



## XCel Brands, Inc. (XELB)

### 4Q:23 Results About In Line With Pre-Release; Fine-Tuned Estimates Still Imply A Healthy Bottom-Line Rebound As XELB Benefits From Its Business Transformation; Maintain \$3 Price Target

	2022		2023E		2024E		2025E	
		OLD	NEW	OLD	NEW	OLD	NEW	
Mar.	(\$0.10)	(\$0.18)A		(\$0.11)	(\$0.18)	(\$0.02)	(\$0.04)	
June	(0.18)	(0.09)A		(0.06)	(0.09)	0.02	0.01	
Sep.	(0.17)	(0.15)A		(0.04)		0.05		
Dec.	(0.32)	(0.25)	(0.24)A	(0.03)	(0.01)	0.07	0.10	
<b>EPS</b>	<b>(\$0.77)</b>	<b>(\$0.67)</b>	<b>(\$0.66)A</b>	<b>(\$0.23)</b>	<b>(\$0.30)</b>	<b>\$0.12</b>	<b>\$0.12</b>	
<b>P/E</b>				<b>NM</b>		<b>6.2x</b>		

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.

- Following the company's March 7 8-K filing that included preliminary 4Q:23 results, we found no meaningful surprises in XELB's final 4Q:23 results, which were reported last night.
- Total revenue of \$2.3 million was a 44% decline from the prior year; we expected revenue of \$2.1 million.
- Despite the sales decrease, however, the company's loss narrowed to \$0.24 per share (from a loss of \$0.32 per share in 4Q:22) as Xcel Brands benefited from its leaner cost structure.
- We still think the company's restructuring and shift to a licensing business have positioned it well to improve profitability with its new asset-light business model.
- In our view, Xcel Brands should profit from its new licensing relationships, joint ventures and its new social commerce and AI-powered marketplace called ORME.
- That said, with macroeconomic uncertainty still affecting consumer spending and conference call comments about the company's sales through QVC and HSN (both operated by Qurate Retail, Inc. [NASDAQ: QRTEA, NC]), we lower our 2024 forecasts.
- All in, we now estimate a loss of \$0.30 per share (our previous forecast was a loss of \$0.23 per share), before estimated EPS of \$0.12 in 2025.
- We think free cash flow should follow a similar path to earnings as we project a cash outflow of \$0.10 per share in 2024 to be followed by free cash flow of \$0.24 per share in 2025.
- Our \$3 price target is based on 22x our 2025 EPS estimate of \$0.12.

4Q:23 results were about as we expected after the March 7 pre-release. Total revenue of \$2.3 million was a 44% drop from 4Q:22, mainly due to the previous exit from the wholesale apparel, fine jewelry and Longaberger sales operations as part of the

**NR**

Price Target: \$3

Price: \$0.74

Risk Rating: M

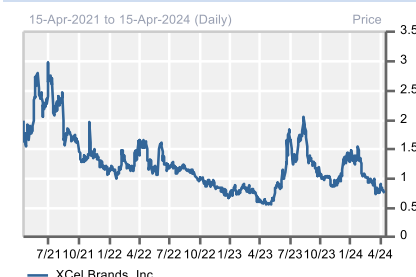
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#### Key Statistics

Market Cap (Mil)	\$20
Enterprise Value	\$12
52-Week Range (NASDAQ)	2-1
5-Year EPS CAGR	25%
Avg. Daily Trading Volume	49,000
Shares Out (Mil)	23.163
Float Shares (Mil)	14.145
Insider Ownership	39%
Institutional Holdings	16%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (2025E)	\$0.24
FCF Yield (2025E)	32.4%
Net Cash Per Share (2025E)	\$0.20
Price to Book Value	0.3x
Return on Equity (2025E)	6.3%
Total Debt to Capital	9%
Interest Coverage Ratio	N/A
Short Interest %	0.4%
Short Interest Days To Cover	1.8
Russell 2000	1,967
Russell 2000 - Last 12 Months	10.9%
XELB - Last 12 Months	21.0%



Source: FactSet Prices

company's restructuring plan, which was partly offset by much higher licensing revenue, with Xcel Brands benefiting from its new business relationships. We expected total sales of \$2.1 million. As detailed in Exhibit 1, gross profit was in line with our forecast. XELB also benefited from reduced operating expenses, and its operating loss was lower than 4Q:22, though a bit wider than we estimated. All in, the company's adjusted net loss of \$0.24 per share was a penny less than we expected.

