%	59.8%

Gross profit is equal to our net sales less cost of goods sold. Gross profit as a percentage of our net sales is referred to as gross margin. Cost of sales consists of the purchase price of merchandise sold to customers and includes import duties and other taxes, freight in, returns from customers, inventory write-offs, and other miscellaneous shrinkage. The improvement in the gross margin was the result of an inventory write-down in the fourth quarter of 2023. Without the reduction of the cost basis due to the write-down, gross margin would be 53.5% for the 13 weeks ended March 30, 2024.

Adjusted EBITDA

In addition to our results calculated under generally accepted accounting principles in the United States ("U.S. GAAP"), and to provide investors with additional information regarding our financial results, we have disclosed in the table below and elsewhere in this Report, Adjusted EBITDA, a non-U.S. GAAP financial measure that we calculate as net loss before other expense, net, interest, taxes, depreciation and amortization, adjusted to exclude the effects of equity-based compensation expense, and certain non-routine items, which was a settlement of an insurance claim. We have provided below a reconciliation of Adjusted EBITDA to net loss, the most directly comparable U.S. GAAP financial measure.

We have included Adjusted EBITDA in this report because it is a key measure used by our management and board of directors to evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis and, in the case of exclusion of the impact of equity-based compensation, excludes an item that we do not consider to be indicative of our core operating

performance. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board of Directors.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- Although depreciation and amortization are non-cash charges, the assets being depreciated 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 capital requirements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for our working capital needs;
- Adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;
- Adjusted EBITDA does not reflect certain non-routine items that may represent a reduction in cash available to us; and
- Other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net loss and our other U.S. GAAP results.

Our financial results include certain items that we consider non-routine and not reflective of the underlying trends in our core business operations.

A reconciliation of net loss to Adjusted EBITDA is as follows:

	For the 13 weeks Ended	
	March 30, 2024	**April 1, 2023**
Net loss	$ (1,769,411)	$ (1,950,512)
Add:		
Interest expense	31,200	25,190
Depreciation and amortization	12,575	10,689
Equity-based compensation	333,854	267,476
Adjusted EBITDA	$ (1,391,782)	$ (1,647,157)

Shipped Items

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

	For the 13 weeks ended (In thousands)	
	March 30, 2024	**April 1, 2023**
Shipped Items	195	340

We believe the decreases in shipped items for the first quarter of 2024 versus the same periods in 2023, as shown in the table above, were driven by a decrease in subscription boxes sales as a result of a lower customer base and a smaller number of new customers being acquired during 2024, in comparison to 2023. Also contributing is the move of our warehouse to Texas from California, which resulted in the Company not shipping any merchandise during the month of March 2024.

Average Shipment Keep Rate

	For the 13 weeks ended	
	March 30, 2024	**April 1, 2023**
Average Shipment Keep Rate	78.2%	68.1%

Average shipment keep rate is calculated as the total number of items kept by our customers divided by total number of shipped items in a given period. Part of the increase for 2024 is due to the proportionally higher online sales, which traditionally has lower return rates versus subscription box sales, as well as the warehouse move to Texas which resulted in the Company not processing any returns during the month of March 2024.

Factors Affecting Our Future Performance

We believe that our performance and future success depend on several factors that present opportunities for us, but also pose risks and challenges, including those referenced in the section titled "Risk Factors."

Overall Economic Trends

The overall economic environment and related changes in consumer behavior have a significant impact on our business. In general, positive conditions in the broader economy promote customer spending on our sites, while economic weakness, which generally results in a reduction of customer spending, may have a more pronounced negative effect on spending on our sites. Macroeconomic factors that can affect customer spending patterns, and thereby our results of operations, include employment rates, high inflation, as is being currently experienced, business conditions, changes in the housing market, the availability of credit, increases in interest rates, as is being currently experienced and increases in fuel costs, energy costs, raw material costs, and supply chain challenges. We are continuing to navigate the uncertainties presented by the current macroeconomic environment and remain focused on improving the conversion of new members and our overall client experience.

Retention of Existing Subscribers

Our ability to retain subscribers is also a key factor in our ability to sustain revenues and generate revenue growth. Most of our current subscribers purchase products through subscription-based plans, where subscribers are billed and sent products on a recurring basis. The recurring nature of this revenue provides us with a certain amount of predictability for future revenue. If customer behavior changes, and customer retention decreases in the future, then future revenue will be negatively impacted.

Components of Results of Operations

Note that our classification of the various items making up cost of goods sold, shipping and handling, payroll and related costs, equity-based compensation and general and administrative costs may vary from other companies in our industry, and as such, may not be comparable to a competitor's.

Revenue

We generate revenue in two categories: 1) the sale items in our subscription boxes, and 2) the sale of one-time purchases via shop.kidpik.com, and third-party websites. We refer to these revenue classifications as "Subscription boxes" and "one-time purchases", respectively. Net revenue is revenue less promotional discounts, actual customer credits and refunds as well as customer credits and refunds expected to be issued, and sales tax. When we use the term revenue in this Report, we are referring to net revenue, unless otherwise stated. Customers who decide to return some or all of the merchandise they receive in each Kidpik box, may return such items within 10 days of receipt of the box. Customers are charged for subscription merchandise which is not returned, or which is accepted and are charged for general merchandise (non-subscription) when they purchase such merchandise; however, they are able to receive a refund on returned merchandise.

Cost of Goods Sold

Cost of goods sold consists of the costs of manufacturing merchandise and the expenses of shipping and importing (duty payments) such merchandise to our warehouse for distribution, and inventory write-offs, offset by the recoverable cost of merchandise estimated to be returned.

