

XCEL
BRANDS

Differentiate By Design

(NASDAQ:XELB)

ICR

Investor Presentation

January 2017

Safe Harbor Statement

Certain statements in this presentation, as well as certain oral statements made by management during the presentation, constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements include, without limitation, statements expressed or implied regarding our plans and milestones, plans to fund our current activities, statements concerning our strategic relationships and activities, strategy, future operations and expansion, future financial position, future sales and revenues, projected costs, and market penetration. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expects”, “seeks”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential”, “projects”, “continue”, “intends”, “could”, “opportunity”, or negative of such terms or other comparable terminology. These statements are based on our current expectations and assumptions and are not guarantees of future performance. You should not place undue reliance on our forward-looking statements, which are subject to a multitude of known and unknown risks and uncertainties that could cause actual results, future circumstance or events to differ materially from those stated in or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the ability of our licensees to produce, market and sell quality products bearing our brand names, continued market acceptance of our brands and any future brands we acquire, our ability to service our significant debt obligations, our ability to raise capital for any future acquisitions, concentration of a substantial portion of our licensing revenue from a limited number licensees, our dependence on QVC, restrictions in our agreements with QVC and other licensees on our ability to sell products with certain retailers, our dependence on promotional services of our spokesperson, limitations on our ownership of the H Halston brands, impacts on our H Halston brands resulting from the operations of the related Halston brands by their owner, our ability to manage expected future growth, our ability to identify and acquire additional trademarks, competition for licensees, competition in our licensee’s markets, our ability to protect our intellectual property, our dependence on our CEO and other key executive officers, the success of our e-commerce strategy and other risks and uncertainties detailed from time to time in our public disclosure documents or other filings with the Securities and Exchange Commission. Additional risks and uncertainties relating to us and our business can be found in the “Risk Factors” section of our latest annual report on Form 10-K as well as in our other public filings. The forward-looking statements are made as of the date hereof, and we disclaim any intention and have no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Agenda

- INDUSTRY UPDATE

- COMPANY OVERVIEW

 - Working Capital Light, Owned Dynamic Brands, Virtual Vertical, Highly Scalable, Strong Growth

- OUR BRANDS

 - Dynamic Brands, Ubiquitous-Channel Distribution

- HISTORICAL PERFORMANCE

 - Consistent Growth of Revenues and Earnings, Strong Balance Sheet

- FUTURE GROWTH OPPORTUNITIES

 - Organic and Acquisitions

The Retail Industry is Being Disrupted

FLIPBOARD UPDATE

- Disruptive forces are impacting all sectors
- The Way People Shop Will Continue to Change
- Companies Must Move Toward Where Things Are Going
- Sales and Follower Satisfaction Are Achieved Through responsive delivery of great Products