**Exhibit 1: Xcel Brands, Inc. Variance Analysis**

(\$ in thousands except per share data)

	4Q:23 Actual	4Q:23 Estimate	Variance	% Variance	4Q:22 Actual	% Y-O-Y Change
<b>Total Revenue</b>	\$ 2,287	\$ 2,130	\$ 157	7.4%	\$ 4,066	-43.8%
<b>Gross profit</b>	2,087	2,083	4	0.2%	1,801	15.9%
<b>Operating income (loss)</b>	(5,113)	(4,591)	(522)	NM	(8,377)	NM
<b>Net income (loss) - adjusted</b>	(4,704)	(4,892)	188	NM	(6,208)	NM
<b>Diluted EPS (loss per share)</b>	\$ (0.24)	\$ (0.25)	\$0.01	NM	\$ (0.32)	NM

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

NM = Not Meaningful

**We still expect the company's net losses to narrow in 2024 before turning EPS positive in 2025.** As part of its business transformation, 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 also signed a new licensed agreement with One Jeanswear Group, LLC, for the company's Lori Goldstein brand. In 2023, 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. The company also plans to launch its new brand, TWRHLL by Christie Brinkley, on HSN in May, followed by the launch of additional products outside of HSN this fall. In our view, Xcel Brands should also benefit from its new social commerce and AI-powered short-form video marketplace called ORME, which is still in beta testing, with seven vendors now on the platform and 1,000 users having downloaded the app during its first week. That said, during the conference call last night, XELB stated that in 1Q:24, sales through QVC and HSN were softer than expected by management due to continuing on-air scheduling conflicts. All in, we now estimate that XELB will narrow its loss to \$0.30 per share (was a loss of \$0.23 per share) in 2024 before posting EPS of \$0.12 in 2025 (unchanged).

**As we see it, XELB's financials remain in good shape.** The company ended 2023 with cash of \$3.0 million and \$4.7 million of long-term debt as a result of a 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 further strengthened its liquidity position with its public offering of stock and private placement, which resulted in estimated net proceeds of \$2.3 million. After 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 given the higher net loss (adjusted for the one-time gain from the sale of the majority stake in Isaac Mizrahi). With an improved bottom line, along with lower working capital requirements, Xcel Brands narrowed its cash outflow to \$6.9 million in 2023 (\$0.35 per share) which we think will further narrow to \$2.2 million in 2024 (\$0.10 per share), before an estimated free cash flow rebound to \$5.7 million (\$0.24 per share) in 2025.

<b>Valuation</b>	<b>We maintain a moderate risk rating and \$3 price target on XELB.</b> In our view, 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. We think that a discounted P/E relative to our five-year EPS growth rate forecast of 25% is warranted given ongoing macroeconomic uncertainty and continued inflationary pressures likely to impact consumer spending on discretionary purchases.		
<b>Key Risks</b>	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