Shipping and Handling

Shipping and handling include the costs of shipping merchandise to our customers, and back to us, as well as the cost of fulfillment and return processing, and the materials used for packing.

Payroll and Related Expenses

Payroll and related expenses represent employee salaries, taxes, benefits, share-based compensation, and fees to our payroll provider.

General and Administrative Expenses

General and administrative expenses consist primarily of marketing, professional fees, third-party seller fees, rent, bad debt expense and credit card fees, among others.

Depreciation and Amortization

Depreciation and amortization expenses consist of depreciation expense for leasehold improvements and equipment.

Interest Expense

Interest expense consists primarily of interest expense associated with our lines of credit, outstanding notes payable, and amortization of deferred expense related to our line of credit.

Provision for Income Taxes

Our provision for income taxes consists of an estimate of federal and state income taxes based on enacted federal and state tax rates, as adjusted for allowable credits, deductions, uncertain tax positions, and changes in the valuation allowance of our net federal and state deferred tax assets.

Results of Operations

Comparison of the 13 weeks ended March 30, 2024 and April 1, 2023

Revenue

Our revenue for the 13 weeks ended March 30, 2024, decreased by 44.4% to $2,239,305, compared to $4,029,478 for the 13 weeks ended April 1, 2023, a decrease of $1,790,173 from the prior period. Subscription box revenue decreased $1,454,902, because of a reduction in new subscribers, due to the elimination of marketing expenditures to convert customers into subscribers. Third-party websites sales decreased by $177,398, as well as a decrease in online website sales of $157,873. The revenue breakdown by sales channel for the 13 weeks ended March 30, 2024 and April 1, 2023, is summarized in the table below:

	13 weeks ended March 30, 2024	13 weeks ended April 1, 2023	Change ($)	Change (%)
Revenue by channel				
Subscription boxes	$ 1,516,665	$ 2,971,567	$ (1,454,902)	(49.0)%
Third-party websites	258,900	436,298	(177,398)	(40.7)%
Online website sales	463,740	621,613	(157,873)	(25.4)%
Total revenue	$ 2,239,305	$ 4,029,478	$ (1,790,173)	(44.4)%

The revenue from subscription boxes for the 13 weeks ended March 30, 2024 and April 1, 2023, was generated from active subscriptions recurring boxes revenue and new subscriptions first box revenue, as summarized in the table below:

	13 weeks ended March 30, 2024	13 weeks ended April 1, 2023	Change ($)	Change (%)
Subscription boxes revenue from				
Active subscriptions – recurring boxes	$ 1,451,448	$ 2,401,026	$ (949,578)	(39.5)%
New subscriptions – first box	65,217	570,541	(505,324)	(88.6)%
Total subscription boxes revenue	$ 1,516,665	$ 2,971,567	$ (1,454,902)	(49.0)%

The decrease in revenue for the 13 weeks ended March 30, 2024 was primarily driven by a decrease in subscription boxes sales. Subscription box revenue decreased as a result of a reduction in new subscribers, which was the result of the Company's elimination of marketing expenditures to convert customers to subscribers. The revenue breakdown by product line for the 13 weeks ended March 30, 2024 and April 1, 2023 is summarized in the table below:

	13 weeks ended March 30, 2024	13 weeks ended April 1, 2023	Change ($)	Change (%)
Revenue by product line				
Girls' apparel	$ 1,675,217	$ 3,047,756	$ (1,372,539)	(45.0)%
Boys' apparel	486,995	787,159	(300,164)	(38.1)%
Toddlers' apparel	77,093	194,563	(117,470)	(60.4)%
Total revenue	$ 2,239,305	$ 4,029,478	$ (1,790,173)	(44.4)%

The number of items shipped to our customers decreased by 42.6%, from approximately 340,000 for the 13 weeks ended April 1, 2023, to approximately 195,000 for the 13 weeks ended March 30, 2024, due to the Company's elimination of marketing expenditures to convert customers to subscribers, along with the warehouse closure for the second half of March 2024, due to the Company moving facilities to Texas. The average shipment keep rate increased to 78.2% in the 13 weeks ended March 30, 2024, compared to 68.1% in the 13 weeks ended April 1, 2023, as discussed above.

Cost of Goods Sold

Our cost of goods sold decreased by 58.4% to $673,541 for the 13 weeks ended March 30, 2024, compared to $1,619,226 for the 13 weeks ended April 1, 2023, a decrease of $945,685.

The decrease in cost of goods sold for the 13 weeks ended March 30, 2024, compared to the same period in fiscal 2023, was primarily attributable to the decrease in our subscription box sales. The Company recorded a write-down of inventory in the fourth Quarter of 2023 of approximately $2.9 million, thus reducing the cost basis of future sales.

Gross Profit and Gross Profit as a Percentage of Revenue

Our gross profit was $1,565,764 for the 13 weeks ended March 30, 2024, compared to gross profit of $2,410,252 for the 13 weeks ended April 1, 2023. The decrease in gross profit for the 13 weeks ended March 30, 2024, compared to the same period in fiscal 2023, was primarily attributable to the decrease in our subscription box sales driven by the elimination of marketing expenditures to convert customers to subscribers.

Gross profit as a percentage of revenue was 69.9% for the 13 weeks ended March 30, 2024, compared to 59.8% for the 13 weeks ended April 1, 2023. Without the reduction of cost basis due to the write-down recorded in the fourth quarter, gross margin would be 53.5% for the 13 weeks ended March 30, 2024.

