XCEL BRANDS
Differentiate By Design

August 14, 2015

Xcel Brands Reports Second Quarter 2015 Financial Results

Company Reports Second Quarter Non-GAAP Diluted EPS of $0.07

Company Reports Revenue Increase of $3.3 Million to $12.8 Million for First Six Months of 2015

Subsequent Events include:

Company Completed Equity Offering of $16.0 Million

Company Completed Acquisition of C. Wonder Brand

NEW YORK, Aug. 14, 2015 (GLOBE NEWSWIRE) -- Xcel Brands, Inc. (NASDAQ:XELB) ("Xcel" or the "Company"), a brand development and media company, today announced its financial results for the second quarter and first six months ended June 30, 2015.

"We are pleased to report top-line growth driven by solid performance across our core brands, and continued progress in international expansion," said Robert W. D'Loren, Xcel's Chairman and Chief Executive Officer. He further stated, "Immediately after the second quarter, we successfully uplisted to the NASDAQ Global Market, completed a public offering in which we raised $16.0 million, and completed the acquisition of the C. Wonder brand. These recent achievements have us well positioned for future growth as we continue to expand and develop our current portfolio and seek new opportunities particularly in our wholesale department store business."

Second Quarter 2015

Total revenue for the quarter ended June 30, 2015 increased to $6.3 million from $6.1 million in the prior year. Second quarter total revenue growth was primarily driven by increases in net licensing revenues.

Net income was $2.1 million compared to $0.4 million for the same quarter last year. Non-GAAP net income for the quarter was $1.1 million, or non-GAAP diluted EPS of $0.07 based on approximately 16.0 million non-GAAP weighted average diluted shares, compared to non-GAAP net income of $2.0 million, or non-GAAP diluted EPS of $0.16 based on approximately 12.7 million non-GAAP weighted average diluted shares, for the same quarter last year.

Adjusted EBITDA for the quarter ended June 30, 2015 was $1.9 million, compared to $2.8 million in the prior year.

The decrease in non-GAAP net income and Adjusted EBITDA was primarily due to increased operating costs incurred relating to the launch of H Brands and to a lesser extent, the C. Wonder brand without the benefit of normalized revenue expected to be recognized upon the launch of H Brands and the C. Wonder brand in the Fall of 2015 and Spring 2016, respectively.

First Six Months of Fiscal 2015

Total revenue for the six months ended June 30, 2015 increased approximately $3.3 million to $12.8 million from $9.6 million in the prior year. Total revenue growth for the first six months of 2015 was primarily driven by increases in net licensing revenues and e-commerce net sales.

Net income was $1.8 million compared to a net loss of $0.6 million for the same period last year. Non-GAAP net income for the first six months of 2015 was $2.8 million, or non-GAAP diluted EPS of $0.18 based on approximately 15.6 million non-GAAP weighted average diluted shares, compared to non-GAAP net income of $2.8 million, or non-GAAP diluted EPS of $0.25 based on approximately 12.4 million non-GAAP weighted average diluted shares, for the same period last year. Non-GAAP diluted EPS includes a loss from discontinued operations of $0.02 and $0.03 for the first six months ended June 30, 2015 and 2014, respectively.

Adjusted EBITDA for the six months ended June 30, 2015 increased to $4.1 million compared to $3.5 million in the same period last 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 ("U.S. GAAP"). Any financial measure other than those prepared in accordance with U.S. GAAP should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with U.S. GAAP.

About Xcel Brands

Xcel Brands, Inc.is a brand development and media company engaged in the design, 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, and C. Wonder brands, pioneering an omnichannel sales strategy which includes the promotion and sale of products under its brands through direct-response 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 retailing, licensing, design, and marketing experience, and a proven track record of success in elevating branded consumer products companies. With a team of over 70 designers and social media focused marketing executives, Xcel maintains control of product quality and promotion across all of its licensed 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, 2014, 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.

