
**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): August 8, 2019

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

Delaware
(State or Other Jurisdiction
of Incorporation)

001-37527
(Commission
File Number)

76-0307819
(IRS Employer
Identification No.)

1333 Broadway, New York, New York
(Address of Principal Executive Offices)

10018
(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.

Item 2.02 Results of Operations and Financial Conditions

On August 8, 2019, the Registrant issued a press release announcing its financial results for the fiscal quarter ended June 30, 2019. 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.

99.1 [Press Release of Xcel Brands, Inc. dated August 8, 2019.](#)

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: August 12, 2019

Xcel Brands, Inc. Announces Second Quarter and First Half 2019 Results

- Six Month Net Revenues of \$19.4 Million, up 13% from the Prior Year Period
 - Six Month GAAP Net Income of \$2.0 million, Diluted EPS of \$0.11
- Six Month Non-GAAP Diluted EPS of \$0.13, Adjusted EBITDA \$3.7 million

NEW YORK, Aug. 07, 2019 (GLOBE NEWSWIRE) -- Xcel Brands, Inc. (NASDAQ: XELB) ("Xcel" or the "Company"), a media and consumer products company, today announced its financial results for the second quarter ended June 30, 2019.

Robert W. D'Loren, Chairman and Chief Executive Officer of Xcel commented, "We are pleased with our second-quarter top-line revenue growth, the improvements we are making in our products and the benefits we are experiencing from our integrated technology platform. Our first half results are as expected, and we believe we will continue to experience revenue growth and improved operating results for the second half of 2019 despite recent challenges raised by the current tariff situation. In addition, our strong balance sheet provides Xcel with significant flexibility to navigate complex industry dynamics, while pursuing opportunities to expand our scale."

Second Quarter 2019 Financial Results

Net revenue increased to \$9.1 million, a net increase of approximately \$0.6 million, or 8% over the prior year quarter, primarily driven by sales from the apparel and jewelry wholesale and e-commerce operations. Gross profit decreased \$0.9 million to \$7.4 million from \$8.3 million in the prior year quarter, primarily attributable to lower net licensing revenue.

GAAP net income was approximately \$1.9 million, or \$0.10, per diluted share, compared with a GAAP net loss of \$(0.1) million, or \$(0.01) per share, for the prior year quarter. After adjusting for certain cash and non-cash items, non-GAAP net income for the current quarter and prior year quarter was approximately \$1.0 million or \$0.05 per diluted share, and approximately \$1.7 million or \$0.09 per diluted share, respectively. Adjusted EBITDA was approximately \$1.6 million, compared with approximately \$2.2 million in the prior year quarter.

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 June 30, 2019 remained strong, with stockholders' equity of approximately \$103 million, cash and cash equivalents of approximately \$6.3 million, and working capital, exclusive of current portion of operating lease liability, of approximately \$9 million. In addition, during the current quarter, the Company recognized a \$2.9 million gain on the reduction of contingent obligations related to the C Wonder asset acquisition and reduced contingent obligations on the balance sheet accordingly.

First Six Months of Fiscal 2019 Financial Results

Net revenue increased to \$19.4 million, a net increase of approximately \$2.1 million, or 13% over the prior year six month period, primarily driven by sales from the apparel and jewelry wholesale and e-commerce operations. Gross profit decreased \$1.0 million to \$15.8 million from \$16.8 million in the prior year six months, primarily attributable to lower net licensing revenue.

GAAP net income was approximately \$2.0 million for the six months ended June 30, 2019, or \$0.11 per diluted share, an increase of \$1.6 million, or \$0.09 per diluted share from the prior year six months, representing an increase of more than 400% in GAAP net income and EPS from the prior year period. After adjusting for certain cash and non-cash items, non-GAAP net income for the six months ended June 30, 2019 was approximately \$2.5 million, or \$0.13 per diluted share, compared with \$3.4 million, or \$0.18 per diluted share in the prior year six months.

Adjusted EBITDA for the six months ended June 30, 2019 was approximately \$3.7 million, a decrease of \$0.7 million from the prior year period.

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.

Conference Call and Webcast

The following conference call information has been updated since the August 2, 2019 release announcing Xcel's reporting date.