	2020	2021	Mar.	June	Sept.	Dec.	2022	Mar.	June	Sept.	Dec.	2023	Mar. E	June E	Sept. E	Dec. E	2024 E	2025 E
Net licensing revenue	\$ 20,255	\$ 21,876	\$ 5,961	\$ 5,175	\$ 2,166	\$ 1,435	\$ 14,737	\$ 2,222	\$ 2,428	\$ 2,381	\$ 2,125	\$ 9,156	\$ 2,155	\$ 3,642	\$ 4,572	\$ 5,062	\$ 15,431	\$ 25,684
Net sales (wholesale and direct-to-consumer)	9,193	16,056	2,786	3,292	2,335	2,631	11,044	3,828	4,353	256	162	8,599	-	-	-	-	-	-
<b>Total revenue</b>	<b>29,448</b>	<b>37,932</b>	<b>8,747</b>	<b>8,467</b>	<b>4,501</b>	<b>4,066</b>	<b>25,781</b>	<b>6,050</b>	<b>6,781</b>	<b>2,637</b>	<b>2,287</b>	<b>17,755</b>	<b>2,155</b>	<b>3,642</b>	<b>4,572</b>	<b>5,062</b>	<b>15,431</b>	<b>25,684</b>
Cost of goods sold	5,456	10,667	1,680	2,570	1,465	2,265	7,980	2,693	3,800	225	200	6,918	-	-	-	-	-	-
<b>Gross profit</b>	<b>23,992</b>	<b>27,265</b>	<b>7,067</b>	<b>5,897</b>	<b>3,036</b>	<b>1,801</b>	<b>17,801</b>	<b>3,357</b>	<b>2,981</b>	<b>2,412</b>	<b>2,087</b>	<b>10,837</b>	<b>2,155</b>	<b>3,642</b>	<b>4,572</b>	<b>5,062</b>	<b>15,431</b>	<b>25,684</b>
Salaries, benefits and employment taxes	13,061	16,535	4,853	5,236	3,301	3,412	16,802	3,465	2,241	2,141	2,063	9,910	1,975	1,890	1,930	2,055	7,850	8,033
Other design and marketing costs	3,334	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other selling, G&A expenses	6,567	14,364	3,392	3,803	3,567	4,624	15,386	3,436	2,878	3,420	3,385	13,119	1,959	1,778	1,660	1,948	7,344	7,923
Stock-based compensation expense	850	720	32	485	51	52	620	57	65	62	58	242	63	75	65	64	266	293
D&A expenses	5,497	6,830	1,820	1,812	1,815	1,816	7,263	1,797	1,786	1,677	1,694	6,954	1,660	1,630	1,610	1,560	6,459	6,129
Other expense (gain)	11,093	1,372	-	(20,608)	-	274	(20,334)	-	(796)	-	-	(796)	-	-	-	-	-	-
<b>Operating Income</b>	<b>(16,410)</b>	<b>(12,556)</b>	<b>(3,030)</b>	<b>15,169</b>	<b>(5,698)</b>	<b>(8,377)</b>	<b>(1,936)</b>	<b>(5,398)</b>	<b>(3,193)</b>	<b>(4,888)</b>	<b>(5,113)</b>	<b>(18,592)</b>	<b>(3,501)</b>	<b>(1,730)</b>	<b>(693)</b>	<b>(564)</b>	<b>(6,488)</b>	<b>3,306</b>
Interest expense	1,193	1,916	708	479	-	22	1,209	25	-	-	364	389	88	82	76	71	318	223
Other interest and finance charges (income), net	-	1,663	1	2,323	(6)	(878)	1,440	-	(7)	-	(8)	(15)	(15)	(16)	(18)	(21)	(70)	(81)
Earnings (Loss) from equity method investment	-	-	-	-	(277)	(925)	(1,202)	(515)	(515)	(515)	(515)	(2,060)	(250)	(386)	(396)	307	(725)	(525)
Pretax income (loss)	(17,603)	(16,135)	(3,739)	12,367	(5,969)	(8,446)	(5,787)	(5,938)	(3,701)	(5,403)	(5,984)	(21,026)	(3,824)	(2,182)	(1,148)	(307)	(7,461)	2,640
Income tax expense (benefit)	(4,518)	(3,106)	-	3,178	(1,539)	(2,070)	(431)	-	-	-	1,211	1,211	-	-	-	-	-	528
Net income (loss)	(13,085)	(13,029)	(3,739)	9,189	(4,430)	(6,376)	(5,356)	(5,938)	(3,701)	(5,403)	(7,195)	(22,237)	(3,824)	(2,182)	(1,148)	(307)	(7,461)	2,112
Less: Net income (loss) attributable to noncontrolling interest	(149)	(845)	(252)	(301)	(388)	(397)	(1,338)	(295)	(233)	(259)	(398)	(1,185)	(236)	(186)	(155)	(119)	(697)	(558)
Net income (loss) attributable to Xcel Brands, Inc. shareholders	(12,936)	(12,184)	(3,487)	9,490	(4,042)	(5,979)	(4,018)	(5,643)	(3,468)	(5,144)	(6,797)	(21,052)	(3,588)	(1,996)	(992)	(188)	(6,764)	2,669
Earnings per share - diluted - attributable to Xcel Brands, Inc.	\$ (0.68)	\$ (0.63)	\$ (0.18)	\$ 0.48	\$ (0.21)	\$ (0.30)	\$ (0.20)	\$ (0.29)	\$ (0.18)	\$ (0.26)	\$ (0.34)	\$ (1.07)	\$ (0.18)	\$ (0.09)	\$ (0.04)	\$ (0.01)	\$ (0.30)	\$ 0.12
<b>Adjusted EBITDA</b>	<b>4,111</b>	<b>(2,515)</b>	<b>(926)</b>	<b>(2,841)</b>	<b>(2,894)</b>	<b>(5,909)</b>	<b>(12,570)</b>	<b>(1,936)</b>	<b>(1,227)</b>	<b>(1,409)</b>	<b>(1,153)</b>	<b>(5,725)</b>	<b>(1,542)</b>	<b>161</b>	<b>1,137</b>	<b>1,179</b>	<b>934</b>	<b>10,286</b>
<b>Net income - adjusted</b>	<b>1,844</b>	<b>(6,201)</b>	<b>(1,941)</b>	<b>(3,606)</b>	<b>(3,268)</b>	<b>(6,208)</b>	<b>(15,023)</b>	<b>(3,551)</b>	<b>(1,708)</b>	<b>(3,047)</b>	<b>(4,704)</b>	<b>(13,010)</b>	<b>(3,588)</b>	<b>(1,996)</b>	<b>(992)</b>	<b>(188)</b>	<b>(6,764)</b>	<b>2,669</b>
<b>Earnings per share - adjusted</b>	<b>\$ 0.10</b>	<b>\$ (0.32)</b>	<b>\$ (0.10)</b>	<b>\$ (0.18)</b>	<b>\$ (0.17)</b>	<b>\$ (0.32)</b>	<b>\$ (0.77)</b>	<b>\$ (0.18)</b>	<b>\$ (0.09)</b>	<b>\$ (0.15)</b>	<b>\$ (0.24)</b>	<b>\$ (0.66)</b>	<b>\$ (0.18)</b>	<b>\$ (0.09)</b>	<b>\$ (0.04)</b>	<b>\$ (0.01)</b>	<b>\$ (0.30)</b>	<b>\$ 0.12</b>
Weighted average shares -diluted	19,117	19,456	19,571	19,677	19,625	19,625	19,625	19,633	19,736	19,749	19,749	19,712	20,320	23,389	23,436	23,483	22,657	23,172