BESPOKE



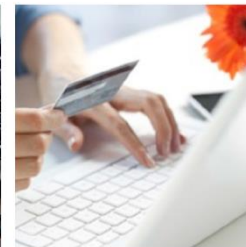
DEPARTMENT
STORES



SHOPPING
MALLS



TELEVISION
SHOPPING



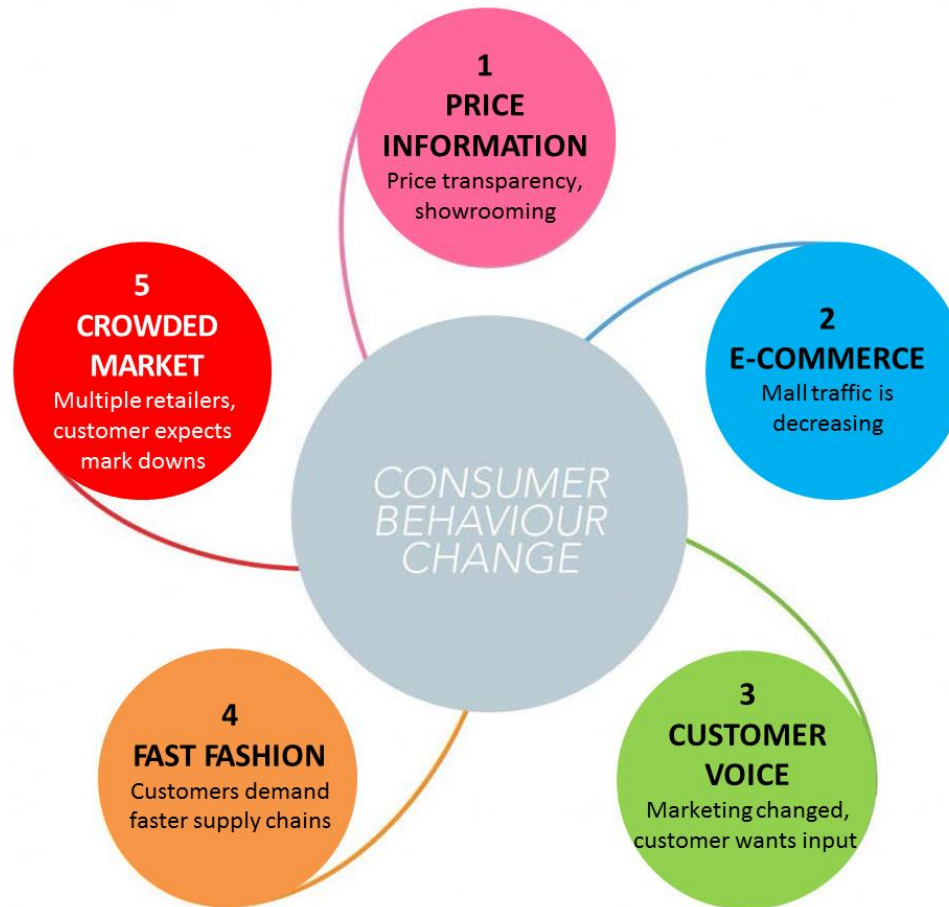
E-COMMERCE



SOCIAL
COMMERCE

Disruptive Forces Effecting our Industry

The way customers shop is rapidly changing, primarily caused by the following five disruptive forces:



Xcel Brands - Innovation for the Retail Industry

Xcel Brands Inc. (NASDAQ:XELB) is a media and brand management platform company that owns, licenses, designs, manages production of products, generates media content and markets a portfolio of **dynamic consumer brands** that engage our customers and followers



ISAAC MIZRAHI



JUDITH RIPKA



WONDER



HALSTON



HIGHLINE
COLLECTIVE

Mission, Vision & Core Values

THE VISION

To re-imagine shopping, entertainment and social as one

THE MISSION

To design and produce the best products for our followers and partners



CORE VALUES

Be open and honest
Listen to our followers
Collaborate fairly to win
Grow through the two-second advantage
Foster the team

Strategy






Xcel's strategy is to monetize the convergence of **shopping**, **entertainment** and **social**

We accomplish this through four key tactics:

- We own and license dynamic brands featuring designers and creative directors who have significant media presence
- We develop captivating media content and engage in conversations with customers
- We design products through a quick-time response (QTR) (short lead production) model that reacts to both qualitative and quantitative customer feedback. We act as a virtual vertical for our retail partners without taking inventory risk.
- We collaborate with media companies QVC, and The Shopping Channel, collectively reaching 350 million households, 100 million social media followers.



Highly Differentiated Business Model

	TRADITIONAL WHOLESALE LICENSED BRANDS	TRADITIONAL WHOLESALE OWNED BRANDS	FAST-FASHION	
	 	  Calvin Klein TOMMY HILFIFGER	  FOREVER 21	
Inventory Position	●	●	◐	-
Inventory Turnover	◐	◐	●	-
Supply Chain Management	●	●	●	●
Responsiveness / Lead Time	Long Lead	Long Lead	Fast	Fast
Design	●	●	●	●
Distribution Channels	Retail, E-Comm	Retail, E-Comm	Retail, E-Comm	Ubiquitous (All)
Media Content	Print / Social	Print/ Social	Print / Social	Print / Social / TV
Organic Growth	●	●	●	●

Ubiquitous-Channel Distribution



Interactive Television

- QVC, Inc. (USA)
- QVC International (UK, Germany, Italy, France, Japan, China)
- The Shopping Channel (Canada)
- CJo Shopping (Korea)



Wholesale

- Hudson Bay Company
- Lord & Taylor
- Dillard's
- Better Dept Stores



Specialty

- 1800 Flowers
- Hewlett Packard
- Best Buy
- Johnson & Johnson
- Revlon (2017)
- Bed Bath & Beyond (2017)

Our Brands



Interactive Television



JUDITH RIPKA®



Wholesale (Brick & Mortar + E-Commerce)



