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Xcel Brands' Q1 Beats Wall Street's Expectations

By Vicki M. Young

Xcel Brands Inc. narrowed its first-quarter loss, helped by a 27.3 percent gain in revenues.

For the three months ended March 31, the company said its net loss was $45,000, or 0 cents a diluted share, compared with a net loss of $331,000, or 2 cents, a year ago. On an adjusted basis, net income was $1.2 million, or 7 cents a diluted share. The company posted a total revenue gain of 27.3 percent to $8.4 million from $6.6 million, which comprised a 27.9 percent increase in net licensing income to $8.3 million from $6.5 million and the balance from e-commerce sales. The company beat Wall Street's consensus estimate of 6 cents a share on an adjusted basis on projected revenues of $8.2 million.

Robert D'Loren, chairman and chief executive officer, said, "We're very happy with where we are. Our revenues are up from last year, driven by organic growth with our C. Wonder and H by Halston brands. Both are now fully launched on QVC."

D'Loren said the company also has been making progress with its fast-fashion

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platform. Dubbed Quick Time Response, it's that program that is part of an exclusive partnership with Hudson's Bay Co. and Lord & Taylor. Xcel is designing and managing production for four of its brands: IMNYC, which is designed by Isaac Mizrahi; H by Halston; C. Wonder Ltd., and Highline, a brand targeting the Millennial consumer created exclusively for the program.

The platform can deliver product, from sketch to the distribution center, in six weeks time. D'Loren said he's working with his team to "optimize every aspect of the platform" to bring that down to four weeks. The ability to do Quick Time allows the brands to deliver new goods every single week, D'Loren said.

"The challenge is that we're living in a moment in time where to satisfy the consumer it's all about see-now-buy-now-wear now. The industry just isn't there, and given the speed in which this has came [about], it has stunned a lot of the industry pros and veterans. It's harder to switch when you're entrenched in the older, longer lead-time supply model," D'Loren said.

The ceo added that part of the reason for the shift is that the "consumer has access to more information about price, and they want value in everything they buy. They want the excitement of new products frequently."

While D'Loren said there are some white space opportunities for the company on the mergers and acquisitions front, he said his priority is focusing on the optimization of the Quick Time program "before we layer in anything new. If we did something, it would have to be something that really fills a need at QVC or HBC."

Shares of Xcel Brands closed up 1.7 percent to $6.10 in Nasdaq trading. Xcel reported results after the markets closed.