**Margin Analysis:**

Operating expenses as a % of total revenue	137.2%	105.0%	115.4%	-109.5%	194.0%	250.3%	76.6%	144.7%	91.0%	276.8%	314.8%	165.8%	262.4%	147.5%	115.2%	111.1%	142.0%	87.1%
Operating margin	NM	NM	NM	179.2%	NM	NM	NM	NM	NM	NM	NM	NM	-162.4%	-47.5%	-15.2%	-11.1%	-42.0%	12.9%
Pretax margin	NM	NM	NM	146.1%	NM	NM	NM	NM	NM	NM	NM	NM	-177.4%	-59.9%	-25.1%	-6.1%	-48.4%	10.3%
Net margin (adjusted)	6.3%	NM	-22.2%	-42.6%	NM	NM	NM	NM	NM	NM	NM	-73.3%	-166.5%	-54.8%	-21.7%	-3.7%	-43.8%	10.4%
Tax rate	25.7%	19.3%	0.0%	25.7%	25.8%	24.5%	7.4%	0.0%	0.0%	0.0%	-20.2%	-5.8%	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%

**Year-over-year Growth (Decline)**

Net licensing revenue	-23.4%	8.0%	38.4%	-16.9%	-68.4%	-68.0%	-32.6%	-62.7%	-53.1%	9.9%	48.1%	-37.9%	-3.0%	50.0%	92.0%	138.2%	68.5%	66.4%
Net sales	-39.9%	74.7%	-20.4%	-27.5%	-47.0%	-27.1%	-31.2%	37.4%	32.2%	-89.0%	-93.8%	-22.1%	NM	NM	NM	NM	NM	NM
Total revenue	-29.4%	28.8%	12.0%	-21.3%	-60.0%	-49.8%	-32.0%	-30.8%	-19.9%	-41.4%	-43.8%	-31.1%	-64.4%	-46.3%	73.4%	121.3%	-13.1%	66.4%
Operating income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Net income - adjusted	-61.5%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
EPS - adjusted	-62.1%	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

