



XCel Brands, Inc. (XELB)

Expect Flattish 1Q:24 Loss; We Argue That XELB's Significant Business Model Transformation Will Lead To Sizeable Earnings And Free Cash Flow Rebound; Maintain \$3 Price Target

	2022	2023	2024E	2025E
		OLD NEW	OLD NEW	OLD NEW
Mar.	(\$0.10)	(\$0.18)	(\$0.18)	(\$0.04)
June	(0.18)	(0.09)	(0.09)	0.01
Sep.	(0.17)	(0.15)	(0.04)	0.05
Dec.	(0.32)	(0.24)	(0.01)	0.10
EPS	(\$0.77)	(\$0.66)	(\$0.30)	\$0.12
P/E			NM	6.4x

Note: NR = Not Rated. Risk Ratings: H = High; M = Moderate. Exclude charges of \$0.08 in 1Q:22 and \$0.02 in 3Q:22, mostly for amortization of trademarks. 2Q:22 excludes \$0.66 net gain, mainly on the sale of assets (Isaac Mizrahi). 4Q:22 excludes net \$0.02 gain (various items). 1Q:23, 2Q:23, 3Q:23 and 4Q:23 exclude net charges of \$0.11, \$0.09, \$0.11 and \$0.10, mostly for amortization of trademarks. Estimates exclude annual share-based compensation of \$0.03-\$0.05 and all nonrecurring and unusual expenses or gains. Sum of quarterly data may not equal full-year total due to rounding and/or changes in share count. NC = Not covered by Sidoti & company, LLC. NM = Not Meaningful. * Free cash flow defined as cash from operations less cap-ex and less stock-based compensation expense

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Rev.(Mil.)	\$32.8	\$31.7	\$35.5	\$41.7	\$29.4	\$37.9	\$25.8	\$17.8	\$15.4	\$25.7
GAAP EPS*	\$0.14	(\$0.55)	\$0.06	(\$0.18)	(\$0.68)	(\$0.63)	(\$0.20)	(\$1.07)	(\$0.30)	\$0.12

* 2022 GAAP EPS includes \$0.66 net gain, mainly from the sale of assets (Isaac Mizrahi).

Description: Xcel Brands, Inc. (xcelbrands.com), is a media and consumer products company engaged in the design, production, marketing, livestreaming 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. Headquarters are in New York, NY.

Release Date	Conference Call	Time (Eastern)	Contact	Co. Guidance	EPS Consensus
May 15 (estimated)	May 15 (estimated)	TBA	TBA	Not provided	(\$0.16)

- **Mainly given the company's significant business model change that transformed Xcel Brands into a mostly net licensing business, we estimate 1Q:24 revenue of \$2.1 million versus \$6.1 million in 1Q:23.**
- **With much lower operating expenses, however, we think the March-quarter loss of \$0.18 per share was on par with 1Q:23.**
- **We argue that the company's restructuring and shift to a licensing business have positioned it well to improve profitability with its new asset-light business model.**
- **We also think Xcel Brands should profit from its new licensing relationships, joint ventures and new social commerce and AI-powered marketplace called ORME.**
- **As such, we think that after the 2023 loss of \$0.66 per share, the company's loss will narrow to \$0.30 per share in 2024 before posting EPS of \$0.12 in 2025.**
- **We maintain our \$3 price target, which is based on 22x our 2025 EPS estimate of \$0.12.**

As we see it, XELB posted a loss of \$0.18 per share in 1Q:24. Adjusted for non-recurring items, Xcel Brands also reported a loss of \$0.18 per share in the year-earlier quarter. In April 2023, XELB began exiting its previous wholesale and direct-to-consumer sales channels and, at that time, started to reposition itself to be a mostly licensing business; this process was substantially completed by the end of 2Q:23. Hence, 1Q:24 revenue only included net licensing revenue, while 1Q:23 included net licensing revenue and net wholesale and direct-to-consumer revenue. To a lesser extent, we also think current March quarter sales were hurt by the uncertain macroeconomic landscape and scheduling conflicts with on-air talent on QVC and HSN (Home Shopping Network). Given this substantial change to the

NR

Price Target: \$3

Price: \$0.77

Risk Rating: M

Anthony C. Lebieczinski
(212) 453-7015
(alebieczinski@sidoti.com)

Key Statistics

Market Cap (Mil)	\$20
Enterprise Value	\$20
52-Week Range (NASDAQ)	2-1
5-Year EPS CAGR	25%
Avg. Daily Trading Volume	45,000
Shares Out (Mil)	23.492
Float Shares (Mil)	14.145
Insider Ownership	39%
Institutional Holdings	18%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (2025E)	\$0.25
FCF Yield (2025E)	32.5%
Net Cash Per Share (2025E)	\$0.19
Price to Book Value	0.3x
Return on Equity (2025E)	6.3%
Total Debt to Capital	9%
Interest Coverage Ratio	NM
Short Interest %	0.4%
Short Interest Days To Cover	0.8
Russell 2000	2,065
Russell 2000 - Last 12 Months	17.1%
XELB - Last 12 Months	33.4%



company's business model, we estimate 1Q:24 revenue of \$2.1 million compared to \$6.1 million in the year-earlier quarter. On a brighter note, we project much reduced operating expenses mainly due to lower salaries, benefits, and employment costs after the company's business model transformation.

