



Xcel Brands, Inc. Announces First Quarter 2022 Results

May 23, 2022

- **First quarter revenues of \$8.7 million, up 12% from the first quarter of 2021, and up 8% from the fourth quarter of 2021**
- **First quarter net loss of \$3.5 million, or (\$0.18) per share, on a GAAP basis**
- **Net loss of \$1.9 million, or (\$0.10) per share, on a non-GAAP basis**
- **Management expects continued growth across all business segments and a return to profitability in 2022**

NEW YORK, May 23, 2022 (GLOBE NEWSWIRE) -- Xcel Brands, Inc. (NASDAQ: XELB) ("Xcel" or the "Company"), a media and consumer products company with significant expertise in livestream shopping, today announced its financial results for the first quarter ended March 31, 2022.

Robert W. D'Loren, Chairman and CEO of Xcel stated, "We are pleased with our first quarter top-line growth across our brands and operating divisions. Despite current economic and retail trends, we expect sales in our wholesale and direct-to-consumer businesses to continue to grow and we believe that these sales will return the Company to profitability in 2022."

First Quarter 2022 Financial Results

Total revenue was \$8.7 million, an increase of \$0.9 million or 12% compared to the prior year quarter, primarily driven by revenues related to the Lori Goldstein Brand.

Net loss attributable to Xcel Brands was approximately \$3.5 million, or (\$0.18) per share, compared with a net loss of \$2.5 million, or (\$0.13) per share, for the prior year quarter. After adjusting for certain cash and non-cash items, results on a non-GAAP basis were a net loss of approximately \$1.9 million, or (\$0.10) per share for the quarter ended March 31, 2022, and a net loss of approximately \$1.5 million, or \$(0.08) per share, for the quarter ended March 31, 2021. Adjusted EBITDA was negative \$0.9 million for both the current quarter and the prior year quarter.

See reconciliation tables below for non-GAAP metrics. These non-GAAP metrics may be inconsistent with similar measures presented by other companies and should only be used in conjunction with our results reported according to U.S. generally accepted accounting principles. Any financial measure other than those prepared in accordance with GAAP should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.

The Company's balance sheet at March 31, 2022, reflected stockholders' equity of approximately \$71 million, cash and cash equivalents of approximately \$3.1 million, and working capital, exclusive of the current portion of lease obligations, of approximately \$5.2 million.

Conference Call and Webcast

The Company will host a conference call with members of the executive management team to discuss these results with additional comments and details at 4:30 p.m. Eastern Time on May 23, 2022. A webcast of the conference call will be available live on the Investor Relations section of Xcel's website at www.xcelbrands.com. Interested parties unable to access the conference call via the webcast may dial 877-407-3982. A replay of the conference call will be available until June 6, 2022 and can be accessed at 844-512-2921 using the replay pin number 13730049.

About Xcel Brands

Xcel Brands, Inc. (NASDAQ:XELB) is a media and consumer products company engaged in the design, production, marketing, livestreaming, wholesale distribution, and direct-to-consumer sales of branded apparel, footwear, accessories, fine jewelry, home goods and other consumer products, and the acquisition of dynamic consumer lifestyle brands. Xcel was founded in 2011 with a vision to reimagine shopping, entertainment, and social media as one thing. Xcel owns the Isaac Mizrahi, Judith Ripka, Halston, LOGO by Lori Goldstein, and C. Wonder brands, and it owns and manages the Longaberger brand through its controlling interest in Longaberger Licensing LLC, pioneering a true omni-channel sales strategy which includes the promotion and sale of products under its brands through interactive television, digital live-stream shopping, brick-and-mortar retail, and e-commerce channels. The company's brands have generated in excess of \$3 billion in retail sales via live streaming in interactive television and digital channels alone. Headquartered in New York City, Xcel Brands is led by an executive team with significant livestreaming, production, merchandising, design, marketing, retailing, and licensing experience, and a proven track record of success in elevating branded consumer products companies. With an experienced team of professionals focused on design, production, and digital marketing, Xcel maintains control of product quality and promotion across all of its product categories and distribution channels. Xcel differentiates by design. www.xcelbrands.com