	2020	Mar.	June	Sept.	Dec.	2021	Mar.	June	Sept.	Dec.	2022	Mar.	June	Sept.	Dec.	2023	2024 E	2025 E
<b>Cash flow from operations</b>																		
Net income (loss)	\$ (13,085)	\$ (2,628)	\$ (1,814)	\$ (1,359)	\$ (7,228)	\$ (13,029)	\$ (3,739)	\$ 9,189	\$ (4,430)	\$ (6,376)	\$ (5,356)	\$ (5,938)	\$ (3,701)	\$ (5,403)	\$ (7,195)	\$ (22,237)	\$ (7,461)	\$ 2,112
Adjustments to reconcile net income (loss) to net cash from operating activities:																		
Depreciation and amortization expense	5,497	1,210	1,848	1,891	1,881	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	95	20	89	102	97	308	91	65	-	-	156	-	-	-	22	22	-	-
Stock-based compensation	850	160	431	163	(34)	720	32	485	51	52	620	57	65	62	58	242	266	293
Allowance for doubtful accounts	1,042	132	-	-	(30)	102	-	90	83	240	413	-	-	20	767	787	532	277
Amortization of note discount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income tax benefit	(4,382)	(138)	(1,346)	(535)	(1,173)	(3,192)	-	1,384	(1,021)	(1,328)	(965)	-	-	-	1,107	1,107	(1,060)	(190)
Loss on extinguishment of debt	-	-	454	-	1,062	1,516	-	2,324	-	-	2,324	-	-	-	-	-	-	-
Gain on reduction of contingent obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease related assets and liabilities	-	-	-	-	(581)	(581)	(128)	128	-	(900)	(900)	-	-	-	-	-	(89)	11
Intangible asset impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(374)	(100)	(125)	103	122	-	-	-	277	1,199	1,476	515	(281)	1,271	(249)	1,256	-	-
Net gain on sale of assets	(46)	-	-	-	-	-	-	(20,608)	-	22	(20,586)	-	-	-	-	-	-	-
Asset impairment charges	13,113	-	-	-	1,372	1,372	-	-	-	-	-	-	100	-	-	100	-	-
Decrease (increase) in accounts receivable	691	(377)	(2,015)	200	3,339	1,147	(1,036)	(705)	2,488	1,370	2,117	(859)	(909)	1,353	1,284	869	(280)	(1,019)
Decrease (increase) in inventory	(317)	(1,569)	(361)	(284)	55	(2,159)	(566)	466	(409)	1,039	530	(254)	2,301	(199)	543	2,391	71	(254)
Prepaid expenses and other assets	597	(222)	48	(446)	(198)	(818)	15	(7)	227	331	566	425	438	57	114	1,034	(272)	(283)
Increase (decrease) in accounts payable and accrued liabilities	(496)	1,819	(1,627)	380	656	1,228	2,620	(2,292)	(1,124)	(800)	(1,596)	1,396	(3,033)	242	2,815	1,420	610	38
Other liabilities	-	-	367	-	(367)	-	-	(159)	(267)	182	(244)	(54)	4,678	(419)	(4,695)	(490)	(504)	(895)
<b>Net cash provided by operating activities</b>	<b>3,185</b>	<b>(1,693)</b>	<b>(4,051)</b>	<b>215</b>	<b>(1,027)</b>	<b>(6,556)</b>	<b>(891)</b>	<b>(7,828)</b>	<b>(2,310)</b>	<b>(3,153)</b>	<b>(14,182)</b>	<b>(2,915)</b>	<b>1,444</b>	<b>(1,339)</b>	<b>(3,735)</b>	<b>(6,545)</b>	<b>(1,727)</b>	<b>6,219</b>
<b>Cash flow from investing activities</b>																		
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	-	-	(1,616)	(2,045)	-	(3,661)	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of property and equipment	(748)	(295)	(452)	(302)	(46)	(1,095)	(35)	(50)	(156)	(24)	(265)	(81)	-	(6)	(13)	(100)	(175)	(250)
Purchase of other intangible assets	-	-	(37)	(2)	-	(39)	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	(600)	(600)	-	-	-	(150)	(150)	-	-
Net proceeds from sale of assets	46	-	-	-	-	-	-	45,408	-	(22)	45,386	-	451	-	8	459	-	-
<b>Net cash flow (used for) investing activities</b>	<b>(702)</b>	<b>(295)</b>	<b>(2,105)</b>	<b>(2,349)</b>	<b>(46)</b>	<b>(4,795)</b>	<b>(35)</b>	<b>45,358</b>	<b>(156)</b>	<b>(646)</b>	<b>44,521</b>	<b>(81)</b>	<b>451</b>	<b>(6)</b>	<b>(155)</b>	<b>209</b>	<b>(175)</b>	<b>(250)</b>
