UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 15, 2021

XCEL BRANDS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-37527**	**76-0307819**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

1333 Broadway, New York, New York	**10018**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code (347) 727-2474

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.001 per share	XELB	NASDAQ Global Select Market

Item 1.01 Entry into a Material Definitive Agreement.

Item 2.03 Creation of a Direct Financial Obligation or Obligation Under an Off-balance Sale Arrangement of a Registrant.

On November 15, 2021, the Loan and Security Agreement (the :Loan Agreement") dated April 14, 2021, as amended, by and among Xcel Brands, Inc. (Xcel"), as Borrower, and its wholly-owned subsidiaries, IM Brands, LLC, JR Licensing, LLC, H Licensing, LLC, C Wonder Licensing, LLC, Xcel Design Group, LLC, Judith Ripka Fine Jewelry, LLC, H Heritage Licensing, LLC, Xcel-CT MFG, LLC and Gold Licensing, LLC, as Guarantors (each a "Guarantor" and collectively, the "Guarantors"), with the financial institutions party thereto as lenders (the "Lenders"), Bank Hapoalim, B.M., as administrative agent and collateral agent for the Lenders (in such capacity, the "Administrative Agent"), and FEAC AGENT, LLC ("FEAC"), as co-collateral agent was further amended pursuant to Amendment No. 2 to Loan and Security Agreement (the "Amendment" and, the Loan Agreement as amended by the Amendment, the "Amended Loan Agreement") among Xcel, the Guarantors, the Lenders, the Administrative Agent and FEAC. Pursuant to the Amendment, the financial covenant schedule was amended as follows:

1. Minimum EBITDA. EBITDA of Borrower and the Included Subsidiaries on a consolidated basis shall not be less than the amounts set forth below at the end of the applicable fiscal period set forth below:

Fiscal Period	Minimum EBITDA
April 1, 2021 to September 30, 2021	$2,200,000
April 1, 2021 to December 31, 2021	$3,426,000
For the trailing twelve month period ending March 31, 2022	$4,515,000
For the trailing twelve month period ending June 30, 2022	$5,146,000
For the trailing twelve month periods ending September 30, 2022	$6,500,000
For the trailing twelve month periods ending December 31, 2022, March 31, 2023, June 30, 2023 and September 30, 2023	$7,000,000
For the trailing twelve month periods ending December 31, 2023, March 31, 2024, June 30, 2024, September 30, 2024, December 31, 2024 and March 31, 2025	$7,500,000

2. Minimum Liquid Assets. Liquid Assets of Borrower and the Included Subsidiaries on a consolidated basis shall be at least $4,000,000 at all times.

3. Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio of Borrower and the Included Subsidiaries on a consolidated basis for (a) the nine month period ending on December 31, 2021 shall not be less than 1.00 to 1.00, (b) the twelve Fiscal Month period ending March 31, 2022 shall not be less than 1.00 to 1.00 and (c) the twelve Fiscal Month period ending at the end of each Fiscal Quarter commencing with the Fiscal Quarter ending June 30, 2022 shall not be less than 1.25 to 1.00.

4. Maximum Leverage Ratio. The Leverage Ratio of Borrower and the Included Subsidiaries on a consolidated basis for (a) the twelve Fiscal Month period ending at the end of each Fiscal Quarter shall not exceed (a) 6.75 to 1.00 for the Fiscal Quarter ending December 31, 2021, (b) 5.30 to 1.00 for each Fiscal Quarter ending March 31, 2022 and (c) 4.00 to 1.00 for each Fiscal Quarter ending on and after June 30, 2022.

5. Loan To Value Ratio. At no time shall the Loan to Value Ratio exceed 50%.

Item 2.02 Results of Operations and Financial Conditions

On November 15, 2021, the Registrant issued a press release announcing its financial results for the three and nine months ended September 30, 2021. As noted in the press release, the Registrant has provided certain non-U.S. generally accepted accounting principles ("GAAP") financial measures, the reasons it provided such measures and a reconciliation of the non-U.S. GAAP measures to U.S. GAAP measures. Readers should consider non-GAAP measures in addition to, and not as a substitute for, measures of financial performance prepared in accordance with U.S. GAAP. A copy of the Registrant's press release is being furnished hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

