



Xcel Brands, Inc. Announces Second Quarter 2024 Results

August 14, 2024 at 8:00 AM EDT

- **Net income of \$0.2 million for the quarter compared with a net loss of \$3.5 million for the prior year quarter, which included a \$3.8 million gain on the divestiture of the Lori Goldstein brand.**
- **Net licensing revenues grew 16% from the second quarter of 2023, driven by new licenses and new brand launches.**
- **Direct Operating Costs and Expenses of \$3.1 million for the quarter, a reduction of \$2.1 million or 40% from the prior year's quarter.**
- **Adjusted EBITDA for the quarter approaches break-even for the quarter, compared with Adjusted EBITDA of negative \$1.3 million for the prior year quarter.**

NEW YORK, Aug. 14, 2024 (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 June 30, 2024.

Robert W. D'Loren, Chairman and Chief Executive Officer of Xcel commented, "I am very pleased by our results for the quarter. We have emerged from the discontinuance of certain businesses under our Project Fundamentals plan and anticipate that we will grow strongly heading into 2025."

Second Quarter 2024 Financial Results

Total revenue for the second quarter of 2024 was \$3.0 million, representing a decrease of approximately \$3.8 million (-56%) from the second quarter of 2023. This decline was almost entirely driven by the decrease in net product sales due to the Company's discontinuance of all of its wholesale businesses as part of its Project Fundamentals plan in 2023. Partially offsetting the decrease in net product sales was an increase of approximately \$0.4 million (+16%) in net licensing revenue, driven by new licensing agreements entered into in 2023 and new brand launches.

Net income attributable to Xcel Brands for the quarter was approximately \$0.2 million, or \$0.01 per share, compared with a net loss of \$3.5 million, or (\$0.18) per share, for the prior year quarter. The current quarter includes a \$3.8 million gain on the divestiture of the Lori Goldstein brand as well as non-cash charges of \$1.2 million related to the exit and sublease of our prior office space which was completed in the first quarter of 2024.

After adjusting for certain cash and non-cash items, results on a non-GAAP basis were a net loss of approximately \$0.3 million, or (\$0.01) per share for the current quarter and a net loss of approximately \$2.1 million, or (\$0.10) per share, for the prior year quarter.

Adjusted EBITDA improved significantly on a year-over-year basis to nearly break-even for the current quarter as compared with negative \$1.3 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 in 2023 for our Halston, Judith Ripka, C Wonder, and Longaberger brands.

Six Month 2024 Financial Results

Total revenue for the current six-month period was \$5.1 million, representing a decrease of approximately \$7.7 million (-60%) from the prior year's six-month period. This decline was almost entirely driven by the decrease in net product sales due to the Company's discontinuance of all of its wholesale businesses as part of its Project Fundamentals plan in 2023. Partially offsetting the decrease in net product sales was an increase of approximately \$0.4 million (+8%) in net licensing revenue, driven by new licensing agreements entered into in 2023 and new brand launches.

Net loss attributable to Xcel Brands for the six months ended June 30, 2024, was approximately \$6.1 million, or \$(0.28) per share, compared with a net loss of \$9.1 million, or (\$0.46) per diluted share, for the prior year comparable period. The current six-month period includes a \$3.8 million gain on the divestiture of the Lori Goldstein brand as well as non-cash charges of \$3.5 million related to the exit and subleasing of our prior office space which was completed in the first quarter of 2024.

After adjusting for certain cash and non-cash items, results on a non-GAAP basis were a net loss of approximately \$2.1 million, or (\$0.10) per share for the current six-month period and a net loss of approximately \$5.6 million, or (\$0.28) per share, for the prior year six-month period.

Adjusted EBITDA improved significantly on a year-over-year basis to negative \$1.6 million for the current year period as compared with negative \$3.3 million for the six months ended June 30, 2023, primarily as a result of the restructuring of our business in prior year and entry into the new long-term license agreements for our Halston, Judith Ripka, C Wonder, and Longaberger brands.

Balance Sheet

The Company's balance sheet at June 30, 2024, reflected stockholders' equity of approximately \$44 million, cash and cash equivalents of approximately \$0.9 million, and working capital, exclusive of the current portion of lease obligations and deferred revenue, of approximately \$1.1 million.

As of June 30, 2024, the Company had \$4.5 million of term loan debt outstanding, net of deferred finance costs of \$0.2 million, of which \$1.0 million is recorded as short-term debt.

