



LXR REPORTS FINANCIAL RESULTS FOR Q4 2022 and FY 2022

FY 2022 Total Net Revenue of \$20 Million, up 11% — Q4 2022, down 19%

FY 2022 E-commerce Net Revenue up 15% — Q4 2022, down 24%

E-commerce Penetration 60%

FY 2022 Break-Even Free Cash Flow

Montreal, March 31, 2023 — LXRandCo, Inc. (“LXR” or the “Company”) (TSX: LXR), a North American socially responsible, digital-first omni-channel retailer of authenticated pre-owned handbags and personal accessories, today reported its financial results for the three-month period ended December 31, 2022 (“Q4 2022”) and the twelve-month period ended December 31, 2022 (“FY 2022”).

“Despite a strong first nine months of 2022, which saw total net revenue increase by 27% from the prior comparable period, total net revenue in the fourth quarter experienced the full effects of a weakening economy, which led to a slowing in consumer demand for our products, particularly in Canada, and resulted in our posting a 19% sales decline. This however was offset by strong gross margins, which attained a record level of 44% in Q4 2022, and continued cost containment measures, which allowed us to generate a level of near break-even Free Cash Flow¹. Going into 2023 and given the current economic headwinds observed in the first quarter, we nonetheless expect to continue growing our total net revenue for the year with a focus on managing our costs to achieve near term profitability by year-end.” said Cam di Prata, Chief Executive Officer of the Company.

Provided below are the financial highlights and a discussion of our financial results for Q4 2022 and FY 2022, which are to be read in conjunction with the Company’s consolidated financial statements and the accompanying notes thereto, the Company’s Management’s Discussion and Analysis (“MD&A”) for the period and our most recent Annual Information Form (“AIF”), incorporated by reference herein, and as described from time to time in the reports and disclosure documents filed by the Company with the Canadian securities regulatory agencies and commissions.

Overview of Results for the Three-Month Period Ended December 31, 2022 (“Q4 2022”), compared to the Three-Month Period Ended December 31, 2021 (“Q4 2021”)

Selected financial highlights for the period include the following:

- Total net revenue decreased 18.6% to \$5.2 million as compared to \$6.4 million.
- E-Commerce net revenue decreased 23.5% to \$3.0 million, and e-commerce average order value (“AOV”) increased by 4.3% to \$965 per transaction. E-Commerce net revenue as a proportion of total net revenue (“E-commerce penetration”) increased to 58.0% versus 54.5%.
- Retail net revenue was \$2.2 million as compared to \$2.5 million, a decrease of 10.6%. At year-end, we operated eight stores, as compared to nine stores at the end of Q4 2021.

¹ Free Cash Flow, a non-IFRS measure, is defined as net cash generated from operating activities excluding net cash used in investing activities.

- Gross margin increased to a record level 44.0% as compared to 40.0% due primarily to increased e-commerce activity in the period.
- Selling, general and administrative (“SG&A”) expenses decreased 7.2% to \$2.6 million, or 49.0% of net revenue, as compared to \$2.8 million, or 43.0% of net revenue.
- Adjusted Net Loss (a non-IFRS measure) was \$0.3 million as compared to Adjusted Net Income of \$0.1 million. Q4 2022 Adjusted Net Loss as a percent of total net revenue was (6.1%).
- We generated near break-even Adjusted EBITDA (a non-IFRS measure) as compared to an Adjusted EBITDA profit of \$0.3 million. Q4 2022 Adjusted EBITDA as a percent of total net revenue was (1.0%).
- Cash earnings came in at a loss of \$0.5 million as compared to \$0.2 million.
- Free Cash Flow came in at near break-even levels compared to positive Free Cash Flow of \$1.4 million.
- Cash availability at the end of Q4 2022 totalled \$2.9 million as compared to \$3.7 million at the end of Q4 2021.

Overview of Results for Year Ended December 31, 2022 (“FY 2022”), compared to the Year Ended December 31, 2021 (“FY 2021”)

Despite the slowdown experienced in Q4 2022, FY 2022 revenue performance was higher compared to prior year due primarily to solid revenue growth in our e-commerce channel. This was aided by increased gross margins, a strong U.S. currency and continued cost containment measures, which generated reduced Cash Earnings (a non-IFRS measure) and break-even Free Cash Flow (a non-IFRS measure) for the year.