JUDITH RIPKA® LTD



HIGHLINE
COLLECTIVE



Specialty



REVLON



XCEL
BRANDS
Differentiate By Design

IMNYC
ISAAC MIZRAHI



ISAAC MIZRAHI LIVE™

ISAAC MIZRAHI
NEW YORK®

JUDITH RIPKA®
JUDITH RIPKA LTD



H BY HALSTON

H
HALSTON





WONDER

WONDER
LIMITED

A woman with short, wavy brown hair is shown in profile, looking towards the left. She is wearing a white dress with a vibrant floral pattern in shades of pink, red, and green. Her accessories include a long, thin gold chain necklace with a circular pendant, and a pair of gold earrings with small, dangling elements. The background is a bright, sunny outdoor setting with a blue sky and a blurred green plant with pink flowers. The overall mood is bright and summery.

HIGHLINE

COLLECTIVE

IMNYC

ISAAC MIZRAHI



H
HALSTON



HIGHLINE

COLLECTIVE





Specialty



1800 FLOWERS



JOHNSON & JOHNSON



HEWLETT PACKARD



BEST BUY



KLEENEX

Best In Class Retail Partners

Our brands are distributed through a Ubiquitous-Channel Sales strategy through best-in-class retail partners across Direct-Response Television, Bricks-and-Mortar, and Digital channels including:



Retail Sales and EBITDA Scorecard

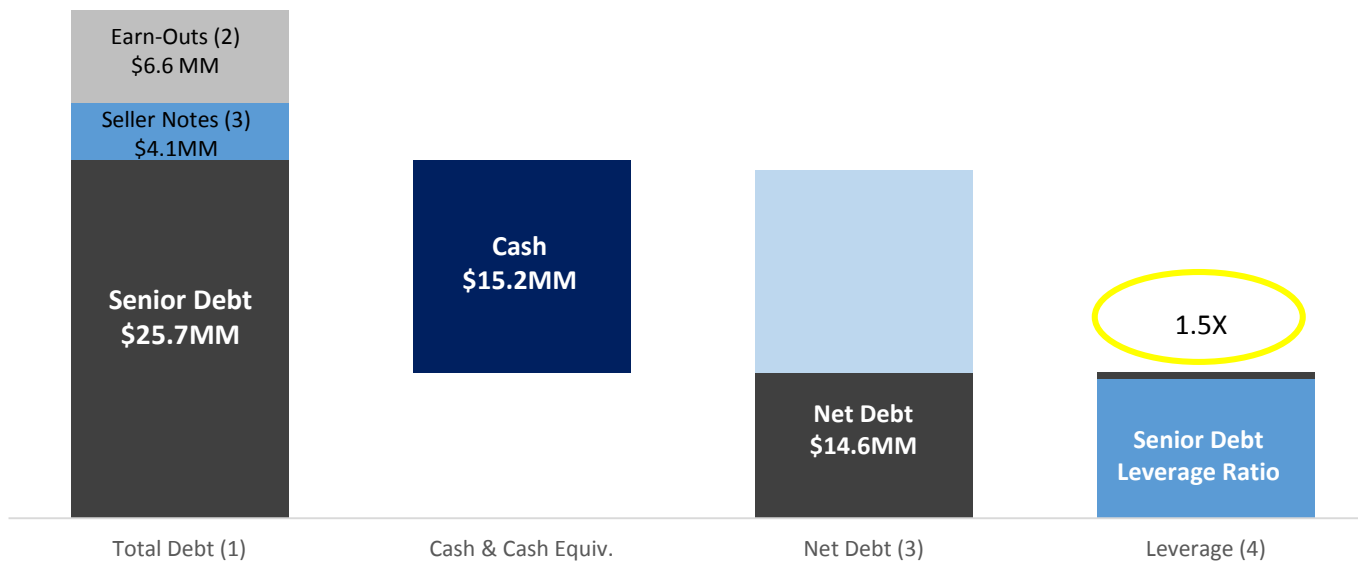


	2011 (pro-forma)	2012	2013	2014	2015
EST. SALES AT RETAIL	\$114MM	\$142MM	\$212MM	\$380MM	\$450MM
Xcel Brands Revenue	-	\$12.7MM	\$13.4MM	\$20.7MM	\$27.7MM
Xcel Brands Adjusted EBITDA ⁽¹⁾	-	\$4.5MM	\$4.2MM	\$7.0MM	\$9.3MM

(1) Adjusted EBITDA is a non-GAAP unaudited term. See Exhibit I for the definition of Adjusted EBITDA and a reconciliation to net income (loss).