Operating Expenses

Our operating expenses for the 13 weeks ended March 30, 2024 and April 1, 2023, are summarized in the table below:

	13 weeks ended March 30, 2024	13 weeks ended April 1, 2023	Change ($)	Change (%)
Expenses				
Shipping and handling	$ 781,025	$ 1,189,222	$ (408,197)	(34.3)%

Payroll, related costs and equity-based compensation	898,559	1,111,101	(212,542)	(19.1)%
General and administrative	1,611,816	2,024,562	(412,746)	(20.4)%
Depreciation and amortization	12,575	10,689	1,886	17.6%
Total expenses	$ 3,303,975	$ 4,335,574	$ (1,031,599)	(23.8)%

Our operating expenses include general and administrative expenses, salaries and benefits, shipping and handling, and depreciation and amortization, as shown in the tables above. Our operating expenses for the 13 weeks ended March 30, 2024, decreased by $1,031,599 or 23.8% to $3,303,975, compared to $4,335,574 for the 13 weeks ended April 1, 2023. This decrease was mainly a result of (i) a $412,746 decrease in general and administrative expenses, mainly due to a decrease in marketing expenses due to the elimination of spending for the attempted conversion of customers to subscribers and bad debt expense and franchise tax fees, offset by an increase in costs related to the move of the California warehouse to Texas, (ii) a decrease in payroll and related costs of $212,542, due to a decrease in non-cash, equity-based compensation and lower headcount related to cost reductions, and (iii) a $408,197 decrease in shipping and handling which is the direct result of a decrease in sales.

Loss from Operations

Loss from operations decreased from $1,925,322 for the 13 weeks ended April 1, 2023, to $1,738,211 for the 13 weeks ended March 30, 2024. The decrease in loss from operations was largely due to a decrease in expenses and cost of goods sold, each as discussed above, offset by the decrease in revenues discussed above.

Other Expenses (Income)

For the 13 weeks ended March 30, 2024 and April 1, 2023, total other expenses, consisting solely of interest expense was $31,200 and $25,190, respectively.

Net Loss

We had a net loss of $1,769,411 for the 13 weeks ended March 30, 2024, compared to a net loss of $1,950,512 for the 13 weeks ended April 1, 2023, a decrease in net loss of $181,101 or 9.3%. The decrease in net loss was primarily due to a decrease in expenses and cost of goods sold, each as discussed above, offset by the decrease in revenues discussed above.

Liquidity and Capital Resources

	March 30, 2024	December 30, 2023	Change ($)	Change (%)
Cash and restricted cash	$ 14,972	$ 199,133	$ (184,161)	(92.5)%
Working capital (deficit)	$ (801,088)	$ 727,546	$ (1,536,063)	(211.1)%
Short-term debt and related loans	$ 1,149,197	$ 850,000	$ 299,197	35.2%

On March 30, 2024, we had $14,972 of cash on hand (including restricted cash of $4,618), compared to $199,133 of cash on hand at December 30, 2023 (including restricted cash of $4,618).

As of March 30, 2024, the Company had total current liabilities of $5,789,870, consisting mainly of accounts payable of $1,819,337, accounts payable to related party of $1,954,699, accrued expenses of $472,116, operating lease liability of $394,521 and short-term debt from related party of $1,149,197 (discussed below).

As of March 30, 2024, we had $4,988,782 in total current assets, a working capital (deficit) of $801,088 and a total accumulated deficit of $53,209,638.

From inception through November 10, 2021, we mainly relied on equity and loans from Ezra Dabah, our Chief Executive Officer and Chairman, and his family (which loans have all, other than $850,000, been converted into equity as of March 30, 2024), notes payable including from Nina Footwear Corp. which is 86.36% owned by Ezra Dabah and his family, including Moshe Dabah, our Vice President, Chief Operating Officer and Chief Technology Officer, for which entity Ezra Dabah serves as Chief Executive Officer and as a member of the Board of Directors of "Nina Footwear", a related party, and a line of credit (repaid as of January 1, 2022), and cash advance agreements (which have since been terminated), as well as revenue generated through our operations, to support our operations since inception. We have primarily used our available cash to pay operating expenses (salaries and other expenses), and for merchandise inventory costs, shipping costs and marketing expenditures. We do not have any material commitments for capital expenditures. Following the closing of our initial public offering ("IPO") in November 2021, we have relied on the funds raised in the IPO, as well as revenue generated through our operations, and funds loaned to us by Mr. Dabah and Nina Footwear, to support our operations.

On April 16, 2024, the Company received a letter from The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that its stockholders' equity as reported in its Annual Report on Form 10-K for the period ending December 30, 2023 (the "Form 10-K"), did not meet the minimum stockholders' equity requirement for continued listing on the Nasdaq Capital Market. Nasdaq Listing Rule 5550(b)(1) requires companies listed on the Nasdaq Capital Market to maintain stockholders' equity of at least $2,500,000. In the Company's Form 10-K, the Company reported stockholders' equity of $1,036,834, which is below the minimum stockholders' equity required for continued listing pursuant to Nasdaq Listing Rule 5550(b)(1). Additionally, as of the date of this Report, the Company does not have stockholders' equity greater than $2.5 million and does meet the alternative Nasdaq continued listing standards under Nasdaq Listing Rules.

This notice of noncompliance has had no immediate impact on the continued listing or trading of the Company's common stock on The Nasdaq Capital Market, which will continue to be listed and traded on Nasdaq, subject to the Company's compliance with the other continued listing requirements. Nasdaq has given the Company until May 31, 2024 to submit to Nasdaq a plan to regain compliance. If our plan is accepted, Nasdaq may grant an extension of up to 180 calendar days from the date of Nasdaq's letter to evidence compliance.

The Company expects that it will be in compliance with Nasdaq's minimum stockholders' equity requirement upon the closing of the Merger, which closing is subject to customary closing conditions, including the preparation and mailing of a proxy statement by the Company, and the receipt of required stockholder approvals from the Company and Nina Footwear stockholders, and is expected to close in the third quarter of 2024.

