Xcel Brands, Inc. Announces Third Quarter 2023 Results

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- ***Entered into licensing agreements for the Company's Longaberger eCommerce business and made in the US baskets in November 2023, thereby completing the previously disclosed restructuring plan to exit all operating businesses.***
- ***Licensing revenues of $2.6 million for the quarter, an increase of $0.2 million as compared to the quarter ended June 30, 2023.***
- ***GAAP net loss of $5.1 million for the quarter, compared with GAAP net loss of $4.0 million in the prior year quarter.***
- ***Adjusted EBITDA of ($1.4) million for the quarter, compared with Adjusted EBITDA of ($2.9) million for the prior year quarter.***

NEW YORK, Nov. 20, 2023 (GLOBE NEWSWIRE) -- Xcel Brands, Inc. (NASDAQ: XELB) ("Xcel" or the "Company"), a media and consumer products company with significant expertise in livestream shopping and social commerce, today announced its financial results for the quarter ended September 30, 2023.

Robert W. D'Loren, Chairman and Chief Executive Officer of Xcel commented, "Throughout 2023, we have focused on restructuring our business, reducing operating costs, and strengthening our balance sheet, and I am encouraged by the progress we are making. The November 2023 licensing agreements for our Longaberger business completes our restructuring efforts, which has transformed Xcel Brands into a working capital light and highly profitable company that is focused on high-touch licensing, livestream shopping, and social commerce growth strategies."

Mr. D'Loren continued, "Our third quarter adjusted EBITDA was lower than expected as a result of soft sales in our Interactive TV business primarily driven by talent scheduling conflicts as QVC transitions post-COVID from remote shows to 100% in-studio shows. However, we expect overall licensing revenue to grow sequentially in the fourth quarter and beyond as recently signed agreements with G-III for our Halston Brand, and JTV for our Judith Ripka Brand start to contribute to our results."

"We also remain on track to launch our livestream and social commerce platform during the 2023 fourth quarter. This powerful platform is an exciting opportunity with strong growth potential for the Company, and we are looking forward to being able to share more details about the launch in the coming weeks. While the overall retail environment remains extremely fluid, I am pleased with the progress we are making and the opportunities we are pursuing to drive long-term shareholder value," concluded Mr. D'Loren.

Third Quarter 2023 Financial Results

Net revenue for the third quarter of 2023 was $2.6 million, representing a decrease of approximately $1.9 million (-41%) from the third quarter of 2022. The year-over-year revenue decline in the third quarter of 2023 was driven by a $2.1 million decrease in net sales, attributable to the exit from the wholesale apparel and fine jewelry sales operations earlier this year as part of our restructuring plan.

Net loss attributable to Xcel Brands for the quarter was approximately $5.1 million, or ($0.26) per share, compared with a net loss of $4.0 million, or ($0.21) per diluted share, for the prior year quarter. The operating loss for the current quarter was approximately $5.4 million, compared with $6.0 million, loss 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 $3.0 million, or ($0.15) per share for the quarter ended September 30, 2023, and a net loss of approximately $3.3 million, or ($0.17) per share, for the prior year quarter.

Adjusted EBITDA improved significantly on a year-over-year basis to negative $1.4 million for the current quarter as compared with negative $2.9 million for the prior year quarter, primarily as a result of the restructuring of our business and entry into the new long-term license agreements for our Halston, Judith Ripka, and C Wonder brands.

Nine Month 2023 Financial Results

Net revenue for the current nine-month period was $15.5 million, representing a decrease of approximately $6.2 (29%) million from the prior year comparable period. The year-over-year revenue decline from the prior nine-month period was driven by a $6.3 million decrease in licensing revenue, primarily attributable to the sale of a majority interest in the Isaac Mizrahi brand in May 2022.

Net loss attributable to Xcel Brands for the current nine-month period was approximately $14.3 million, or ($0.72) per share, compared with net income of $2.0 million, or $0.10 per diluted share, for the prior year nine months, which included a $20.6 million gain on the sale of a majority interest in the Isaac Mizrahi brand.

After adjusting for certain cash and non-cash items, results on a non-GAAP basis were a net loss of approximately $8.7 million, or $(0.44) per share for the nine months ended September 30, 2023, compared with a net loss of approximately $8.8 million, or $(0.45) per share, for the nine months ended September 30, 2022.

Adjusted EBITDA was negative $4.6 million for the current year nine months, as compared with negative $6.6 million for the prior year comparable

period, an improvement of $2.0 million or approximately 31%.

Balance Sheet

The Company's balance sheet at September 30, 2023, reflected stockholders' equity of approximately $55 million, cash and cash equivalents of approximately $2.2 million, and working capital, exclusive of the current portion of lease obligations, of approximately $2.9 million.

The Company did not have any short-term or long-term debt as of September 30, 2023.

