



Xcel Brands, Inc. Announces Fourth Quarter 2017 Financial Results

March 29, 2018

NEW YORK, March 29, 2018 (GLOBE NEWSWIRE) -- Xcel Brands, Inc. (NASDAQ:XELB) ("Xcel" or the "Company"), a consumer products company, today announced its financial results for the fourth quarter and full year ended December 31, 2017.

Robert W. D'Loren, Chairman and Chief Executive Officer of Xcel commented, "In 2017, we continued on our transformative path to implement our Fast-to-Market production and Integrated Technology platforms. The year was characterized by steady market share and revenue growth in our department store business. Our Interactive television business performed well, especially in our Isaac Mizrahi brand. This has built favorable momentum for us heading into 2018.

He further stated, "Xcel is well capitalized to execute its growth strategies. We continue to reinvest our operating cash flow in the business. Xcel's Fast-to-Market production and Integrated Technology platforms provide us with the ability to read and react to consumer trends. We believe this will position us as an industry leader in delivering inventory, merchandising, and planning solutions for our retail partners."

Full Year 2017 Financial Results

Total net revenues for the year ended December 31, 2017 were \$31.7 million, down approximately 3% from \$32.7 million in the prior year. The decrease was primarily attributable to lower net revenue associated with the C Wonder brand that is transitioning from interactive TV to new distribution channels, as previously reported. These decreases were partially offset by higher net revenues from the Company's ongoing interactive television business and from its wholesale department store business.

On a GAAP basis, the net loss was approximately \$(10.1) million for the year ended December 31, 2017, or \$(0.55) per basic and diluted share, which includes a one-time, non-cash charge of \$12.4 million related to the Company's goodwill, and partially off-set by a one-time net tax benefit of \$2.6 million related to the recent federal tax reform legislation. The underlying cause of the goodwill write-down was the decrease in the Company's market capitalization, as of December 31, 2017, as compared to the calculated fair value of the Company. This compares to GAAP net income of \$2.7 million, or approximately \$0.14 per diluted share in the prior year, which included a \$3.4 million gain on the reduction of contingent obligations. After adjusting for certain cash and non-cash items, non-GAAP net income for year ended December 31, 2017 was \$4.9 million, or \$0.26 per diluted share, compared with \$5.1 million, or \$0.27 per diluted share in the prior year.

Adjusted EBITDA for the year ended December 31, 2017 decreased approximately \$0.5 million to \$8.0 million, compared with \$8.5 million in the prior year.

Fourth Quarter 2017 Financial Results

Total net revenues for the fourth quarter of 2017 were \$7.0 million, up approximately 2% from \$6.9 million in the prior year quarter. This was primarily attributable to higher net revenue from the ongoing interactive television business and the wholesale department store business, which were partially offset by lower net revenues primarily due to the previously mentioned C Wonder brand transition.

On a GAAP basis, the net loss was approximately \$(10.2) million for the fourth quarter ended December 31, 2017, or \$(0.55) per basic and diluted share, which includes a one-time, non-cash charge of \$12.4 million related to the Company's goodwill, and partially off-set by a one-time net tax benefit of \$2.6 million. This compares to GAAP net income of \$2.8 million, or approximately \$0.14 per diluted share in the prior year quarter, which included a \$3.4 million gain on the reduction of contingent obligations. After adjusting for certain cash and non-cash items, non-GAAP net income for the quarter ended December 31, 2017 was \$0.7 million, or \$0.04 per diluted share, compared with \$0.5 million, or \$0.02 per diluted share in the prior year quarter.

Adjusted EBITDA for the quarters ended December 31, 2017 and December 31, 2016 was approximately \$1.4 million for each 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.

The Company's balance sheet at December 31, 2017 remained strong, with stockholders' equity of approximately \$98 million, cash and cash equivalents of \$10.2 million, and working capital of approximately \$10.2 million. During the current year, the Company reduced its term debt by \$7.2 million to \$21.9 million.

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, March 29, 2018. 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 800-289-0517. 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 8688308.

About Xcel Brands

Xcel Brands, Inc. (NASDAQ:XELB) is a 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, bricks 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.

