Xcel Brands, Inc. Announces Third Quarter 2024 Results

December 20, 2024 at 4:30 PM EST

- ***Net loss of $9.2 million for the quarter inclusive of a $6.3 million non-cash charge for contingent obligation, compared with a net loss of $5.1 million for the prior year quarter.***
- ***Net loss on a non-GAAP basis was $1.3 million for the quarter, representing a 56% improvement from the third quarter of 2023, and $3.4 million for the nine months ended September 30, 2024, representing a 60% improvement from the prior year comparable period.***
- ***Adjusted EBITDA for the quarter was negative $1.0 million, compared with Adjusted EBITDA of negative $1.4 million for the prior year quarter.***
- ***Direct Operating Costs and Expenses of $2.8 million for the quarter, a 50% improvement from the prior year quarter.***

NEW YORK, Dec. 20, 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 September 30, 2024.

Robert W. D'Loren, Chairman and Chief Executive Officer of Xcel commented, “I am pleased with the continued improvements in our operating results.” He further commented, “despite some headwinds in the industry, this is an exciting time for our company given the growth in our brands with key retail partners and the strong pipeline of planned new brand launches in 2025. I believe we are positioned nicely for where things are going in retail.”

Third Quarter 2024 Financial Results

Total revenue for the third quarter of 2024 was $1.9 million, representing a decrease of approximately $0.7 million (-28%) from the third quarter of 2023. This decrease was predominantly driven by a decline in net licensing revenue – specifically, the June 30, 2024 divestiture of the Lori Goldstein brand, and delayed sales due to cancelled shows caused by hurricanes at our interactive TV retailer’s studio location, partially offset by increased licensing revenues generated by the Company’s other brands.

Net loss attributable to Xcel Brands stockholders for the quarter was approximately $9.2 million, or $(0.39) per share, compared with a net loss of $5.1 million, or $(0.26) per share, for the prior year quarter. The current quarter notably includes a $6.3 million non-cash charge to recognize the estimated value of a contingent obligation to transfer a portion of the Company’s equity ownership interests in IM Topco, LLC to WHP after March 31, 2025. This charge essentially represents a subsequent reduction of the previously recognized gain from the 2022 sale of a majority interest in the Isaac Mizrahi Brand, and ultimately will not require any use of cash to settle the contingent obligation.

After adjusting for certain cash and non-cash items, results on a non-GAAP basis were a net loss of approximately $1.3 million, or $(0.06) per share for the current quarter and a net loss of approximately $3.0 million, or $(0.15) per share, for the prior year quarter.

Adjusted EBITDA also improved on a year-over-year basis, from negative $1.4 million in the prior year quarter to negative $1.0 million for the current quarter, primarily as a result of the restructuring of the business and entry into the new long-term license agreements in 2023 for the Halston, Judith Ripka, C Wonder, and Longaberger brands.

Nine Month 2024 Financial Results

Total revenue for the current nine-month period was $7.1 million, representing a decrease of approximately $8.4 million (-54%) from the prior year’s nine-month period. This decline was predominantly driven by the decrease in net product sales due to the Company’s discontinuance of its wholesale businesses as part of its Project Fundamentals plan in 2023.

Net loss attributable to Xcel Brands stockholders for the nine months ended September 30, 2024, was approximately $15.3 million, or $(0.68) per share, compared with a net loss of $14.3 million, or ($0.72) per diluted share, for the prior year comparable period. The current nine-month period includes significant one-off non-cash items, including a $3.8 million gain on the divestiture of the Lori Goldstein brand, a $3.5 million charge related to the exit and sublease of the Company’s prior office space, and the aforementioned $6.3 million charge related to the contingent obligation for IM Topco, LLC.

After adjusting for certain cash and non-cash items, results on a non-GAAP basis were a net loss of approximately $3.4 million, or ($0.15) per share for the current nine-month period and a net loss of approximately $8.7 million, or ($0.44) per share, for the prior year nine-month period.

Adjusted EBITDA improved significantly on a year-over-year basis to negative $2.7 million for the current year nine-month period as compared with negative $4.6 million for the nine months ended September 30, 2023, primarily as a result of the restructuring of the business and entry into the new long-term license agreements in 2023 for the Halston, Judith Ripka, C Wonder, and Longaberger brands.

Balance Sheet

The Company's balance sheet at September 30, 2024, reflected stockholders' equity of approximately $35 million, unrestricted cash and cash

equivalents of approximately $0.2 million, and a working capital deficit, exclusive of the current portion of lease obligations and deferred revenue, of approximately $(0.4) million.