In addition to the Merger Agreement, the Company is currently evaluating various other courses of action to regain compliance, and plans to timely submit its plan to Nasdaq to regain compliance with the minimum stockholders' equity requirement. The Company believes it can regain compliance with Nasdaq's minimum stockholders' equity standard within the compliance period. However, there can be no assurance that the Company's plan will be accepted or that if it is, the Company will be able to regain compliance. If the Company's plan to regain compliance is not accepted, or if it is and the Company does not regain compliance within 180 days from the date of Nasdaq's letter, or if the Company fails to satisfy another Nasdaq requirement for continued listing, Nasdaq could provide notice that the Company's common stock will become subject to delisting. In such event, Nasdaq rules would permit the Company to appeal the decision to reject the Company's proposed compliance plan or any delisting determination to a Nasdaq Hearings Panel.

Cash Flows

	13 weeks ended March 30, 2024	13 weeks ended April 1, 2023
Cash (used in) provided by:		
Operating activities	$ (483,358)	$ (260,688)
Investing activities	-	(75,238)
Financing activities	299,197	-
Net decrease in cash	$ (184,161)	$ (335,926)

Net cash used in operating activities increased to $483,358 for the 13 weeks ended March 30, 2024, compared to $260,688 for the 13 weeks ended April 1, 2023. The increase in our cash used in operating activities was primarily due to an increase in the changes in operating assets and liabilities of $411,565, offset by a decrease in non-cash adjustments of $7,794 and a decrease in net loss of $181,101.

We had no net cash used in investing activities for the 13 weeks ended March 30, 2024, compared to $75,238 of net cash used in investing activities for the 13 weeks ended April 1, 2023, which was solely due to the purchase of leasehold improvements and equipment.

We had $299,197 of net cash proceeds in financing activities for the 13 weeks ended March 30, 2024, which was solely due to net proceeds from a note payable from Nina Footwear Corp. as described above, compared to no net cash used in financing activities for the 13 weeks ended April 1, 2024.

Related Party Convertible Notes and Loans

On August 13, 2021, the Company entered into two unsecured convertible promissory notes with stockholders in the aggregate amount of $200,000. Each of the convertible notes were payable on January 15, 2022, and were automatically convertible into shares of the Company's common stock at a conversion price equal to the per share price of the next equity funding completed by the Company in an amount of at least $2,000,000 and requires the repayment of 110% of such convertible note amount upon a sale of the Company (including a change of 50% or more of the voting shares). On August 25, 2021, the parties agreed to amend the previously convertible notes to remove the conversion rights provided for therein and clarify that no interest accrues on the convertible notes. On March 31, 2022, and effective on January 15, 2022, the parties amended the notes to be payable on demand.

In September, October and November 2021, the Company borrowed an aggregate of $2,500,000 from Ezra Dabah, who is our Chief Executive Officer and Chairman. The notes are unsecured, noninterest-bearing and the principal is fully due on January 15, 2022, at the rate of 110% of such note amount upon a sale of the Company (including a change of 50% or more of the voting shares). On December 27, 2021, the Company paid $500,000 of the outstanding loan amounts. On March 31, 2022, and effective on January 15, 2022, the parties amended the notes to be payable on demand. On June 2, 2022, Company paid $150,000 of the outstanding loan amounts.

On September 18, 2023, the Company entered into a Debt Conversion agreement with Ezra Dabah. The Company and Mr. Dabah agreed to convert an aggregate of $1,200,000 of principal owed by the Company to Mr. Dabah into an aggregate of 310,760 shares of restricted common stock of the Company. Pursuant to the Debt Conversion Agreement, which included customary representations and warranties of the parties, Mr. Dabah agreed that the shares of common stock issuable in connection therewith were in full and complete satisfaction of the amounts owed under the notes which were converted.

As of March 30, 2024 and December 30, 2023, there was $1,954,699 and $1,868,411 due to related party (Nina Footwear), respectively.

During March 2024, Mr. Dabah loaned the Company $85,000, of which $35,000 was repaid in April 2024. The amount loaned was not evidenced by a promissory note, does not accrue interest and is payable on demand.

On April 18, 2024, the Company entered into a $346,000 Promissory Note (the "Nina Footwear Note"), with Nina Footwear. The Nina Footwear Note in the principal amount of $346,000, does not accrue interest and accrues interest of 5% per annum upon the occurrence of an event of default; with weekly payments of principal and interest in the amount of $14,605, due each week beginning with the week ended April 26, 2024, until the earlier of, the maturity date of such note, the payment in full thereof, or the closing of the Merger, where the Nina Footwear note is expected to be forgiven by Nina Footwear. The Nina Footwear Note is due upon the earlier of October 31, 2024, and upon acceleration by Nina Footwear pursuant to the terms thereof.

The note includes customary events of default, and allows Nina Footwear the right to accelerate the amount due under the note upon the occurrence of such event of default, subject to certain cure rights.

Need for Future Funding; Review of Strategic Alternatives

As discussed above, we are not currently purchasing any new products as we work to clear our current inventory. We expect to continue to generate net losses for the foreseeable future. The Company's ability to continue its operations is dependent upon obtaining new financing for its ongoing operations. Future financing options which may be available to the Company include equity financings, debt financings or other capital sources, including collaborations with other companies or other strategic transactions to fund existing operations and execute management's growth strategy, and borrowings from related parties, including Ezra Dabah, our Chief Executive Officer and Nina Footwear. Such financing may not be available on terms favorable to the Company or at all and may cause significant dilution to existing stockholders. The terms of any financing may adversely affect the holdings or rights of the Company's stockholders. There is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continued operations, if at all, which would have a material adverse effect on its business, financial condition and results of operations, and it could ultimately be forced to discontinue its operations, enter into bankruptcy and/or liquidate. These matters, when considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time, which is defined as within one year after the date that the financial statements are issued. The accompanying financial statements do not contain any adjustments to reflect the possible future effects on the classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

We also plan to focus our resources on closing the Merger, discussed above under "Recent Events", "Merger Agreement".