10.1 Amendment No. 3 to Loan and Security Agreement, dated November 15, 2021

99.1 Press Release of Xcel Brands, Inc. dated November 15, 2021.

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

XCEL BRANDS, INC.
(Registrant)

By: /s/ James F. Haran
Name: James F. Haran
Title: Chief Financial Officer

Date: November 17, 2021

AMENDMENT NO. 3
to
LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 3 TO LOAN AND SECURITY AGREEMENT (this "Amendment") is entered into as of November 15, 2021, by and among XCEL BRANDS, INC., a Delaware corporation ("Borrower"), each other signatory hereto that is a Credit Party under the Loan Agreement (as hereinafter defined), the financial institutions from time to time party to the Loan Agreement (collectively, "Lenders" and individually, each a "Lender"), BANK HAPOALIM B.M., ("BHI") as administrative agent and collateral agent for Lenders (BHI in such capacity together with its successors and assigns in such capacity, "Administrative Agent") and FEAC AGENT, LLC ("FEAC"), as co-collateral agent (FEAC in such capacity together with its successors and assigns in such capacity, "Co-Collateral Agent").

BACKGROUND

Borrower, IM Brands, LLC ("IM Brands"), JR Licensing, LLC, H Licensing, LLC, C Wonder Licensing, LLC, Xcel Design Group, LLC, Judith Ripka Fine Jewelry, LLC, H Heritage Licensing, LLC, Xcel-CT MFG, LLC and Gold Licensing, LLC (other than Borrower, collectively, "Guarantors"), Lenders and Agents are parties to a Loan and Security Agreement dated as of April 12, 2021 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") pursuant to which Lenders made term loans to Borrower secured by a Lien on substantially all of the assets of Borrower. Guarantors have guaranteed the payment and performance of Borrower's obligations to Lenders and Agents under the Loan Agreement which guarantee obligations are secured by a Lien on substantially all of the assets of Guarantors.

Borrower has requested that Lenders waive compliance with certain financial covenants, and make certain amendments to the Loan Agreement. Lenders and Agents have agreed to provide such waiver and amend the Loan Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the financial accommodations provided to Borrower by Lenders, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings given to them in the Loan Agreement.

2. Amendment to Loan Agreement. Subject to the satisfaction of the conditions set forth in Section 3 below, the Loan Agreement is hereby amended replacing Schedule II (Financial Covenants) with Schedule II attached to this Amendment.

3. Conditions of Effectiveness. This Amendment shall become effective upon Agents' receipt of this Amendment duly executed by each Credit Party and each Lender.

4. Representations and Warranties. Each Credit Party hereby represents and warrants as follows:

(a) This Amendment constitutes the legal, valid and binding obligation of such Credit Party and is enforceable against such Credit Party in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally or limiting the right of specific performance.

(b) Upon the effectiveness of this Amendment, all representations and warranties of such Credit Party contained in the Loan Documents to which it is a party continue to be true and correct in all material respects as of the date hereof, as if repeated as of the date hereof, except for such representations and warranties which, by their terms, are expressly made only as of a previous date.

(c) No Event of Default has occurred and is continuing or would exist after giving effect to this Amendment.

(d) No Credit Party has any defense, counterclaim or offset with respect to any of the Loan Documents.

5. Effect on the Loan Documents.

(a) Except as specifically set forth herein, the Loan Documents shall remain in full force and effect, and are hereby ratified and confirmed by each Credit Party a party thereto.

(b) Except as specifically set forth herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agents or any Lender nor constitute a waiver of any provision of any Loan Document.

6. Governing Law. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of New York.

7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

8. Counterparts; Electronic Transmission. This Amendment may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement. Any signature delivered by a party by facsimile or other electronic transmission shall be deemed to be an original signature hereto.

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first written above.

XCEL BRANDS, INC.