Exhibit 1: Xcel Brands, Inc. Variance Analysis

(\$ in thousands except per share data)

	1Q:24 Estimate	1Q:23 Actual	% Y-O-Y Change
Total Revenue	\$ 2,149	\$ 6,050	-64.5%
Gross profit	2,149	3,357	-36.0%
Operating income (loss)	(3,495)	(5,398)	NM
Net income (loss) - adjusted	(3,658)	(3,551)	NM
Diluted EPS (loss per share)	\$ (0.18)	\$ (0.18)	NM

Source: Company reports, Sidoti & Co., LLC estimates

NM = Not Meaningful

We still expect Xcel Brands to post a smaller year-over-year loss in 2024 before turning EPS positive in 2025. In 2023, XELB entered into new relationships and joint ventures, including TV licensing and e-commerce agreements with JTV (America's Collectible Network, Inc.) and the Judith Ripka brand, and successfully launched the C. Wonder brand on HSN. XELB signed a new license agreement with One Jeanswear Group, LLC, for the company's Lori Goldstein brand. Xcel Brands also entered into a 25-year master license agreement for its Halston brand with GIII Apparel (NASDAQ: GIII, NC), viewing Halston as a "power brand"; we expect Halston to begin to be a major revenue contributor starting in 3Q:24 as it rolls out new apparel, shoes, and handbags. This month, a new brand, TWRHLL by Christie Brinkley (including beauty, skin, hair, fashion, accessories, and home products) is set to launch on HSN and in some big-box retailers. Xcel Brands is also working on launching another brand like TWRHLL on HSN before year-end and has another in the pipeline. We also expect Xcel Brands to benefit from its new social commerce and AI-powered short-form video marketplace called ORME, in which XELB has a 30% ownership interest. All in, with much reduced operating expenses because of its significant business transformation, we estimate XELB will narrow its loss to \$0.30 per share in 2024 (from a loss of \$0.66 per share in 2023) before EPS of \$0.12 in 2025.

In our view, the balance sheet will remain in good shape, and we expect XELB to be free cash flow positive in 2025. At the end of 2023, Xcel Brands had \$3.0 million of cash and \$4.7 million of long-term debt given its new term loan agreement, which has quarterly payment installments of \$250,000 starting in April 2024 and matures in October 2028. In March, Xcel Brands improved its liquidity position with its public offering of stock and private placement, which resulted in estimated net proceeds of \$2.0 million. Following an \$8.4 million cash outflow (\$0.43 per share) in 2021, the cash outflow in 2022 was \$15.1 million, or \$0.77 per share, mostly due to the higher net loss (adjusted for the one-time gain from the sale of the majority stake in Isaac Mizrahi). With the reduction of its net loss and reduced working capital requirements, Xcel Brands narrowed its cash outflow to \$6.9 million in 2023 (\$0.35 per share); we expect this outflow to further decrease to \$2.2 million in 2024 (\$0.10 per share), ahead of a projected free cash flow recovery to \$5.7 million (\$0.25 per share) in 2025.

Valuation	We maintain a moderate risk rating and \$3 price target on XELB. We argue that Xcel Brands has appropriately transformed itself into an asset-light, licensing-plus business with a much lower and more efficient operating cost structure. In addition, we think XELB will maintain a good balance sheet and return to producing free cash flow in 2025. Our \$3 price target is based on 22x our 2025 EPS estimate of \$0.12. In our view, a tempered P/E relative to our five-year EPS growth rate forecast of 25% is justified given ongoing macroeconomic uncertainty and continued inflationary pressures likely to affect discretionary consumer spending.		
Key Risks	The U.S. economy	Dependence on Qurate Retail, Inc.	More intense competition

XCEL BRANDS, INC.

Table 1: Xcel Brands, Inc. Income Statement

(\$ in thousands, except per share data)