Critical Accounting Estimates

Our condensed interim financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with U.S. GAAP. The preparation of condensed interim financial statements requires management to make estimates and assumptions that affect the reporting values of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed interim financial statements, and the reported amounts of revenue and expenses during the reporting period. The more significant estimates and assumptions are those used in determining the recoverability of long-lived assets and inventory obsolescence. Accordingly, actual results could differ from those estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

Our critical accounting policies are described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in the 2023 Annual Report and in "Note 2: Summary of Significant Accounting Policies" to the audited financial statements appearing in the 2023 Annual Report. During the 13 weeks ended March 30, 2024, there were no material changes to our critical accounting policies from those discussed in our 2023 Annual Report.

JOBS Act and Recent Accounting Pronouncements

The JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act.

We have implemented all new accounting pronouncements that are in effect and may impact our financial statements and we do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our financial position or results of operations.

Recent Accounting Pronouncements

Refer to "Note 2: Summary of Significant Accounting Policies" to our unaudited financial statements included in this Quarterly Report on Form 10-Q for a discussion of recently issued accounting pronouncements not yet adopted.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Accounting Officer, has evaluated the effectiveness of our disclosure controls and procedures as of March 30, 2024, the end of the period covered by this Quarterly Report on Form 10-Q. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our Chief Executive Officer and Chief Accounting Officer have concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the 13 weeks ended March 30, 2024 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in various legal proceedings that arise in the ordinary course of business, principally personal injury and property casualty claims. Those claims, even if lacking merit, could result in the expenditure by us of significant financial and managerial resources. We are not party to any material legal proceedings at this time. We may become involved in material legal proceedings in the future.

Item 1A. Risk Factors

Reference is made to Part I, Item 1A, "Risk Factors" included in our 2023 Annual Report for information concerning risk factors, which should be read in conjunction with the factors set forth in "Cautionary Statement Regarding Forward-Looking Information" of this Report. There have been no material changes with respect to the risk factors disclosed in our 2023 Annual Report, except as set forth below. You should carefully consider such factors in the 2023 Annual Report, and below, which could materially affect our business, financial condition or future results. The risks described in the 2023 Annual Report and below, are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

There is substantial doubt about our ability to continue as a going concern and we will need additional capital which may not be available on favorable terms, if at all.

We have experienced net losses in each year since our inception. We had accumulated deficits of $53,209,638 and $51,440,227 as of March 30, 2024 and December 30, 2023, respectively. For the 13 weeks ended March 30, 2024 and April 1, 2023, we incurred net losses of $1,769,411 and $1,950,512, respectively. On March 30, 2023, we had $14,972 of cash on hand (including restricted cash of $4,618), $4,988,782 in total current assets, $5,789,870 in total current liabilities, and a working capital deficit of $801,088. The Company's ability to continue its operations is dependent upon obtaining new financing for its ongoing operations and on the Company's plans to reduce the inventory level. To manage operating cash flows in the near term, the Company has stopped purchasing new inventory and if available, may enter into cash advance or other financing arrangements. Future financing options available to the Company include equity financings, debt financings or other capital sources, including collaborations with other companies or other strategic transactions to fund existing operations and execute management's growth strategy, and borrowings from related parties, including Ezra Dabah, our Chief Executive Officer and Nina Footwear. Equity financings may include sales of common stock, warrants and/or preferred stock. Such financing may not be available on terms favorable to the Company or at all. The terms of any financing may adversely affect the holdings or rights of the Company's stockholders and may cause significant dilution to existing stockholders. Although management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continued operations, if at all, which would have a material adverse effect on its business, financial condition and results of operations, and it could ultimately be forced to discontinue its operations, seek bankruptcy protection and/or liquidate. These matters, when considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time, which is defined as within one year after the date that the financial statements are issued. The accompanying condensed interim financial statements do not contain any adjustments to reflect the possible future effects on the classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty. The doubt regarding our potential ability to continue as a going concern may adversely affect our ability to obtain new financing on reasonable terms or at all. Additionally, if we are unable to continue as a going concern, our stockholders may lose some or all of their investment in the Company. If we are unable to access additional capital moving forward, it may hurt our ability to grow and to generate future revenue, or may force us to seek bankruptcy protection and any investment in the Company could be lost as part of any bankruptcy proceeding.

There is no guarantee that our common stock will continue to trade on the NASDAQ Capital Market.

Our common stock is currently listed on Nasdaq under the symbol "PIK". There is no guarantee that we will be able to maintain our listing on Nasdaq for any period of time. Among the conditions required for continued listing on Nasdaq, Nasdaq requires us to maintain at least $2.5 million in stockholders' equity, $35 million in market value of listed securities, or $500,000 in net income over the prior two years or two of the prior three years, to have a majority of independent directors (subject to certain "controlled company" exemptions, which we currently have the ability to take advantage of and currently take advantage of), to comply with certain audit committee requirements, and to maintain a stock price over $1.00 per share, which we have not maintained from time to time in the past.