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 November 20, 2023. 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 800-715-9871 or 646-307-1963 and use the conference ID 8167522. 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, and social commerce 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 through its controlling interest in Longaberger Licensing 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, social commerce, 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, and over 20,000 hours of live-stream and social commerce. 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. 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 September 30,		For the Nine Months Ended June 30,	
	2023	2022	2023	2022
Revenues				
Net licensing revenue	$ 2,381	$ 2,166	$ 7,031	$ 13,302
Net sales	256	2,335	8,437	8,413
Net revenue	2,637	4,501	15,468	21,715
Cost of goods sold	225	1,465	6,718	5,715
Gross profit	2,412	3,036	8,750	16,000
Operating costs and expenses				
Salaries, benefits and employment taxes	2,141	3,301	7,847	13,390

Other selling, general and administrative expenses	3,482	3,618	9,918	11,330
Total operating costs and expenses	5,623	6,919	17,765	24,720
Operating loss before other expenses, including non-cash expenses	(3,211)	(3,883)	(9,015)	(8,720)
Other expense, including non-cash expenses				
Depreciation and amortization	1,677	1,815	5,260	5,447
Gain on sale of assets	-	-	-	(20,608)
Loss from equity method investment	515	277	1,545	277
Gain on sale of limited partner ownership	-	-	(351)	-
Gain on Lease Liability	-	-	(445)	-
Operating (loss) income	(5,403)	(5,975)	(15,024)	6,164
Interest and finance expense				
Interest expense - term loan debt	-	-	-	1,187
Other interest and finance charges (income), net	-	(6)	18	(6.00)
Loss on early extinguishment of debt	-	-	-	2,324
Total interest and finance expense	-	(6)	18	3,505
(Loss) income before income taxes	(5,403)	(5,969)	(15,042)	2,659
Income tax (benefit) provision	-	(1,539)	-	1,639
Net (loss) income	**(5,403)**	**(4,430)**	**(15,042)**	**1,020**
Less: Net loss attributable to noncontrolling interest	(259)	(388)	(787)	(941)
Net (loss) income attributable to Xcel Brands, Inc. stockholders	**$ (5,144)**	**$ (4,042)**	**$ (14,255)**	**$ 1,961**
(Loss) earnings per share attributed to Xcel Brands, Inc. common stockholders:				
Basic net (loss) income per share	$ (0.26)	$ (0.21)	$ (0.72)	$ 0.10
Diluted net (loss) income per share	$ (0.26)	$ (0.21)	$ (0.72)	$ 0.10
Basic weighted average common shares outstanding	19,749,317	19,624,860	19,683,525	19,624,604
Diluted weighted average common shares outstanding	19,749,317	19,624,860	19,683,525	19,752,339

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

	September 30, 2023	December 31, 2022
	(Unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 2,189	$ 4,608
Accounts receivable, net	4,749	5,110
Inventory	997	2,845
Prepaid expenses and other current assets	447	1,457
Total current assets	8,382	14,020
Non-Current Assets:		
Property and equipment, net	779	1,418
Operating lease right-of-use assets	4,702	5,420
Trademarks and other intangibles, net	43,055	47,665
Equity method investment	17,650	19,195
Deferred tax assets, net	1,107	1,107
Other assets	75	110

Total non-current assets	67,368	74,915
Total Assets	**$ 75,750**	**$ 88,935**
Liabilities and Equity		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	$ 3,621	$ 4,438
Deferred revenue	889	88
Accrued payroll	80	416
Current portion of operating lease obligations	1,219	1,376
Current portion of contingent obligations	847	243
Total current liabilities	6,656	6,561
Long-Term Liabilities:		
Long-term portion of operating lease obligations	4,362	5,839
Long-term Deferred revenue	3,875	-
Contingent obligations	5,548	6,396
Total long-term liabilities	13,785	12,235
Total Liabilities	20,441	18,796
Commitments and Contingencies		
Equity:		
Preferred stock, $.001 par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, $.001 par value, 50,000,000 shares authorized, and 19,800,053 and 19,624,860 shares issued and outstanding at September 30, 2023 and December 31, 2022.	20	20
Paid-in capital	103,804	103,592
Accumulated deficit	(47,052)	(32,797)
Total Xcel Brands, Inc. stockholders' equity	56,772	70,815
Noncontrolling interest	(1,463)	(676)
Total Equity	55,309	70,139
Total Liabilities and Equity	**$ 75,750**	**$ 88,935**