Fiscal year ends December 31

	2021	2022	Mar.	June	Sept.	Dec.	2023	Mar. E	June E	Sept. E	Dec. E	2024 E	Mar. E	June E	Sept. E	Dec. E	2025 E
Net licensing revenue	\$ 21,876	\$ 14,737	\$ 2,222	\$ 2,428	\$ 2,381	\$ 2,125	\$ 9,156	\$ 2,149	\$ 3,642	\$ 4,572	\$ 5,062	\$ 15,424	\$ 4,276	\$ 6,119	\$ 7,177	\$ 8,099	\$ 25,671
Net sales (wholesale and direct-to-consumer)	16,056	11,044	3,828	4,353	256	162	8,599	-	-	-	-	-	-	-	-	-	-
Total revenue	37,932	25,781	6,050	6,781	2,637	2,287	17,755	2,149	3,642	4,572	5,062	15,424	4,276	6,119	7,177	8,099	25,671
Cost of goods sold	10,667	7,980	2,693	3,800	225	200	6,918	-	-	-	-	-	-	-	-	-	-
Gross profit	27,265	17,801	3,357	2,981	2,412	2,087	10,837	2,149	3,642	4,572	5,062	15,424	4,276	6,119	7,177	8,099	25,671
Salaries, benefits and employment taxes	16,535	16,802	3,465	2,241	2,141	2,063	9,910	1,969	1,890	1,930	2,055	7,843	1,920	2,000	1,970	2,137	8,027
Other design and marketing costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other selling, G&A expenses	14,364	15,386	3,436	2,878	3,420	3,385	13,119	1,952	1,778	1,660	1,948	7,338	1,943	2,031	1,824	2,119	7,917
Stock-based compensation expense	720	620	57	65	62	58	242	63	75	65	64	266	69	86	68	70	293
D&A expenses	6,830	7,263	1,797	1,786	1,677	1,694	6,954	1,660	1,630	1,610	1,560	6,459	1,545	1,545	1,520	1,520	6,129
Other expense (gain)	1,372	(20,334)	-	(796)	-	-	(796)	-	-	-	-	-	-	-	-	-	-
Operating Income	(12,556)	(1,936)	(5,398)	(3,193)	(4,888)	(5,113)	(18,592)	(3,495)	(1,730)	(693)	(564)	(6,483)	(1,200)	457	1,795	2,253	3,305
Interest expense	1,916	1,209	25	-	-	364	389	115	82	76	71	345	65	59	53	47	223
Other interest and finance charges (income), net	1,663	1,440	-	(7)	-	(8)	(15)	(15)	(16)	(18)	(21)	(70)	(18)	(20)	(21)	(22)	(81)
Earnings (Loss) from equity method investment	-	(1,202)	(515)	(515)	(515)	(515)	(2,060)	(299)	(386)	(396)	307	(774)	(297)	(389)	(310)	424	(573)
Pretax income (loss)	(16,135)	(5,787)	(5,938)	(3,701)	(5,403)	(5,984)	(21,026)	(3,894)	(2,182)	(1,148)	(307)	(7,531)	(1,544)	29	1,453	2,652	2,590
Income tax expense (benefit)	(3,106)	(431)	-	-	-	1,211	1,211	-	-	-	-	-	(386)	6	291	530	441
Net income (loss)	(13,029)	(5,356)	(5,938)	(3,701)	(5,403)	(7,195)	(22,237)	(3,894)	(2,182)	(1,148)	(307)	(7,531)	(1,158)	23	1,162	2,121	2,149
Less: Net income (loss) attributable to noncontrolling interest	(845)	(1,338)	(295)	(233)	(259)	(398)	(1,185)	(236)	(186)	(155)	(119)	(697)	(189)	(149)	(124)	(96)	(558)
Net income (loss) attributable to Xcel Brands, Inc. shareholders	(12,184)	(4,018)	(5,643)	(3,468)	(5,144)	(6,797)	(21,052)	(3,658)	(1,996)	(992)	(188)	(6,834)	(969)	172	1,287	2,217	2,707
Earnings per share - diluted - attributable to Xcel Brands, Inc.	\$ (0.63)	\$ (0.20)	\$ (0.29)	\$ (0.18)	\$ (0.26)	\$ (0.34)	\$ (1.07)	\$ (0.18)	\$ (0.09)	\$ (0.04)	\$ (0.01)	\$ (0.30)	\$ (0.04)	\$ 0.01	\$ 0.05	\$ 0.10	\$ 0.12
Adjusted EBITDA	(2,515)	(12,570)	(1,936)	(1,227)	(1,409)	(1,153)	(5,725)	(1,537)	161	1,137	1,179	940	602	2,237	3,508	3,938	10,285
Net income - adjusted	(6,201)	(15,023)	(3,551)	(1,708)	(3,047)	(4,704)	(13,010)	(3,658)	(1,996)	(992)	(188)	(6,834)	(969)	172	1,287	2,217	2,707
Earnings per share - adjusted	\$ (0.32)	\$ (0.77)	\$ (0.18)	\$ (0.09)	\$ (0.15)	\$ (0.24)	\$ (0.66)	\$ (0.18)	\$ (0.09)	\$ (0.04)	\$ (0.01)	\$ (0.30)	\$ (0.04)	\$ 0.01	\$ 0.05	\$ 0.10	\$ 0.12
Weighted average shares -diluted	19,456	19,625	19,633	19,736	19,749	19,749	19,712	20,320	23,389	23,436	23,483	22,657	23,530	22,770	23,582	22,804	23,172

Margin Analysis:

Operating expenses as a % of total revenue	105.0%	76.6%	144.7%	91.0%	276.8%	314.8%	165.8%	262.7%	147.5%	115.2%	111.1%	142.0%	128.1%	92.5%	75.0%	72.2%	87.1%
Operating margin	NM	NM	NM	NM	NM	NM	NM	-162.7%	-47.5%	-15.2%	-11.1%	-42.0%	-28.1%	7.5%	25.0%	27.8%	12.9%
Pretax margin	NM	NM	NM	NM	NM	NM	NM	-181.2%	-59.9%	-25.1%	-6.1%	-48.8%	-36.1%	0.5%	20.2%	32.7%	10.1%
Net margin (adjusted)	NM	NM	NM	NM	NM	NM	-73.3%	-170.3%	-54.8%	-21.7%	-3.7%	-44.3%	-22.7%	2.8%	17.9%	27.4%	10.5%
Tax rate	19.3%	7.4%	0.0%	0.0%	0.0%	-20.2%	-5.8%	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	20.0%	20.0%	20.0%	17.0%

Year-over-year Growth (Decline)

Net licensing revenue	8.0%	-32.6%	-62.7%	-53.1%	9.9%	48.1%	-37.9%	-3.3%	50.0%	92.0%	138.2%	68.5%	99.0%	68.0%	57.0%	45.4%	66.4%
Net sales	74.7%	-31.2%	37.4%	32.2%	-89.0%	-93.8%	-22.1%	NM	NM	NM	NM	NM	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	NM
Total revenue	28.8%	-32.0%	-30.8%	-19.9%	-41.4%	-43.8%	-31.1%	-64.5%	-46.3%	73.4%	121.3%	-13.1%	99.0%	68.0%	57.0%	60.0%	66.4%
Operating income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Net income - adjusted	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
EPS - adjusted	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM

Sources: Company reports and Sidoti & Company, LLC estimates; NM = Not Meaningful

XCEL BRANDS, INC.

Table 2: Xcel Brands, Inc. Statement of Cash Flows

(\$ in thousands, except per share data)

