



November 9, 2017

Xcel Brands Announces Third Quarter 2017 Financial Results

Third Quarter Net Revenues of \$7.9 Million
Third Quarter GAAP Net Income of \$0.3 Million
Third Quarter Non-GAAP Net Income of \$1.6 Million; Adjusted EBITDA of \$2.4 Million

NEW YORK, Nov. 09, 2017 (GLOBE NEWSWIRE) -- Xcel Brands, Inc. (NASDAQ:XELB) ("Xcel" or the "Company"), a media and brand management company, today announced its financial results for the third quarter and nine months ended September 30, 2017.

Robert W. D'Loren, Chairman and Chief Executive Officer of Xcel commented, "2017 continues to be a transformative year for the Company, characterized by continued market share growth in our department store business. We remain focused on working with our retail partners to optimize our fast-to-market production platform, and we are improving performance, increasing our door count, and expanding into more product categories.

"We continue to reinvest our operating cash flow into the business and we are making great progress implementing our integrated technology platform. Once fully operational, Xcel will have developed the most advanced, technology-based design and production platform that completely digitizes design, merchandising, and production supply lines. These advancements strategically position us as an industry leader, which will allow Xcel to take advantage of solid growth opportunities ahead," concluded Mr. D'Loren.

Third Quarter 2017 Financial Results

Total net revenues for the third quarter of 2017 were \$7.9 million, down approximately 5% from \$8.3 million in the prior year quarter. This was primarily attributable to lower revenue associated with the C Wonder brand that is transitioning away from QVC and from the exiting of the LCNy license agreement in July 2016, both previously reported. These decreases were partially offset by higher net revenue from the wholesale department store business.

GAAP net income was \$0.3 million for the quarter ended September 30, 2017, or \$0.01 per diluted share, compared with net income of approximately \$0.1 million, or \$0.01 per diluted share, in the prior year quarter. After adjusting for certain cash and non-cash items, non-GAAP net income for the quarter ended September 30, 2017 was \$1.6 million, or \$0.09 per diluted share, compared with \$1.5 million, or \$0.08 per diluted share in the prior year quarter.

Adjusted EBITDA for the quarter ended September 30, 2017 increased to approximately \$2.4 million, compared with \$2.3 million for the same quarter in the prior year. Additionally, on a sequential basis, operating results in terms of EBITDA and non-GAAP net income continue to show improvements when compared with prior quarters in 2017 as the Company's strategy of focusing on its own brands and the growth of the fast-to-market production platform continues to deliver positive results.

First Nine Months of Fiscal 2017 Financial Results

Total net revenues for the nine months ended September 30, 2017 were \$24.7 million, down approximately 4% from \$25.8 million in the same period in 2016. The decrease was attributable primarily to the previously mentioned LCNy brand termination and C Wonder brand transition. These decreases were partially offset by higher revenues from the wholesale department store business as Xcel increases the number of stores its brands are sold in and expands its short-lead production platform into more product categories.

GAAP net income was approximately \$0.07 million for the nine months ended September 30, 2017, or \$0.00 per diluted share, compared with net loss of less than (\$0.1) million, or approximately (\$0.00) per share on a diluted basis, for the nine months ended September 30, 2016. After adjusting for certain cash and non-cash items, non-GAAP net income for the nine months ended September 30, 2017 was \$4.3 million, or \$0.22 per diluted share, compared with \$4.6 million, or \$0.24 per diluted share, for the same period in the prior year.

Adjusted EBITDA for the nine months ended September 30, 2017 decreased approximately \$0.5 million to \$6.6 million, compared with \$7.1 million for the same period in the prior year.

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

The Company's balance sheet at September 30, 2017 remained strong, with stockholders' equity of \$107.8 million, cash and cash equivalents of \$8.3 million, and working capital of approximately \$11.1 million. During the current nine months, the Company reduced its senior term debt by \$5.8 million to \$19.5 million, with no other principal payment due for the fourth quarter.

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 5:30 p.m. Eastern Time on Thursday, November 9, 2017. 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 888-857-6931. 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 50627328.