However, in November 2024, the Company entered into a new term loan agreement in the amount of $10 million, which provides the Company with approximately $5 million of additional liquidity after repayment of its previous term loan. In connection with the new term loan debt, Company's working capital increased by approximately $6 million subsequent to September 30, 2024.

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 December 23, 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 9838743. 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.

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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, reduction inequity ownership of IM TopCo, LLC, 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 (if any). 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 asset impairment charges, depreciation and amortization, income (loss) from equity method investments, reduction inequity ownership of IM TopCo, LLC, interest and finance expenses (including loss on extinguishment of debt, if any), accretion of lease liability for exited leases, income taxes (if any), 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, costs of restructuring of operations, 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.

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 September 30,		For the Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Revenues				
Net licensing revenue	$ 1,505	$ 2,381	$ 6,515	$ 7,031
Net sales	407	256	535	8,437
Net revenue	1,912	2,637	7,050	15,468
Cost of goods sold	407	225	445	6,718
Gross profit	1,505	2,412	6,605	8,750
Direct operating costs and expenses				
Salaries, benefits and employment taxes	1,208	2,141	4,771	7,847
Other selling, general and administrative expenses	1,618	3,482	5,137	9,918
Total direct operating costs and expenses	2,826	5,623	9,908	17,765
Operating loss before other operating costs and expenses (income)	(1,321)	(3,211)	(3,303)	(9,015)
Other operating costs and expenses (income)				
Depreciation and amortization	910	1,677	4,044	5,260
Asset impairment charges	-	-	3,483	-
Loss from equity method investments	593	515	1,683	1,545
Reduction in equity ownership of IM TopCo, LLC	6,254	-	6,254	-
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)
Operating loss	(9,078)	(5,403)	(14,966)	(15,024)
Interest and finance expense (income), net	142	-	438	18
Loss before income taxes	(9,220)	(5,403)	(15,404)	(15,042)
Income tax benefit	-	-	-	-
Net loss	**(9,220)**	**(5,403)**	**(15,404)**	**(15,042)**
Less: Net loss attributable to noncontrolling interest	(7)	(259)	(92)	(787)
Net loss attributable to Xcel Brands, Inc. stockholders	**$ (9,213)**	**$ (5,144)**	**$ (15,312)**	**$ (14,255)**
Earnings (loss)per share attributed to Xcel Brands, Inc. common stockholders:				
Diluted net income (loss) per share	$ (0.39)	$ (0.26)	$ (0.68)	$ (0.72)
Basic net income (loss) per share	$ (0.39)	$ (0.26)	$ (0.68)	$ (0.72)
Basic weighted average common shares outstanding	23,522,453	19,749,317	22,466,737	19,683,525
Diluted weighted average common shares outstanding	23,522,453	19,749,317	22,466,737	19,683,525

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

	September 30, 2024	December 31, 2023
	(unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 242	$ 2,998
Accounts receivable, net	2,908	3,454
Inventory	0	453
Prepaid expenses and other current assets	375	398
Total current assets	3,525	7,303
Property and equipment, net	202	634
Operating lease right-of-use assets	3,923	4,453
Trademarks and other intangibles, net	35,642	41,520
Equity method investment, net	9,796	17,735
Other assets	911	15
Total non-current assets	50,474	64,357
Total Assets	**$ 53,999**	**$ 71,660**
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	$ 2,602	$ 2,236
Deferred revenue	1,376	889
Accrued income taxes payable	372	372
Current portion of operating lease obligation	1,433	1,258
Current portion of long-term debt	1,000	750
Current portion of contingent obligations	—	964
Total current liabilities	6,783	6,469
Long-Term Liabilities:		
Deferred revenue	2,889	3,556
Long-term portion of operating lease obligation	5,633	4,021
Long-term debt, net, less current portion	3,297	3,971
Long-term portion of contingent obligations	-	5,432
Other long-term liabilities	431	40
Total long-term liabilities	12,250	17,020
Total Liabilities	19,033	23,489
Stockholders' Equity:		
Preferred stock, $.001 par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, $.001 par value, 50,000,000 shares authorized, and 23,581,290 and 19,795,053 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	24	20
Paid-in capital	106,056	103,861
Accumulated deficit	(69,161)	(53,849)
Total Xcel Brands, Inc. stockholders' equity	36,919	50,032
Noncontrolling interest	(1,953)	(1,861)
Total Stockholders' Equity	34,966	48,171
Total Liabilities and Stockholders' Equity	**$ 53,999**	**$ 71,660**