<b>Cash flow from financing activities</b>																		
Proceeds from term debt	-	-	25,000	-	29,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of common stock, net of direct costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,302	-
Proceeds from exercise of stock options	-	-	5	-	-	5	-	-	-	-	-	-	-	27	-	27	-	-
Shares repurchased on vesting of restricted stock	(190)	-	-	-	(16)	(16)	-	(442)	-	-	(442)	-	-	-	-	-	-	-
Payment of deferred finance costs	(27)	-	(1,131)	(73)	(969)	(2,173)	-	-	-	-	-	-	-	-	-	-	-	-
Cash contribution from non-controlling interest	300	-	-	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-
Payment of revolving loan debt	-	-	-	-	(2,498)	(2,498)	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of long-term debt	(2,250)	-	(17,375)	(625)	(23,750)	(41,750)	(625)	(28,375)	-	-	(29,000)	-	-	-	-	-	(750)	(1,000)
Proceeds from long-term debt	-	-	1,500	998	-	2,498	-	-	-	-	-	-	-	-	4,699	4,699	-	-
Payment of breakage fees associated with extinguishment of long term debt	-	-	(367)	-	(192)	(559)	-	(1,511)	-	-	(1,511)	-	-	-	-	-	-	-
<b>Net cash from (used in) financing activities</b>	<b>(2,167)</b>	<b>-</b>	<b>7,632</b>	<b>1,300</b>	<b>1,575</b>	<b>10,507</b>	<b>(625)</b>	<b>(30,328)</b>	<b>-</b>	<b>-</b>	<b>(30,953)</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>4,699</b>	<b>4,726</b>	<b>1,552</b>	<b>(1,000)</b>
Net increase (decrease) in cash and cash equivalents	316	(1,988)	1,476	(834)	502	(844)	(1,551)	7,202	(2,466)	(3,799)	(614)	(2,996)	1,895	(1,318)	809	(1,610)	(350)	4,969
Cash, cash equivalents and restricted cash at beginning of period	5,750	6,066	4,078	5,554	4,720	6,066	5,222	3,671	10,873	8,407	5,222	4,608	1,612	3,507	2,189	4,608	2,998	2,648
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>6,066</b>	<b>4,078</b>	<b>5,554</b>	<b>4,720</b>	<b>5,222</b>	<b>5,222</b>	<b>3,671</b>	<b>10,873</b>	<b>8,407</b>	<b>4,608</b>	<b>4,608</b>	<b>1,612</b>	<b>3,507</b>	<b>2,189</b>	<b>2,998</b>	<b>2,998</b>	<b>2,648</b>	<b>7,618</b>
<b>Free cash flow (operating cash flow less cap-ex)</b>	<b>2,437</b>	<b>(1,988)</b>	<b>(4,503)</b>	<b>(87)</b>	<b>(1,073)</b>	<b>(7,651)</b>	<b>(926)</b>	<b>(7,878)</b>	<b>(2,466)</b>	<b>(3,177)</b>	<b>(14,447)</b>	<b>(2,996)</b>	<b>1,444</b>	<b>(1,345)</b>	<b>(3,748)</b>	<b>(6,645)</b>	<b>(1,902)</b>	<b>5,969</b>
<b>Free cash flow/share</b>	<b>\$ 0.13</b>	<b>\$ (0.10)</b>	<b>\$ (0.23)</b>	<b>\$ (0.00)</b>	<b>\$ (0.05)</b>	<b>\$ (0.39)</b>	<b>\$ (0.05)</b>	<b>\$ (0.40)</b>	<b>\$ (0.13)</b>	<b>\$ (0.16)</b>	<b>\$ (0.74)</b>	<b>\$ (0.15)</b>	<b>\$ 0.07</b>	<b>\$ (0.07)</b>	<b>\$ (0.19)</b>	<b>\$ (0.34)</b>	<b>\$ (0.08)</b>	<b>\$ 0.26</b>
<b>* Free cash flow (operating cash flow less cap-ex less stock-based comp. exp.)</b>	<b>1,587</b>	<b>(2,148)</b>	<b>(4,934)</b>	<b>(250)</b>	<b>(1,039)</b>	<b>(8,371)</b>	<b>(958)</b>	<b>(8,363)</b>	<b>(2,517)</b>	<b>(3,229)</b>	<b>(15,067)</b>	<b>(3,053)</b>	<b>1,379</b>	<b>(1,407)</b>	<b>(3,806)</b>	<b>(6,887)</b>	<b>(2,168)</b>	<b>5,676</b>
<b>* Free cash flow/share</b>	<b>\$ 0.08</b>	<b>\$ (0.11)</b>	<b>\$ (0.25)</b>	<b>\$ (0.01)</b>	<b>\$ (0.05)</b>	<b>\$ (0.43)</b>	<b>\$ (0.05)</b>	<b>\$ (0.43)</b>	<b>\$ (0.13)</b>	<b>\$ (0.16)</b>	<b>\$ (0.77)</b>	<b>\$ (0.16)</b>	<b>\$ 0.07</b>	<b>\$ (0.07)</b>	<b>\$ (0.19)</b>	<b>\$ (0.35)</b>	<b>\$ (0.10)</b>	<b>\$ 0.24</b>