About Xcel Brands

Xcel Brands, Inc. (NASDAQ:XELB) is a media and consumer products company engaged in the design, production, licensing, marketing, and direct-to-consumer sales of branded apparel, footwear, accessories, jewelry, home goods, and other consumer products, and the acquisition of dynamic consumer lifestyle brands. Xcel was founded by Robert W. D'Loren in 2011 with a vision to reimagine shopping, entertainment, and social as one. Xcel owns and manages the Isaac Mizrahi, Judith Ripka, H Halston, C. Wonder, and Highline Collective brands, pioneering a ubiquitous sales strategy which includes the promotion and sale of products under its brands through interactive television, internet, brick and mortar retail, and e-commerce channels. Headquartered in New York City, Xcel Brands is led by an executive team with significant production, merchandising, design, marketing, retailing, and licensing experience, and a proven track record of success in elevating branded consumer products companies. With a team of over 100 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, 2016 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

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

	September 30, 2017	December 31, 2016
	(Unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 8,273	\$ 14,127
Accounts receivable, net	9,517	6,969
Prepaid expenses and other current assets	594	807
Total current assets	18,384	21,903
Property and equipment, net	2,441	2,600
Trademarks and other intangibles, net	110,396	111,220
Goodwill	12,371	12,371
Restricted cash	1,509	1,509
Other assets	1,501	1,517
Total non-current assets	128,218	129,217
Total Assets	\$ 146,602	\$ 151,120
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 839	\$ 1,523
Accrued payroll	1,781	2,185
Deferred revenue	73	234
Current portion of long-term debt	4,459	6,427
Current portion of long-term debt, contingent obligations	100	-
Total current liabilities	7,252	10,369
Long-Term Liabilities:		
Long-term debt, less current portion	20,337	25,495
Deferred tax liabilities, net	8,605	6,901
Other long-term liabilities	2,637	2,181
Total long-term liabilities	31,579	34,577
Total Liabilities	38,831	44,946
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, \$.001 par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$.001 par value, 35,000,000 shares authorized at September 30, 2017 and December 31, 2016, and 18,468,801 and 18,644,982 issued and outstanding at September 30, 2017 and December 31, 2016, respectively	18	19
Paid-in capital	98,886	97,354
Retained earnings	8,867	8,801
Total Stockholders' Equity	107,771	106,174
Total Liabilities and Stockholders' Equity	\$ 146,602	\$ 151,120

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,	
	2017	2016	2017	2016
Net revenues	\$ 7,890	\$ 8,320	\$ 24,690	\$ 25,793
Operating costs and expenses				
Salaries, benefits and employment taxes	4,079	4,054	12,806	12,481
Other design and marketing costs	287	779	1,803	2,439
Other selling, general and administrative expenses	1,188	1,175	3,602	4,540
Stock-based compensation	690	1,089	2,496	3,754
Depreciation and amortization	389	387	1,173	1,172
Total operating costs and expenses	<u>6,633</u>	<u>7,484</u>	<u>21,880</u>	<u>24,386</u>
Operating income	<u>1,257</u>	<u>836</u>	<u>2,810</u>	<u>1,407</u>
Interest and finance expense				
Interest expense - term debt	273	340	905	1,003
Other interest and finance charges	41	122	135	424
Total interest and finance expense	<u>314</u>	<u>462</u>	<u>1,040</u>	<u>1,427</u>
Income (loss) before income taxes	943	374	1,770	(20)
Income tax provision (benefit)	<u>691</u>	<u>256</u>	<u>1,704</u>	<u>(3)</u>
Net income (loss)	<u>\$ 252</u>	<u>\$ 118</u>	<u>\$ 66</u>	<u>\$ (17)</u>
Basic net income (loss) per share	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
Diluted net income (loss) per share	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
Basic weighted average common shares outstanding	<u>18,470,977</u>	<u>18,692,775</u>	<u>18,530,963</u>	<u>18,608,034</u>
Diluted weighted average common shares outstanding	<u>18,872,753</u>	<u>19,068,011</u>	<u>18,896,418</u>	<u>18,608,034</u>

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

	For the Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities		
Net income (loss)	\$ 66	\$ (17)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	1,173	1,172
Amortization of deferred finance costs	146	140
Stock-based compensation	2,496	3,754