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 August 13, 2024. 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 7639516. 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, licensing, 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 social commerce. Xcel owns the Halston, Judith Ripka, and C. Wonder brands, as well as the Tower Hill by Christie Brinkley co-branded collaboration, and holds noncontrolling interests in the Isaac Mizrahi brand and Orme Live. Xcel 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 \$5 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, 2023 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:

Seth Burroughs

Xcel Brands

sburroughs@xcelbrands.com

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, income (loss) from equity method investments, stock-based compensation and cost of licensee warrants, gains on sales of assets and investments, gain on lease termination, asset impairment charges, 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, income (loss) from equity method investments, interest and finance expenses (including loss on extinguishment of debt, if any), accretion of lease liability for exited lease, income taxes, other state and local franchise taxes, stock-based compensation and cost of licensee warrants, gains on sales of assets and investments, gain on lease termination, asset impairment charges, and losses from discontinued businesses.

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.

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

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Revenues				
Net licensing revenue	\$ 2,826	\$ 2,428	\$ 5,010	\$ 4,650
Net sales	128	4,353	128	8,181
Net revenue	2,954	6,781	5,138	12,831
Cost of goods sold	38	3,800	38	6,493
Gross profit	2,916	2,981	5,100	6,338
Operating costs and expenses				
Salaries, benefits and employment taxes	1,630	2,241	3,563	5,706
Other selling, general and administrative expenses	1,490	2,943	3,519	6,436
Total operating costs and expenses	3,120	5,184	7,082	12,142
Operating loss before other expenses, including non-cash expenses	(204)	(2,203)	(1,982)	(5,804)
Other expense, including non-cash expenses				
Depreciation and amortization	1,545	1,786	3,134	3,583
Loss from equity method investment	557	515	1,090	1,030
Asset impairment charges	1,188	-	3,483	-
Gain on sale of limited partner ownership	-	(351)	-	(351)
Gain on divestiture of Lori Goldstein Brand	(3,801)	-	(3,801)	-
Gain on settlement of lease liability	-	(445)	-	(445)
Other expense, including non-cash expenses	(511)	1,505	3,906	3,817
Operating income (loss)	307	(3,708)	(5,888)	(9,621)
Interest and finance expense (income), net	146	(7)	296	18
Income (loss) before income taxes	161	(3,701)	(6,184)	(9,639)
Income tax provision (benefit)	-	-	-	-
Net income (loss)	161	(3,701)	(6,184)	(9,639)
Less: Net loss attributable to noncontrolling interest	(34)	(233)	(85)	(528)
Net income (loss) attributable to Xcel Brands, Inc. stockholders	\$ 195	\$ (3,468)	\$ (6,099)	\$ (9,111)
Earnings (loss) per share attributed to Xcel Brands, Inc. common stockholders:				
Diluted net income (loss) per share	\$ 0.01	\$ (0.18)	\$ (0.28)	\$ (0.46)
Basic net income (loss) per share	\$ 0.01	\$ (0.18)	\$ (0.28)	\$ (0.46)
Basic weighted average common shares outstanding	23,491,238	19,735,500	21,933,079	19,684,630
Diluted weighted average common shares outstanding	23,539,886	19,735,500	21,933,079	19,684,630

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

	June 30, 2024	December 31, 2023
	(unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 924	\$ 2,998
Accounts receivable, net	3,055	3,454
Inventory	407	453
Prepaid expenses and other current assets	378	398
Total current assets	4,764	7,303
Property and equipment, net	214	634
Operating lease right-of-use assets	4,099	4,453
Trademarks and other intangibles, net	36,532	41,520
Equity method investment	16,643	17,735
Other assets	920	15
Total non-current assets	58,408	64,357
Total Assets	\$ 63,172	\$ 71,660
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 2,353	\$ 2,236
Deferred revenue	989	889
Accrued income taxes payable	372	372
Current portion of operating lease obligation	1,354	1,258
Current portion of long-term debt	1,000	750
Current portion of contingent obligations	—	964
Total current liabilities	6,068	6,469
Long-Term Liabilities:		
Deferred revenue	3,111	3,556
Long-term portion of operating lease obligation	5,964	4,021
Long-term debt, net, less current portion	3,524	3,971
Long-term portion of contingent obligations	—	5,432
Other long-term liabilities	430	40
Total long-term liabilities	13,029	17,020
Total Liabilities	19,097	23,489
Stockholders' 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 23,492,117 and 19,795,053 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	23	20
Paid-in capital	105,946	103,861
Accumulated deficit	(59,948)	(53,849)
Total Xcel Brands, Inc. stockholders' equity	46,021	50,032
Noncontrolling interest	(1,946)	(1,861)
Total Stockholders' Equity	44,075	48,171
Total Liabilities and Stockholders' Equity	\$ 63,172	\$ 71,660