Sources: Company reports and Sidoti & Company, LLC estimates

XCEL BRANDS, INC.

**Table 3: Xcel Brands, Inc. Balance Sheet**

(\$ in thousands, except per share data)

Fiscal year ends December 31

	2020	Mar.	June	Sept.	2021	Mar.	June	Sept.	2022	Mar.	June	Sept.	2023	2024 E	2025 E
<b>Assets</b>															
Current assets:															
Cash and cash equivalents	\$ 4,957	\$ 2,969	\$ 4,815	\$ 3,981	\$ 4,483	\$ 3,063	\$ 10,873	\$ 8,407	\$ 4,608	\$ 1,612	\$ 3,507	\$ 2,189	\$ 2,998	\$ 2,648	\$ 7,618
Accounts receivable	8,889	8,647	10,662	10,949	7,640	8,676	9,291	6,720	5,110	5,969	6,878	4,749	3,454	3,202	3,943
Inventory	1,216	2,785	3,146	3,430	3,375	3,941	3,475	3,884	2,845	3,099	798	997	453	382	635
Prepaid expenses and other current assets	1,085	1,797	1,751	1,711	1,681	1,480	1,975	1,752	1,457	1,032	554	447	398	335	419
<b>Total current assets</b>	<b>16,147</b>	<b>16,198</b>	<b>20,374</b>	<b>20,071</b>	<b>17,179</b>	<b>17,160</b>	<b>25,614</b>	<b>20,763</b>	<b>14,020</b>	<b>11,712</b>	<b>11,737</b>	<b>8,382</b>	<b>7,303</b>	<b>6,567</b>	<b>12,615</b>
Long-term assets:															
Property and equipment, net	3,367	3,360	3,515	3,481	2,549	2,293	2,070	1,948	1,418	1,237	916	779	634	389	489
Operating lease right-of-use assets	8,668	8,296	7,914	6,831	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	93,535	92,627	101,412	99,859	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	16,860	16,335
Restricted cash	1,109	1,109	739	739	739	608	-	-	-	-	-	-	-	-	-
Deferred income taxes, net	-	-	-	-	141	141	147	-	1,107	1,107	1,107	1,107	-	1,760	2,000
Other assets	228	225	222	222	555	635	-	146	110	110	25	75	165	500	700
<b>Total assets</b>	<b>123,054</b>	<b>121,815</b>	<b>134,176</b>	<b>131,203</b>	<b>125,781</b>	<b>123,709</b>	<b>104,239</b>	<b>97,227</b>	<b>88,935</b>	<b>84,161</b>	<b>81,486</b>	<b>75,750</b>	<b>71,660</b>	<b>65,850</b>	<b>65,775</b>
<b>Liabilities and shareholders' equity</b>															
Current liabilities:															
Accounts payable, accrued expenses and other current liabilities	4,442	5,938	5,010	5,444	6,233	7,855	4,759	5,285	4,526	5,549	2,750	3,621	2,608	3,173	3,275
Accrued payroll	973	1,283	660	683	577	1,563	276	228	416	477	154	80	889	1,043	1,389
Current portion of operating lease obligations	2,101	1,927	1,720	1,315	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	2,800	2,500	4,000	4,998	2,500	2,500	-	-	-	-	-	-	750	750	750
Other	-	-	2,045	-	-	-	4,623	2,478	243	555	2,877	1,736	964	1,250	1,100
<b>Total current liabilities</b>	<b>10,316</b>	<b>11,648</b>	<b>13,435</b>	<b>12,440</b>	<b>10,517</b>	<b>12,963</b>	<b>10,752</b>	<b>9,322</b>	<b>6,561</b>	<b>7,976</b>	<b>7,000</b>	<b>6,656</b>	<b>6,469</b>	<b>7,365</b>	<b>7,254</b>
Long-term liabilities:															
Long-term portion of operating lease obligations	8,469	8,171	7,869	7,295	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	13,838	14,158	20,829	20,233	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	900	900	7,539	7,539	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	224	224	591	591	-	13	-	-	-	-	-	-	40	-	-
Deferred tax liabilities	3,052	2,918	1,571	1,038	-	-	1,244	223	-	-	-	-	-	700	750
<b>Total liabilities</b>	<b>36,799</b>	<b>38,019</b>	<b>51,834</b>	<b>49,136</b>	<b>50,839</b>	<b>52,476</b>	<b>23,396</b>	<b>20,763</b>	<b>18,796</b>	<b>19,903</b>	<b>20,863</b>	<b>20,441</b>	<b>23,489</b>	<b>23,296</b>	<b>21,341</b>
<b>Total stockholders' equity</b>	<b>86,255</b>	<b>83,796</b>	<b>82,342</b>	<b>82,067</b>	<b>74,942</b>	<b>71,233</b>	<b>80,843</b>	<b>76,464</b>	<b>70,139</b>	<b>64,258</b>	<b>60,623</b>	<b>55,309</b>	<b>48,171</b>	<b>42,554</b>	<b>44,434</b>
<b>Total liabilities and equity</b>	<b>123,054</b>	<b>121,815</b>	<b>134,176</b>	<b>131,203</b>	<b>125,781</b>	<b>123,709</b>	<b>104,239</b>	<b>97,227</b>	<b>88,935</b>	<b>84,161</b>	<b>81,486</b>	<b>75,750</b>	<b>71,660</b>	<b>65,850</b>	<b>65,775</b>

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

Total debt/total capital	16.2%	16.6%	23.2%	23.5%	27.2%	27.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.9%	8.5%	6.3%
Net cash (debt)	(11,681)	(13,689)	(20,014)	(21,250)	(23,548)	(24,435)	10,873	8,407	4,608	1,612	3,507	2,189	(1,723)	(1,323)	4,647
Net cash (debt) per share	\$ (0.61)	\$ (0.71)	\$ (1.03)	\$ (1.09)	\$ (1.21)	\$ (1.25)	\$ 0.55	\$ 0.43	\$ 0.23	\$ 0.08	\$ 0.18	\$ 0.11	\$ (0.09)	\$ (0.06)	\$ 0.20
Current ratio	1.57	1.39	1.52	1.61	1.63	1.32	2.38	2.23	2.14	1.47	1.68	1.26	1.13	0.89	1.74
Book value per share	\$ 4.51	\$ 4.35	\$ 4.23	\$ 4.20	\$ 3.85	\$ 3.64	\$ 4.11	\$ 3.90	\$ 3.57	\$ 3.27	\$ 3.07	\$ 2.80	\$ 2.44	\$ 1.88	\$ 1.92
Tangible book value per share	\$ (0.38)	\$ (0.46)	\$ (0.98)	\$ (0.91)	\$ (1.20)	\$ (1.31)	\$ 1.53	\$ 1.39	\$ 1.15	\$ 0.92	\$ 0.81	\$ 0.62	\$ 0.34	\$ 0.31	\$ 0.64
Inventory turnover	5.2x	2.7x	3.8x	4.5x	4.6x	3.1x	3.0x	2.4x	2.6x	2.6x	4.8x	3.7x	4.2x	NM	NM
ROA	1.4%	0.1%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	4.1%
ROE	2.0%	0.1%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	6.1%