By: /s/ James Haran
Name: James Haran
Title: CFO

IM BRANDS, LLC
JR LICENSING, LLC
H LICENSING, LLC
C WONDER LICENSING, LLC
XCEL DESIGN GROUP, LLC
JUDITH RIPKA FINE JEWELRY, LLC
H HERITAGE LICENSING, LLC
XCEL-CT MFG, LLC
GOLD LICENSING, LLC

By: XCEL BRANDS, INC.,
Its Manager

By: /s/ James Haran
Name: James Haran
Title: CFO

BANK HAPOALIM B.M., as Administrative Agent

By: /s/ Barry S. Renow
Name: Barry S. Renow
Title: FVP

By: /s/ Carl Giordano
Name: Carl Giordano
Title: SVP

[additional signature pages follow]

FEAC AGENT, LLC, as Co-Collateral Agent.

By: /s/ Michelle Handy

Name: Michelle Handy

Title: Managing Director

[additional signature pages follow]

BANK HAPOALIM B.M., as a Lender

By: /s/ Carl Giordano
Name: Carl Giordano
Title: SVP

By: /s/ Barry S. Renow
Name: Barry S. Renow
Title: FVP

[additional signature pages follow]

FIRST EAGLE ALTERNATIVE CAPITAL BDC, INC., as a Lender

By: /s/ Michelle Handy________________
Name: Michelle Handy
Title: Managing Director

FIRST EAGLE DIRECT LENDING FUND IV, LLC, as a Lender

By: First Eagle Alternative Credit, LLC
Its: Manager

By: /s/ Michelle Handy________________
Name: Michelle Handy
Title: Managing Director

FIRST EAGLE DIRECT LENDING IV CO-INVEST, LLC, as a Lender

By: First Eagle Alternative Credit, LLC
Its: Manager

By: /s/ Michelle Handy________________
Name: Michelle Handy
Title: Managing Director

FIRST EAGLE DIRECT LENDING LEVERED FUND IV SPV, LLC, as a Lender

By: First Eagle Direct Lending Levered Fund IV, LLC
Its: Manager

By: /s/ Michelle Handy________________
Name: Michelle Handy
Title: Managing Director

SCHEDULE II

FINANCIAL COVENANTS

1. Minimum EBITDA. EBITDA of Borrower and the Included Subsidiaries on a consolidated basis shall not be less than the amounts set forth below at the end of the applicable fiscal period set forth below:

Fiscal Period	Minimum EBITDA
April 1, 2021 to September 30, 2021	$2,200,000
April 1, 2021 to December 31, 2021	$3,426,000
For the trailing twelve month period ending March 31, 2022	$4,515,000
For the trailing twelve month period ending June 30, 2022	$5,146,000
For the trailing twelve month periods ending September 30, 2022	$6,500,000
For the trailing twelve month periods ending December 31, 2022, March 31, 2023, June 30, 2023 and September 30, 2023	$7,000,000
For the trailing twelve month periods ending December 31, 2023, March 31, 2024, June 30, 2024, September 30, 2024, December 31, 2024 and March 31, 2025	$7,500,000

2. Minimum Liquid Assets. Liquid Assets of Borrower and the Included Subsidiaries on a consolidated basis shall be at least $4,000,000 at all times.

3. Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio of Borrower and the Included Subsidiaries on a consolidated basis for (a) the nine month period ending on December 31, 2021 shall not be less than 1.00 to 1.00, (b) the twelve Fiscal Month period ending March 31, 2022 shall not be less than 1.00 to 1.00 and (c) the twelve Fiscal Month period ending at the end of each Fiscal Quarter commencing with the Fiscal Quarter ending June 30, 2022 shall not be less than 1.25 to 1.00.

4. Maximum Leverage Ratio. The Leverage Ratio of Borrower and the Included Subsidiaries on a consolidated basis for (a) the twelve Fiscal Month period ending at the end of each Fiscal Quarter shall not exceed (a) 6.75 to 1.00 for the Fiscal Quarter ending December 31, 2021, (b) 5.30 to 1.00 for each Fiscal Quarter ending March 31, 2022 and (c) 4.00 to 1.00 for each Fiscal Quarter ending on and after June 30, 2022.

5. Loan To Value Ratio. At no time shall the Loan to Value Ratio exceed 50%.

Exhibit 99.1

FOR IMMEDIATE RELEASE

XCEL BRANDS, INC. ANNOUNCES THIRD QUARTER 2021 RESULTS

- ***Third quarter total net revenue of $11.3 million, up 52% from Q3, 2020***
- ***Third quarter net wholesale and direct-to-consumer sales up over 100% from Q3, 2020***
- ***Third quarter licensing revenue up 31% from Q3, 2020***

NEW YORK, NY (November 15, 2021) – Xcel Brands, Inc. (NASDAQ: XELB) (“Xcel” or the “Company”), a media and consumer products company, today announced its financial results for the third quarter ended September 30, 2021.

