April 1, 2015

Xcel Brands, Inc. Announces Year Ended December 31, 2014 Financial Results

- Total revenue increased 57% to $20.7 million compared with $13.2 million in the prior year.
- Adjusted EBITDA increased 69% to $7.0 million compared with $4.2 million in the prior year.
- Non-GAAP net income increased 50% to $5.2 million, or non-GAAP diluted EPS of $0.40, compared with $3.4 million, or non-GAAP diluted EPS of $0.35, in the prior year.

NEW YORK, April 1, 2015 (GLOBE NEWSWIRE) -- Xcel Brands, Inc. (OTCQB:XELB) ("Xcel" or the "Company"), today announced its financial results for the year ended December 31, 2014.

Total revenue for the year ended December 31, 2014 increased to $20.7 million, compared to $13.2 million in the prior year. Adjusted EBITDA for the year ended December 31, 2014 was $7.0 million, compared to $4.2 million in the prior year. Non-GAAP net income for the year ended December 31, 2014 was $5.2 million, or non-GAAP diluted EPS of $0.40 compared to $3.4 million, or non-GAAP diluted EPS of $0.35, in the prior year. Net loss was $1.0 million for the year ended December 31, 2014, or ($0.08) per diluted share, compared to net income of $1.5 million, or $0.16 per diluted share, in the prior year, as the Company recognized certain revenue and incurred certain costs in each year, both cash and non-cash, that were not representative of the Company's ongoing business.

Robert D'Loren, the Company's Chairman and Chief Executive Officer, commented, "We are pleased with our 2014 results as we continue to develop and grow our brands. Our results include continued strong growth of our Isaac Mizrahi business and the operating integration of our newly acquired Judith Ripka and the H Halston brands. I believe Xcel Brands is uniquely positioned at the intersection of shopping, entertainment, and social, which is the future of the retail business, and I look forward to continuing to innovate in this industry with my team."

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 ("U.S. GAAP"). Any financial measure other than those prepared in accordance with U.S. GAAP should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with U.S. GAAP.

<u>About Xcel Brands</u>

Xcel Brands, Inc. is a brand management and development company engaged in the design, licensing, marketing and retail sales of branded apparel, footwear, accessories, jewelry and home goods, and the acquisition of additional high profile consumer lifestyle brands. Presently, Xcel's brand portfolio consists of the Isaac Mizrahi, Judith Ripka and H Halston brands. It also manages and designs the Liz Claiborne New York brand, which is sold exclusively through QVC, a leading direct-response television and ecommerce retailer. Xcel's business incorporates in-house designers and marketing executives who work with its licensees to help design, promote and elevate each brand within its respective distribution channels. Xcel markets and promotes its brands by employing a highly-differentiated omni-channel sales strategy, which includes promotion through direct-response television, internet, and traditional bricks-and-mortar retail distribution channels, delivering a unique brand experience that is designed to maximize consumer (follower) engagement.

Xcel's vision is intended to reimagine shopping, entertainment and social as one. By leveraging social media content across all distribution channels, Xcel seeks to drive customer (follower) engagement and generate retail sales across its brands. Xcel's strong relationships with leading retailers and direct-response television companies, such as QVC and The Shopping Channel, enable it to reach consumers in over 300 million homes worldwide.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995.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, 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.

Consolidated Statements of Operations

	For the Year Ended December 31,	
	2014	**2013**
Revenues		
Net licensing revenue	$ 19,125,000	$ 11,546,000
Design and service fee revenue	1,455,000	1,619,000
Net e-commerce sales	127,000	--
Total revenues	20,707,000	13,165,000
Cost of goods sold	73,000	--
Gross profit	20,634,000	13,165,000
Operating expenses		
Salaries, benefits and employment taxes	9,523,000	6,376,000
Other design and marketing costs	1,084,000	473,000
Other selling, general and administrative expenses	3,106,000	2,312,000
Stock-based compensation	5,151,000	4,810,000
Depreciation and amortization	935,000	873,000
Total operating expenses	19,799,000	14,844,000
Other expenses (income)		
Loss on extinguishment of debt	--	1,351,000
Gain on reduction of contingent obligation	(600,000)	(5,122,000)
Total other expenses (income)	(600,000)	(3,771,000)
Operating income	1,435,000	2,092,000
Interest and finance expense		
Interest expense - term debt	834,000	882,000
Other interest and finance charges	654,000	844,000
Total interest and finance expense	1,488,000	1,726,000
Income (loss) from continuing operations before income taxes	(53,000)	366,000
Income tax benefit	(97,000)	(1,322,000)
Income from continuing operations	44,000	1,688,000
Loss from discontinued operations, net	(1,076,000)	(156,000)