Selected financial highlights include the following:

- Total net revenue increased 11.0% to \$20.0 million from \$18.0 million.
- E-Commerce net revenue increased 15.0% to \$12.1 million and e-commerce AOV increased 3.3% to \$950 per transaction. E-Commerce penetration increased to 60.7% versus 58.6%.
- Retail net revenue was \$7.9 million as compared to \$7.5 million, an increase of 5.2%.
- Gross margin increased to 38.2% as compared to 37.6%.
- SG&A expenses increased 11.4% to \$9.6 million, in line with the increase in revenue, and was 48.2% of net revenue, as compared to \$8.7 million, or 48.0% of net revenue in FY 2021.
- Adjusted Net Loss (a non-IFRS measure) was \$2.4 million as compared to an Adjusted Net Loss of \$2.3 million.
- Adjusted EBITDA (a non-IFRS measure) remained unchanged and came in at a loss of \$1.4 million.
- Cash earnings came in at a loss of \$0.7 million as compared to a loss of \$1.8 million.
- Free Cash Flow (a non-IFRS measure) was break-even as compared to Free Cash Flow of negative \$3.6 million.

Selected Consolidated Financial Information

The following table summarizes LXR's recent results for the periods indicated:

LXR

Consolidated statements of loss and comprehensive loss

(in Canadian dollars)

	For the three-month periods ended December 31,		For the years ended December 31,	
	2022	2021	2022	2021
Net revenue	5,223,973	6,415,527	20,007,368	18,031,254
Cost of sales	2,924,446	3,847,575	12,368,547	11,253,183
Gross profit	2,299,527	2,567,952	7,638,821	6,778,071
Operating expenses				
Selling, general and administrative expenses	2,560,002	2,759,220	9,651,425	8,662,470
Depreciation of property and equipment	80,435	68,471	311,786	277,506
Amortization of intangible assets	2,034	4,674	12,882	42,482
Loss from operating activities	(342,944)	(264,413)	(2,337,272)	(2,204,389)
Other income and expenses				
Finance costs	172,048	111,286	590,279	542,754
Foreign exchange (gain) loss	211,595	126,740	(1,303,616)	142,172
Loss before income taxes	(726,587)	(502,439)	(1,623,935)	(2,889,315)
Income tax expense (recovery)				
Current	12,944	(9,636)	22,904	8,934
	12,944	(9,636)	22,904	8,934
Net Loss	(739,531)	(492,803)	(1,646,839)	(2,898,249)

The following table provides a reconciliation of Net Profit or Loss to Adjusted Net Income or Adjusted Net Loss and Net Profit or Loss to EBITDA and Adjusted EBITDA for the periods indicated:

	For the three-month periods ended December 31,		For the years ended December 31,	
	2022	2021	2022	2021
<u>Reconciliation of Net Loss to Adjusted Net Loss</u>				
Net Loss	(739,531)	(492,803)	(1,646,839)	(2,898,249)
<u>Adjustments to Net Loss:</u>				
Foreign exchange loss	211,595	126,740	(1,303,616)	142,172
Stock-Based Compensation Expense	210,316	643,057	520,824	748,838
Gain on disposals of property and equipment	—	—	—	(1,250)
Information Technology expense	—	—	62,479	—
Government Grant (CEWS)	—	—	—	(177,361)
Gain on European related balances	—	(163,272)	—	(163,272)
Store closing costs	—	9,508	—	—
Adjusted Net Loss	(317,620)	123,230	(2,367,152)	(2,339,614)
	For the three-month periods ended December 31,		For the years ended December 31,	
	2022	2021	2022	2021
<u>Reconciliation of net Loss to Adjusted EBITDA</u>				
Net Loss	(739,531)	(492,803)	(1,646,839)	(2,898,249)
Add: Amortization and depreciation expense	82,469	73,145	324,668	319,988
Add: Finance costs	172,048	111,286	590,279	542,754
Add: Income tax expense/(recovery)	12,944	(9,636)	22,904	8,934
EBITDA	(472,070)	(318,008)	(708,988)	(2,026,573)
<u>Adjustments to EBITDA:</u>				
Foreign exchange loss	211,595	126,740	(1,303,616)	142,172
Gain on disposals of property and equipment	—	—	—	(1,250)
Information Technology expense	—	—	62,479	—
Loss on disposition of subsidiaries	—	—	—	—
Stock-based compensation expense	210,316	643,057	520,824	748,838
Government Grant (CEWS)	—	—	—	(177,361)
Gain on European-related balances	—	(163,272)	—	(163,272)
Store closing costs	—	9,508	—	9,508
Adjusted EBITDA	(50,159)	298,025	(1,429,301)	(1,467,938)