Robert W. D'Loren, Chairman and Chief Executive Officer of Xcel commented, “We are pleased with our third quarter top-line growth across our businesses and distribution channels. Our teams continue to work hard to navigate challenges associated with the pandemic and global supply chain. Xcel’s strong brands, innovative distribution channels, and robust balance sheet create a solid foundation for growth as we emerge from the COVID-19 pandemic. I believe we are back on track and positioned for continued revenue growth and improving profitability in the quarters and years ahead.”

Third Quarter 2021 Financial Results

Total revenue was $11.3 million, an increase of $3.9 million or +52% as compared with the prior year quarter, driven by higher net wholesale and direct-to-consumer sales and higher licensing revenues of approximately $2.3 million and $1.6 million, respectively. The increase in net wholesale and direct-to-consumer sales include growth in virtually all or our wholesale and direct-to-consumer businesses, including 150% growth in direct-to-consumer sales across our Longaberger and Judith Ripka brands, 56% growth in our wholesale apparel business, and over 400% growth in our wholesale jewelry business. Our licensing revenues were driven by organic growth in royalty revenues across all of our brands as well as our acquisition of the Lori Goldstein brand earlier this year.

Net loss attributable to Xcel Brands shareholders was approximately $1.1 million, or $(0.06) per diluted share, mainly driven by higher operating expenses, including labor, marketing, and logistics costs, compared with a net loss of $0.4 million, or ($0.02) per diluted share, for the prior year quarter. The prior year quarter operating expenses reflect the impact of cost reduction actions taken by management in response to the COVID-19 pandemic, including temporary reductions of employee compensation and cutting non-essential costs, while the current quarter expenses do not. The current quarter also includes expenses related to our acquisition of Lori Goldstein earlier this year. After adjusting for certain cash and non-cash items, non-GAAP net income was approximately $0.00 million, or $0.00 per diluted share for the quarter ended September 30, 2021, and $0.8 million, or $0.04 per diluted share, for the quarter ended September 30, 2020. Adjusted EBITDA was approximately $1.0 million and $1.4 million for the current quarter and the prior year quarter, respectively, with our investments in our wholesale and direct-to-consumer businesses and normalized expenses off-setting our material growth in top-line revenues for the quarter.

Nine Month 2021 Financial Results

Total revenue was $29.8 million, an increase of $7.8 million or +36% compared with the prior year nine months, driven by higher net wholesale and direct-to-consumer sales, and higher licensing revenues of $5.9 million and $2.0 million, respectively.

Net loss attributable to Xcel Brands shareholders for the current year nine-month period was approximately $5.2 million, or $(0.27) per diluted share, mainly driven by higher operating expenses, including labor, marketing, consulting, and logistics costs, as we returned to normalized operating expenses following temporary reductions imposed during 2020 due to Covid-19, as well as an $0.8 million loss on extinguishment of debt, compared with a net loss of $2.5 million, or ($0.13) per diluted share, for the prior year nine months. The prior year period operating expenses reflect the impact of cost reduction actions taken by management in response to the COVID-19 pandemic, including temporary reductions of employee compensation and cutting non-essential costs, as well as the benefit of approximately $1.8 million of expense reductions through the Paycheck Protection Program under the CARES Act, while the current year operating expenses do not. After adjusting for certain cash and non-cash items, non-GAAP net loss was approximately $1.6 million, or $(0.08) per diluted share for the nine months ended September 30, 2021, as compared with net income of approximately $2.1 million, or $0.11 per diluted share, for the nine months ended September 30, 2020. Adjusted EBITDA was approximately $1.0 million and $3.9 million for the current year nine months and prior year comparable period, respectively, with the decrease primarily driven by our continued investments in our wholesale and direct-to-consumer businesses, normalized expenses following temporary reductions imposed in 2020, and expense reductions in connection with the $1.8MM of PPP loans received during the comparable period in 2020.This is also the second consecutive quarter where the Company has generated approximately $1.0 million of Adjusted EBITDA having emerged from the most significant impact of Covid-19 in 2020 and the first quarter of 2021.