Strong Balance Sheet

As of September 30, 2016, Xcel had \$15.2MM of cash against \$29.8MM of Term Debt, which resulted in Net Debt⁽³⁾ of \$14.5MM.



- (1) Total Debt is based on Senior Term Debt with Bank Hapoalim, Seller Notes and Contingent Obligations.
- (2) Earn-Outs based upon achieving certain targets as disclosed in the Company's latest financial filings, payable in cash or stock at the Company's option. As of September 30, 2016, no earn-out amounts have been earned.
- (3) Net Debt is calculated as Senior Term Debt and Seller Notes less Cash and Cash Equivalents.
- (4) Based upon Net Debt divided by Adjusted EBITDA for the trailing 12 months ended September 30, 2016.

Organic Growth Opportunities

Built-In Growth



- **H by Halston** – Full Year of performance in 2016
- **C. Wonder** – Launched Spring 2016; full year in 2017



- **IMNYC, H Halston, C. Wonder and Highline Collective** - 3 brands launched in 450 shop-in-shops (all-doors) at Lord & Taylor and The Bay in March 2016; full year of performance in 2017.



- Expansion of existing specialty partnerships.

Category Growth

- Additional categories to launch in 2017 including **Denim**, expansion of **Home** which launched in 2016, and other opportunities.

- **Footwear** launched under 2 brands in Fall 2016
- **Mens'** to launch Spring 2017
- **Handbags, Intimates** to launch Spring 2017
- Continued expansion of licenses in ancillary categories

- **Bed Bath & Beyond** and **Revlon** partnerships for Fall 2017; Home and other opportunities remain.

Geographic Growth

- Launched brands on QVC in **UK, Italy, Germany, France, and Japan** in 2014/2015
- Launched Isaac Mizrahi on Cjo in **Korea** in 2015
- Expected opportunities in **China** and other countries

- Expansion to **Dillard's** – est. for 2017
- Opportunity to expand existing brands to department stores in other countries (**Liverpool, El Corte**, and others)
- Ability to leverage platform to expand to **other retailers** under new or acquired brands.

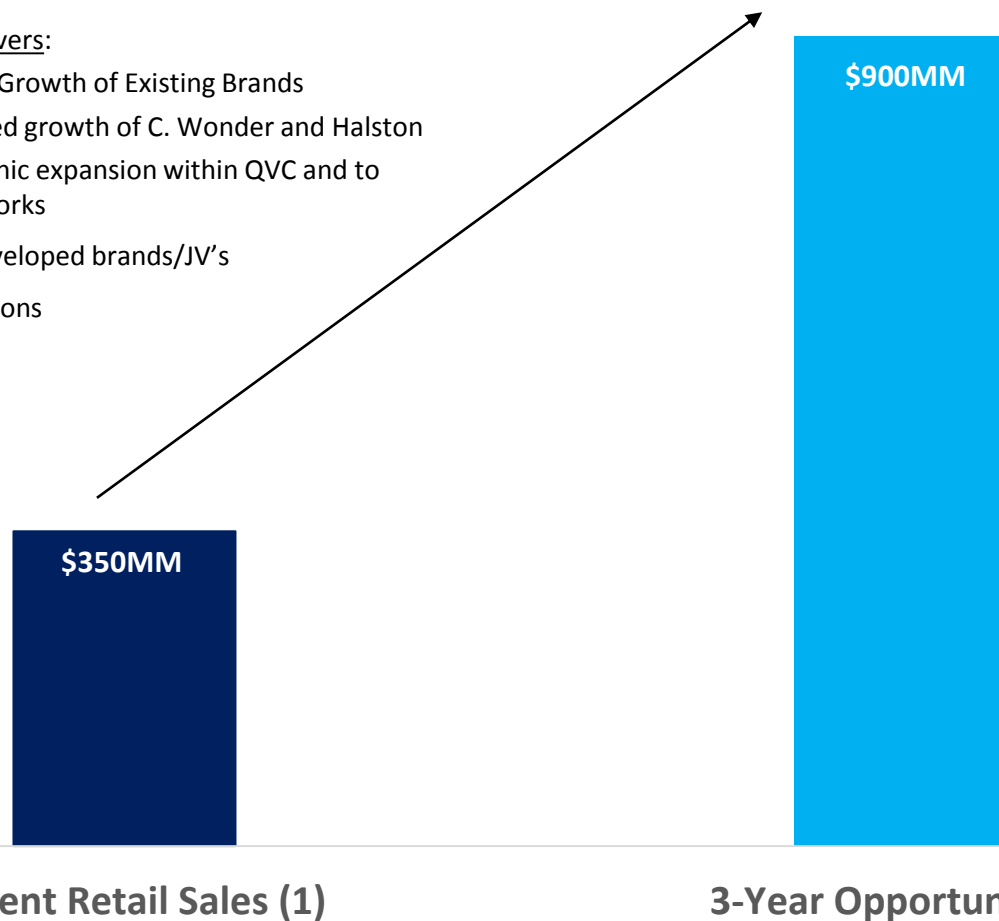
- Opportunities with specialty retailers in Canada, Mexico, and globally