On April 16, 2024, the Company received a letter from The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that its stockholders' equity as reported in its Annual Report on Form 10-K for the period ending December 30, 2023 (the "Form 10-K"), did not meet the minimum stockholders' equity requirement for continued listing on the Nasdaq Capital Market. Nasdaq Listing Rule 5550(b)(1) requires companies listed on the Nasdaq Capital Market to maintain stockholders' equity of at least $2,500,000. In the Company's Form 10-K, the Company reported stockholders' equity of $1,036,834, which is below the minimum stockholders' equity required for continued listing pursuant to Nasdaq Listing Rule 5550(b)(1), and our stockholders' equity as of March 30, 2024, continued to be below $2.5 million. Additionally, as of the date of this Report, the Company does not meet the alternative Nasdaq continued listing standards under Nasdaq Listing Rules.

This notice of noncompliance has had no immediate impact on the continued listing or trading of the Company's common stock on The Nasdaq Capital Market, which will continue to be listed and traded on Nasdaq, subject to the Company's compliance with the other continued listing requirements. Nasdaq has given the Company until May 31, 2024 to submit to Nasdaq a plan to regain compliance. If our plan is accepted, Nasdaq may grant an extension of up to 180 calendar days from the date of Nasdaq's letter to evidence compliance.

The Company expects that it will be in compliance with Nasdaq's minimum stockholders' equity requirement upon the closing of the Merger, which closing is subject to customary closing conditions, including the preparation and mailing of a proxy statement by the Company, and the receipt of required stockholder approvals from the Company and Nina Footwear stockholders, and is expected to close in the third quarter of 2024.

In addition to the Merger Agreement, the Company is currently evaluating various other courses of action to regain compliance, and plans to timely submit its plan to Nasdaq to regain compliance with the minimum stockholders' equity requirement. The Company believes it can regain compliance with Nasdaq's minimum stockholders' equity standard within the compliance period. However, there can be no assurance that the Company's plan will be accepted or that if it is, the Company will be able to regain compliance. If the Company's plan to regain compliance is not accepted, or if it is and the Company does not regain compliance within 180 days from the date of Nasdaq's letter, or if the Company fails to satisfy another Nasdaq requirement for continued listing, Nasdaq could provide notice that the Company's common stock will become subject to delisting. In such event, Nasdaq rules would permit the Company to appeal the decision to reject the Company's proposed compliance plan or any delisting determination to a Nasdaq Hearings Panel.

Our move to a new warehouse space in Texas were costly, resulted in an interruption of our operations, adversely affected sales and could affect customer satisfaction and future warehouse moves could be costly, result in an interruption of our operations and/or affect sales and customer satisfaction.

In March 2024, we moved our warehouse from California to Texas. As a result of such change in warehouse location, all of our California employees resigned and we were forced to hire and train new employees in Texas. As a result of such warehouse move, we were unable to ship products or process returns for the second half of March and the majority of April. The move in warehouse location from California to Texas was costly, used management resources, and significantly affected sales for March and April 2024, which were paused while merchandise was shipped from California to Texas and the Texas warehouse was brought online. Furthermore, we may lose customers who were not satisfied with the long shipping and return terms associated with the move. It will cost us additional money to continue to train new employees, and our new employees may not be as productive as older employees, which may increase expenses and decrease margins.

Future moves, if any may require us to expend additional amounts on expenses, result in an increase in our operating expenses, interruptions in our business activities, and decreased revenues. All of the above has in the past and could in the future, have a material adverse effect on the value of our securities.

Separately, if we are unable to adequately staff our new warehouse and any future warehouse(s) or if the cost of such staffing is higher than historical or projected costs, our margins may be negatively affected. In addition, warehousing comes with potential risks, such as workplace safety issues and employment claims for the failure or alleged failure to comply with labor laws or laws respecting union organizing activities. Any such issues may result in delays in shipping times or packing quality, and our reputation and operating results may be harmed.

Our revenues and margins were significantly negatively affected by the move in our warehouse from California to Texas in March and April 2024, and may be further affected throughout the remainder of 2024 as we ramp our warehouse operations up following the move.

Risks Related to the Transactions Contemplated by the Merger Agreement

The number of shares of common stock issuable pursuant to the Merger Agreement will cause significant dilution to existing stockholders.

Pursuant to the Merger Agreement, upon the Closing of the Merger, the stockholders of Nina Footwear are expected to collectively own approximately 80% of the Company's then outstanding shares of common stock. As a result, the total shares of common stock issuable upon closing of the Merger Agreement will cause significant dilution to existing stockholders. Additionally, the Nina Footwear stockholders will be issued more shares of common stock of the Company if the outstanding shares of common stock of the Company increase prior to Closing. Specifically, for each one share of common stock of the Company issued prior to Closing, the Nina Footwear stockholders will be issued four additional shares of common stock. As a result, if the Company issues any equity compensation, sells any shares in any offerings, or otherwise issues any shares of common stock prior to Closing, the Nina Footwear stockholders will receive additional shares of common stock (compared to the number of shares of common stock due as of the date of this Report), so that they will retain their 80% post-Closing ownership of the Company. Such additional issuances will in turn cause significant dilution to then stockholders of the Company.

The number of shares of common stock that will be issuable in the Merger Agreement are not adjustable based on the market price of the Company's common stock, so the shares issued at the closing may have a greater or lesser value than the market price at the time the Merger Agreement was signed.