Balance Sheet

The Company's balance sheet at September 30, 2021 remained strong, with stockholders' equity of approximately $81 million, and cash and cash equivalents of approximately $4.0 million. Working capital (exclusive of the current portion of lease obligations) as of September 30, 2021 was approximately $8.9 million, representing an improvement of approximately $1.0 million from December 31, 2020. Total term debt and debt on our revolving credit facility was $25.2 as of September 30, 2021.

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 Monday, November 15, 2021. 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 855-327-6837. A replay of the conference call will be available on the Company website for 30 days following the event and can be accessed at 844-512-2921 using replay pin number 10016988.

About Xcel Brands

Xcel Brands, Inc. (NASDAQ:XELB) is a media and consumer products company engaged in the design, production, marketing, live streaming, wholesale distribution, and direct-to-consumer 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 Isaac Mizrahi, Judith Ripka, Halston, LOGO by Lori Goldstein, and C. Wonder brands, and it owns and manages the Longaberger brand through its controlling interest in Longaberger Licensing LLC, pioneering a true omni-channel sales strategy which includes the promotion and sale of products under its brands through interactive television, digital live-stream shopping, brick-and-mortar retail, and e-commerce channels. The company’s brands have generated in excess of $3 billion in retail sales via live streaming in interactive television and digital channels alone. Headquartered in New York City, Xcel Brands is led by an executive team with significant livestreaming, production, merchandising, design, marketing, retailing, and licensing experience, and a proven track record of success in elevating branded consumer products companies. With an experienced team of professionals focused on design, production, and digital marketing, Xcel maintains control of product quality and promotion across all of its product categories and distribution channels. Xcel differentiates by design. 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, 2020 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:

Andrew Berger
SM Berger & Company, Inc.
216-464-6400
andrew@smberger.com

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

	September 30, 2021 (Unaudited)	December 31, 2020
Assets		
Current Assets:		
Cash and cash equivalents	$ 3,981	$ 4,957
Accounts receivable, net	10,949	8,889
Inventory	3,430	1,216
Prepaid expenses and other current assets	1,711	1,085
Total current assets	20,071	16,147
Non-Current Assets:		
Property and equipment, net	3,481	3,367
Operating lease right-of-use assets	6,831	8,668
Trademarks and other intangibles, net	99,859	93,535
Restricted cash	739	1,109
Other assets	222	228
Total non-current assets	111,132	106,907
Total Assets	**$ 131,203**	**$ 123,054**
Liabilities and Equity		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	$ 5,444	$ 4,442
Accrued payroll	683	973
Accrued consideration payable	—	—
Current portion of operating lease obligations	1,315	2,101
Current portion of long-term debt	4,998	2,800
Total current liabilities	12,440	10,316
Long-Term Liabilities:		
Long-term portion of operating lease obligations	7,295	8,469
Long-term debt, less current portion	20,233	13,838
Contingent obligations	7,539	900
Deferred tax liabilities, net	1,038	3,052
Other long-term liabilities	591	224
Total long-term liabilities	36,696	26,483
Total Liabilities	49,136	36,799
Commitments and Contingencies		
Equity:		
Preferred stock, $.001 par value, 1,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $.001 par value, 50,000,000 shares authorized, and 19,530,855 and 19,260,862 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	20	19
Paid-in capital	102,936	102,324
Accumulated deficit	(21,836)	(16,595)
Total Xcel Brands, Inc. stockholders' equity	81,120	85,748
Noncontrolling interest	947	507
Total Equity	82,067	86,255
Total Liabilities and Equity	**$ 131,203**	**$ 123,054**