The following tables provide a reconciliation of Net Profit or Loss to Cash Earnings and Free Cash Flow for the periods indicated:

For the three-month periods ended December 31,			
(\$)	2022	2021	Increase (decrease)
Reconciliation of Net Loss to Cash Earnings and Free Cash Flow			
Net Loss	(739,531)	(492,803)	(246,728)
Non-cash items:			
Depreciation of property and equipment	80,435	68,471	11,964
Amortization of intangible assets	2,034	4,674	(2,640)
Amortization of deferred financing costs	7,202	7,202	-
Stock-based compensation expense	210,316	643,057	(432,741)
Unrealized foreign exchange loss (gain)	(71,931)	987	(72,918)
	228,056	724,391	(496,335)
Cash Earnings	(511,475)	231,588	(743,063)
Net change in non-cash working capital balances ³	500,609	1,221,311	(720,702)
Cash flows (used) generated in operating activities	(10,866)	1,452,899	(1,463,765)
Less: Acquisitions of property and equipment	(2,150)	(4,283)	2,133
Free cash flow	(13,016)	1,448,616	(1,461,632)

For the years ended December 31,			
(\$)	2022	2021	Increase (decrease)
Reconciliation of Net Loss to Cash Earnings and Free Cash Flow			
Net loss	(1,646,839)	(2,898,249)	1,251,410
Non-cash items:			
Depreciation of property and equipment	311,786	277,506	34,280
Amortization of intangible assets	12,882	42,482	(29,600)
Amortization of deferred financing costs	28,575	28,575	0
Stock-based compensation expense	520,824	748,838	228,014
Gain on disposal of property and equipment	-	(1,250)	1,250
Unrealized foreign exchange loss	44,037	11,588	32,449
	918,104	1,107,739	(189,635)
Cash Earnings	(728,735)	(1,790,510)	1,061,775
Net change in non-cash working capital balances ⁴	718,865	(1,762,121)	2,480,986
Cash flows used generated in operating activities	(9,870)	(3,552,631)	3,542,761
Less: Acquisitions of property and equipment	(16,697)	(44,310)	27,613
Free Cash flow	(26,567)	(3,596,941)	3,570,374

³ including unrealized foreign exchange loss of \$122,270 (2021 - \$177,418)

⁴ including unrealized foreign exchange of \$1,277,275 (2021 - loss of \$230,048)

Selected Quarterly Financial Information

The following table summarizes certain of our financial results for the most recently completed eight quarters for which financial statements have been prepared by us as a reporting issuer. This unaudited quarterly information has been prepared in accordance with IFRS. Due to the impact of the COVID-19 pandemic and other factors such as seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the full year.