Fiscal year ends December 31

	2021	Mar.	June	Sept.	Dec.	2022	Mar.	June	Sept.	Dec.	2023	2024 E	2025 E
Cash flow from operations													
Net income (loss)	\$ (13,029)	\$ (3,739)	\$ 9,189	\$ (4,430)	\$ (6,376)	\$ (5,356)	\$ (5,938)	\$ (3,701)	\$ (5,403)	\$ (7,195)	\$ (22,237)	\$ (7,531)	\$ 2,149
Adjustments to reconcile net income (loss) to net cash from operating activities:													
Depreciation and amortization expense	6,830	1,820	1,812	1,815	1,816	7,263	1,797	1,786	1,677	1,694	6,954	6,459	6,129
Amortization of deferred finance costs	308	91	65	-	-	156	-	-	-	22	22	-	-
Stock-based compensation	720	32	485	51	52	620	57	65	62	58	242	266	293
Allowance for doubtful accounts	102	-	90	83	240	413	-	-	20	767	787	532	277
Amortization of note discount	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income tax benefit	(3,192)	-	1,384	(1,021)	(1,328)	(965)	-	-	-	1,107	1,107	(1,060)	(190)
Loss on extinguishment of debt	1,516	-	2,324	-	-	2,324	-	-	-	-	-	-	-
Gain on reduction of contingent obligations	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease related assets and liabilities	(581)	(128)	128	-	(900)	(900)	-	-	-	-	-	(89)	11
Intangible asset impairment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	277	1,199	1,476	515	(281)	1,271	(249)	1,256	-	-
Net gain on sale of assets	-	-	(20,608)	-	22	(20,586)	-	-	-	-	-	-	-
Asset impairment charges	1,372	-	-	-	-	-	-	100	-	-	100	-	-
Decrease (increase) in accounts receivable	1,147	(1,036)	(705)	2,488	1,370	2,117	(859)	(909)	1,353	1,284	869	(278)	(1,018)
Decrease (increase) in inventory	(2,159)	(566)	466	(409)	1,039	530	(254)	2,301	(199)	543	2,391	71	(253)
Prepaid expenses and other assets	(818)	15	(7)	227	331	566	425	438	57	114	1,034	(272)	(283)
Increase (decrease) in accounts payable and accrued liabilities	1,228	2,620	(2,292)	(1,124)	(800)	(1,596)	1,396	(3,033)	242	2,815	1,420	608	38
Other liabilities	-	-	(159)	(267)	182	(244)	(54)	4,678	(419)	(4,695)	(490)	(504)	(895)
Net cash provided by operating activities	(6,556)	(891)	(7,828)	(2,310)	(3,153)	(14,182)	(2,915)	1,444	(1,339)	(3,735)	(6,545)	(1,798)	6,257
Cash flow from investing activities													
Cash consideration for asset acquisition of the Ripka brand and the H Halston Brands	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash consideration for asset acquisition of the C Wonder Brand and Lori Goldstein	(3,661)	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of property and equipment	(1,095)	(35)	(50)	(156)	(24)	(265)	(81)	-	(6)	(13)	(100)	(175)	(250)
Purchase of other intangible assets	(39)	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	(600)	(600)	-	-	-	(150)	(150)	-	-
Net proceeds from sale of assets	-	-	45,408	-	(22)	45,386	-	451	-	8	459	-	-
Net cash flow (used for) investing activities	(4,795)	(35)	45,358	(156)	(646)	44,521	(81)	451	(6)	(155)	209	(175)	(250)
Cash flow from financing activities													
Proceeds from term debt	54,000	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of common stock, net of direct costs	-	-	-	-	-	-	-	-	-	-	-	2,000	-
Proceeds from exercise of stock options	5	-	-	-	-	-	-	-	27	-	27	-	-
Shares repurchased on vesting of restricted stock	(16)	-	(442)	-	-	(442)	-	-	-	-	-	-	-
Payment of deferred finance costs	(2,173)	-	-	-	-	-	-	-	-	-	-	-	-
Cash contribution from non-controlling interest	1,000	-	-	-	-	-	-	-	-	-	-	-	-
Payment of revolving loan debt	(2,498)	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of long-term debt	(41,750)	(625)	(28,375)	-	-	(29,000)	-	-	-	-	-	(750)	(1,000)
Proceeds from long-term debt	2,498	-	-	-	-	-	-	-	-	4,699	4,699	-	-
Payment of breakage fees associated with extinguishment of long term debt	(559)	-	(1,511)	-	-	(1,511)	-	-	-	-	-	-	-
Net cash from (used in) financing activities	10,507	(625)	(30,328)	-	-	(30,953)	-	-	27	4,699	4,726	1,250	(1,000)
Net increase (decrease) in cash and cash equivalents	(844)	(1,551)	7,202	(2,466)	(3,799)	(614)	(2,996)	1,895	(1,318)	809	(1,610)	(723)	5,007
Cash, cash equivalents and restricted cash at beginning of period	6,066	5,222	3,671	10,873	8,407	5,222	4,608	1,612	3,507	2,189	4,608	2,998	2,275
Cash, cash equivalents and restricted cash at end of period	5,222	3,671	10,873	8,407	4,608	4,608	1,612	3,507	2,189	2,998	2,998	2,275	7,282
Free cash flow (operating cash flow less cap-ex)	(7,651)	(926)	(7,878)	(2,466)	(3,177)	(14,447)	(2,996)	1,444	(1,345)	(3,748)	(6,645)	(1,973)	6,007
Free cash flow/share	\$ (0.39)	\$ (0.05)	\$ (0.40)	\$ (0.13)	\$ (0.16)	\$ (0.74)	\$ (0.15)	\$ 0.07	\$ (0.07)	\$ (0.19)	\$ (0.34)	\$ (0.09)	\$ 0.26
* Free cash flow (operating cash flow less cap-ex less stock-based comp. exp.)	(8,371)	(958)	(8,363)	(2,517)	(3,229)	(15,067)	(3,053)	1,379	(1,407)	(3,806)	(6,887)	(2,239)	5,713
* Free cash flow/share	\$ (0.43)	\$ (0.05)	\$ (0.43)	\$ (0.13)	\$ (0.16)	\$ (0.77)	\$ (0.16)	\$ 0.07	\$ (0.07)	\$ (0.19)	\$ (0.35)	\$ (0.10)	\$ 0.25

Sources: Company reports and Sidoti & Company, LLC estimates

Sidoti & Company, LLC

XCEL BRANDS, INC.

Table 3: Xcel Brands, Inc. Balance Sheet

(\$ in thousands, except per share data)

