

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2021**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number **001-36589**

**WILHELMINA INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

**74-2781950**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**5420 LBJ Freeway, Lockbox #25, Dallas, Texas**

**75240**

(Address of principal executive offices)

(Zip Code)

**(214) 661-7488**

(Registrant's telephone number, including area code)

**n/a**

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	WHLM	Nasdaq Capital Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of May 12, 2021, the registrant had 5,157,344 shares of common stock outstanding.

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES

Quarterly Report on Form 10-Q

For the Three Months Ended March 31, 2021

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PART I

FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands, except share data)

	(Unaudited) March 31, 2021	December 31, 2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,737	\$ 5,556
Accounts receivable, net of allowance for doubtful accounts of \$1,707 and \$1,635, respectively	7,989	7,146
Prepaid expenses and other current assets	548	105
Total current assets	<u>14,274</u>	<u>12,807</u>
Property and equipment, net of accumulated depreciation of \$5,693 and \$5,451, respectively	690	928
Right of use assets-operating	585	585
Right of use assets-finance	194	218
Trademarks and trade names with indefinite lives	8,467	8,467
Goodwill	7,547	7,547
Other assets	93	93
<b>TOTAL ASSETS</b>	<u>\$ 31,850</u>	<u>\$ 30,645</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,057	\$ 2,867
Due to models	6,975	6,265
Lease liabilities – operating, current	335	435
Lease liabilities – finance, current	69	77
Term loan – current	202	414
Total current liabilities	<u>10,638</u>	<u>10,058</u>
Long term liabilities:		
Net deferred income tax liability	1,486	1,449
Lease liabilities – operating, non-current	261	180
Lease liabilities – finance, non-current	133	149
Term loan – non-current	621	2,303
Total long term liabilities	<u>2,501</u>	<u>4,081</u>
<b>Total liabilities</b>	<u>13,139</u>	<u>14,139</u>
Shareholders' equity:		
Common stock, \$0.01 par value, 9,000,000 shares authorized; 6,472,038 shares issued at March 31, 2021 and December 31, 2020	65	65
Treasury stock, 1,314,694 shares at March 31, 2021 and December 31, 2020, at cost	(6,371)	(6,371)
Additional paid-in capital	88,490	88,487
Accumulated deficit	(63,535)	(65,756)
Accumulated other comprehensive income	62	81
<b>Total shareholders' equity</b>	<u>18,711</u>	<u>16,506</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 31,850</u>	<u>\$ 30,645</u>

The accompanying notes are an integral part of these condensed consolidated financial statements

**WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**For the Three Months Ended March 31, 2021 and 2020**  
(In thousands, except for share and per share data)  
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
<b>Revenues:</b>		
Service revenues	\$ 11,966	\$ 14,547
License fees and other income	10	5
Total revenues	11,976	14,552
Model costs	8,639	10,606
Revenues, net of model costs	3,337	3,946
<b>Operating expenses:</b>		
Salaries and service costs	1,871	3,127
Office and general expenses	855	1,055
Amortization and depreciation	266	294
Goodwill impairment	-	800
Corporate overhead	245	309
Total operating expenses	3,237	5,585
Operating income (loss)	100	(1,639)
<b>Other expense (income):</b>		
Foreign exchange loss (gain)	68	(65)
Gain on forgiveness of loan	(1,865)	-
Employee retention credit	(426)	-
Interest expense	29	27
Total other income	(2,194)	(38)
Income (loss) before provision for income taxes	2,294	(1,601)
<b>Provision for income taxes:</b>		
Current	(36)	(59)
Deferred	(37)	(1,000)
Provision for income taxes, net	(73)	(1,059)
Net income (loss)	\$ 2,221	\$ (2,660)
<b>Other comprehensive income (loss):</b>		
Foreign currency translation adjustment	(19)	(234)
Total comprehensive income (loss)	2,202	(2,894)
Basic net income (loss) per common share	\$ 0.43	\$ (0.52)
Diluted net income (loss) per common share	\$ 0.43	\$ (0.52)
Weighted average common shares outstanding-basic	5,157	5,160
Weighted average common shares outstanding-diluted	5,157	5,160

The accompanying notes are an integral part of these condensed consolidated financial statements

**WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the Three Months Ended March 31, 2021 and 2020**  
(In thousands)  
(Unaudited)

	Common Shares	Stock Amount	Treasury Shares	Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balances at December 31, 2019	6,472	\$ 65	(1,310)	\$(6,352)	\$ 88,471	\$ (60,815)	\$ 2	\$21,371
Share based payment expense	-	-	-	-	6	-	-	6
Net loss to common shareholders	-	-	-	-	-	(2,660)	-	(2,660)
Purchases of treasury stock	-	-	(5)	(19)	-	-	-	(19)
Foreign currency translation	-	-	-	-	-	-	(234)	(234)
Balances at March 31, 2020	6,472	\$ 65	(1,315)	\$(6,371)	\$ 88,477	\$ (63,475)	\$ (232)	\$18,464

	Common Shares	Stock Amount	Treasury Shares	Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balances at December 31, 2020	6,472	\$ 65	(1,315)	\$(6,371)	\$ 88,487	\$ (65,756)	\$ 81	\$16,506
Share based payment expense	-	-	-	-	3	-	-	3
Net income to common shareholders	-	-	-	-	-	2,221	-	2,221
Foreign currency translation	-	-	-	-	-	-	(19)	(19)
Balances at March 31, 2021	6,472	\$ 65	(1,315)	\$(6,371)	\$ 88,490	\$ (63,535)	\$ 62	\$18,711

The accompanying notes are an integral part of these condensed consolidated financial statements.

**WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
**For the Three Months Ended March 31, 2021 and 2020**  
(In thousands)  
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net income (loss):	\$ 2,221	\$ (2,660)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization and depreciation	266	294
Goodwill impairment	-	800
Share based payment expense	3	6
Gain on forgiveness of loan	(1,865)	-
Employee retention credit	(365)	-
Deferred income taxes	37	1,000
Bad debt expense	36	36
Changes in operating assets and liabilities:		
Accounts receivable	(879)	560
Prepaid expenses and other current assets	(78)	(46)
Right of use assets-operating	-	256
Other assets	-	2
Due to models	710	(698)
Lease liabilities-operating	(19)	(280)
Accounts payable and accrued liabilities	207	(438)
Net cash provided by (used in) operating activities	<u>274</u>	<u>(1,168)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4)	(56)
Net cash used in investing activities	<u>(4)</u>	<u>(56)</u>
Cash flows from financing activities:		
Purchases of treasury stock	-	(19)
Payments on finance leases	(24)	(21)
Repayment of term loan	(46)	(186)
Net cash used in financing activities	<u>(70)</u>	<u>(226)</u>
Foreign currency effect on cash flows:	<u>(19)</u>	<u>(234)</u>
Net change in cash and cash equivalents:	181	(1,684)
Cash and cash equivalents, beginning of period	5,556	6,993
Cash and cash equivalents, end of period	<u>\$ 5,737</u>	<u>\$ 5,309</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 9	\$ 24
Noncash investing and financing activities:		
Gain on forgiveness of loan	\$ 1,865	-

The accompanying notes are an integral part of these condensed consolidated financial statements

**WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1. Basis of Presentation**

The interim consolidated financial statements included herein have been prepared by Wilhelmina International, Inc. (together with its subsidiaries, "Wilhelmina" or the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Although certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to those rules and regulations, all adjustments considered necessary in order to make the consolidated financial statements not misleading have been included. In the opinion of the Company's management, the accompanying interim unaudited consolidated financial statements reflect all adjustments, of a normal recurring nature, that are necessary for a fair presentation of the Company's consolidated balance sheets, statements of operations and comprehensive income (loss), statements of shareholders' equity, and cash flows for the periods presented. These interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020. Results of operations for the interim periods are not necessarily indicative of results that may be expected for any other interim periods or the full fiscal year.

**Note 2. Business Activity**

The primary business of Wilhelmina is fashion model management. These business operations are headquartered in New York City. The Company's predecessor was founded in 1967 by Wilhelmina Cooper, a renowned fashion model, and became one of the oldest, best known and largest fashion model management companies in the world. Since its founding, Wilhelmina has grown to include operations located in Los Angeles, Miami, Chicago, and London, as well as a network of licensees in various local markets in the U.S. and internationally. Wilhelmina provides traditional, full-service fashion model and talent management services, specializing in the representation and management of models, entertainers, athletes and other talent, to various clients, including retailers, designers, advertising agencies, print and electronic media and catalog companies.

**Note 3. New Accounting Standards**

In December 2019, the FASB issued ASU 2019-12 "*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*". ASU 2019-12 removes specific exceptions to the general principles in Topic 740 in order to reduce the complexity of its application. ASU 2019-12 also improves consistency and simplifies existing guidance by clarifying and amending certain specific areas of Topic 740. The guidance was effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted and is to be adopted prospectively, modified retrospectively or retrospectively depending on the associated exception. The Company examined all of the exceptions and have determined none are currently applicable. The Company adopted this standard in the first quarter of 2021, and it did not have a material impact on the Company's consolidated financial statements and related disclosures.

In October 2020, the FASB issued ASU No. 2020-10 "*Codification Improvements*." The new accounting rules improve the consistency of the Codification by including all disclosure guidance in the appropriate Disclosure Section (Section 50) that had only been included in the Other Presentation Matters Section (Section 45) of the Codification. Additionally, the new rules also clarify guidance across various topics including defined benefit plans, foreign currency transactions, and interest expense. The standard was effective for the Company in the first quarter of 2021. The adoption of the new accounting rules did not have a material impact on the Company's consolidated financial statements.

#### **Note 4. Foreign Currency Translation**

The functional currency of our subsidiary in the United Kingdom is the British Pound. Assets and liabilities are translated into U.S. dollars at the exchange rates in effect at each balance sheet date. Results of operations are translated using the weighted average exchange rates during the reporting periods. Related translation adjustments are accumulated in a separate component of stockholder's equity and transaction gains and losses are recognized in the consolidated statements of operations and comprehensive (loss) income when realized.

#### **Note 5. Debt**

The Company has a credit agreement with Amegy Bank which originally provided a \$4.0 million revolving line of credit and up to a \$3.0 million term loan which could be drawn through October 24, 2016. Amounts outstanding under the term loan reduced the availability under the revolving line of credit. The revolving line of credit is subject to a borrowing base derived from 80% of eligible accounts receivable (as defined) and the Company's minimum net worth covenant. The revolving line of credit bears interest at prime plus 0.50% payable monthly. As of March 31, 2021, the Company had a \$0.2 million irrevocable standby letter of credit outstanding under the revolving line of credit and had additional borrowing capacity of \$1.8 million. The revolving line of credit presently expires October 24, 2022.

On August 16, 2016, the Company drew \$2.7 million of the term loan and used the proceeds to fund the purchase of shares of its common stock in a private transaction. The term loan bore interest at 4.5% per annum and was payable in monthly payments of interest only until November, 2016, followed by 47 equal monthly payments of principal and interest computed on a 60-month amortization schedule. A final \$0.6 million payment of principal and interest was paid on October 28, 2020.

On July 16, 2018, the Company amended its credit agreement with Amegy Bank to provide for an additional term loan of up to \$1.0 million that could be drawn by the Company through July 12, 2019, for the purpose of repurchases of its common stock. The additional term loan is evidenced by a promissory note bearing interest at 5.15% per annum and was payable in monthly installments of interest only through July 12, 2019. Thereafter, the note is payable in monthly installments sufficient to fully amortize the outstanding principal balance in 60 months with the balance of principal and accrued interest due on July 12, 2023.

Amounts outstanding under the additional term loan reduce the availability under the Company's revolving line of credit with Amegy Bank. On August 1, 2018, the Company drew \$0.7 million of the additional term loan and used the proceeds to fund the purchase of 100,000 shares of its common stock in a private transaction. On December 12, 2018, the Company drew \$0.3 million of the additional term loan and used the proceeds to partially fund a purchase of 50,000 shares of its common stock in a private transaction. As of March 31, 2021, a total of \$0.7 million was outstanding on the term loan.