The Company will host a conference call with members of the executive management team to discuss these results with additional comments and details at 9:00 a.m. Eastern Time on Thursday, August 8, 2019. 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 1-877-300-8521. 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 10134176.



About Xcel Brands

Xcel Brands, Inc. (NASDAQ:XELB) is a media and consumer products company engaged in the design, production, marketing, wholesale, 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. The Company owns and manages the Isaac Mizrahi brands (the "Isaac Mizrahi Brand"), the Judith Ripka brands (the "Ripka Brand"), the Halston brands ("Halston Brand"), the C Wonder brands (the "C Wonder Brand"), and the Highline Collective brand, pioneering a ubiquitous sales strategy which includes the promotion and sales of products under its brands through interactive television, internet, brick-and-mortar retail, and e-commerce channels. Headquartered in New York City, Xcel 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 product 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.
www.xcelbrands.com

Forward Looking Statements

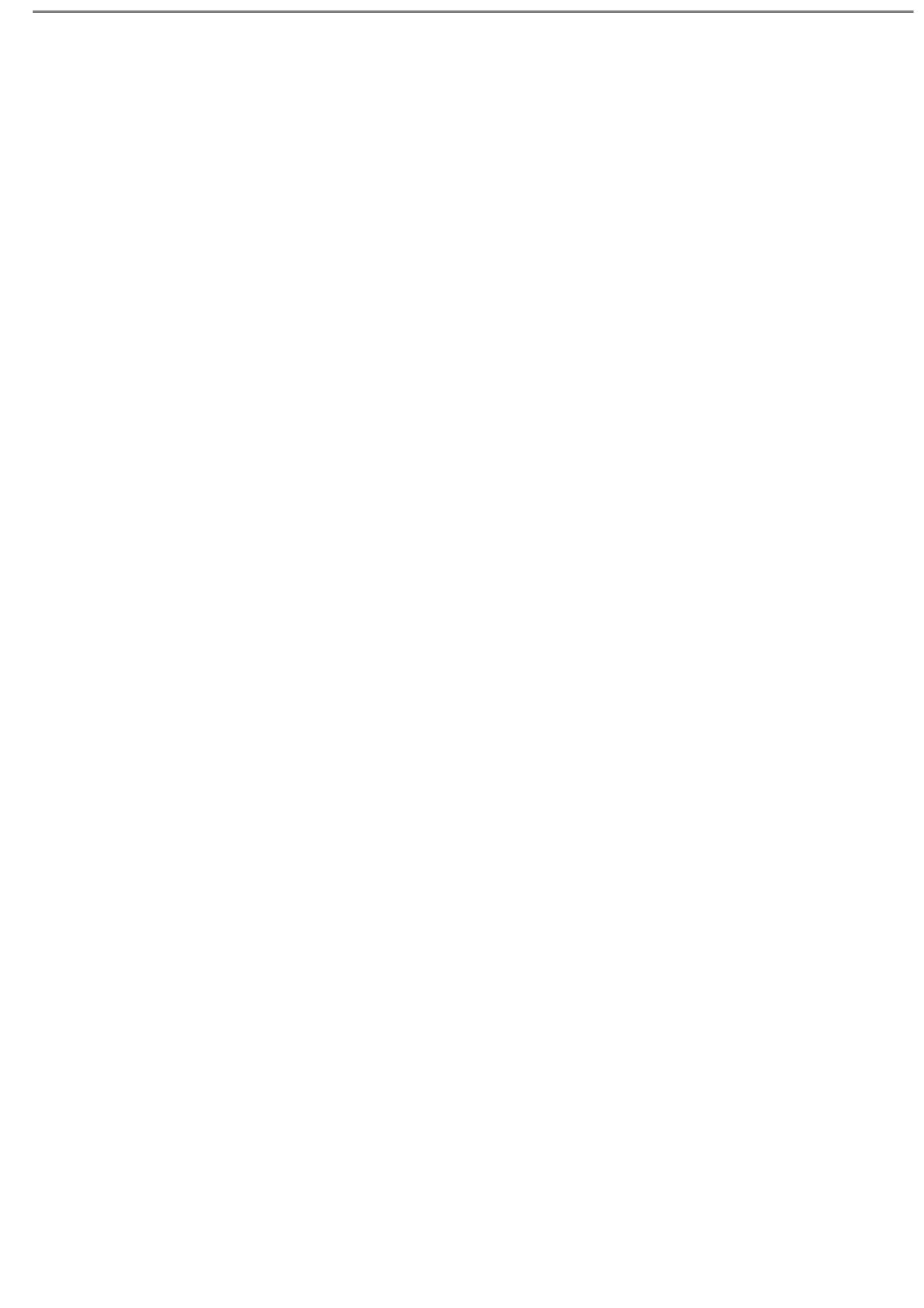
This press release contains forward-looking statements. All statements other than statements of historical fact contained in this press release, including statements regarding future events, our future financial performance, business strategy and plans and objectives of management for future operations, 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, 2018 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)