Fiscal year ends December 31

	2021	Mar.	June	Sept.	2022	Mar.	June	Sept.	2023	2024 E	2025 E
Assets											
Current assets:											
Cash and cash equivalents	\$ 4,483	\$ 3,063	\$ 10,873	\$ 8,407	\$ 4,608	\$ 1,612	\$ 3,507	\$ 2,189	\$ 2,998	\$ 2,275	\$ 7,282
Accounts receivable	7,640	8,676	9,291	6,720	5,110	5,969	6,878	4,749	3,454	3,200	3,941
Inventory	3,375	3,941	3,475	3,884	2,845	3,099	798	997	453	382	635
Prepaid expenses and other current assets	1,681	1,480	1,975	1,752	1,457	1,032	554	447	398	335	418
Total current assets	17,179	17,160	25,614	20,763	14,020	11,712	11,737	8,382	7,303	6,192	12,277
Long-term assets:											
Property and equipment, net	2,549	2,293	2,070	1,948	1,418	1,237	916	779	634	389	489
Operating lease right-of-use assets	6,314	6,097	5,876	5,650	5,420	5,185	4,946	4,702	4,453	4,293	4,133
Trademarks and other intangibles, net	98,304	96,775	50,735	49,200	47,665	46,130	44,590	43,055	41,520	35,481	29,502
Equity method investment	-	-	19,797	19,520	19,195	18,680	18,165	17,650	17,585	16,811	16,238
Restricted cash	739	608	-	-	-	-	-	-	-	-	-
Deferred income taxes, net	141	141	147	-	1,107	1,107	1,107	1,107	-	1,760	2,000
Other assets	555	635	-	146	110	110	25	75	165	500	700
Total assets	125,781	123,709	104,239	97,227	88,935	84,161	81,486	75,750	71,660	65,427	65,339
Liabilities and shareholders' equity											
Current liabilities:											
Accounts payable, accrued expenses and other current liabilities	6,233	7,855	4,759	5,285	4,526	5,549	2,750	3,621	2,608	3,172	3,273
Accrued payroll	577	1,563	276	228	416	477	154	80	889	1,043	1,388
Current portion of operating lease obligations	1,207	1,045	1,094	1,331	1,376	1,395	1,219	1,219	1,258	1,149	740
Current portion of long-term debt	2,500	2,500	-	-	-	-	-	-	750	750	750
Other	-	-	4,623	2,478	243	555	2,877	1,736	964	1,250	1,100
Total current liabilities	10,517	12,963	10,752	9,322	6,561	7,976	7,000	6,656	6,469	7,363	7,251
Long-term liabilities:											
Long-term portion of operating lease obligations	7,252	6,963	6,661	6,157	5,839	5,531	4,660	4,362	4,021	3,772	3,623
Long-term debt, less current portion	25,531	24,998	-	-	-	-	-	-	3,971	3,221	2,221
Long-term deferred revenue	-	-	-	-	-	-	4,207	3,875	3,556	2,756	1,956
Contingent obligations	7,539	7,539	4,739	5,061	6,396	6,396	4,996	5,548	5,432	5,482	5,537
Other long-term liabilities	-	13	-	-	-	-	-	-	40	-	-
Deferred tax liabilities	-	-	1,244	223	-	-	-	-	-	700	750
Total liabilities	50,839	52,476	23,396	20,763	18,796	19,903	20,863	20,441	23,489	23,294	21,338
Total stockholders' equity	74,942	71,233	80,843	76,464	70,139	64,258	60,623	55,309	48,171	42,132	44,001
Total liabilities and equity	125,781	123,709	104,239	97,227	88,935	84,161	81,486	75,750	71,660	65,427	65,339

Selected Financial Data (\$ in thousands, except per share data)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total debt/total capital	27.2%	27.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.9%	8.6%
Net cash (debt)	(23,548)	(24,435)	10,873	8,407	4,608	1,612	3,507	2,189	(1,723)	(1,696)
Net cash (debt) per share	\$ (1.21)	\$ (1.25)	\$ 0.55	\$ 0.43	\$ 0.23	\$ 0.08	\$ 0.18	\$ 0.11	\$ (0.09)	\$ (0.07)
Current ratio	1.63	1.32	2.38	2.23	2.14	1.47	1.68	1.26	1.13	0.84
Book value per share	\$ 3.85	\$ 3.64	\$ 4.11	\$ 3.90	\$ 3.57	\$ 3.27	\$ 3.07	\$ 2.80	\$ 2.44	\$ 1.86
Tangible book value per share	\$ (1.20)	\$ (1.31)	\$ 1.53	\$ 1.39	\$ 1.15	\$ 0.92	\$ 0.81	\$ 0.62	\$ 0.34	\$ 0.29
Inventory turnover	4.6x	3.1x	3.0x	2.4x	2.6x	2.6x	4.8x	3.7x	4.2x	NM
ROA	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
ROE	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM

Sources: Company reports and Sidoti & Company, LLC estimates; NM = Not Meaningful

Required Disclosures

XCel Brands, Inc. (XELB-\$0.77) NR Price Target: \$3 Risk Rating: M

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
Initiation	9/7/22	1.1	NR	5	M
PT	3/8/24	1		4	
PT	3/15/24	0.8		3	



Valuation

We maintain a moderate risk rating and \$3 price target on XELB. We argue that Xcel Brands has appropriately transformed itself into an asset-light, licensing-plus business with a much lower and more efficient operating cost structure. In addition, we think XELB will maintain a good balance sheet and return to producing free cash flow in 2025. Our \$3 price target is based on 22x our 2025 EPS estimate of \$0.12. In our view, a tempered P/E relative to our five-year EPS growth rate forecast of 25% is justified given ongoing macroeconomic uncertainty and continued inflationary pressures likely to affect discretionary consumer spending.

Key Risks

The U.S. economy

Dependence on Qurate Retail, Inc.