Reduced outstanding accounts receivable available as collateral under the Company's credit agreement with Amegy Bank has limited access to additional financing. Net losses in recent periods have also impacted compliance with the financial covenants under the Amegy Bank credit agreement, further impeding the Company's ability to obtain additional financing. On March 26, 2020, the Company entered into a Thirteenth Amendment to Credit Agreement (the "Thirteenth Amendment") with Amegy Bank. The Thirteenth Amendment amended the minimum net worth covenant to require the Company to maintain tangible net worth (as defined therein) of \$4.0 million, determined on a quarterly basis. Under the Thirteenth Amendment, Amegy Bank also waived an existing default caused by the Company's failure to satisfy the previously required \$20.0 million minimum net worth covenant as of December 31, 2019. On May 12, 2020, the Company entered into a Fourteenth Amendment to Credit Agreement (the "Fourteenth Amendment") with Amegy Bank. The Fourteenth Amendment amended the line of credit to reduce the maximum borrowing capacity to \$3.0 million. Under the Fourteenth Amendment, Amegy Bank also waived an existing default caused by the Company's failure to satisfy both the minimum fixed charge coverage ratio through March 31, 2020 and minimum tangible net worth as of March 31, 2020. The Company obtained waivers from Amegy Bank of its failures to satisfy the fixed charge coverage ratio, the minimum tangible net worth, and the borrowing base for the quarters ended June 30, 2020 and September 30, 2020. On November 10, 2020, the Company entered into a Fifteenth Amendment to Credit Agreement (the "Fifteenth Amendment") with Amegy Bank. The Fifteenth Amendment waived the minimum tangible net worth covenant until December 31, 2021, after which a minimum tangible net worth of \$1.5 million will be required. The Fifteenth Amendment also revised the calculation of the fixed charge coverage ratio such that it will be tested at December 31, 2020 based on the preceding six month period, tested at March 31, 2021 based on the preceding nine month period, and tested at June 30, 2021 and subsequent periods using a twelve month rolling period.

On April 15, 2020, Wilhelmina International, Ltd. (the “Borrower”), a wholly-owned subsidiary of the Company, executed a Business Loan Agreement and a Promissory Note each dated April 13, 2020 (collectively, the “Sub PPP Loan Documents”), with respect to a loan in the amount of \$1.8 million (the “Sub PPP Loan”) from Amegy Bank. The Sub PPP Loan was obtained pursuant to the PPP. The Sub PPP Loan originally matured on April 13, 2022 and bore interest at a rate of 1.00% per annum. As allowed under the Paycheck Protection Flexibility Act, the Sub PPP Loan was extended to mature on April 13, 2025. On March 27, 2021, the Company received notice from the SBA that the Sub PPP loan, including \$17 thousand accrued interest, had been fully forgiven, resulting in \$1.9 million of gain on forgiveness of loan recorded within other expenses (income) during the quarter ended March 31, 2021.

On April 18, 2020, the Company executed a Business Loan Agreement and a Promissory Note each dated April 17, 2020 (collectively, the “Parent PPP Loan Documents”), with respect to a loan in the amount of \$128 thousand (the “Parent PPP Loan”) from Amegy Bank. The Parent PPP Loan was also obtained pursuant to the PPP. The Parent PPP Loan originally matured on April 17, 2022 and bore interest at a rate of 1.00% per annum. As allowed under the Paycheck Protection Flexibility Act, the Parent PPP Loan was extended to mature on April 17, 2025. Subsequent to the quarter ended March 31, 2021, on April 3, 2021, the Company received notice from the SBA that the Parent PPP Loan, including \$1 thousand accrued interest, had been fully forgiven. As the loan was forgiven subsequent to the end of the first quarter of 2021, the Parent PPP Loan liability of \$.1 million remained on the Company’s balance sheet at March 31, 2021.

#### **Note 6. Commitments and Contingencies**

On October 24, 2013, a putative class action lawsuit was brought against the Company by former Wilhelmina model Alex Shanklin and others, including Louisa Raske, Carina Vretman, Grecia Palomares and Michelle Griffin Trotter (the “Shanklin Litigation”), in New York State Supreme Court (New York County) by the same lead counsel who represented plaintiffs in a prior, now-dismissed action brought by Louisa Raske (the “Raske Litigation”). The claims in the Shanklin Litigation initially included breach of contract and unjust enrichment allegations arising out of matters similar to the Raske Litigation, such as the handling and reporting of funds on behalf of models and the use of model images. Other parties named as defendants in the Shanklin Litigation include other model management companies, advertising firms, and certain advertisers. On January 6, 2014, the Company moved to dismiss the Amended Complaint in the Shanklin Litigation for failure to state a claim upon which relief can be granted and other grounds, and other defendants also filed motions to dismiss. On August 11, 2014, the court denied the motion to dismiss as to Wilhelmina and other of the model management defendants. Separately, on March 3, 2014, the judge assigned to the Shanklin Litigation wrote the Office of the New York Attorney General bringing the case to its attention, generally describing the claims asserted therein against the model management defendants, and stating that the case “may involve matters in the public interest.” The judge’s letter also enclosed a copy of his decision in the Raske Litigation, which dismissed that case.

Plaintiffs retained substitute counsel, who filed a Second and then Third Amended Complaint. Plaintiffs’ Third Amended Complaint asserts causes of action for alleged breaches of the plaintiffs’ management contracts with the defendants, conversion, breach of the duty of good faith and fair dealing, and unjust enrichment. The Third Amended Complaint also alleges that the plaintiff models were at all relevant times employees, and not independent contractors, of the model management defendants, and that defendants violated the New York Labor Law in several respects, including, among other things, by allegedly failing to pay the models the minimum wages and overtime pay required thereunder, not maintaining accurate payroll records, and not providing plaintiffs with full explanations of how their wages and deductions therefrom were computed. The Third Amended Complaint seeks certification of the action as a class action, damages in an amount to be determined at trial, plus interest, costs, attorneys’ fees, and such other relief as the court deems proper. On October 6, 2015, Wilhelmina filed a motion to dismiss as to most of the plaintiffs’ claims. The Court entered a decision granting in part and denying in part Wilhelmina’s motion to dismiss on May 26, 2017. The Court (i) dismissed three of the five New York Labor Law causes of action, along with the conversion, breach of the duty of good faith and fair dealing and unjust enrichment causes of action, in their entirety, and (ii) permitted only the breach of contract causes of action, and some plaintiffs’ remaining two New York Labor Law causes of action to continue, within a limited time frame. The plaintiffs and Wilhelmina each appealed, and the decision was affirmed on May 24, 2018. On August 16, 2017, Wilhelmina timely filed its Answer to the Third Amended Complaint.