Sizing the Opportunities

Direct-Response Television

Growth Drivers:

- Organic Growth of Existing Brands
 - continued growth of C. Wonder and Halston
 - geographic expansion within QVC and to other networks
- New developed brands/JV's
- Acquisitions



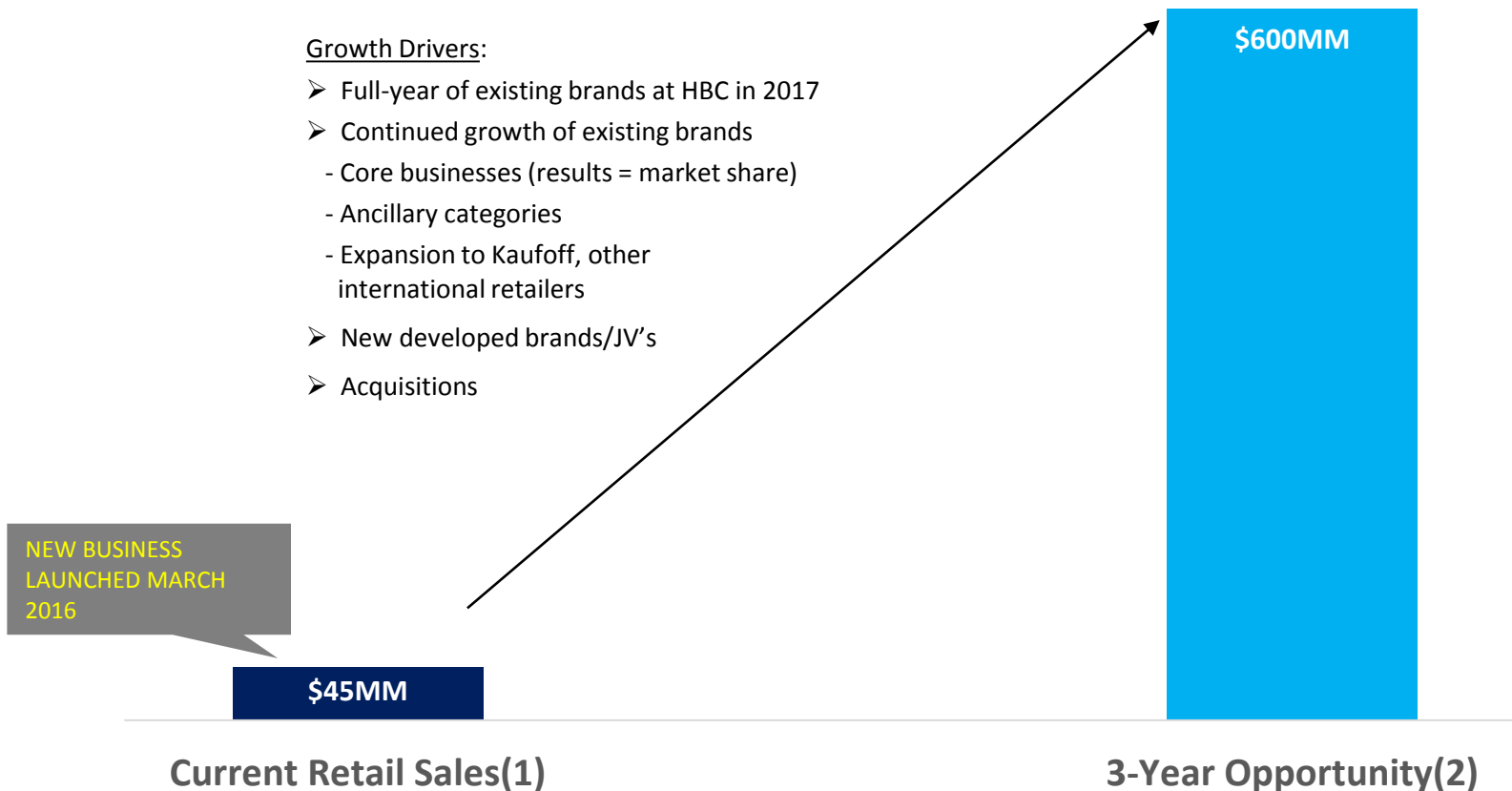
(1) Projected 2016 gross retail sales across all networks. Figures are preliminary and subject to change.