Net income (loss)	$ (1,032,000)	$ 1,532,000
Basic income (loss) per share:		
Continuing operations	$ 0.00	$ 0.18
Discontinued operations, net	(0.09)	(0.02)
Net income (loss)	$ (0.09)	$ 0.16
Basic weighted average common shares outstanding	11,698,880	9,193,101
Diluted income (loss) per share:		
Continuing operations	$ 0.00	$ 0.18
Discontinued operations, net	(0.08)	(0.02)
Net income (loss)	$ (0.08)	$ 0.16
Diluted weighted average common shares outstanding	12,816,674	9,791,493

Reconciliation of Net Income (Loss) to Non-GAAP Net Income and Adjusted EBITDA

Non-GAAP Net Income Reconciliation from Net Income (Loss)

	Year Ended December 31,	
	2014	**2013**
Net income (loss)	$ (1,032,000)	$ 1,532,000
Stock-based compensation	5,151,000	4,810,000
Non-cash interest expense from discounted debt related to asset acquisitions	575,000	714,000
Loss on extinguishment of debt	--	1,351,000
Gain on reduction of contingent obligations	(600,000)	(5,122,000)
Loss from discontinued operations, net	1,076,000	156,000
Other non-cash adjustments	14,000	6,000
Non-GAAP net income	$ 5,184,000	$ 3,447,000

Non-GAAP Diluted Earnings per Share ("EPS")

	Year Ended December 31,	
	2014	**2013**
Net income (loss) diluted per share	$ (0.08)	$ 0.16
Stock-based compensation	0.40	0.49
Non-cash interest expense from discounted debt related to asset acquisitions	0.05	0.07
Loss on extinguishment of debt	--	0.14
Gain on reduction of contingent obligations	(0.05)	(0.52)
Loss from discontinued operations, net	0.08	0.01
Other non-cash adjustments	--	--
Non-GAAP diluted EPS	$ 0.40	$ 0.35

Adjusted EBITDA Reconciliation from Net Income (Loss)

	Year Ended December 31,	
	2014	2013
Net income (loss)	(1,032,000)	1,532,000
Stock-based compensation	5,151,000	4,810,000
Non-cash interest expense from discounted debt related to asset acquisitions	575,000	714,000
Loss on extinguishment of debt	--	1,351,000
Gain on reduction of contingent obligations	(600,000)	(5,122,000)
Loss from discontinued operations, net	1,076,000	156,000
Other non-cash adjustments	14,000	6,000
Depreciation and amortization	935,000	873,000
Interest and finance expense	913,000	1,012,000
Income tax benefit	(97,000)	(1,322,000)
State and local franchise taxes	77,000	144,000
Adjusted EBITDA	$ 7,012,000	$ 4,154,000

Non-GAAP net income and non-GAAP diluted EPS are non-GAAP unaudited terms. We define non-GAAP net income as net income (loss), exclusive of stock-based compensation, non-cash interest expense from discounted debt related to acquired assets, loss on extinguishment of debt, gain on reduction of contingent obligations, other non-cash adjustments and loss from discontinued operations, net.

Adjusted EBITDA is a non-GAAP unaudited term, which we define as net income (loss), exclusive of stock-based compensation, non-cash interest expense from discounted debt related to acquired assets, loss on extinguishment of debt, gain on reduction of contingent obligations, other non-cash adjustments, loss from discontinued operations, net, depreciation and amortization, interest expense and other financing costs, income taxes and other state and local franchise taxes.

Management uses non-GAAP net income and Adjusted EBITDA (along with non-GAAP diluted EPS) 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 the Company's results of operations. These financial performance measurements are also useful because they provide supplemental information to assist investors in evaluating the Company's financial results. They should not be considered in isolation or as alternatives to net income (loss), net income (loss) per share or any other measure of financial performance calculated and presented in accordance with U.S. GAAP. Given that non-GAAP net income, non-GAAP diluted EPS and Adjusted EBITDA are financial measures not deemed to be in accordance with U.S. 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 non-GAAP net income, non-GAAP diluted EPS or Adjusted EBITDA in a different manner than we calculate these measures. 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 presentation. 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 U.S. GAAP results, and not rely on any single financial measure.

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