On June 6, 2016, another putative class action lawsuit was brought against the Company by former Wilhelmina model Shawn Pressley and others, including Roberta Little (the “Pressley Litigation”), in New York State Supreme Court (New York County) by the same counsel representing the plaintiffs in the Shanklin Litigation, and asserting identical, although more recent, claims as those in the Shanklin Litigation. The Amended Complaint, asserting essentially the same types of claims as in the Shanklin action, was filed on August 16, 2017. Wilhelmina filed a motion to dismiss the Amended Complaint on September 29, 2017, which was granted in part and denied in part on May 10, 2018. Some New York Labor Law and contract claims remain in the case. Pressley has withdrawn from the case, leaving Roberta Little as the sole remaining named plaintiff in the Pressley Litigation. On July 12, 2019, the Company filed its Answer and Counterclaim against Little.

On May 1, 2019, the Plaintiffs in the Shanklin Litigation (except Raske) and the Pressley Litigation filed motions for class certification on their contract claims and the remaining New York Labor Law Claims. On July 12, 2019, Wilhelmina filed its opposition to the motions for class certification and filed a cross-motion for summary judgment against Shanklin, Vretman, Palomares, Trotter and Little, and a motion for summary judgment against Raske.

By Order Dated May 8, 2020 (the “Class Certification Order”), the Court denied class certification in the Pressley case, denied class certification with respect to the breach of contract and alleged unpaid usage claims, granted class certification as to the New York Labor Law causes of action asserted by Vretman, Palomares and Trotter, and declined to rule on Wilhelmina’s motions for summary judgment, denying them without prejudice to be re-filed at a later date. The Court has directed the parties to non-binding mediation and that process is underway.

The Company believes the claims asserted in the Shanklin Litigation and Pressley Litigation are without merit and intends to continue to vigorously defend the actions.

In addition to the legal proceedings disclosed herein, the Company is also engaged in various legal proceedings that are routine in nature and incidental to its business. None of these routine proceedings, either individually or in the aggregate, are believed likely, in the Company’s opinion, to have a material adverse effect on its consolidated financial position or its results of operations.

#### **Note 7. Income Taxes**

Generally, the Company’s combined effective tax rate is high relative to reported net income as a result of valuation allowances on deferred tax assets, certain amortization expense, stock based compensation, and corporate overhead not being deductible and income being attributable to certain states in which it operates. The Company’s effective tax rate for the quarter ended March 31, 2021 decreased from prior years as a result of tax-exempt income related to the Paycheck Protection Program loans. In recent years, the majority of taxes paid by the Company were state and foreign taxes, not federal U.S. taxes. The Company operates in four states which have relatively high tax rates: California, New York, Illinois, and Florida. Realization of net operating loss carryforwards, foreign tax credits, and other deferred tax temporary differences are contingent upon future taxable earnings. The Company’s deferred tax assets are reviewed for expected utilization by assessing the available positive and negative factors surrounding recoverability, including projected future taxable income, tax-planning strategies, and results of recent operations. A valuation allowance is recorded when it is more likely than not that a deferred tax asset will not be realized. As of March 31, 2021, due primarily to the effects of the COVID-19 pandemic on its business, the Company believes it is more likely than not that the benefit from deferred tax assets will not be realized. At March 31, 2021, the Company maintained a \$1.4 million valuation allowance against its deferred tax assets. The Company will continue to assess the assumptions used to determine the amount of the valuation allowance and may adjust the valuation allowance in future periods based on changes in estimated future income and other factors.

As of March 31, 2021, the Company had federal income tax loss carryforwards of \$3.9 million.

#### **Note 8. Treasury Shares**

During 2012, the Board of Directors authorized a stock repurchase program whereby the Company could repurchase up to 500,000 shares of its outstanding common stock. During 2013, the Board of Directors renewed and extended the Company’s share repurchase authority to enable it to repurchase up to an aggregate of 1,000,000 shares of common stock. In 2016, the Board of Directors increased by an additional 500,000 shares the number of shares of the Company’s common stock that may be repurchased under its stock repurchase program to an aggregate of 1,500,000 shares. The shares may be repurchased from time to time in the open market or through privately negotiated transactions at prices the Company deems appropriate. The program does not obligate the Company to acquire any particular amount of common stock and may be modified or suspended at any time at the Company’s discretion.

From 2012 through March 31, 2021, the Company has repurchased 1,314,694 shares of common stock at an average price of approximately \$4.85 per share, for a total of approximately \$6.4 million in repurchases under the stock repurchase program. During the quarter ended March 31, 2021, no shares were repurchased under the stock repurchase program.

#### **Note 9. Related Parties**

The Executive Chairman of the Company, Mark E. Schwarz, is also the chairman, chief executive officer and portfolio manager of Newcastle Capital Management, L.P. (“NCM”). NCM is the general partner of Newcastle Partners L.P. (“Newcastle”), which is the largest shareholder of the Company.

The Company’s corporate headquarters are located at the offices of NCM. The Company occupies a portion of NCM space on a month-to-month basis at \$2.5 thousand per month, pursuant to a services agreement entered into between the parties. Pursuant to the services agreement, the Company receives the use of NCM’s facilities and equipment and accounting, legal and administrative services from employees of NCM. The Company incurred expenses pursuant to the services agreement totaling approximately \$8 thousand for the three months ended both March 31, 2021 and 2020. The Company did not owe NCM any amounts under the services agreement as of March 31, 2021.

#### **Note 10. Goodwill**

During the first quarter of 2020, the Company determined that recent declines in revenue, COVID-19 impacts on its retail clients, and declines in its stock price triggered the requirement for goodwill impairment testing. The results of the impairment test indicated that the carrying value of goodwill exceeded its estimated fair value. As a result, during March 2020, the Company recorded an impairment charge of \$0.8 million related to its goodwill. No asset impairment charges were incurred during the quarter ended March 31, 2021. Further declines in the Company’s stock price could result in additional goodwill impairment charges.

