



Xcel Brands, Inc. Announces First Quarter 2023 Results

May 18, 2023

- **Company announces completion of its strategic transformation plan to shift its business model from a wholesale/production model to a modern, asset-light and highly profitable media and consumer products business model, resulting in approximately \$13 million in annual cost savings.**
- **Company announces major new Halston licensing agreement, which will provide upfront cash payment in the second quarter 2023, and future guaranteed minimum royalties and significant minimum net sale requirements.**
- **Revenues for the quarter ended March 31, 2023, were \$6.1 million, up from \$4.1 million in the immediately-preceding quarter ended December 31, 2022.**

NEW YORK, May 18, 2023 (GLOBE NEWSWIRE) -- Xcel Brands, Inc. (NASDAQ: XELB) ("Xcel" or the "Company"), a media and consumer products company with over \$4 billion in retail sales generated by its brands through livestreaming alone and over 10,000 hours of show programming time, today announced its financial results for the first quarter ended March 31, 2023. The Company also provided updates on its strategic transformation efforts to date.

Robert W. D'Loren, Chairman and Chief Executive Officer of Xcel commented, "During the first quarter of 2023 and subsequent months, we have made significant progress toward our efforts to transform the Company into a modern, working capital asset-light, and highly profitable media and consumer products business. In addition to the new licensing agreements that were announced in April, we recently signed a new master licensing agreement for the Halston Brand, which provides us with both immediate additional liquidity today and a tremendous opportunity to grow the brand in the future. At the same time, we have already started to realize benefits from cost savings, and expect those to be fully realized by the third quarter of this year, resulting in total savings of \$13 million on an annualized basis. Based on our progress to date, we expect to achieve positive monthly EBITDA by the end of 2023 and beyond."

Strategic Transformation

In the first quarter of 2023, Xcel began to restructure its business operations by entering into new licensing agreements with best-in-class business partners. The Company entered into a new interactive television licensing agreement with America's Collectibles Network, Inc. d/b/a JTV ("JTV") for the Ripka Brand, and a separate license with JTV for the Ripka Brand's e-commerce business.

In conjunction with the successful launch of the C Wonder Brand on HSN in March, Xcel licensed the wholesale production operations related to the brand to One Jeanswear Group, LLC ("OJG"). This new license with OJG also includes other new celebrity brands that Xcel plans to launch in 2023 and beyond, for distribution through interactive television and Xcel's livestreaming and social commerce platforms. OJG currently produces all apparel for Xcel's LOGO by Lori Goldstein Brand.

For its Halston Brand, Xcel entered into a new master licensing agreement, which resulted in an up-front advance payment in May 2023. This agreement has a term of twenty five years (consisting of an initial 5-year period, followed by a twenty year period), contains minimum net sales requirements that increase throughout the term, and provides for future guaranteed minimum royalties.

The Company expects the transition of its operating businesses to be completed by the end of the second quarter of 2023.

First Quarter 2023 Financial Results

Total revenue was \$6.1 million, a decrease of \$2.7 million or 31% compared with the prior year quarter, primarily driven by lower licensing revenue as a result of the sale of the Isaac Mizrahi brand in the second quarter of 2022, partially offset by higher product revenues as the result of the sale of our C Wonder apparel inventory to HSN as part of the restructuring and transformation of our business operating model.

Net loss attributable to Xcel Brands was approximately \$5.6 million, or \$(0.29) per basic and diluted share, compared with a net loss of \$3.5 million, or \$(0.18) per basic and diluted 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 \$3.6 million, or \$(0.18) per share for the quarter ended March 31, 2023, and a net loss of approximately \$1.9 million, or \$(0.10) per share, for the quarter ended March 31, 2023. Adjusted EBITDA was negative \$3.2 million for the current quarter and negative \$0.9 million for the prior year quarter.

Balance Sheet

The Company's balance sheet at March 31, 2023 reflected stockholders' equity of approximately \$64 million, cash and working capital of approximately \$5 million, exclusive of the current portion of lease obligations.