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Xcel Brands, Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except share and per share data)

	December 31, 2017 (Unaudited)	December 31, 2016
Assets		
Current Assets:		
Cash and cash equivalents	\$ 10,185	\$ 14,127
Accounts receivable, net	8,528	6,969
Prepaid expenses and other current assets	592	807
Total current assets	19,305	21,903
Property and equipment, net	2,376	2,600
Trademarks and other intangibles, net	110,120	111,220
Goodwill	-	12,371
Restricted cash	1,509	1,509
Other assets	1,708	1,517
Total non-current assets	115,713	129,217
Total Assets	\$ 135,018	\$ 151,120
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 1,260	\$ 1,523
Accrued payroll	2,270	2,185
Deferred revenue	16	234
Current portion of long-term debt	5,459	6,427
Current portion of long-term debt, contingent obligations	100	-
Total current liabilities	9,105	10,369
Long-Term Liabilities:		
Long-term debt, less current portion	19,389	25,495

Deferred tax liabilities, net	6,375	6,901
Other long-term liabilities	2,455	2,181
Total long-term liabilities	28,219	34,577
Total Liabilities	37,324	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, 50,000,000 and 35,000,000 shares authorized at December 31, 2017 and December 31, 2016, respectively, and 18,318,961 and 18,644,982 issued and outstanding at December 31, 2017 and December 31, 2016, respectively	18	19
Paid-in capital	98,997	97,354
(Accumulated deficit) retained earnings	(1,321)	8,801
Total Stockholders' Equity	97,694	106,174
Total Liabilities and Stockholders' Equity	\$ 135,018	\$ 151,120

Xcel Brands, Inc. and Subsidiaries

Consolidated Statements of Operations

(in thousands, except share and per share data)

	For the Quarter Ended		For the Year Ended	
	December 31, 2017 (Unaudited)	2016 (Unaudited)	December 31, 2017 (Unaudited)	2016
Net revenues	\$ 7,016	\$ 6,899	\$ 31,706	\$ 32,692
Operating costs and expenses				
Salaries, benefits and employment taxes	3,954	3,601	16,760	16,082
Other design and marketing costs	549	742	2,352	3,181
Other selling, general and administrative expenses	1,097	1,145	4,699	5,685
Stock-based compensation	688	973	3,184	4,727
Depreciation and amortization	389	388	1,562	1,560
Goodwill impairment	12,371	-	12,371	-
Total operating costs and expenses	19,048	6,849	40,928	31,235
Other income				
Gain on reduction of contingent obligation	-	3,409	-	3,409
Total other income	-	3,409	-	3,409
Operating (loss) income	(12,032)	3,459	(9,222)	4,866
Interest and finance expense				
Interest expense - term debt	266	330	1,171	1,333
Other interest and finance charges	41	91	176	515
Total interest and finance expense	307	421	1,347	1,848
(Loss) income from continuing operations before income taxes	(12,339)	3,038	(10,569)	3,018
Income tax (benefit) provision	(2,151)	318	(447)	315
Income from continuing operations	(10,188)	2,720	(10,122)	2,703
Income from discontinued operations, net	-	34	-	34
Net (loss) income	\$ (10,188)	\$ 2,754	\$ (10,122)	\$ 2,737

Basic net (loss) income per share

Continuing operations	\$ (0.55	) \$ 0.15	\$ (0.55	) \$ 0.15
Discontinued operations, net	-	0.00	-	0.00
Net (loss) income	\$ (0.55	) \$ 0.15	\$ (0.55	) \$ 0.15

Diluted net (loss) income per share

Continuing operations	\$ (0.55	) \$ 0.14	\$ (0.55	) \$ 0.14
Discontinued operations, net	-	0.00	-	0.00
Net (loss) income	\$ (0.55	) \$ 0.14	\$ (0.55	) \$ 0.14

Basic weighted average common shares outstanding	18,416,683	18,673,760	18,502,158	18,625,670
Diluted weighted average common shares outstanding	18,416,683	19,042,615	18,502,158	19,044,749

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

For the Year Ended December 31,
2017 (Unaudited) 2016

Cash flows from operating activities

Net (loss) income	\$ (10,122	) \$ 2,737
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Income from discontinued operations, net	-	(34)
Depreciation and amortization expense	1,562	1,560
Goodwill impairment	12,371	-
Amortization of deferred finance costs	193	205
Stock-based compensation	3,184	4,727
Allowance for doubtful accounts	13	-
Amortization of note discount	38	245
Deferred income tax	(526	) 168
Non-cash property exit charge	-	648
Gain on reduction of contingent obligation	-	(3,409)
Changes in operating assets and liabilities:		
Accounts receivable	(1,572	) 625
Prepaid expenses and other assets	4	(131)
Accounts payable, accrued expenses and other current liabilities	(524	) 258
Deferred revenue	(218	) (363)
Other liabilities	274	680
Net cash provided by operating activities	4,677	7,916