#### **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

The following is a discussion of the interim unaudited consolidated financial condition and results of operations for the Company and its subsidiaries for the three months ended March 31, 2021 and 2020. It should be read in conjunction with the financial statements of the Company, the notes thereto and other financial information included elsewhere in this report, and the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

#### **Forward-Looking Statements**

*This Quarterly Report on Form 10-Q contains certain “forward-looking” statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. Such forward looking statements relating to the Company and its subsidiaries are based on the beliefs of the Company’s management as well as information currently available to the Company’s management. When used in this report, the words “anticipate,” “believe,” “estimate,” “expect” and “intend” and words or phrases of similar import, as they relate to the Company or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors including, without limitation, competitive factors, general economic conditions, the interest rate environment, governmental regulation and supervision, seasonality, changes in industry practices, one-time events and other factors described herein and in other filings made by the Company with the SEC. Should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not undertake any obligation to publicly update these forward-looking statements. As a result, you should not place undue reliance on these forward-looking statements.*

## OVERVIEW

The primary business of Wilhelmina is fashion model management. These business operations are headquartered in New York City. The Company's predecessor was founded in 1967 by Wilhelmina Cooper, a renowned fashion model, and became one of the oldest, best known and largest fashion model management companies in the world. Since its founding, Wilhelmina has grown to include operations located in Los Angeles, Miami, Chicago, and London, as well as a network of licensees. Wilhelmina provides traditional, full-service fashion model and talent management services, specializing in the representation and management of models, entertainers, athletes and other talent, to various clients, including retailers, designers, advertising agencies, print and electronic media and catalog companies.

### COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a pandemic, which spread rapidly throughout the United States and the world. As the global impact of COVID-19 continues, Wilhelmina's first priority has been to protect the health and safety of its employees and talent. To help mitigate the spread of the virus and in response to health advisories and governmental actions and regulations, the Company has modified its business practices and has implemented health and safety measures that are designed to protect employees and represented talent.

The Company's revenues are heavily dependent on the level of economic activity in the United States and the United Kingdom, particularly in the fashion, advertising and publishing industries, all of which have been negatively impacted by the pandemic and may not recover as quickly as other sectors of the economy. There have been mandates from federal, state, and local authorities requiring forced closures of non-essential businesses. As a result, beginning in March 2020, the Company saw a significant reduction in customer bookings, resulting in a negative impact to revenue and earnings. While bookings remain below pre-pandemic levels, during the second half of 2020 and the first quarter of 2021, bookings increased from the preceding months.

In addition to reduced revenue, business operations have been adversely affected by reductions in productivity, limitations on the ability of customers to make timely payments, disruptions in talents' ability to travel to needed locations, and supply chain disruptions impeding clothing or footwear wardrobe from reaching destinations for photoshoots and other bookings. Many of the Company's customers are large retail and fashion companies, some of which have had to close stores in the United States and internationally due to the spread of COVID-19. Some of these customers have filed for bankruptcy and others may be unable to pay amounts already owed to the Company, resulting in increased future bad debt expense. These customers also may not emerge from the pandemic with the financial ability, or need, to purchase Wilhelmina's services to the extent that they did in previous years. Some model talent have been quarantined far from the major cities where Wilhelmina's offices are located, and also away from where most modeling jobs take place. Many U.S. and international airlines have decreased their flight schedules which, as economic activities resume and clients increase booking requests, may make it difficult for talent to be available when and where they are needed. The B.1.1.7 variant of the COVID-19 virus, which is believed to spread easily and quickly, has particularly impacted the United Kingdom, resulting in renewed strict lockdowns that have impacted Wilhelmina's London operations. While these disruptions are currently expected to be temporary, there continues to be uncertainty around the duration.

Postponed and cancelled bookings related to the pandemic contributed significantly to reduced revenues during the first three months of 2021. Although some clients increased activity and bookings recently, rising COVID-19 infection rates in cities where Wilhelmina operates could lead to a slower economic recovery in those markets, and possible additional business closings or local mandates that could slow the recovery in operations there. Since Wilhelmina extends customary payment terms to its clients, even as bookings resume, there is likely to be a lag in cash collections. In the meantime, the Company continues to have significant employee, office rent, and other expenses.

Reduced outstanding accounts receivable available as collateral under the Company's credit agreement with Amegy Bank has limited its access to additional financing. Net losses during 2020 also impacted compliance with the financial covenants under the Amegy Bank credit agreement, further impeding the Company's ability to obtain additional financing. Since the pandemic began, many stock markets, including Nasdaq Capital Market where Wilhelmina's common stock is listed, have been volatile. A decline in the Company's stock price would reduce its market capitalization and could require additional goodwill or intangible asset impairment writedowns.

The Company has taken the following actions to address the impact of COVID-19 and the current recessionary environment, in order to efficiently manage the business and maintain adequate liquidity and maximum flexibility:

- In April 2020, obtained approximately \$2.0 million in loans under the Paycheck Protection Program (the “PPP”) of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) administered by the U.S. Small Business Administration (“SBA”). In 2021, the SBA communicated to the Company that these loans have been 100% forgiven.
- Eliminated discretionary travel and entertainment expenses.
- Suspended share repurchases.
- Did not renew the leases on three New York City model apartments when the terms ended in June and August, 2020.
- Did not renew the lease on the Company’s New York City office when the term ended in February 2021, and required all New York based staff to work remotely.
- Suspended efforts to fill two highly compensated executive roles following the resignation of the Company’s Chief Executive Officer and Vice President in early 2020.
- Negotiated discounts with various vendors and service providers.
- Effective July 1, 2020, implemented layoffs of approximately 36% of its staff, including employees at each of the Company’s five offices, and effected temporary salary reductions for the remaining staff.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (“CAA”) was signed into law. The CAA expanded eligibility for an employee retention credit for companies impacted by the pandemic with fewer than five hundred employees and at least a twenty percent decline in gross receipts compared to the same quarter in 2019, to encourage retention of employees. This payroll tax credit is a refundable tax credit against certain employment taxes of up to \$7 thousand per employee for eligible employers, equal to 70% of qualified wages paid to employees during a quarter, capped at \$10 thousand of qualified wages per employee. For the three months ended March 31, 2021, the Company recorded \$0.4 million of Other Income for employee retention credit funds receivable. The CAA provides an election to use the prior quarter’s gross receipts for purposes of determining eligibility in the current quarter. The Company has elected to use the prior quarter election for determining eligibility and expects to continue to receive additional tax credits under the CAA for qualified wages through June 30, 2021. The Company has also benefitted from the CAA guidance to treat expenses associated with forgiven PPP loans as tax deductible.