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 5:00 p.m. Eastern Time on May 18, 2023. A webcast of the conference call will be available live on the Investor Relations section of Xcel's website at www.xcelbrands.com or directly at <https://edge.media-server.com/mmc/p/c4ktea4d>. Interested parties unable to access the conference call via the webcast may dial 800-715-9871 or 646-307-1963 and use the passcode 9807764. A replay of the webcast will be available on Xcel's website.

About Xcel Brands

Xcel Brands, Inc. (NASDAQ:XELB) is a media and consumer products company engaged in the design, production, marketing, live streaming, 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 Judith Ripka, Halston, LOGO by Lori Goldstein, and C. Wonder brands and a minority stake in the Isaac Mizrahi brand. It also owns and manages the Longaberger brand and the Q Optix brand through its controlling interests in Longaberger Licensing LLC and Q Optix, LLC. Xcel is pioneering a true modern consumer products 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 to be everywhere its customers shop. The company's brands have generated in excess of \$4 billion in retail sales via livestreaming in interactive television and digital channels alone. Headquartered in New York City, Xcel Brands is led by an executive team with significant live streaming, 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, livestreaming 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, 2022 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.

For further information please contact:

Andrew Berger
SM Berger & Company, Inc.
216-464-6400
andrew@smberger.com

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,	
	2023	2022
Revenues		
Net licensing revenue	\$ 2,222	\$ 5,961
Net sales	3,828	2,786
Net revenue	6,050	8,747
Cost of goods sold	2,693	1,680
Gross profit	3,357	7,067
Operating costs and expenses		
Salaries, benefits and employment taxes	3,465	4,861
Other selling, general and administrative expenses	3,493	3,416
Total operating costs and expenses	6,958	8,277
Operating loss before other expenses, including non-cash expenses	(3,601)	(1,210)
Other expense, including non-cash expenses		
Depreciation and amortization	1,797	1,820
Loss from equity method investment	515	-
Other expense, including non-cash expenses	2,312	1,820

Operating loss	(5,913)	(3,030)
Interest and finance expense		
Interest expense - term loan debt	-	708
Other interest and finance charges (income), net	25	1
Total interest and finance expense	25	709
Loss before income taxes	(5,938)	(3,739)
Income tax benefit	-	-
Net loss	(5,938)	(3,739)
Less: Net loss attributable to noncontrolling interest	(295)	(252)
Net loss attributable to Xcel Brands, Inc. stockholders	\$ (5,643)	\$ (3,487)
Loss per share attributed to Xcel Brands, Inc. common stockholders:		
Basic and diluted net loss per share	\$ (0.29)	\$ (0.18)
Weighted average number of common shares outstanding:		
Basic and diluted weighted average common shares outstanding	19,633,194	19,571,119

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
	(Unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,612	\$ 4,608
Accounts receivable, net	5,969	5,110
Inventory	3,099	2,845
Prepaid expenses and other current assets	1,032	1,457
Total current assets	11,712	14,020
Non-Current Assets:		
Property and equipment, net	1,237	1,418
Operating lease right-of-use assets	5,185	5,420
Trademarks and other intangibles, net	46,130	47,665
Equity method investment	18,680	19,195
Deferred tax assets, net	1,107	1,107
Other assets	110	110
Total non-current assets	72,449	74,915
Total Assets	\$ 84,161	\$ 88,935
Liabilities and Equity		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 5,549	\$ 3,958
Accrued income taxes payable	555	568
Accrued payroll	477	416
Current portion of operating lease obligations	1,395	1,376
Current portion of contingent obligations	-	243
Total current liabilities	7,976	6,561
Long-Term Liabilities:		
Long-term portion of operating lease obligations	5,531	5,839
Contingent obligations	6,396	6,396
Total long-term liabilities	11,927	12,235
Total Liabilities	19,903	18,796
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	103,649	103,592
Accumulated deficit	(38,440)	(32,797)
Total Xcel Brands, Inc. stockholders' equity	65,229	70,815
Noncontrolling interest	(971)	(676)
Total Equity	64,258	70,139
Total Liabilities and Equity	\$ 84,161	\$ 88,935