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

For the Six Months Ended
June 30,
2024 **2023**

Cash flows from operating activities			
Net income (loss)	\$	(6,184)	\$ (9,639)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization expense		3,134	3,583
Asset impairment charges		3,483	100
Amortization of deferred finance costs		54	-
Stock-based compensation		186	122
Provision for (recovery of) credit losses		(45)	-
Proportional share of trademark amortization of equity method investee		1,090	1,030
Gain on divestiture of Lori Goldstein brand		(3,801)	-
Gain on sale of limited partner ownership interest		-	(351)
Gain on settlement of lease liability		-	(445)
Changes in operating assets and liabilities:			
Accounts receivable		444	(1,768)
Inventory		46	2,047
Prepaid expenses and other assets		(146)	863
Deferred revenue		(345)	5,041
Accounts payable, accrued expenses and other current liabilities		(555)	(1,637)
Lease-related assets and liabilities		(634)	(417)
Other Liabilities		390	-
Net cash used in by operating activities		<u>(2,883)</u>	<u>(1,471)</u>
Cash flows from investing activities			
Net proceeds from sale of assets		-	451
Purchase of property and equipment		(104)	(81)
Net cash provided by investing activities		<u>(104)</u>	<u>370</u>
Cash flows from financing activities			
Proceeds from public offering and private placement transactions, net of transaction costs		1,902	-
Payment of long-term debt		(250)	-
Payment of breakage fees associated with extinguishment of long-term debt		-	-
Net cash used in financing activities		<u>1,652</u>	<u>-</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash		(1,335)	(1,101)
Cash, cash equivalents, and restricted cash at beginning of period		<u>2,998</u>	<u>4,608</u>
Cash, cash equivalents, and restricted cash at end of period	\$	1,663	\$ 3,507
Reconciliation to amounts on consolidated balance sheets:			
Cash and cash equivalents	\$	924	\$ 3,507
Restricted cash (reported in other non-current assets)		<u>739</u>	<u>-</u>
Total cash, cash equivalents, and restricted cash	\$	1,663	\$ 3,507
Supplemental disclosure of non-cash activities:			
Recognition of operating lease right-of-use asset	\$	2,596	\$ -
Recognition of operating lease obligation	\$	2,596	\$ -
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	\$	234	\$ -
Cash paid during the period for income taxes	\$		\$ 16

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (loss) attributable to Xcel Brands, Inc. stockholders	\$ 195	(3,468)	\$ (6,099)	(9,111)
Amortization of trademarks	1,520	1,525	3,039	3,045

Loss from equity method investments	557	515	1,090	1,030
Stock-based compensation	42	65	186	122
Gain on the sale of assets and investments	(3,801)	(351)	(3,801)	(351)
Gain on lease termination	-	(445)	-	(445)
Asset impairment	1,188	100	3,483	100
Non-GAAP net loss	\$ (299)	\$ (2,059)	\$ (2,102)	\$ (5,610)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Diluted earnings (loss) per share	\$ 0.01	\$ (0.18)	\$ (0.28)	\$ (0.46)
Amortization of trademarks	0.07	0.08	0.14	0.15
Loss from equity method investments	0.02	0.03	0.05	0.05
Stock-based compensation	0.00	0.00	0.01	0.01
Gain on the sale of assets	(0.16)	(0.01)	(0.17)	(0.01)
Gain on lease termination	-	(0.02)	-	(0.02)
Asset Impairment	0.05	-	0.15	-
Non-GAAP diluted EPS	\$ (0.01)	\$ (0.10)	\$ (0.10)	\$ (0.28)
Non-GAAP weighted average diluted shares	23,491,238	19,735,500	21,933,079	19,684,630

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (loss) attributable to Xcel Brands, Inc. stockholders	\$ 195	\$ (3,468)	\$ (6,099)	\$ (9,111)
Depreciation and amortization	1,545	1,786	3,134	3,583
Loss from equity method investments	557	515	1,090	1,030
Interest and finance expense	146	(7)	296	18
Accretion of lease liability for exited lease	76	-	76	-
State and local franchise taxes	12	23	24	44
Stock-based compensation	42	65	186	122
Gain on the sale of assets	(3,801)	(351)	(3,801)	(351)
Gain on lease termination	-	(445)	-	(445)
Asset impairment	1,188	100	3,483	100
Losses from discontinued businesses	-	495	-	1,728
Adjusted EBITDA	\$ (40)	\$ (1,287)	\$ (1,611)	\$ (3,282)

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Source: Xcel Brands, Inc