If the quarantines and limitations on non-essential work are re-implemented, or persist for an extended period, the Company may need to implement additional cost savings measures.

## **BREXIT**

On January 31, 2020, the United Kingdom (“UK”) withdrew from the European Union (“EU”). Effective January 1, 2021, new visa requirements and other restrictions limit the freedom of movement for British workers to travel to the EU for work, which may impact the ability of the Company’s London office to book modeling photoshoots that take place in the European Union. It may also be more difficult, in the future, for talent represented by Wilhelmina London, but based in the EU, to travel to London and other parts of the UK for photoshoots and campaign work. New immigration sponsorship or visa requirements could discourage fashion brands, and other clients, from booking as frequently in London, which has historically been an international fashion and modeling hub, and could impact the revenue of the Company’s London operations.

## **Trends and Opportunities**

The Company expects that the combination of Wilhelmina’s main operating base in New York City, the industry’s capital, with the depth and breadth of its talent pool and client roster and its diversification across various talent management segments, together with its geographical reach, should make Wilhelmina’s operations more resilient to industry changes and economic swings than those of many of the smaller firms operating in the industry.

With total annual advertising expenditures on major media (newspapers, magazines, television, cinema, outdoor and Internet) exceeding approximately \$220 billion in recent years, North America is by far the world’s largest advertising market. For the fashion talent management industry, including Wilhelmina, advertising expenditures on magazines, television, Internet and outdoor are of particular relevance.

In recent periods, traditional retail clients in the fashion and beauty industry have had increased competition from digital, social, and new media, reducing their budgets for advertising and model talent. Wilhelmina reviews the mix of talent and resources available to best operate in the changing environment.

Although Wilhelmina has a large and diverse client base, it is not immune to global economic conditions. The Company closely monitors economic conditions, client spending, and other industry factors and continually evaluates opportunities to increase its market share and further expand its geographic reach. There can be no assurance as to the effects on Wilhelmina of current or future economic circumstances, client spending patterns, client creditworthiness and other developments and whether, or to what extent, Wilhelmina’s efforts to respond to them will be effective.

## Strategy

Management's long-term strategy is to increase value to shareholders through the following initiatives:

- increase Wilhelmina's brand awareness among advertisers and potential talent;
- expand the women's high end fashion board;
- expand the Aperture division's representation in commercials, film, and television;
- expand celebrity and social media influencer representation;
- expand the Wilhelmina network through strategic geographic market development; and
- promote model search contests and events and partner on media projects (television, film, books, etc.).

The Company makes use of digital technology to effectively connect with clients and talent, utilizing video conferencing and other digital tools to best position our team to identify opportunities to grow the careers of the talent we represent and expand our business. The Company has made significant investments in technology, infrastructure, and personnel, to support our clients and talent.

## Key Financial Indicators

In addition to net income, the key financial indicators that the Company reviews to monitor its business are revenues, model costs, operating expenses and cash flows.

The Company analyzes revenue by reviewing the mix of revenues generated by the different "boards," each a specific division of the fashion model management operations which specializes by the type of model it represents, by geographic locations and from significant clients. Wilhelmina's primary sources of revenue include: (i) revenues from principal relationships where the gross amount billed to the client is recorded as revenue when earned and collectability is reasonably assured; and (ii) separate service charges, paid by clients in addition to the booking fees, which are calculated as a percentage of the models' booking fees and are recorded as revenues when earned and collectability is reasonably assured. See "Critical Accounting Policies - Revenue Recognition."

Wilhelmina provides professional services. Therefore, salary and service costs represent the largest part of the Company's operating expenses. Salary and service costs are comprised of payroll and related costs and travel, meals and entertainment ("T&E") to deliver the Company's services and to enable new business development activities

## Analysis of Consolidated Statements of Operations and Service Revenues

(in thousands)

	March 31 2021	Three Months Ended March 31 2020	% Change 2021 vs 2020
Service revenues	11,966	14,547	(17.7%)
License fees and other income	10	5	100%
<b>TOTAL REVENUES</b>	<b>11,976</b>	<b>14,552</b>	<b>(17.7%)</b>
Model costs	8,639	10,606	(18.5%)
<b>REVENUES NET OF MODEL COSTS</b>	<b>3,337</b>	<b>3,946</b>	<b>(15.4%)</b>
<b>GROSS PROFIT MARGIN</b>	<b>27.9%</b>	<b>27.1%</b>	
Salaries and service costs	1,871	3,127	(40.2%)
Office and general expenses	855	1,055	(19.0%)
Amortization and depreciation	266	294	(9.5%)
Goodwill impairment	-	800	(100.0%)
Corporate overhead	245	309	(20.7%)
<b>OPERATING INCOME (LOSS)</b>	<b>100</b>	<b>(1,639)</b>	<b>106.1%</b>
<b>OPERATING MARGIN</b>	<b>0.8%</b>	<b>(11.3%)</b>	
Foreign exchange loss (gain)	68	(65)	204.6%
Gain on forgiveness of loan	(1,865)	-	*
Employee retention credit	(426)	-	*
Interest expense	29	27	7.4%
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>2,294</b>	<b>(1,601)</b>	<b>243.3%</b>
Current income tax expense	(36)	(59)	(39.0%)
Deferred tax expense	(37)	(1,000)	(96.3%)
Effective tax rate	3.2%	(66.1%)	
<b>NET INCOME (LOSS)</b>	<b>2,221</b>	<b>(2,660)</b>	<b>183.5%</b>

\* Not Meaningful

### Service Revenues

The Company's service revenues fluctuate in response to its clients' willingness to spend on advertising and the Company's ability to have the desired talent available. The COVID-19 pandemic had a material impact on revenues, as many customers cancelled or postponed bookings while non-essential business activities were temporarily barred in the cities where Wilhelmina operates. The decrease of 17.7% for the three months ended March 31, 2021, when compared to the three months ended March 31, 2020, was primarily due to reduced bookings resulting from COVID-19 (which impacted all three months of the first quarter of 2021, but only impacted the month of March in 2020), a decrease in core model bookings, and the closure of the hair and makeup artist division in the third quarter of 2020.