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, 2021	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
Revenues				
Net licensing revenue	$ 6,854	$ 5,236	$ 17,385	$ 15,378
Net sales	4,407	2,155	12,449	6,590
Net revenue	11,261	7,391	29,834	21,968
Cost of goods sold (sales)	2,865	1,270	7,763	3,923
Gross profit	8,396	6,121	22,071	18,045
Operating costs and expenses				
Salaries, benefits and employment taxes	4,185	2,968	12,286	9,798
Other selling, general and administrative expenses	3,463	2,159	9,591	7,153
Stock-based compensation	163	49	754	780
Depreciation and amortization	1,891	1,437	4,949	4,069
Government assistance - Paycheck Protection Program	—	(176)	—	(1,816)
Asset impairment charges	—	31	—	113
Total operating costs and expenses	9,702	6,468	27,580	20,097
Other income	—	46	—	46
Operating loss	(1,306)	(301)	(5,509)	(2,006)
Interest and finance expense				
Interest expense - term loan debt	565	303	1,363	926
Other interest and finance charges (income), net	23	1	127	(29)
Loss on extinguishment of debt	—	—	821	—
Total interest and finance expense	588	304	2,311	897
Loss before income taxes	(1,894)	(605)	(7,820)	(2,903)
Income tax benefit	(535)	(145)	(2,019)	(269)
Net loss	**(1,359)**	**(460)**	**(5,801)**	**(2,634)**
Less: Net loss attributable to noncontrolling interest	(223)	(26)	(560)	(95)
Net loss attributable to Xcel Brands, Inc. stockholders	**$ (1,136)**	**$ (434)**	**$ (5,241)**	**$ (2,539)**
Loss per share attributed to Xcel Brands, Inc. common stockholders:				
Basic and diluted net loss per share	$ (0.06)	$ (0.02)	$ (0.27)	$ (0.13)
Weighted average number of common shares outstanding:				
Basic and diluted weighted average common shares outstanding	19,541,774	19,231,040	19,418,469	19,078,453

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

	For the Nine Months Ended September 30, 2021	2020
Cash flows from operating activities		
Net loss	$ (5,801)	$ (2,634)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	4,949	4,069
Asset impairment charges	—	113
Amortization of deferred finance costs included in interest expense	211	72
Stock-based compensation	754	780
Provision for doubtful accounts	132	1,054
Loss on extinguishment of debt (non-cash portion)	454	—
Deferred income tax benefit	(2,019)	(269)
Net Gain on sale of assets	—	(46)
Changes in operating assets and liabilities:		
Accounts receivable	(2,192)	1,380
Inventory	(2,214)	176
Prepaid expenses and other assets	(620)	187
Accounts payable, accrued expenses and other current liabilities	572	(2,403)
Cash paid in excess of rent expense	(122)	(276)
Other liabilities	367	—
Net cash (used in) provided by operating activities	(5,529)	2,203
Cash flows from investing activities		
Cash consideration for acquisition of Lori Goldstein assets	(3,661)	—
Net proceeds from sale of assets	46	
Purchase of other intangible assets	(39)	—
Purchase of property and equipment	(1,049)	(700)
Net cash used in investing activities	(4,749)	(654)
Cash flows from financing activities		
Proceeds from exercise of stock options	5	—
Shares repurchased including vested restricted stock in exchange for withholding taxes	—	(187)
Cash contribution from non-controling interest	1,000	300
Proceeds from revolving loan debt	2,498	—
Proceeds from long-term debt	25,000	(20)
Payment of deferred finance costs	(1,204)	—
Payment of long-term debt	(18,000)	(1,500)
Payment of breakage fees associated with extinguishment of long-term debt	(367)	—
Net cash provided by (used in) financing activities	8,932	(1,407)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(1,346)	142
Cash, cash equivalents, and restricted cash at beginning of period	6,066	5,750
Cash, cash equivalents, and restricted cash at end of period	$ 4,720	$ 5,892
Reconciliation to amounts on consolidated balance sheets:		
Cash and cash equivalents	3,981	$ 4,783
Restricted cash	739	1,109
Total cash, cash equivalents, and restricted cash	$ 4,720	$ 5,892
Supplemental disclosure of non-cash activities:		
Operating lease right-of-use asset	$ (722)	$ 797
Operating lease obligation	$ (722)	$ 797
Contingent obligation related to acquisition of Lori Goldstein assets at fair value	$ 6,639	$ —
Liability for equity-based bonuses	$ 140	$ 93
Supplemental disclosure of cash flow information:		
Cash paid during the period for income taxes	$ 18	$ 58
Cash paid during the period for interest	$ 1,346	$ 1,092