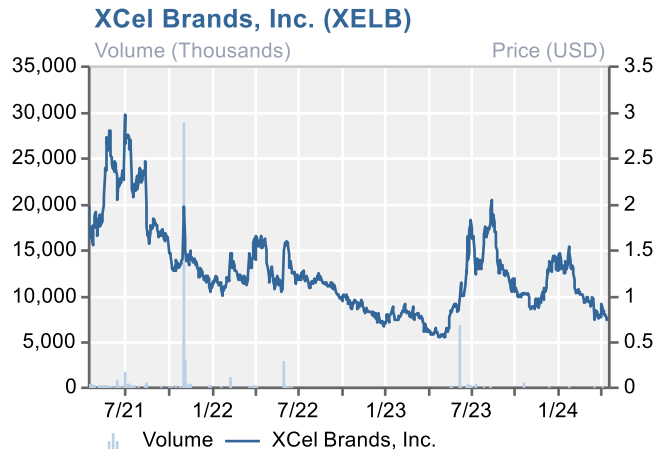
Sources: Company reports and Sidoti & Company, LLC estimates; NM = Not Meaningful

## Required Disclosures

**XCel Brands, Inc. (XELB-\$0.74) 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	



<b>Valuation</b>	We maintain a moderate risk rating and \$3 price target on XELB. In our view, 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. We think that a discounted P/E relative to our five-year EPS growth rate forecast of 25% is warranted given ongoing macroeconomic uncertainty and continued inflationary pressures likely to impact consumer spending on discretionary purchases.		
<b>Key Risks</b>	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
<b>BUY</b>	All, except Utilities	Capital appreciation of at least 25% over the next 12 months
<b>NEUTRAL</b>	All, except Utilities	Capital appreciation of less than 25% over the next 12 months
<b>BUY</b>	Utilities(a)	Capital appreciation of at least 15% over the next 12 months
<b>NEUTRAL</b>	Utilities(a)	Capital appreciation of less than 15% over the next 12 months
<b>HIGH (RISK)</b>	All in CSR program	Companies/equities with among others, one or more of the following characteristics: <ul style="list-style-type: none"> <li>• significant potential for loss of principal;</li> <li>• significant share price volatility;</li> <li>• limited revenue or cash flow and/or high unpredictability associated with revenue and cash flow;</li> <li>• short and/or unprofitable operating history;</li> <li>• potentially significant issues regarding operational and/or financial success;</li> <li>• problematic financial, liquidity, legal, regulatory or political issues;</li> </ul>

		<ul style="list-style-type: none"> <li>• upcoming need for additional capital when availability is questionable;</li> <li>• significant related party transactions which could lead to a conflict of interest;</li> <li>• any other factor that the analyst believes could materially and adversely impact the subject company and/or the value of its securities.</li> </ul>
<b>MODERATE (RISK)</b>	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"> <li>• more stable and predictable revenue, profits and cash flow;</li> <li>• more established operating history;</li> <li>• more favorable operating or business environment</li> <li>• lower potential for financial, liquidity, regulatory or political issues; or</li> <li>• less onerous upcoming capital needs.</li> </ul>

(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	47	31.3%	5	10.6%
NEUTRAL(a)	19	12.7%	0	0.0%
NOT RATED	1	0.7%	0	0.0%
NR -CSRs Moderate Risk (c)	76	50.7%	1	1.3%
NR -CSRs High Risk (c)	6	4.0%	0	0.0%
TOTAL	150	100%	6	4.0%

(a) Of the NEUTRALS 5 trade above our price target.

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

(c) 91.6% of our CSRs are moderate risk, while 7.2% 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](http://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](http://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. Lebiedzinski, 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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- requires the term of a contract extend for one full year, which contract the issuer cannot unilaterally terminate;
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- 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
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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](http://www.sec.gov).

### **Source(s)**

Key Statistics data is sourced from FactSet Research Systems