Amortization of note discount	28	236
Deferred income tax	1,704	(3)
Non-cash property exit charge	-	648
Changes in operating assets and liabilities:		
Accounts receivable	(2,548)	(1,210)
Prepaid expenses and other assets	211	199
Accounts payable, accrued expenses and other current liabilities	(1,237)	1,306
Deferred revenue	(161)	(585)
Other liabilities	456	1,129
Net cash provided by operating activities	<u>2,334</u>	<u>6,769</u>
Cash flows from investing activities		
Cost to acquire intangible assets	(23)	(26)
Purchase of property and equipment	(167)	(1,911)
Net cash used in investing activities	<u>(190)</u>	<u>(1,937)</u>
Cash flows from financing activities		
Proceeds from exercise of stock options	-	20
Shares repurchased including vested restricted stock in exchange for withholding taxes	(814)	(1,210)
Payment of deferred finance costs	(7)	(69)
Payment of long-term debt	(7,177)	(4,625)
Payment of QVC earnout obligation	-	(250)
Net cash used in financing activities	<u>(7,998)</u>	<u>(6,134)</u>
Net decrease in cash, cash equivalents and restricted cash	(5,854)	(1,302)
Cash, cash equivalents, and restricted cash at beginning of period	<u>15,636</u>	<u>17,969</u>
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 9,782</u>	<u>\$ 16,667</u>
Reconciliation to amounts on consolidated balance sheets:		
Cash and cash equivalents	\$ 8,273	\$ 15,158
Restricted cash	<u>1,509</u>	<u>1,509</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 9,782</u>	<u>\$ 16,667</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for income taxes	<u>\$ 151</u>	<u>\$ 168</u>
Cash paid during the period for interest	<u>\$ 1,175</u>	<u>\$ 909</u>

Xcel Brands, Inc. and Subsidiaries
Reconciliation of Non-GAAP measures
(Unaudited)

Non-GAAP net income:

(amounts in thousands)	Quarter Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2017	2016	2017	2016
Net income (loss)	\$ 252	\$ 118	\$ 66	\$ (17)
Non-cash interest and finance expense	9	78	28	236
Stock-based compensation	690	1,089	2,496	3,754
Non-recurring facility exit charges	-	-	-	670
Deferred income tax provision (benefit)	691	256	1,704	(3)

Non-GAAP net income	\$	1,642	\$	1,541	\$	4,294	\$	4,640
---------------------	----	-------	----	-------	----	-------	----	-------

Non-GAAP diluted EPS:

	Quarter Ended September 30,		Nine Months Ended September 30,					
	2017	2016	2017	2016				
Diluted earnings (loss) per share	\$	0.01	\$	0.01	0.00	(0.00)		
Non-cash interest and finance expense		0.00		0.00	0.00	0.01		
Stock-based compensation		0.04		0.06	0.13	0.20		
Non-recurring facility exit charges		-		-	-	0.03		
Deferred income tax provision (benefit)		0.04		0.01	0.09	(0.00)		
Non-GAAP diluted EPS	\$	0.09	\$	0.08	\$	0.22	\$	0.24

Weighted average shares - Non-GAAP diluted:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Basic weighted average shares	18,470,977	18,692,775	18,530,963	18,608,034
Effect of exercising warrants	364,340	369,288	364,247	435,298
Effect of exercising stock options	37,436	5,948	1,208	28,000
Non-GAAP weighted average diluted shares	18,872,753	19,068,011	18,896,418	19,071,332

Adjusted EBITDA:

(amounts in thousands)	Quarter Ended September 30,		Nine Months Ended September 30,					
	2017	2016	2017	2016				
Net income (loss)	\$	252	\$	118	\$	66	\$	(17)
Depreciation and amortization		389		387		1,173		1,172
Interest and finance expense		314		462		1,040		1,427
Income tax provision (benefit)		691		256		1,704		(3)
State and local franchise taxes		25		26		81		75
Stock-based compensation		690		1,089		2,496		3,754
Non-recurring facility exit charges		-		-		-		670
Adjusted EBITDA	\$	2,361	\$	2,338	\$	6,560	\$	7,078

Non-GAAP net income and non-GAAP diluted EPS are non-GAAP unaudited terms. We define non-GAAP net income as net income, exclusive of stock-based compensation, non-cash interest expense from discounted debt related to acquired assets, gain on the reduction of contingent obligations, loss on extinguishment of debt, non-recurring facility exit charges, certain discrete tax items related to vesting or exercise of stock-based awards, and net income or loss from discontinued operations. 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 before stock-based compensation, interest and other financing costs, loss on extinguishment of debt, gain on the reduction of contingent obligations, income taxes, other state and local franchise taxes, depreciation and amortization, non-recurring facility exit charges, and net income or loss from discontinued operations.

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 they 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 non-GAAP net income, non-GAAP diluted EPS, and 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 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.