($in thousands)	Three Months Ended September 30, 2021 (Unaudited)	Three Months Ended September 30, 2020 (Unaudited)	Nine Months Ended September 30, 2021 (Unaudited)	Nine Months Ended September 30, 2020 (Unaudited)
Net loss attributable to Xcel Brands, Inc. stockholders	$ (1,136)	(434)	$ (5,241)	(2,539)
Amortization of trademarks	1,519	1,107	3,915	3,323
Stock-based compensation	163	49	754	780
Loss on extinguishment of debt	—	—	821	—
(Recovery of) costs in connection with potential acquisition	—	(189)	—	(210)
Certain adjustments to provision for doubtful accounts	—	385	132	971
Property and equipment impairment	—	31	—	113
Gain on the sale of assets	(46)	(46)		
Deferred income tax (benefit) provision	(535)	(145)	(2,019)	(269)
Non-GAAP net (loss) income	$ 11	$ 758	$ (1,638)	$ 2,123

	Three Months Ended September 30, 2021 (Unaudited)	Three Months Ended September 30, 2020 (Unaudited)	Nine Months Ended September 30, 2021 (Unaudited)	Nine Months Ended September 30, 2020 (Unaudited)
Diluted loss per share	$ (0.06)	$ (0.02)	$ (0.27)	$ (0.13)
Amortization of trademarks	0.08	0.06	0.20	0.16
Stock-based compensation	0.01	—	0.04	0.04
Loss on extinguishment of debt	—	—	0.04	—
(Recovery of) costs in connection with potential acquisition	—	(0.01)	—	(0.01)
Certain adjustments to provision for doubtful accounts	—	0.02	0.01	0.05
Property and equipment impairment	—	—	—	0.02
Deferred income tax (benefit) provision	(0.03)	(0.01)	(0.10)	(0.01)
Non-GAAP diluted EPS	$ —	$ 0.04	$ (0.08)	$ 0.12
Non-GAAP weighted average diluted shares	20,323,358	19,291,275	19,418,469	19,092,828

($in thousands)	Three Months Ended September 30, 2021 (Unaudited)	Three Months Ended September 30, 2020 (Unaudited)	Nine Months Ended September 30, 2021 (Unaudited)	Nine Months Ended September 30, 2020 (Unaudited)
Net loss attributable to Xcel Brands, Inc. stockholders	$ (1,136)	$ (434)	$ (5,241)	$ (2,539)
Depreciation and amortization	1,891	1,437	4,949	4,069
Interest and finance expense	588	304	2,311	897
Income tax (benefit) provision	(535)	(145)	(2,019)	(269)
State and local franchise taxes	33	41	105	124
Stock-based compensation	163	49	754	780
(Recovery of) costs in connection with potential acquisition	—	(189)	—	(210)
Certain adjustments to provision for doubtful accounts	—	385	132	971
Gain on the sale of assets	—	(46)	—	(46)
Property and equipment impairment	—	31	—	113
Adjusted EBITDA	$ 1,004	$ 1,433	$ 991	$ 3,890

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, stock-based compensation, loss on extinguishment of debt, gain on sales of assets, gain on reduction of contingent obligations, costs (recoveries) in connection with potential acquisitions, certain adjustments to allowances for doubtful accounts related to the bankruptcy of and economic impact on certain retail customers due to the COVID-19 pandemic, asset impairments, and deferred 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), income taxes, other state and local franchise taxes, stock-based compensation, gain on reduction of contingent obligations, gain on sale of assets, costs (recoveries) in connection with potential acquisitions, asset impairments, and certain adjustments to allowances for doubtful accounts related to the bankruptcy of and economic impact on certain retail customers due to the COVID-19 pandemic.

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. We incurred certain costs in the prior year which we could have eliminated but elected not to do so in light of government assistance received through the Paycheck Protection Program under the CARES Act (the "PPP Benefit"), which represents a cash benefit directly related to the Company's operating expenses incurred. Accordingly, the PPP Benefit is not considered a reconciling item for purposes of the computation of non-GAAP net income and Adjusted EBITDA for the prior year periods.

Adjusted EBITDA is the measure used to calculate compliance with the EBITDA covenant under our term loan debt 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.