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

	For the Three Months Ended	
	March 31,	
	2023	2022
Cash flows from operating activities		
Net loss	\$ (5,938)	\$ (3,739)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	1,797	1,820
Amortization of deferred finance costs	-	91
Stock-based compensation	57	32
Proportional share of trademark amortization of equity method investee	515	
Deferred income tax benefit	-	-
Changes in operating assets and liabilities:		
Accounts receivable	(859)	(1,036)
Inventory	(254)	(566)
Prepaid expenses and other assets	425	15
Accounts payable, accrued expenses and other current liabilities	1,396	2,620
Cash paid in excess of rent expense	(54)	(128)
Net cash used in by operating activities	(2,915)	(891)
Cash flows from investing activities		
Purchase of property and equipment	(81)	(35)
Net cash used in investing activities	(81)	(35)
Cash flows from financing activities		
Proceeds from long-term debt	-	(625)
Net cash used in financing activities	-	(625)
Net decrease in cash, cash equivalents, and restricted cash	(2,996)	(1,551)
Cash, cash equivalents, and restricted cash at beginning of period	4,608	5,222
Cash, cash equivalents, and restricted cash at end of period	\$ 1,612	\$ 3,671
Reconciliation to amounts on consolidated balance sheets:		
Cash and cash equivalents	\$ 1,612	\$ 3,063
Restricted cash	-	608
Total cash, cash equivalents, and restricted cash	\$ 1,612	\$ 3,671
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ -	\$ 623
Cash paid during the period for income taxes	\$ 16	\$ -

Non-GAAP net (loss) income and non-GAAP diluted EPS are non-GAAP unaudited terms. We define non-GAAP net income as net (loss) income attributable to Xcel Brands, Inc. stockholders, exclusive of amortization of trademarks, our proportional share of trademark amortization of equity method investees, stock-based compensation, loss on extinguishment of debt, gain on sales of assets, gain on reduction of contingent obligations, costs (recoveries) in connection with potential acquisitions, 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, asset impairments, and 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 (loss) income attributable to Xcel Brands, Inc. stockholders before depreciation and amortization, our proportional share of trademark amortization of equity method investees, interest and finance expenses (including loss on extinguishment of debt, if any), income taxes, other state and local franchise taxes, stock-based compensation, gains on reduction of contingent obligations, gains on sale of assets, costs (recoveries) in connection with potential acquisitions, asset impairments, and 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.

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.

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.

(\$ in thousands)	Three Months Ended	
	March 31,	March 31,
	2023	2022
	(Unaudited)	(Unaudited)
Net loss attributable to Xcel Brands, Inc. stockholders	\$ (5,643)	\$ (3,487)
Amortization of trademarks	1,520	1,514
Proportional share of trademark amortization of equity method investee	515	
Stock-based compensation	57	32
Deferred income tax benefit	-	
Non-GAAP net loss	\$ (3,551)	\$ (1,941)

	Three Months Ended	
	March 31,	March 31,
	2023	2022
	(Unaudited)	(Unaudited)
Diluted loss per share	\$ (0.29)	\$ (0.18)
Amortization of trademarks	0.08	0.08
Proportional share of trademark amortization of equity method investee	0.03	-
Stock-based compensation	0.00	
Certain adjustments to provision for doubtful accounts	-	
Deferred income tax benefit	-	
Non-GAAP diluted EPS	\$ (0.18)	\$ (0.10)
Non-GAAP weighted average diluted shares	19,633,194	19,571,119

(\$ in thousands)	Three Months Ended	
	March 31,	March 31,
	2023	2022
	(Unaudited)	(Unaudited)
Net loss attributable to Xcel Brands, Inc. stockholders	\$ (5,643)	\$ (3,487)
Depreciation and amortization	1,797	1,820
Proportional share of trademark amortization of equity method investee	515	-
Interest and finance expense	25	709
State and local franchise taxes	21	36

Stock-based compensation
Adjusted EBITDA

	<u>57</u>		<u>32</u>
	\$ (3,228)		\$ (890)



Source: Xcel Brands, Inc