	June 30, 2019 (Unaudited)	December 31, 2018 (Note 1)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 6,271	\$ 8,837
Accounts receivable, net	8,866	11,010
Inventory	875	1,988
Prepaid expenses and other current assets	1,374	2,040
Total current assets	<u>17,386</u>	<u>23,875</u>
Property and equipment, net	3,414	3,202
Operating lease right-of-use assets	9,913	—
Trademarks and other intangibles, net	118,176	108,989
Restricted cash	1,109	1,482
Other assets	769	511
Total non-current assets	<u>133,381</u>	<u>114,184</u>
Total Assets	<u>\$ 150,767</u>	<u>\$ 138,059</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 2,651	\$ 4,868
Accrued payroll	872	2,011
Deferred revenue	284	272
Current portion of accrued rent liability	—	690
Current portion of operating lease obligation	1,711	—
Current portion of long-term debt	4,500	5,325



Current portion of long-term debt, contingent obligations	—	2,950
Total current liabilities	<u>10,018</u>	<u>16,116</u>
Long-Term Liabilities:		
Long-term portion of accrued rent liability	—	2,202
Long-term portion of operating lease obligation	10,662	—
Long-term debt, less current portion	17,180	11,300
Deferred tax liabilities, net	9,282	8,139
Other long-term liabilities	224	420
Total long-term liabilities	<u>37,348</u>	<u>22,061</u>
Total Liabilities	<u>47,366</u>	<u>38,177</u>

Commitments and Contingencies

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 at June 30, 2019 and December 31, 2018, respectively, and 18,976,394 and 18,138,616 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively	19	18
Paid-in capital	101,636	100,097
Retained earnings (Accumulated deficit)	1,746	(233)
Total Stockholders' Equity	<u>103,401</u>	<u>99,882</u>
Total Liabilities and Stockholders' Equity	<u>\$ 150,767</u>	<u>\$ 138,059</u>

Xcel Brands, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues				
Net licensing revenue	\$ 6,803	\$ 8,141	\$ 14,666	\$ 16,622
Net sales	2,335	346	4,773	631
Net revenue	<u>9,138</u>	<u>8,487</u>	<u>19,439</u>	<u>17,253</u>
Cost of goods sold (sales)	1,767	229	3,599	409
Gross profit	<u>7,371</u>	<u>8,258</u>	<u>15,840</u>	<u>16,844</u>
Operating costs and expenses				
Salaries, benefits and employment taxes	3,848	4,121	7,993	8,546
Other design and marketing costs	797	817	1,555	1,555
Other selling, general and administrative expenses	1,173	1,117	2,763	2,410
Stock-based compensation	135	461	482	968
Depreciation and amortization	1,000	456	1,948	867
Total operating costs and expenses	<u>6,953</u>	<u>6,972</u>	<u>14,741</u>	<u>14,346</u>
Other income				
Gain on reduction of contingent obligation	2,850		2,850	0
Total other income	<u>2,850</u>		<u>2,850</u>	<u>0</u>
Operating income	<u>3,268</u>	<u>1,286</u>	<u>3,949</u>	<u>2,498</u>
Interest and finance expense				
Interest expense - term debt	326	234	590	482
Other interest and finance charges	22	32	48	70
Loss on extinguishment of debt	0		189	0
Total interest and finance expense	<u>348</u>	<u>266</u>	<u>827</u>	<u>552</u>
Income before income taxes	2,920	1,020	3,122	1,946
Income tax provision	<u>1,068</u>	<u>1,133</u>	<u>1,143</u>	<u>1,559</u>
Net income (loss)	<u>\$ 1,852</u>	<u>\$ (113)</u>	<u>\$ 1,979</u>	<u>\$ 387</u>
Basic net income (loss) per share:	<u>\$ 0.10</u>	<u>\$ (0.01)</u>	<u>\$ 0.11</u>	<u>\$ 0.02</u>