(\$)	FY 2022				FY 2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Consolidated statements of loss								
Total net revenue	5,223,973	5,006,612	5,481,267	4,295,516	6,415,527	4,987,628	4,026,028	2,602,071
E-commerce revenue	3,028,134	2,669,366	3,268,570	3,149,395	3,958,670	2,506,850	2,522,682	1,572,640
E-commerce revenue % of total net revenue	58.0%	53.9%	59.6%	73.3%	61.7%	50.3%	62.7%	60.4%
Gross margin	44.0%	37.5%	35.5%	35.3%	40.0%	38.4%	35.7%	33.0%
Adjusted Net (Loss) Income	(317,620)	(562,799)	(696,424)	(790,309)	123,230	(367,455)	(1,085,937)	(1,009,452)
Adjusted EBITDA	(50,159)	(317,434)	(486,244)	(575,464)	298,025	(171,149)	(857,764)	(737,010)
Adjusted EBITDA % of total net revenue	(1.0%)	(6.3%)	(8.9%)	(13.4%)	4.6%	(3.4%)	(21.3%)	(28.3%)
Run rate metrics and growth:								
Total net revenue – last 12 months	20,007,368	21,198,922	21,179,938	19,724,699	18,031,254	15,007,540	12,877,630	10,281,886
revenue run-rate								
E-commerce revenue – last 12 months	12,145,465	13,076,001	12,883,485	12,137,597	10,560,842	8,317,976	6,691,499	4,976,771
revenue run-rate								
Free Cash Flow:								
Net loss	(739,531)	370,210	(353,552)	(923,966)	(492,803)	59,223	(1,580,635)	(884,034)
Add: non-cash items	228,056	346,803	354,340	(11,095)	724,391	87,287	390,704	(94,643)
Cash Earnings	(511,475)	717,013	788	(935,061)	231,588	146,510	(1,189,931)	(978,677)
Add: Net change in non-cash working capital ⁵	500,609	470,826	(646,138)	393,568	1,221,311	(2,322,046)	(32,427)	(628,959)
Cash flows provided/(used) in operating activities	(10,866)	1,187,839	(645,350)	(541,493)	1,452,899	(2,175,536)	(1,222,358)	(1,607,636)
Less: acquisitions of property and equipment	(2,150)	(4,050)	(6,062)	(4,435)	(4,283)	(15,436)	(9,998)	(14,593)
Free Cash Flow	(13,016)	1,183,789	(651,412)	(545,928)	1,448,616	(2,190,972)	(1,232,356)	(1,622,229)
Liquidity:								
Cash availability	2,868,350	2,231,325	2,934,437	3,662,768	3,810,767	2,640,169	4,481,560	4,775,470
Working capital	(949,149)	(551,302)	(59,214)	6,833,114	7,052,502	7,083,280	7,033,183	7,133,717
Capitalization:								
Shares outstanding	91,425,499	91,425,499	91,425,499	92,783,155	92,783,155	92,783,155	92,783,155	92,783,155
Closing share price	0.105	0.11	0.11	0.11	0.14	0.10	0.13	0.12
Market capitalization	9,599,677	10,056,805	10,056,805	10,206,147	12,989,642	9,278,316	12,061,810	11,133,979
Add: Total debt	5,252,143	4,645,115	6,619,796	6,526,453	5,999,440	6,272,286	5,758,443	4,814,459
Less: Cash	2,586,237	2,007,396	2,884,427	3,570,681	3,695,677	2,603,395	4,315,918	4,653,792
Enterprise value (EV)	12,265,583	12,694,524	13,792,174	13,161,919	15,293,405	12,947,207	13,504,335	11,294,646
Multiple of EV/Last 12 months revenue	0.61x	0.60x	0.65x	0.67x	0.85x	0.86x	1.05x	1.10x

Subsequent Events

On March 9, 2023, the Company received and accepted a term sheet from its lender to renew the Credit Facilities until May 25, 2025 on substantially the same terms. The closing of the renewal of the new Credit Facilities is expected on May 25, 2023.

On March 30 2023, we completed the sale of 1,235 unsecured convertible debenture units for aggregate gross proceeds of \$1,235,000. Each debenture unit is comprised of (i) one \$1,000 principal amount unsecured convertible debenture and (ii) 700 class B share purchase warrants. The Convertible Debentures, which are not publicly-listed, are convertible at a conversion price of \$0.12 per class B share, bear interest at a rate of 10.0% per annum and have a three-year maturity. Each warrant is exercisable into one class B share at an exercise price of \$0.16 per class B share. These warrants are not publicly-listed and will expire on March 30, 2025.

Effective April 1, 2023, the Company's leadership team will be strengthened with the appointment of Nadine Eap and Laura Swan to the newly-created roles of Co-President & Chief Financial and Administrative Officer and Co-President & Chief Revenue Officer, respectively. The leadership team in 2023, which will still include Valerie Sorbie and Camillo di Prata, as Executive Chair and Chief Executive Officer, respectively, will also include the addition of two new members and will be made up of eight members.

About LXR

LXR is a socially responsible, digital-first omni-channel retailer of authenticated pre-owned handbags and personal accessories. Since 2010, we have been providing consumers with authenticated branded luxury products from Hermès, Louis Vuitton, Gucci, Prada and Chanel, among other high-quality brands, by promoting their reuse and providing an environmentally responsible way for consumers to purchase luxury products. We achieve this through our digital-first strategy by selling directly to consumers through our website at www.lxrco.com and indirectly by powering the e-commerce and other platforms of key channel partners. Our omni-channel model is also supported by retail "shop-in-shop" experience centers and by wholesale activities with select retail partners across North America.