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

	For the Nine Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities		
Net (loss) income	$ (15,042)	$ 1,020
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization expense	5,260	5,447
Asset impairment charges	100	-
Amortization of deferred finance costs	-	156
Stock-based compensation and cost of licensee warrants	184	568
Allowance for doubtful accounts	20	173
Restructuring of certain contractual arrangements	756	-
Proportional share of trademark amortization of equity method investee	1,545	277
Loss on extinguishment of debt	-	2,324
Deferred income tax benefit	-	363
Net gain on sale of assets	-	(20,608)
Gain on sale of limited partner ownership interest	(351)	-
Gain on settlement of lease liability	(445)	-
Changes in operating assets and liabilities:		
Accounts receivable	(415)	747
Inventory	1,848	(509)

Prepaid expenses and other assets	920	235
Deferred revenue	4,676	199
Accounts payable, accrued expenses and other current liabilities	(1,395)	(995)
Lease-related assets and liabilities	(471)	(202)
Other Liabilities	-	(224)
Net cash used in by operating activities	(2,810)	(11,029)
Cash flows from investing activities		
Net proceeds from sale of majority interest in Isaac Mizrahi brand	-	45,408
Net proceeds from sale of assets	451	-
Purchase of property and equipment	(87)	(241)
Net cash provided by investing activities	364	45,167
Cash flows from financing activities		
Proceeds from exercise of stock	27	
Shares repurchased including vested restricted stock in exchange for withholding taxes	-	(442)
Payment of long-term debt	-	(29,000)
Payment of breakage fees associated with extinguishment of long-term debt	-	(1,511)
Net cash provided by (used in) financing activities	27	(30,953)
Net (decrease) increase in cash and cash equivalents	(2,419)	3,185
Cash and cash equivalents at beginning of period	4,608	5,222
Cash and cash equivalents at end of period	$ 2,189	$ 8,407
Liability for equity-based bonuses and other equity-based payments	$ -	$ (283)
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ -	$ 1,032
Cash paid during the period for income taxes	$ 16	$ -

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, proportional share of trademark amortization of equity method investee, stock-based compensation, loss on extinguishment of debt, gain on the sale of assets, gain on lease termination, asset impairment 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 income (loss) attributable to Xcel Brands, Inc. stockholders, before depreciation and amortization, interest and finance expenses (including loss on extinguishment of debt, if any), proportional share of trademark amortization of equity method investee, stock-based compensation, gain on the sale of assets, gain on lease termination, asset impairment, losses from discontinued businesses and income taxes income taxes, other state and local franchise taxes.

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.

($ in thousands)	**Three Months Ended**		**Nine Months Ended**	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**

Net (loss) income attributable to Xcel Brands, Inc. stockholders	$ (5,144)	(4,042)	$ (14,255)	1,961
Amortization of trademarks	1,520	1,520	4,565	4,559
Proportional share of trademark amortization of equity method investee	515	742	1,545	742
Stock-based compensation and cost of licensee warrants	62	51	184	568
Loss on extinguishment of debt	-	-	-	2,324
Gain on the sale of assets and investments	-	-	(351)	(20,608)
Gain on lease termination	-	-	(445)	-
Asset impairment	-	-	100	-
Income tax benefit	-	(1,539)	-	1,639
Non-GAAP net loss	$ (3,047)	$ (3,268)	$ (8,657)	$ (8,815)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Diluted (loss) earnings per share	$ (0.26)	$ (0.21)	$ (0.72)	$ 0.10
Amortization of trademarks	0.08	0.08	0.23	0.23
Proportional share of trademark amortization of equity method investee	0.03	0.04	0.08	0.04
Stock-based compensation and cost of licensee warrants	0.00	0.00	0.01	0.03
Loss on extinguishment of debt	-	-	-	0.12
Gain on the sale of assets and investments	-	-	(0.02)	(1.05)
Gain on lease termination	-	-	(0.02)	-
Asset Impairment	-	-	0.00	-
Income tax benefit	-	(0.08)	-	0.08
Non-GAAP diluted EPS	$ (0.15)	$ (0.17)	$ (0.44)	$ (0.45)
Non-GAAP weighted average diluted shares	19,749,317	19,624,860	19,683,525	19,624,604

($ in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net loss attributable to Xcel Brands, Inc. stockholders	$ (5,144)	$ (4,042)	$ (14,255)	$ 1,961
Depreciation and amortization	1,677	1,815	5,260	5,447
Proportional share of trademark amortization of equity method investee	515	742	1,545	742
Interest and finance expense	-	(6)	18	3,505
Income tax provision	-	(1,539)	-	1,639
State and local franchise taxes	9	85	53	121
Stock-based compensation and cost of licensee warrants	62	51	184	568
Gain on the sale of assets and investments	-	-	(351)	(20,608)
Gain on lease termination	-	-	(445)	-
Asset impairment	-	-	100	-
Costs associated with restructuring of operations	1,471	-	3,319	-
Adjusted EBITDA	$ (1,410)	$ (2,894)	$ (4,572)	$ (6,625)

XCEL BRANDS

Differentiate By Design

Source: Xcel Brands, Inc