Xcel Brands, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Operations

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues				
Net licensing revenue	$ 6,269,000	$ 6,064,000	$ 12,793,000	$ 9,604,000
Net e-commerce sales	52,000	8,000	119,000	8,000
Total revenues	6,321,000	6,072,000	12,912,000	9,612,000
Cost of goods sold	35,000	4,000	80,000	4,000
Gross profit	6,286,000	6,068,000	12,832,000	9,608,000
Operating expenses				
Salaries, benefits and employment taxes	3,073,000	2,405,000	6,176,000	4,381,000
Other design and marketing costs	808,000	181,000	1,092,000	356,000
Other selling, general and administrative expenses	535,000	701,000	1,521,000	1,381,000
Stock-based compensation	1,108,000	1,818,000	2,121,000	3,383,000

Depreciation and amortization	318,000	236,000	580,000	460,000
Total operating expenses	5,842,000	5,341,000	11,490,000	9,961,000
Other expenses (income)				
Gain on reduction of contingent obligation	(3,000,000)	(600,000)	(3,000,000)	(600,000)
Loss on extinguishment of debt	760,000	--	1,371,000	--
Total other income, net	(2,240,000)	(600,000)	(1,629,000)	(600,000)
Operating income	2,684,000	1,327,000	2,971,000	247,000
Interest and finance expense				
Interest expense - term debt	309,000	226,000	621,000	370,000
Other interest and finance charges	124,000	183,000	323,000	277,000
Total interest and finance expense	433,000	409,000	944,000	647,000
Income (loss) from continuing operations before income taxes	2,251,000	918,000	2,027,000	(400,000)
Income tax provision (benefit)	90,000	320,000	(16,000)	(174,000)
Income (loss) from continuing operations	2,161,000	598,000	2,043,000	(226,000)
Loss from discontinued operations, net	(54,000)	(189,000)	(267,000)	(320,000)
Net income (loss)	$ 2,107,000	$ 409,000	$ 1,776,000	$ (546,000)
Basic net income (loss) per share:				
Continuing operations	$ 0.15	$ 0.05	$ 0.14	$ (0.02)
Discontinued operations, net	(0.01)	(0.02)	(0.02)	(0.03)
Net income (loss)	$ 0.14	$ 0.03	$ 0.12	$ (0.05)
Diluted net income (loss) per share:				
Continuing operations	$ 0.14	$ 0.05	$ 0.13	$ (0.02)
Discontinued operations, net	(0.01)	$ (0.02)	(0.02)	(0.03)
Net income (loss)	$ 0.13	$ 0.03	$ 0.11	$ (0.05)
Basic weighted average common shares outstanding	14,850,874	11,713,813	14,462,305	11,274,503
Diluted weighted average common shares outstanding	15,963,975	12,710,184	15,575,406	11,274,503

Xcel Brands, Inc. and Subsidiaries

Select Balance Sheet Items

	June 30, 2015 (Unaudited)	**December 31, 2014**
Total Assets	$ 123,564,000	$ 125,741,000
Total Liabilities	$ 53,973,000	$ 65,517,000
Total Stockholders' Equity	69,591,000	60,224,000

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Non-GAAP net income	**2015**	**2014**	**2015**	**2014**
Net income (loss)	$2,107,000	$409,000	$1,776,000	($546,000)
Non-cash interest and finance expense	86,000	160,000	246,000	243,000
Stock-based compensation	1,108,000	1,818,000	2,121,000	3,383,000
Loss on extinguishment of debt	760,000	--	1,371,000	--
Net (loss) from discontinued operations, net	54,000	189,000	267,000	320,000
Gain on reduction of contingent obligation	(3,000,000)	(600,000)	(3,000,000)	(600,000)
Other non-cash adjustments	--	--	--	3,000
Non-GAAP net income	**$1,115,000**	**$1,976,000**	**$2,781,000**	**$2,803,000**