More intense competition

**(IF A COMPANY SPONSORED RESEARCH (“CSR”) REPORT, ALSO REFER TO
ADDITIONAL CSR-SPECIFIC DISCLOSURES PROVIDED BELOW)**

Rating System

Sidoti’s Equity Research rating system consists of BUY and NEUTRAL recommendations, as well as a NOT RATED classification. We do not assign these BUY or NEUTRAL ratings for companies covered under our Company Sponsored Research program. Companies (or equity securities) covered by our CSR program are classified as NOT RATED (NR) and are only assigned a HIGH (H) or MODERATE (M) risk rating. Unless otherwise noted in a report, Sidoti ratings should be interpreted as follows:

Rating	Industry	Interpretation
BUY	All, except Utilities	Capital appreciation of at least 25% over the next 12 months
NEUTRAL	All, except Utilities	Capital appreciation of less than 25% over the next 12 months
BUY	Utilities(a)	Capital appreciation of at least 15% over the next 12 months
NEUTRAL	Utilities(a)	Capital appreciation of less than 15% over the next 12 months
HIGH (RISK)	All in CSR program	Companies/equities with among others, one or more of the following characteristics: <ul style="list-style-type: none"> • significant potential for loss of principal; • significant share price volatility; • limited revenue or cash flow and/or high unpredictability associated with revenue and cash flow; • short and/or unprofitable operating history; • potentially significant issues regarding operational and/or financial success; • problematic financial, liquidity, legal, regulatory or political issues;

		<ul style="list-style-type: none"> • upcoming need for additional capital when availability is questionable; • significant related party transactions which could lead to a conflict of interest; • any other factor that the analyst believes could materially and adversely impact the subject company and/or the value of its securities.
MODERATE (RISK)	All in CSR program	<p>Companies which have many of the same risks as described under the HIGH risk rating, but which risks are mitigated (on a relative basis and in the opinion of the analyst) due to, among others, one or more of the following:</p> <ul style="list-style-type: none"> • more stable and predictable revenue, profits and cash flow; • more established operating history; • more favorable operating or business environment • lower potential for financial, liquidity, regulatory or political issues; or • less onerous upcoming capital needs.

(a) those with at least 75% of operations derived from regulated state and federal businesses

**Percentage of Covered Companies with Each Rating and
Realization of Investment Banking Income from Covered Companies Over the Past 12 Months:**

With reference to the information described in the header immediately above please refer to the table below, which is as of, and reflects information immediately prior to, the publication of this report:

Rating	# of Companies	% (b)	Realized Investment Banking Income (# of companies with rating)	Realized Investment Banking Income (% of companies with rating)
BUY	38	27.1%	4	10.5%
NEUTRAL(a)	16	11.4%	0	0.0%
NOT RATED	1	0.7%	0	0.0%
NR -CSRs Moderate Risk (c)	78	55.7%	2	2.6%
NR -CSRs High Risk (c)	7	5.0%	0	0.0%
TOTAL	140	100%	6	4.3%

(a) Of the NEUTRALS 7 trade above our price target.

(b) Numbers may not add due to rounding or because of a pending drop of coverage.

(c) 91.8% of our CSRs are moderate risk, while 8.2% are high risk.

Certain Risks

A universal risk to all our price targets is that the analyst's estimates or forecasts may not be met. Past performance should not be construed as indicative of future performance. This report contains forward-looking statements, which involve risks and uncertainties. Actual results may differ significantly from such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in the "Risk Factors" section in the subject company's SEC filings available in electronic format through SEC Edgar filings at www.sec.gov.

Certain information Regarding Analyst Compensation

Sidoti employees, including research analysts, receive compensation that is based in part upon the overall performance of the firm, including revenues generated by Sidoti's investment banking activities, brokerage activities, from issuers participating in Sidoti's Company Sponsored Research program, from covered (and non-covered) companies paying to attend our conferences or compensating Sidoti for arranging Non-Deal Road Show (NDR) meetings, but compensation is not directly related to any of these revenue streams. As noted below such factors present a potential conflict of interest.

Factors that May Influence Continuation of Coverage and Related Potential Conflicts of Interest

Sidoti research analysts generally do not cover (or continue to cover) those companies where Sidoti does not deem coverage to be profitable. In determining whether coverage is profitable, Sidoti considers among other things, (a) an estimate of invoice payments received from its institutional investor clients as it relates to a covered company; (b) whether management of a covered company participates in Sidoti-sponsored conferences and/or non-deal roadshows (Sidoti receives a fee from the issuer if the issuer

presents at a conference and may receive a fee from the issuer if it schedules an NDR); and (c) whether a covered company has in the past or is inclined to include Sidoti in an investment banking transaction as a co-manager or otherwise. A possible effect of factors (b) and (c) above may be that continued coverage decisions are based, in part, on the willingness of management of covered companies to participate in, and compensate Sidoti for, such conferences and NDR meetings, as well as inclusion in investment banking transactions. This approach could be viewed as presenting potential conflicts of interest.

Sidoti and Analyst Ownership of Securities Described Herein and Other Analyst Restrictions

Sidoti does NOT own securities of the issues described herein. Sidoti policy does not allow an analyst or a member of their household or any account in which they otherwise hold a beneficial interest to own shares in any company that he/she covers. Sidoti policy does not allow employees or household members to serve as an officer or director of a covered company. Sidoti does not make a market in any securities.