The number of shares of common stock issuable at the closing of the Merger Agreement is not fixed, but is also not based on the trading price of the Company's common stock. If the Company issues any shares of common stock prior to the closing of the Merger the number of shares of common stock issuable to the Nina Stockholders pursuant to the Merger will increase proportionally such that at Closing of the Merger the Nina Stockholders will hold 80% of the Company's then outstanding shares of common stock. However, any changes in the market price of the Company's common stock before the closing will not affect the number of shares the Nina Stockholders will be entitled to receive pursuant to the Merger Agreement. Therefore, if before the closing, the market price of the Company's common stock declines from the market price on the date of the Merger, then the Nina Stockholders could receive consideration with a substantially lower value. Similarly, if before the completion of the Merger, the market price of the Company's common stock increases from the market price on the date of the Merger Agreement, then the Nina Stockholders could receive consideration with substantially more value for their shares of Nina Footwear than was the case upon the parties' initial entry into the Merger Agreement, on which last trading day prior to such date, the Company's common stock closed at $4.57 per share. The Merger Agreement does not include a price-based termination right.

The Company's stockholders will have a reduced ownership and voting interest in, and will exercise less influence over the management of, the combined company following the completion of the Merger.

Pursuant to the Merger, following the closing of the Merger, the Nina Stockholders are expected to collectively own 80% of the Company's then outstanding shares of common stock, with the Company's current stockholders holding 20% of the Company's then outstanding shares of common stock. Mr. Dabah and his children own approximately 79.3% of Nina Footwear, and Mr. Dabah and his extended family own 100% of Nina Footwear, and Moshe Dabah (Mr. Dabah's son), is the Vice President, Chief Operating Officer and Chief Technology Officer of the Company, and the Secretary of Nina Footwear. Mr. Dabah and his family will continue to control approximately 76.8% of the combined company's voting shares following the closing of the Merger. Consequently, the Company's stockholders will be able to exercise less influence over the management and policies of the combined company than they currently exercise over the management and policies of the Company, and Mr. Dabah's beneficial ownership of the Company, and therefore control over the Company, will increase significantly as a result of the Merger.

The consummation of the Merger will increase the voting rights of Ezra Dabah, our Chief Executive Officer and Director.

Due to the significant number of shares issuable at the closing of the Merger, the percentage ownership of Mr. Ezra Dabah, will increase his beneficial ownership in the Company from 66.6% as of the date of this Report, to approximately 76.8% as of the closing date of the Merger, and Mr. Dabah will exercise control in determining the outcome of all corporate transactions or other matters, including the election and removal of directors, mergers, consolidations, the sale of all or substantially all of our assets, and also the power to prevent or cause a further change in control. Any investors who purchase shares or hold shares will be minority stockholders and as such will have little to no say in the direction of the Company and the election of directors. Additionally, it will be difficult for investors to remove the directors appointed by Mr. Dabah, which will mean they will remain in control of who serves as officers of the Company as well as whether any changes are made in the board of directors. An owner of the Company's securities should keep in mind that their shares, and their voting of such shares, will likely have little effect on the outcome of corporate decisions.

The Merger Agreement contains provisions that may discourage other companies from trying to combine with us on more favorable terms while the Merger is pending.

The Merger Agreement contains provisions that may discourage a third party from submitting a business combination proposal to us that might result in greater value to our stockholders than the Merger. These provisions include a general prohibition on us from soliciting, or, subject to certain exceptions, entering into discussions with any third party regarding any acquisition proposal or offers for competing transactions.

Failure to complete the acquisition of Nina Footwear could negatively impact our stock price and future business and financial results.

If the acquisition of Nina Footwear is not completed, our ongoing business may be adversely affected and we would be subject to a number of risks, including the following:

- we will not realize the benefits expected from the acquisition of Nina Footwear, including a potentially enhanced competitive and financial position, expansion of assets and operations, and economies of scale, and therefore opportunities, and will instead be subject to all the risks we currently face as an independent company;
- we may experience negative reactions from the financial markets and our partners and employees;
- the Merger Agreement places certain restrictions on the conduct of our business prior to the completion of the acquisition of the Nina Footwear or the termination of the Merger Agreement. Such restrictions, the waiver of which is subject to the consent of the counterparties to such agreement, may prevent us from making certain acquisitions, taking certain other specified actions or otherwise pursuing business opportunities during the pendency of the Merger Agreement; and
- matters relating to the acquisition of Nina Footwear (including integration planning, negotiation of the merger agreement and ancillary agreements, required proxy statements and other disclosures) may require substantial commitments of time and resources by our management, which would otherwise have been devoted to other opportunities that may have been beneficial to us.

We will be subject to business uncertainties and contractual restrictions while the acquisition of Nina Footwear is pending.

Uncertainty about the effect of the acquisition of Nina Footwear on employees and partners may have an adverse effect on us. These uncertainties may impair our ability to attract, retain and motivate key personnel until the acquisition of Nina Footwear is completed, and could cause partners and others that deal with us to seek to change existing business relationships, cease doing business with us or cause potential new partners to delay doing business with us until the acquisition of Nina Footwear has been successfully completed or terminated. Retention of certain employees may be challenging during the pendency of the acquisition of Nina Footwear, as certain employees may experience uncertainty about their future roles or compensation structure. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the business, our business following the acquisition of Nina Footwear could be negatively impacted. In addition, the acquisition of Nina Footwear restricts us from making certain acquisitions and taking other specified actions until the acquisition of Nina Footwear is completed without certain consents and approvals. These restrictions may prevent us from pursuing attractive business opportunities that may arise prior to the completion of the acquisition of Nina Footwear or the termination of the Merger Agreement.

The Merger Agreement may be terminated in accordance with its terms and the acquisition of the Nina Footwear may not be completed.