Non-GAAP Weighted Average Diluted Shares Reconciliation

	Three Months Ended June 30,		Six Months Ended June 30,	
Non-GAAP Weighted Average Diluted Shares	**2015**	**2014**	**2015**	**2014**
Basic weighted average shares	14,850,874	11,713,813	14,462,305	11,274,503
Effect of exercising warrants	971,873	866,548	971,873	971,818
Effect of exercising stock options	141,228	129,823	141,228	146,894
Non-GAAP Weighted Average Diluted Shares	**15,963,975**	**12,710,184**	**15,575,406**	**12,393,215**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Non-GAAP Diluted Earnings per Share ("EPS")	**2015**	**2014**	**2015**	**2014**
Net income (loss) per share (GAAP)	$0.13	$0.03	$0.11	($0.05)
Non-cash interest and finance expense	--	0.02	0.01	0.02
Stock-based compensation	0.07	0.14	0.14	0.30
Loss on extinguishment of debt	0.05	--	0.09	--
Net (loss) from discontinued operations, net	0.01	0.02	0.02	0.03
Gain on reduction of contingent obligation	(0.19)	(0.05)	(0.19)	(0.05)
Other non-cash adjustments				
Non-GAAP Diluted Earnings per Share ("EPS")	**$0.07**	**$0.16**	**$0.18**	**$0.25**

Adjusted EBITDA Reconciliation from Net Income (Loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
Adjusted EBITDA	**2015**	**2014**	**2015**	**2014**
Net income (loss)	$2,107,000	$409,000	$1,776,000	($546,000)
Depreciation and amortization	318,000	236,000	580,000	460,000
Interest and finance expense	433,000	409,000	944,000	647,000
Income tax provision (benefit)	90,000	320,000	(16,000)	(174,000)
State and local franchise taxes	27,000	16,000	56,000	44,000
Stock-based compensation	1,108,000	1,818,000	2,121,000	3,383,000

Loss on extinguishment of debt	760,000		1,371,000	
Net (loss) from discontinued operations, net	54,000	189,000	267,000	320,000
Gain on reduction of contingent obligation	(3,000,000)	(600,000)	(3,000,000)	(600,000)
Other non-cash adjustments				3,000
Adjusted EBITDA	**$1,897,000**	**$2,797,000**	**$4,099,000**	**$3,537,000**

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

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

Management uses non-GAAP net income and Adjusted EBITDA (along with non-GAAP diluted EPS) as measures of operating performance to assist in comparing performance from period to period on a consistent basis and to identify business trends relating to the Company's results of operations. Management believes these financial performance measurements are also useful because they provide supplemental information to assist investors in evaluating the Company's financial results. They should not be considered in isolation or as alternatives to net income (loss), net income (loss) per share or any other measure of financial performance calculated and presented in accordance with U.S. GAAP. Given that non-GAAP net income, non-GAAP diluted EPS and Adjusted EBITDA are financial measures not deemed to be in accordance with U.S. GAAP and are susceptible to varying calculations, our non-GAAP net income, non-GAAP diluted EPS and Adjusted EBITDA may not be comparable to similarly titled measures of other companies, including companies in our industry, because other companies may calculate non-GAAP net income, non-GAAP diluted EPS or Adjusted EBITDA in a different manner than we calculate these measures. In evaluating non-GAAP net income, non-GAAP diluted EPS and Adjusted EBITDA, you should be aware that in the future we may or may not incur expenses similar to some of the adjustments in this presentation. Our presentation of non-GAAP net income, non-GAAP diluted EPS and Adjusted EBITDA does not imply that our future results will be unaffected by these expenses or any unusual or non-recurring items. When evaluating our performance, you should consider non-GAAP net income, non-GAAP diluted EPS and Adjusted EBITDA alongside other financial performance measures, including our net income and other U.S. GAAP results, and not rely on any single financial measure.

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