### License Fees and Other Income

License fees and other income include franchise revenues from independently owned model agencies that use the Wilhelmina trademark and various services provided by the Company. License fees increased by 100.0% for the three months ended March 31, 2021, when compared to three months ended March 31, 2020. The increase was primarily due to the timing of income from licensing agreements.

### Gross Profit Margin

Gross profit margin increased by 80 basis points for the three months ended March 31, 2021, when compared to the three months ended March 31, 2020 primarily due to a change in board revenue mix and a reduction in travel related model costs in 2021.

### Salaries and Service Costs

Salaries and service costs consist of payroll related costs and T&E required to deliver the Company's services to its clients and talents. The 40.2% decrease in salaries and service costs during the three months ended March 31, 2021, when compared to the three months ended March 31, 2020 was primarily due to employee layoffs in July 2020, temporary reductions in staff salaries, and the closure of the hair and makeup artist division in the second half of 2020.

#### *Office and General Expenses*

Office and general expenses consist of office and equipment rents, advertising and promotion, insurance expenses, administration and technology cost. The decrease in office and general expenses of 19.0% for the three months ended March 31, 2021 when compared to the three months ended March 31, 2020, were primarily due to reduced rent expense, legal expense, and other office related expenses in 2021.

#### *Amortization and Depreciation*

Amortization and depreciation expense is incurred with respect to certain assets, including computer hardware, software, office equipment, furniture and amortization of finance leases. Amortization and depreciation expense decreased by 9.5% for the three months ended March 31, 2021 compared to the three months ended March 31, 2020, primarily due reduced depreciation of assets that became fully amortized in 2020. Fixed asset purchases (mostly related to technology and computer equipment) totaled approximately \$4 thousand and \$56 thousand during the three months ended March 31, 2021 and 2020.

#### *Goodwill Impairment*

No goodwill impairment charges were incurred during the three months ended March 31, 2021. In March 2020, the Company determined that recent declines in revenue, COVID-19 impacts on its retail clients, and declines in its stock price triggered the requirement for goodwill impairment testing. The results of the impairment test indicated that the carrying value of goodwill exceeded its estimated fair value. As a result, during March 2020, the Company recorded an impairment charge of \$0.8 million related to its goodwill. Further declines in the Company's stock price could result in additional goodwill impairment charges.

#### *Corporate Overhead*

Corporate overhead expenses include director and executive officer compensation, legal, audit and professional fees, corporate office rent, travel, and other public company costs. Corporate overhead decreased by 20.7% for the three months ended March 31, 2021, compared to the three months ended March 31, 2020, primarily due to a temporary reduction in fees paid to corporate employees and the Company's directors.

#### *Operating Income and Operating Margin*

Operating income increased to \$0.1 million for the three months ended March 31, 2021, compared to an operating loss of \$1.6 million for the three months ended March 31, 2020. As a result, operating margin increased to 0.8% for the three months ended March 31, 2021, compared to negative 11.3% for the three months ended March 31, 2020. In both cases, the increase was primarily the result of lower operating expenses in 2021, partially offset by lower revenue net of model costs.

#### *Foreign Currency Exchange*

The Company realized \$68 thousand of foreign currency exchange loss during the three months ended March 31, 2021, and \$65 thousand of foreign currency exchange gain during the three months ended March 31, 2020. Foreign currency gain and loss is due to fluctuations in currencies from Great Britain, Europe, and Latin America.

#### *Gain on Forgiveness of Loan*

On March 27, 2021, the Company received notice from the Small Business Administration that \$1.9 million of loans under the Paycheck Protection Program were forgiven. The Company recorded this gain on forgiveness of loan during the first quarter of 2021.

#### *Employee Retention Credit Income*

During the three months ended March 31, 2021, the Company was eligible for employee retention credits under the CAA, as a refundable tax credit against certain employment taxes of up to \$7,000 per employee. For the three months ended March 31, 2021, the Company recorded \$0.4 million of employee retention credit funds receivable.

### *Interest Expense*

Interest expense for the three months ended March 31, 2021 and March 31, 2020 was primarily attributable to accrued interest on term loans drawn during 2016 and 2018 and PPP loans drawn in 2020. See, "Liquidity and Capital Resources."

### *Income and Loss before Income Taxes*

Income before income taxes was \$2.3 million for the three months ended March 31, 2021, compared to a \$1.6 million loss before income taxes for the three months ended March 31, 2020. The income in 2021 was primarily due to the gain on forgiveness of loan, employee retention credits and operating income. The loss in 2020 was primarily due to operating losses and goodwill impairment expense.

### *Income Taxes*

Generally, the Company's combined effective tax rate is high relative to reported net income as a result of certain valuation allowances on deferred tax assets, amortization expense, foreign taxes, and corporate overhead not being deductible and income being attributable to certain states in which it operates. The Company operates in four states which have relatively high tax rates: California, New York, Illinois and Florida. In addition, foreign taxes in the United Kingdom related to our London office are not deductible from U.S. federal taxes. The Company had income tax expense of \$0.1 million for the three months ended March 31, 2021, compared to \$1.1 million for the three months ended March 31, 2020. The higher income tax expense in 2020 was primarily due to a newly established valuation allowance against its deferred tax assets due to the effects of the COVID-19 pandemic on its business.

### *Net Income and Loss*

Net income for the three months ended March 31, 2021 was \$2.2 million compared to \$2.7 million net loss for the three months ended March 31, 2020. The increase in net income was primarily due to an increase in operating income, gain on forgiveness of loan, employee retention credits, and the absence of any further valuation allowance on deferred tax assets in 2021.