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

	For the Nine Months Ended

	September 30,	
	2024	2023
Cash flows from operating activities		
Net loss	$ (15,404)	$ (15,042)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	4,044	5,260
Asset impairment charges	3,483	100
Amortization of deferred finance costs included in interest expense	76	-
Stock-based compensation and cost of licensee warrants	296	184
Provision for (recovery of) credit losses	(45)	20
Restructuring of certain contractual arrangements	-	756
Undistributed proportional share of net loss of equity method investees	1,683	1,545
Reduction in equity ownership of IM TopCo, LLC	6,254	-
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	591	(415)
Inventory	453	1,848
Prepaid expenses and other assets	(134)	920
Deferred revenue	(180)	4,676
Accounts payable, accrued expenses and other current liabilities	(304)	(1,395)
Lease-related assets and liabilities	(710)	(471)
Other Liabilities	391	-
Net cash used in by operating activities	(3,307)	(2,810)
Cash flows from investing activities		
Net proceeds from sale of assets	-	451
Purchase of property and equipment	(112)	(87)
Net cash provided by investing activities	(112)	364
Cash flows from financing activities		
Proceeds from public offering and private placement transactions, net of transaction costs	1,902	-
Proceeds from exercise of stock options	-	27
Payment of long-term debt	(500)	-
Payment of breakage fees associated with extinguishment of long-term debt	-	-
Net cash used in financing activities	1,402	27
Net (decrease) increase in cash, cash equivalents, and restricted cash	(2,017)	(2,419)
Cash, cash equivalents, and restricted cash at beginning of period	2,998	4,608
Cash, cash equivalents, and restricted cash at end of period	$ 981	$ 2,189
Reconciliation to amounts on consolidated balance sheets:		
Cash and cash equivalents	$ 242	$ 2,189
Restricted cash (reported in other non-current assets)	739	-
Total cash, cash equivalents, and restricted cash	$ 981	$ 2,189
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	$ 344	$ -
Cash paid during the period for income taxes	$	$ 16

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
($ in thousands)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Net loss attributable to Xcel Brands, Inc. stockholders	$ (9,213)	(5,144)	$ (15,312)	(14,255)
Amortization of trademarks	875	1,520	3,914	4,565
Loss from equity method investments	593	515	1,683	1,545
Reduction in equity ownership of IM TopCo, LLC	6,254	-	6,254	-
Stock-based compensation and cost of licensee warrants	158	62	344	184
Gains on sales of assets and investments	-	-	(3,801)	(351)
Gain on lease termination	-	-	-	(445)
Asset impairments	-	-	3,483	100
Non-GAAP net loss	$ (1,333)	$ (3,047)	$ (3,435)	$ (8,657)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Diluted earnings (loss) per share	$ (0.39)	$ (0.26)	$ (0.68)	$ (0.72)
Amortization of trademarks	0.04	0.08	0.17	0.23
Loss from equity method investments	0.02	0.03	0.07	0.08
Reduction in equity ownership of IM TopCo, LLC	0.26	-	0.28	-
Stock-based compensation and cost of licensee warrants	0.01	0.00	0.02	0.01
Gains on sales of assets and investments	-	-	(0.17)	(0.02)
Gain on lease termination	-	-	-	(0.02)
Asset impairments	-	-	0.16	0.00
Non-GAAP diluted EPS	$ (0.06)	$ (0.15)	$ (0.15)	$ (0.44)
Non-GAAP weighted average diluted shares	23,522,453	19,749,317	22,466,737	19,683,525

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
($ in thousands)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Net loss attributable to Xcel Brands, Inc. stockholders	$ (9,213)	$ (5,144)	$ (15,312)	$ (14,255)
Asset impairment charges	-	-	3,483	100
Depreciation and amortization	910	1,677	4,044	5,260
Loss from equity method investments	593	515	1,683	1,545
Reduction in equity ownership of IM TopCo, LLC	6,254	-	6,254	-
Interest and finance expense	142	-	438	18
Accretion of lease liability for exited lease	98	-	174	-
State and local franchise taxes	9	9	33	53
Stock-based compensation and cost of licensee warrants	158	62	344	184
Gains on sales of assets and investments	-	-	(3,801)	(351)
Gain on lease termination	-	-	-	(445)
Costs associated with restructuring of operations	-	1,471	-	3,319
Adjusted EBITDA	$ (1,049)	$ (1,410)	$ (2,660)	$ (4,572)

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Source: Xcel Brands, Inc