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Non-IFRS Measures

This press release refers to certain non-IFRS measures. These measures are not recognized under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of LXR's performance and results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of LXR's financial information reported under IFRS. Management uses non-IFRS measures including: "EBITDA," "Adjusted EBITDA," "Adjusted Net Loss", "Cash Earnings", "Free Cash Flow", "LTM Total Net Revenue", "LTM E-commerce Net Revenue" and "Inventory Turns".

These non-IFRS measures are used to provide investors with supplemental measures of LXR's operating performance and thus highlight trends in LXR's core business that may not otherwise be apparent when relying solely on IFRS measures. Management believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of company performance. Management also uses non-IFRS measures to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. For a definition of EBITDA, Adjusted EBITDA, and Adjusted Net Loss, Cash Earnings, Free Cash Flow, and a reconciliation of these non-IFRS measures to IFRS measures, see the above tables presented.

Caution Regarding Forward-Looking Statements

Certain statements in this press release are prospective in nature and constitute forward-looking information or forward-looking statements within the meaning of applicable securities laws (collectively, "**forward-looking statements**"). Forward-looking statements include, but are not limited to, statements concerning the financial results and condition of the Company, expectations regarding market trends, overall market growth rates and the Company's growth rates, future objectives and strategies to achieve those objectives, including, without limitation, e-commerce growth and penetration, the state of wholesale demand, new store openings, store productivity, margin improvements, and future acquisitions, as well as other statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, outlook, circumstances, performance or expectations that are not historical facts.

Forward-looking statements generally, but not always, can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "could", "would", "will", "expect", "intend", "estimate", "forecasts", "project", "seek", "anticipate", "believes", "should", "plans", "continue" or similar expressions suggesting future outcomes or events and the negative of any of these terms.

Forward-looking statements reflect management's current beliefs, expectations and assumptions and are based on information currently available to management, which includes assumptions about continued revenues based on historical past performance, management's historical experience, perception of trends and current business conditions, expected future developments and other factors which management considers appropriate. With respect to the forward-looking statements included in this press release, management has made certain assumptions with respect to, among other things, the Company's ability to renew successfully the line of credit and the long-term debt facilities, the Company's ability to meet its future objectives and strategies, the Company's ability to achieve its future projects and plans and that such projects and plans will proceed as anticipated, the expected growth of the Company's e-commerce revenue, the expected number and timing of store openings or closings in North America, entering into new or expanded retail partnerships in North America, the ability of the Company to continue to expand its wholesale activities, the Company's ability to source products, the Company's competitive position in the pre-owned luxury industry, and beliefs and intentions regarding the ownership of material trademarks and domain names used in connection with the marketing, distribution and sale of the Company's products as well as assumptions concerning general economic activity and market growth rates, currency exchange and interest rates and competitive intensity.

Given the recent rise in global interest rates and inflationary expectations, our results in the future may be materially affected by the overall state of economic growth, customer demand and spending (including the impact of recessionary fears), the level of inflation, interest rates, regional labor market and global supply chain constraints, world events, the rate of growth of online commerce, and cloud services, and various other related factors.

Generally, and especially given this unprecedented period of uncertainty brought about by the geo-political events or acts of terrorism (such as the military conflict between Russia and Ukraine and the political tensions arising from such conflict between Russia, the United States and countries in Europe and elsewhere), readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes, or results anticipated or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include, but are not limited to, those factors described under the headings “Risk Factors” and “Management’s Discussion and Analysis of LXR – Risk Factors” in LXR’s annual information form (the “Annual Information Form”), and as described from time to time in the reports and disclosure documents filed by the Company with the Canadian securities regulatory agencies and commissions. Such list of risk factors is not exhaustive of the factors that may impact the forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on any of the forward-looking statements in this press release. As a result of the foregoing and other factors, there can be no assurance that actual results will be consistent with these forward-looking statements.

All forward-looking statements included in and incorporated into this press release are qualified by these cautionary statements. Unless otherwise indicated, the forward-looking statements contained herein are made as of the date of this press release, and except as required by applicable law, the Company does not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.