The Merger Agreement is subject to several conditions that must be fulfilled in order to complete the acquisition of the Nina Footwear and contains certain termination rights, including: (i) the right of either party to terminate the Merger Agreement if (1) the Merger is not consummated by August 31, 2024, subject to certain extension rights, (2) if Kidpik's stockholders fail to adopt and approve the issuance of the Merger shares pursuant to Nasdaq Listing Rule 5635(a), or (3) the other party breaches any representation, warranty, covenant or agreement set forth in the Merger Agreement, the result of which prohibits certain conditions of Closing from occurring; (ii) the right of Kidpik to terminate the Merger Agreement (1) if Nina Footwear's stockholders fail to adopt and approve the Merger, (2) if the Nina Footwear's board of directors changes or withdraws its recommendation in favor of the Merger or recommends to enter into an alternative transaction and (3) if certain financial statements have not been provided by Nina Footwear to Kidpik in accordance with the terms of the Merger Agreement; and (iii) the right of Nina Footwear to terminate the Merger Agreement if the Kidpik board of directors changes or withdraws its recommendation in favor of the Merger or recommends the entry into an alternative transaction. The required conditions to closing may not be fulfilled and/or the Merger Agreement may be terminated pursuant to its terms and accordingly, the acquisition of Nina Footwear may not be completed.

Failure to complete the Merger could negatively impact the Company's stock price and future business and financial results.

If the Merger is not completed, the Company will be subject to several risks, including the following:

- the Company may experience negative reactions from suppliers, vendors, landlords, joint venture partners and other business partners;
- certain amounts for which the Company may be liable under the terms and conditions of the Merger Agreement, including a break-fee of $100,000, plus the required reimbursement of legal expenses of up to $62,500;
- payment for certain costs relating to the Merger, whether or not the Merger is completed, such as legal, accounting, financial advisor and printing fees;
- payment of interest due as a result of any financing required to fund the Merger, and repayment of any loans incurred in raising capital to fund costs incurred in connection with the Merger;
- certain costs relating to the Merger, whether or not the Merger is completed, such as legal, accounting, financial advisor and printing fees;

- negative reactions from the financial markets, including declines in the price of the Company's stock due to the fact that current prices may reflect a market assumption that the Merger will be completed;

- diverted attention of Company management to the Merger rather than to the Company's operations and pursuit of other opportunities that could have been beneficial to it; and

- litigation related to any failure to complete the Merger or related to any enforcement proceeding commenced against the Company to perform its obligations pursuant to the Merger Agreement.

If the Merger is not completed, the risks described above may materialize and they may have a material adverse effect on the Company's results of operations, cash flows, financial position and stock price.

The Company's stockholders may not realize a benefit from the Merger commensurate with the ownership dilution they will experience in connection with the Merger.

If the Company is unable to realize the full strategic and financial benefits anticipated from the Merger, the Company's stockholders will have experienced substantial dilution of their ownership interests without receiving any commensurate benefit, or only receiving part of the commensurate benefit to the extent the combined company is able to realize only part of the strategic and financial benefits currently anticipated from the Purchase.

The Company may fail to realize the anticipated benefits of the Merger.

The success of the Merger will depend on, among other things, the Company's ability to combine the Company and Nina Footwear in a manner that realizes the various benefits, growth opportunities and synergies identified by combining the Company's operations with those of Nina Footwear. Achieving the anticipated benefits of the Merger is subject to a number of risks and uncertainties. It is uncertain whether the Company and Nina Footwear can be integrated in an efficient and effective manner.

In addition, the integration of the operations of the Company and Nina Footwear following the Merger will require the attention of the Company's management and other personnel, which may distract their attention from the Company's day-to-day business and operations and prevent the Company from realizing benefits from other opportunities. Completing the integration process may be more expensive than anticipated, and the Company may be unable to affect the integration of these operations smoothly or efficiently or that the anticipated benefits of the Merger will be achieved.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities

There have been no sales of unregistered securities during the 13 weeks ended March 30, 2024 and from the period from April 1, 2023 to the filing date of this Report, which have not previously been reported in a Current Report on Form 8-K.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information.

(c) Rule 10b5-1 Trading Plans.

Our directors and executive officers may from time to time enter into plans or other arrangements for the purchase or sale of our shares that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or may represent a non-Rule 10b5-1 trading arrangement under the Exchange Act. During the quarter ended March 30, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f)) adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement".

Item 6. Exhibits

The following exhibits are filed herewith or incorporated by reference herein:

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Date	Exhibit	
2.1#£	Agreement and Plan of Merger and Reorganization, dated March 29, 2024, by and among Kidpik Corp., Kidpik Merger Sub, Inc. and Nina Footwear Corp.	8-K	001-41032	4/1/2024	2.1	
3.1	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Kidpik Corp., filed with the Secretary of State of Delaware on March 4, 2024	8-K	001-41032	3/7/2024	3.1	
10.1	Form of Kidpik Corp. Stockholder Representation Agreement	8-K	001-41032	4/1/2024	10.1	
10.2	$346,000 Promissory Note dated April 18, 2024, by Kidpik Corp. in favor of Nina Footwear Corp.	8-K	001-41032	4/19/2024	10.1	X
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a)					X
31.2*	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a)					X
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350					X
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350					X
101.INS	Inline XBRL Instance Document - the Instance Document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set					X

* Filed herewith.

**The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, are not deemed "filed" by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Certain schedules and exhibits have been omitted pursuant to Item 601(b)(2)(ii) of Regulation S-K. A copy of any omitted schedule or Exhibit will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however that Kidpik Corp. may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedule or Exhibit so furnished.

£ Certain personal information which would constitute an unwarranted invasion of personal privacy has been redacted from this exhibit pursuant to Item 601(a)(6) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Kidpik Corp.

Date: May 14, 2024

By: */s/ Ezra Dabah*
Ezra Dabah
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 14, 2024

By: */s/ Jill Pasechnick*
Jill Pasechnick
Chief Accounting Officer
(Principal Financial and Accounting Officer)