Cash flows from investing activities

Cost to acquire intangible assets	(30	) (26)
Security deposit received related to sublease of former office	-	400
Investment in unconsolidated affiliate	-	(100)
Disbursement for loan made in exchange for promissory note receivable	-	(877)
Purchase of property and equipment	(208	) (2,160)
Net cash used in investing activities	(238	) (2,763)

Cash flows from financing activities

Proceeds from exercise of stock options	-	20
Shares repurchased including vested restricted stock in exchange for withholding taxes	(1,197	) (1,429)
Payment of deferred finance costs	(7	) (152)
Payment of long-term debt	(7,177	) (5,500)
Payment of QVC earnout obligation	-	(425)

Net cash used in financing activities	(8,381	)	(7,486)
Net decrease in cash, cash equivalents and restricted cash	(3,942	)	(2,333)
Cash, cash equivalents, and restricted cash at beginning of year	15,636		17,969	
Cash, cash equivalents, and restricted cash at end of year	\$ 11,694		\$ 15,636	
Reconciliation to amounts on consolidated balance sheets:				
Cash and cash equivalents	\$ 10,185		\$ 14,127	
Restricted cash	1,509		1,509	
Total cash, cash equivalents, and restricted cash	\$ 11,694		\$ 15,636	
Supplemental disclosure of non-cash activities:				
Financing of certain insurance obligations	\$ -		\$ 294	
Supplemental disclosure of cash flow information:				
Cash paid during the period for income taxes	\$ 167		\$ 230	
Cash paid during the period for interest	\$ 1,253		\$ 1,256	

Xcel Brands, Inc. and Subsidiaries

Reconciliation of Non-GAAP measures (Unaudited)

Non-GAAP net income:

(amounts in thousands)	Quarter Ended December 31,		Year Ended December 31,			
	2017	2016	2017	2016		
Net (loss) income	\$ (10,188	) \$ 2,754	\$ (10,122	) \$ 2,737
Goodwill impairment	12,371	-	12,371	-		
Non-cash interest and finance expense	10	9	38	245		
Stock-based compensation	688	973	3,184	4,727		
Gain on reduction of contingent obligations	-	(3,409)	-	(3,409)
Non-recurring facility exit charges	-	-	-	670		
Deferred income tax (benefit) provision	(2,230)	171	(526)	168
Income from discontinued operations, net	-	(34)	-	(34)
Non-GAAP net income	\$ 651	\$ 464	\$ 4,945	\$ 5,104		

Non-GAAP diluted EPS:

	Quarter Ended December 31,		Year Ended December 31,			
	2017	2016	2017	2016		
Diluted (loss) earnings per share	\$ (0.54	) \$ 0.14	\$ (0.54	) \$ 0.14
Goodwill impairment	0.66	-	0.66	-		
Non-cash interest and finance expense	0.00	0.00	0.00	0.01		
Stock-based compensation	0.04	0.05	0.17	0.25		
Gain on reduction of contingent obligations	-	(0.18)	-	(0.18)
Non-recurring facility exit charges	-	-	-	0.04		
Deferred income tax (benefit) provision	(0.12)	0.01	(0.03)	0.01
Income from discontinued operations, net	-	(0.00)	-	(0.00)
Non-GAAP diluted EPS	\$ 0.04	\$ 0.02	\$ 0.26	\$ 0.27		

Weighted average shares - Non-GAAP diluted:

	Quarter Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
Basic weighted average shares	18,416,683	18,673,760	18,502,158	18,625,670
Effect of exercising warrants	364,084	364,631	364,209	414,131
Effect of exercising stock options	-	4,224	805	4,948

Non-GAAP weighted average diluted shares	18,780,767	19,042,615	18,867,172	19,044,749
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Adjusted EBITDA:

(amounts in thousands)	Quarter Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
Net (loss) income	\$ (10,188)	\$ 2,754	\$ (10,122)	\$ 2,737
Goodwill impairment	12,371	-	12,371	-
Depreciation and amortization	389	388	1,562	1,560
Interest and finance expense	307	421	1,347	1,848
Income tax (benefit) provision	(2,151)	318	(447)	315
State and local franchise taxes	26	27	107	102
Stock-based compensation	688	973	3,184	4,727
Gain on reduction of contingent obligations	-	(3,409)	-	(3,409)
Non-recurring facility exit charges	-	-	-	670
Income from discontinued operations, net	-	(34)	-	(34)
Adjusted EBITDA	\$ 1,442	\$ 1,438	\$ 8,002	\$ 8,516

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.

 [Primary Logo](#)

Source: Xcel Brands, Inc