(2) Opportunity is based upon management's estimates for potential growth over 3 years including assumptions related to organic growth, developed brands/JV's and acquisition opportunities.

(3) There can be no assurance that these assumptions will be realized or that actual results will not differ materially.

Sizing the Opportunities

QTR Platform - Department Stores / Traditional Retailers



(1) Projected 2016 gross retail sales at HBC. Figures are preliminary and subject to change.

(2) Opportunity is based upon management's estimates for potential growth over 3 years including assumptions related to organic growth, developed brands/JV's, new retailers and acquisition opportunities.

(3) There can be no assurance that these assumptions will be realized or that actual results will not differ materially.

Acquisition Strategy and Brand Development

Xcel is seeking to acquire brands that are:

- ✓ Strategic
- ✓ Synergistic
- ✓ Accretive

Additionally, our unique platform and relationship with key retailers enable us to *develop* brands for our retail partners.



Summary

- Xcel Brands is built to develop innovative solutions to address the changes in our industry.
- Xcel's "Virtual Vertical" business model is working capital light but its design, sourcing, and marketing infrastructure provides a highly scalable platform for strong organic growth.
- We own dynamic, iconic brands that engage customers through media and an Ubiquitous-Channel sales strategy.
- We have a strong track record of growth in both revenues, EBITDA and net income, and a strong and stable balance sheet.
- We are well-positioned to continue to grow through organic growth of our existing brands, and acquisitions and development of new brands in the future.

XCEL
BRANDS

Differentiate By Design

Exhibit I

Reconciliation of Net Income (loss) to Adjusted EBITDA

Exhibit I				
Reconciliation of Net Income (Loss) to Adjusted EBITDA				
(amounts in thousands)	Nine Months Ended September 30,		Year Ended	Twelve Months
	2016	2015	12/31/2015	Ended 09/30/2016
Net (loss) income	\$ (17)	\$ 1,806	\$ 2,574	\$ 751
Depreciation and amortization	1,172	953	1,379	1,598
Interest and finance expense	1,427	1,376	1,804	1,855
Income tax (benefit) expense	(3)	35	156	118
State and local franchise taxes	75	83	108	100
Stock-based compensation	3,754	3,413	4,640	4,981
Loss on extinguishment of debt	-	1,371	1,371	-
Gain on reduction of contingent obligations	-	(3,000)	(3,000)	-
Non-recurring property exit charges	670	-	-	670
Loss from discontinued operations, net	-	281	272	(9)
Adjusted EBITDA	<u>\$ 7,078</u>	<u>\$ 6,318</u>	<u>\$ 9,304</u>	<u>\$ 10,064</u>

Adjusted EBITDA is a non-GAAP unaudited measure, which we define as net income (loss) before stock-based compensation, interest expense and other financing costs (including gain (loss) on extinguishment of debt), income taxes, other state and local franchise taxes, depreciation and amortization, gain on the reduction of contingent obligations, non-recurring facility exit charges, and net loss from discontinued operations.

Management uses Adjusted EBITDA as a measure 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 Adjusted EBITDA is also useful because it provides supplemental information to assist investors in evaluating our financial results. Adjusted EBITDA should not be considered in isolation or as an alternative to net income (loss) or any other measure of financial performance calculated and presented in accordance with GAAP. Given that Adjusted EBITDA is a non-GAAP financial measure and is susceptible to varying calculations, our Adjusted EBITDA may not be comparable to similarly titled measures of other companies, including companies in our industry, because other companies may calculate Adjusted EBITDA in a different manner than we calculate this measure. In evaluating Adjusted EBITDA, you should be aware that in the future we may or may not incur expenses similar to some of the adjustments listed above. Our presentation of 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 Adjusted EBITDA alongside other financial performance measures, including our net income (loss) and other GAAP results, and not rely on any single financial measure.