Sidoti Investment Banking Revenue Realized from the Subject Company in the Last 12 Month

Sidoti has non-research employees that will seek compensation for investment banking services from the company covered hereunder. As of the date hereof, Sidoti may expect to receive or may intend to seek investment banking compensation from any of its covered companies, including the subject company covered herein, within the next 3 months (additional detail, if any, is provided in a special disclosure below). Investment banking services, as defined under FINRA Rule 2241, includes, among other things, acting as an underwriter in or as a member of the selling group in a securities underwriting. Sidoti's role in most investment banking transactions can be viewed on this company's filings at www.sec.gov. The table below sets forth instances where Sidoti has received investment banking revenue from the company covered hereunder in the last twelve months, if any:

Date	Role	Transaction	Security

Sidoti Non-Investment Revenue Realized from the Subject Company in the Last 12 Months

Prior to December 31, 2022, Sidoti held multiple conferences a year and charged a fee of up to \$6,000 per conference to presenting companies. Beginning January 2023, Sidoti Events, LLC ("Sidoti Events"), an affiliate of Sidoti by common ownership, began to hold these conferences. Sidoti or Sidoti Events may also receive a fee of up to \$8,000 for scheduling a Non-Deal Roadshow ("NDR") day. Sidoti Events reimburses Sidoti for certain services provided by Sidoti to Sidoti Events in respect of these conferences (or NDR days) pursuant to an Expense Sharing Arrangement. The table below sets forth instances where Sidoti or Sidoti Events received non-investment revenue from the company covered hereunder, if any, over the past 12 months:

Conferences	NDR Days
June 2023	
August 2023	
December 2023	

Additional Disclosures Specific to the Subject Company of this Report Including the Pursuit or Expectation of Investment Banking Revenue in the Next Three Months

None.

Analyst Certification

The research analyst that authors this report, Anthony C. Lebieczinski, certifies that this report accurately reflects his/her personal views about the subject securities and issuers and that none of the research analyst's compensation was, is or will be directly or indirectly related to the analyst's specific recommendations or views contained in this research report.

Other Disclosures

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CSR Fees and Related Potential Conflicts of Interest

Sidoti receives a flat fee of \$40,000 from companies who commissioned CSR coverage from Sidoti prior to January 1, 2023 (“Pre-2023 CSRs”) and \$50,000 from companies that are not Pre-2023 CSRs. Those Pre-2023 CSRs will pay a flat fee of \$45,000 for an additional year of coverage when renewing in 2023. This fee is for the production and dissemination of an Initiation Report (if the initial year of the contract) and quarterly update reports during the one-year term of a CSR contract. (Sidoti does not accept stock or warrant compensation). Such contractually required reports coincide with initiation of coverage and the subject companies’ quarterly earnings releases. Sidoti may also publish reports on its CSR companies between each earnings report for which it has a contractual obligation to publish. The purpose of the CSR fee is to subsidize the high costs of providing securities research coverage. Sidoti’s receipt of a fee from the issuer described herein for producing this report could present potential conflicts of interest. To mitigate the potential for conflicts, Sidoti:

- assures its contracts with the issuer described herein allows for Sidoti’s full editorial control of all research and, within reason, the timing of its release;
- requires the term of a contract extend for one full year, which contract the issuer cannot unilaterally terminate;
- provides Sidoti the ability to terminate the contract under certain circumstances;
- insists that, at a minimum, pro-rata payment of the annual fee is received prior to the publication or release of a research report;
- utilizes analysts who must abide by the CFA Institute Code of Ethics and Standards of Professional Conduct;
- provide analysts with full discretion on the price target and over other coverage points based on their own due diligence;
- maintains and enforces written policies and procedures reasonably designed to prevent any controlling persons, officers (or persons performing similar functions), or employees of Sidoti from influencing the activities of research analysts and the content of research reports prepared by the research analyst;

- does not directly tie analyst compensation to their willingness to cover a company on a commissioned basis, provided however that the provision of CSR coverage is one of several overall considerations that is factored into Sidoti's determination of analyst compensation; and
- does not directly or indirectly tie analyst compensation to the specific recommendations or views expressed in any research report.

Notwithstanding the measures set forth above to mitigate the risk of potential conflicts of interest, Sidoti makes no representations and does not warrant that such measures can or will fully eradicate potential conflicts.

Certain Additional CSR Risk Considerations

Many companies covered under Sidoti's CSR program can be classified as microcap stocks, which equities typically bear certain risks that are not as prevalent in the "Blue Chip", large capitalization, mid capitalization or even the small capitalization segment of the market. Microcap stocks are more prone to trade at discounts. They generally have smaller trading volume and smaller public floats than companies with larger market capitalization, which can lead to an inability to buy or sell shares (liquidity risk) in quantity without moving the market (or at all), large bid-ask spreads, and increased stock price volatility (which can result) even if a trade involves a very small number of shares. In addition, microcaps tend to have significant company specific risks that contribute to lower valuations and may limit stock price appreciation. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market. Given the foregoing, readers of this report are urged to pay special attention to the risk rating and risk factors set forth in this report, as well as to seek more detailed information regarding risks by reviewing the company's public filings at www.sec.gov.

Source(s)

Key Statistics data is sourced from FactSet Research Systems