Diluted net income (loss) per share:	\$	0.10	\$	(0.01)	\$	0.11	\$	0.02
Basic weighted average common shares outstanding		18,976,394		18,314,775		18,770,378		18,324,130
Diluted weighted average common shares outstanding		18,977,051		18,314,775		18,771,053		18,700,911

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

	For the Six Months Ended June 30,	
	2019	2018
Cash flows from operating activities		
Net income	\$ 1,979	\$ 387
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	1,948	867
Amortization of deferred finance costs	79	87
Stock-based compensation	482	968
Amortization of note discount	16	20
Allowance for doubtful accounts	(144)	—
Loss on extinguishment of debt	189	—
Deferred income tax provision	1,143	1,559
Gain on reduction of contingent obligation	(2,850)	—
Changes in operating assets and liabilities:		
Accounts receivable	2,289	(1,544)
Inventory	1,113	(789)
Prepaid expenses and other assets	(293)	(48)
Accounts payable, accrued expenses and other current liabilities	(3,544)	529
Deferred revenue	12	6
Cash paid in excess of rent expense	(244)	—
Other liabilities	(196)	(80)
Net cash provided by operating activities	<u>1,979</u>	<u>1,962</u>
Cash flows from investing activities		
Cash consideration for acquisition of Halston Heritage assets	(8,830)	—
Purchase of property and equipment	(557)	(1,077)
Net cash used in investing activities	<u>(9,387)</u>	<u>(1,077)</u>
Cash flows from financing activities		
Shares repurchased including vested restricted stock in exchange for withholding taxes	—	(702)
Payment of deferred finance costs	(289)	—
Proceeds from long-term debt	7,500	—
Payment of long-term debt	(2,742)	(2,725)
Net cash provided by (used in) financing activities	<u>4,469</u>	<u>(3,427)</u>
Net decrease in cash, cash equivalents, and restricted cash	(2,939)	(2,542)
Cash, cash equivalents, and restricted cash at beginning of period	10,319	11,694
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 7,380</u>	<u>\$ 9,152</u>
Reconciliation to amounts on consolidated balance sheets:		
Cash and cash equivalents	\$ 6,271	\$ 7,643
Restricted cash	1,109	1,509
Total cash, cash equivalents, and restricted cash	<u>\$ 7,380</u>	<u>\$ 9,152</u>
Supplemental disclosure of non-cash activities:		
Operating lease right-of-use asset	<u>\$ 10,414</u>	<u>\$ —</u>
Operating lease obligation	<u>\$ 13,215</u>	<u>\$ —</u>
Accrued rent offset to operating lease right-of-use assets	<u>\$ 2,801</u>	<u>\$ —</u>
Settlement of seller note through offset to receivable	<u>\$ 600</u>	<u>\$ —</u>



Settlement of contingent obligation through offset to note receivable	\$ 100	\$ 100
Issuance of common stock in connection with Halston Heritage assets acquisition	\$ 1,058	\$ —
Contingent obligation related to acquisition of Halston Heritage assets at fair value	\$ 900	\$ —

Supplemental disclosure of cash flow information:

Cash paid during the period for income taxes	\$ 5	\$ 182
Cash paid during the period for interest	\$ 784	\$ 512

The following table is a reconciliation of net income (loss) (our most directly comparable financial measure presented in accordance with GAAP) to non-GAAP net income:

(\$ in thousands)	Three Months Ended June 30,	
	2019	2018
Net income (loss)	\$ 1,852	\$ (113)
Amortization of trademarks	786	257
Non-cash interest and finance expense	—	10
Stock-based compensation	135	461
Loss on extinguishment of debt	—	—
Gain on reduction of contingent obligation	(2,850)	—
Deferred income tax provision	1,068	1,133
Non-GAAP net income	\$ 991	\$ 1,748

The following table is a reconciliation of diluted earnings (loss) per share (our most directly comparable financial measure presented in accordance with GAAP) to non-GAAP diluted EPS:

	Three Months Ended June 30,	
	2019	2018
Diluted earnings (loss) per share	\$ 0.10	\$ (0.01)
Amortization of trademarks	0.04	0.01
Non-cash interest and finance expense	—	—
Stock-based compensation	0.01	0.03
Loss on extinguishment of debt	—	—
Gain on reduction of contingent obligation	(0.15)	—
Deferred income tax provision	0.05	0.06
Non-GAAP diluted EPS	\$ 0.05	\$ 0.09
Non-GAAP weighted average diluted shares	18,977,051	18,680,926

The following table is a reconciliation of net income (loss) (our most directly comparable financial measure presented in accordance with GAAP) to Adjusted EBITDA:

(\$ in thousands)	Three Months Ended June 30,	
	2019	2018
Net income (loss)	\$ 1,852	\$ (113)
Depreciation and amortization	1,000	456
Interest and finance expense	348	266
Income tax provision	1,068	1,133
State and local franchise taxes	83	14
Stock-based compensation	135	461
Loss on extinguishment of debt	—	—
Gain on reduction of contingent obligation	(2,850)	—
Adjusted EBITDA	\$ 1,636	\$ 2,217

The following table is a reconciliation of net income (our most directly comparable financial measure presented in accordance with GAAP) to non-GAAP net income:

(\$ in thousands)	Six Months Ended June 30,	
	2019	2018
Net income	\$ 1,979	\$ 387
Amortization of trademarks	1,523	515
Non-cash interest and finance expense	16	20
Stock-based compensation	482	968
Loss on extinguishment of debt	189	—
Gain on reduction of contingent obligation	(2,850)	—



Deferred income tax provision	1,143	1,559
Non-GAAP net income	<u>\$ 2,482</u>	<u>\$ 3,449</u>

The following table is a reconciliation of diluted earnings per share (our most directly comparable financial measure presented in accordance with GAAP) to non-GAAP diluted EPS:

	Six Months Ended June 30,	
	2019	2018
Diluted earnings per share	\$ 0.11	\$ 0.02
Amortization of trademarks	0.08	0.03
Non-cash interest and finance expense	—	—
Stock-based compensation	0.02	0.05
Loss on extinguishment of debt	0.01	—
Gain on reduction of contingent obligation	(0.15)	—
Deferred income tax provision	0.06	0.08
Non-GAAP diluted EPS	<u>\$ 0.13</u>	<u>\$ 0.18</u>
Non-GAAP weighted average diluted shares	<u>18,771,053</u>	<u>18,700,911</u>

The following table is a reconciliation of net income (our most directly comparable financial measure presented in accordance with GAAP) to Adjusted EBITDA:

(\$ in thousands)	Six Months Ended June 30,	
	2019	2018
Net income	\$ 1,979	\$ 387
Depreciation and amortization	1,948	867
Interest and finance expense	638	552
Income tax provision	1,143	1,559
State and local franchise taxes	121	47
Stock-based compensation	482	968
Loss on extinguishment of debt	189	—
Gain on reduction of contingent obligation	(2,850)	—
Adjusted EBITDA	<u>\$ 3,650</u>	<u>\$ 4,380</u>

Non-GAAP net income and non-GAAP diluted EPS are non-GAAP unaudited terms. We define non-GAAP net income, exclusive of amortization of trademarks, stock-based compensation, non-cash interest and finance expense from discounted debt related to acquired assets, loss on extinguishment of debt, gain on the reduction of contingent obligations and deferred tax provision. 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 finance expense, loss on extinguishment of debt, gain on the reduction of contingent obligations, income taxes, other state and local franchise taxes, and depreciation and amortization.

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.