Forward Looking Statements

This press release contains forward-looking statements. All statements other than statements of historical fact contained in this press release, including statements regarding future events, our future financial performance, business strategy and plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "ongoing," "could," "estimates," "expects," "intends," "may," "appears," "suggests," "future," "likely," "goal," "plans," "potential," "projects," "predicts," "seeks," "should," "would," "guidance," "confident" or "will" or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements regarding our anticipated revenue, expenses, profitability, strategic plans and capital needs. These statements are based on information available to us on the date hereof and our current expectations, estimates and projections and are not guarantees of future performance. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors, including, without limitation, the risks discussed in the "Risk Factors" section and elsewhere in the Company's Annual Report on form 10-K for the year ended December 31, 2021 and its other filings with the SEC, which may cause our or our industry's actual results,

levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements. You should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

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Xcel Brands, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)

	For the Three Months Ended	
	March 31,	
	2022	2021
Revenues		
Net licensing revenue	\$ 5,961	\$ 4,307
Net sales	2,786	3,502
Net revenue	8,747	7,809
Cost of goods sold	1,680	1,835
Gross profit	7,067	5,974
Operating costs and expenses		
Salaries, benefits and employment taxes	4,853	4,052
Other selling, general and administrative expenses	3,392	3,038
Stock-based compensation	32	160
Depreciation and amortization	1,820	1,210
Total operating costs and expenses	10,097	8,460
Operating loss	(3,030)	(2,486)
Interest and finance expense		
Interest expense - term loan debt	708	276
Other interest and finance charges (income), net	1	4
Total interest and finance expense	709	280
Loss before income taxes	(3,739)	(2,766)
Income tax benefit	-	(138)
Net loss	(3,739)	(2,628)
Less: Net loss attributable to noncontrolling interest	(252)	(81)
Net loss attributable to Xcel Brands, Inc. stockholders	\$ (3,487)	\$ (2,547)
Loss per share attributed to Xcel Brands, Inc. common stockholders:		
Basic and diluted net loss per share	\$ (0.18)	\$ (0.13)
Weighted average number of common shares outstanding:		
Basic and diluted weighted average common shares outstanding	19,571,119	19,261,436

Xcel Brands, Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	March 31, 2022	December 31, 2021
	(Unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,063	\$ 4,483
Accounts receivable, net	8,676	7,640
Inventory	3,941	3,375
Prepaid expenses and other current assets	1,480	1,681
Total current assets	17,160	17,179
Non-Current Assets:		
Property and equipment, net	2,293	2,549
Operating lease right-of-use assets	6,097	6,314
Trademarks and other intangibles, net	96,775	98,304
Restricted cash	608	739
Deferred tax assets, net	141	141
Other assets	635	555
Total non-current assets	106,549	108,602
Total Assets	\$ 123,709	\$ 125,781
Liabilities and Equity		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 7,855	\$ 6,233
Accrued payroll	1,563	577
Current portion of operating lease obligations	1,045	1,207
Current portion of long-term debt	2,500	2,500
Total current liabilities	12,963	10,517
Long-Term Liabilities:		
Long-term portion of operating lease obligations	6,963	7,252
Long-term debt, less current portion	24,998	25,531
Contingent obligations	7,539	7,539
Other long-term liabilities	13	0
Total long-term liabilities	39,513	40,322
Total Liabilities	52,476	50,839
Commitments and Contingencies		
Equity:		
Preferred stock, \$.001 par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$.001 par value, 50,000,000 shares authorized, and 19,571,119 shares issued and outstanding at March 31, 2022 and December 31, 2021.	20	20
Paid-in capital	103,069	103,039
Accumulated deficit	(32,266)	(28,779)
Total Xcel Brands, Inc. stockholders' equity	70,823	74,280
Noncontrolling interest	410	662
Total Equity	71,233	74,942
Total Liabilities and Equity	\$ 123,709	\$ 125,781

Xcel Brands, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

For the Three Months Ended

	March 31,	
	2022	2021
Cash flows from operating activities		
Net loss	\$ (3,739)	\$ (2,628)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	1,820	1,210
Amortization of deferred finance costs included in interest expense	91	20
Stock-based compensation	32	160
Allowance for doubtful accounts	-	132
Deferred income tax benefit	-	(138)
Changes in operating assets and liabilities:		
Accounts receivable	(1,036)	(377)
Inventory	(566)	(1,569)
Prepaid expenses and other assets	15	(222)
Accounts payable, accrued expenses and other current liabilities	2,620	1,819
Cash paid in excess of rent expense	(128)	(100)
Net cash used in by operating activities	(891)	(1,693)
Cash flows from investing activities		
Purchase of property and equipment	(35)	(295)
Net cash used in investing activities	(35)	(295)
Cash flows from financing activities		
Proceeds from long-term debt	(625)	-
Net cash used in financing activities	(625)	-
Net (decrease) increase in cash, cash equivalents, and restricted cash	(1,551)	(1,988)
Cash, cash equivalents, and restricted cash at beginning of period	5,222	6,066
Cash, cash equivalents, and restricted cash at end of period	\$ 3,671	\$ 4,078
Reconciliation to amounts on consolidated balance sheets:		
Cash and cash equivalents	3,063	\$ 2,969
Restricted cash	608	1,109
Total cash, cash equivalents, and restricted cash	\$ 3,671	\$ 4,078
Supplemental disclosure of non-cash activities:		
Liability for equity-based bonuses	\$ 2	\$ (9)
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 623	\$ 236
Cash paid during the period for income taxes	\$ -	\$ 15

(\$ in thousands)	Three Months Ended	
	March 31,	March 31,
	2022	2021
	(Unaudited)	(Unaudited)
Net loss attributable to Xcel Brands, Inc. stockholders	\$ (3,487)	(2,547)
Amortization of trademarks	1,514	876
Stock-based compensation	32	160
Certain adjustments to provision for doubtful accounts	-	132
Deferred income tax benefit	-	(138)
Non-GAAP net loss	\$ (1,941)	\$ (1,517)

Three Months Ended
March 31, March 31,

	<u>2022</u>	<u>2021</u>
	(Unaudited)	(Unaudited)
Diluted loss per share	\$ (0.18)	\$ (0.13)
Amortization of trademarks	0.08	0.04
Stock-based compensation	0.00	0.01
Certain adjustments to provision for doubtful accounts	-	0.01
Deferred income tax benefit	-	(0.01)
Non-GAAP diluted EPS	\$ (0.10)	\$ (0.08)
Non-GAAP weighted average diluted shares	19,571,119	19,261,436

(\$ in thousands)	Three Months Ended	
	March 31,	March 31,
	<u>2022</u>	<u>2021</u>
	(Unaudited)	(Unaudited)
Net loss attributable to Xcel Brands, Inc. stockholders	\$ (3,487)	\$ (2,547)
Depreciation and amortization	1,820	1,210
Interest and finance expense	709	280
Income tax (benefit) provision	-	(138)
State and local franchise taxes	36	39
Stock-based compensation	32	160
Certain adjustments to provision for doubtful accounts	-	132
Adjusted EBITDA	\$ (890)	\$ (864)

Non-GAAP net income and non-GAAP diluted EPS are non-GAAP unaudited terms. We define non-GAAP net income as net income (loss) attributable to Xcel Brands, Inc. stockholders, exclusive of amortization of trademarks, stock-based compensation, certain adjustments to the provision for doubtful accounts related to the bankruptcy of and economic impact on certain retail customers due to the COVID-19 pandemic and deferred income taxes. Non-GAAP net income and non-GAAP diluted EPS measures do not include the tax effect of the aforementioned adjusting items, due to the nature of these items and the Company's tax strategy.

Adjusted EBITDA is a non-GAAP unaudited measure, which we define as net income (loss) attributable to Xcel Brands, Inc. stockholders, before depreciation and amortization, interest and finance expenses (including loss on extinguishment of debt, if any), income taxes, other state and local franchise taxes and stock-based compensation.

Management uses non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA as measures of operating performance to assist in comparing performance from period to period on a consistent basis and to identify business trends relating to our results of operations. Management believes non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA are also useful because these measures adjust for certain costs and other events that management believes are not representative of our core business operating results, and thus these non-GAAP measures provide supplemental information to assist investors in evaluating our financial results. Adjusted EBITDA is the measure used to calculate compliance with the EBITDA covenant under our term loan agreement.

Non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA should not be considered in isolation or as alternatives to net income, earnings per share, or any other measure of financial performance calculated and presented in accordance with GAAP. Given that non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA are financial measures not deemed to be in accordance with GAAP and are susceptible to varying calculations, our non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA may not be comparable to similarly titled measures of other companies, including companies in our industry, because other companies may calculate these measures in a different manner than we do. In evaluating non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA, you should be aware that in the future we may or may not incur expenses similar to some of the adjustments in this document. Our presentation of non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA does not imply that our future results will be unaffected by these expenses or any unusual or non-recurring items. When evaluating our performance, you should consider non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA alongside other financial performance measures, including our net income and other GAAP results, and not rely on any single financial measure.



Source: Xcel Brands, Inc