### **Liquidity and Capital Resources**

The Company's cash balance increased to \$5.7 million at March 31, 2021 from \$5.6 million at December 31, 2020. The cash balance increased primarily as a result of \$0.3 million net cash provided by operating activities, partially offset by \$0.1 million cash used in financing activities.

Net cash provided by operating activities of \$0.3 million was primarily the result of net income and increases in amounts due to models and accounts payable and accrued liabilities, partially offset by increases in accounts receivable and prepaid and other assets. The \$0.1 million of cash used in financing activities was primarily attributable to principal payments on the Company's Amegy Bank term loan, and payments on finance leases.

The Company's primary liquidity needs are for working capital associated with performing services under its client contracts and servicing its remaining term loan. Generally, the Company incurs significant operating expenses with payment terms shorter than its average collections on billings. The COVID-19 pandemic has had an impact on the Company's cash flows during the quarter ended March 31, 2021, primarily due to reduced bookings and modeling jobs and delayed payments from customers. The Company has taken actions to address the impact of COVID-19 by reducing expenses and has the ability to implement more significant cost savings measures if the adverse effects of the pandemic persist for an extended period. Based on 2021 budgeted and year-to-date cash flow information, management believes that the Company has sufficient liquidity to meet its projected operational expenses and capital expenditure requirements for the next twelve months.

### *Amegy Bank Credit Agreement*

The Company has a credit agreement with Amegy Bank which originally provided a \$4.0 million revolving line of credit and up to a \$3.0 million term loan which could be drawn through October 24, 2016. Amounts outstanding under the term loan reduce the availability under the revolving line of credit. The revolving line of credit is subject to a borrowing base derived from 80% of eligible accounts receivable (as defined) and the Company's minimum net worth covenant. The revolving line of credit bears interest at prime plus 0.50% payable monthly. As of March 31, 2021, the Company had a \$0.2 million irrevocable standby letter of credit outstanding under the revolving line of credit and had additional borrowing capacity of \$1.8 million. The revolving line of credit presently expires October 24, 2022.

On August 16, 2016, the Company drew \$2.7 million of the term loan and used the proceeds to fund the purchase of shares of its common stock in a private transaction. The term loan bore interest at 4.5% per annum and was payable in monthly payments of interest only until November, 2016, followed by 47 equal monthly payments of principal and interest computed on a 60-month amortization schedule. A final \$0.6 million payment of principal and interest was paid on October 28, 2020.

On July 16, 2018, the Company amended its credit agreement with Amegy Bank to provide for an additional term loan of up to \$1.0 million that could be drawn by the Company through July 12, 2019, for the purpose of repurchases of its common stock. The additional term loan is evidenced by a promissory note bearing interest at 5.15% per annum and was payable in monthly installments of interest only through July 12, 2019. Thereafter, the note is payable in monthly installments sufficient to fully amortize the outstanding principal balance in 60 months with the balance of principal and accrued interest due on July 12, 2023. Amounts outstanding under the additional term loan reduce the availability under the Company's revolving line of credit with Amegy Bank. On August 1, 2018, the Company drew \$0.7 million of the additional term loan and used the proceeds to fund the purchase of 100,000 shares of its common stock in a private transaction. On December 12, 2018, the Company drew \$0.3 million of the additional term loan and used the proceeds to partially fund a purchase of 50,000 shares of its common stock in a private transaction. As of March 31, 2021, a total of \$0.7 million was outstanding on the term loan.

Reduced outstanding accounts receivable available as collateral under the Company's credit agreement with Amegy Bank has limited access to additional financing. Net losses in recent periods have also impacted compliance with the financial covenants under the Amegy Bank credit agreement, further impeding the Company's ability to obtain additional financing. On March 26, 2020, the Company entered into a Thirteenth Amendment to Credit Agreement (the "Thirteenth Amendment") with Amegy Bank. The Thirteenth Amendment amended the minimum net worth covenant to require the Company to maintain tangible net worth (as defined therein) of \$4.0 million, determined on a quarterly basis. Under the Thirteenth Amendment, Amegy Bank also waived an existing default caused by the Company's failure to satisfy the previously required \$20.0 million minimum net worth covenant as of December 31, 2019. On May 12, 2020, the Company entered into a Fourteenth Amendment to Credit Agreement (the "Fourteenth Amendment") with Amegy Bank. The Fourteenth Amendment amended the line of credit to reduce the maximum borrowing capacity to \$3.0 million. Under the Fourteenth Amendment, Amegy Bank also waived an existing default caused by the Company's failure to satisfy both the minimum fixed charge coverage ratio through March 31, 2020 and minimum tangible net worth as of March 31, 2020. The Company obtained waivers from Amegy Bank of its failures to satisfy the fixed charge coverage ratio, the minimum tangible net worth, and the borrowing base for the quarters ended June 30, 2020 and September 30, 2020. On November 10, 2020, the Company entered into a Fifteenth Amendment to Credit Agreement (the "Fifteenth Amendment") with Amegy Bank. The Fifteenth Amendment waived the minimum tangible net worth covenant until December 31, 2021, after which a minimum tangible net worth of \$1.5 million will be required. The Fifteenth Amendment also revised the calculation of the fixed charge coverage ratio such that it will be tested at December 31, 2020 based on the preceding six month period, tested at March 31, 2021 based on the preceding nine month period, and tested at June 30, 2021 and subsequent periods using a twelve month rolling period.

#### *Paycheck Protection Program Loan*

On April 15, 2020, Wilhelmina International, Ltd. (the "Borrower"), a wholly-owned subsidiary of the Company, executed a Business Loan Agreement and a Promissory Note each dated April 13, 2020 (collectively, the "Sub PPP Loan Documents"), with respect to a loan in the amount of \$1.8 million (the "Sub PPP Loan") from Amegy Bank. The Sub PPP Loan was obtained pursuant to the PPP. The Sub PPP Loan originally matured on April 13, 2022 and bore interest at a rate of 1.00% per annum. As allowed under the Paycheck Protection Flexibility Act, the Sub PPP Loan was extended to mature on April 13, 2025. On March 27, 2021, the Company received notice from the SBA that the Sub PPP loan, including \$17 thousand accrued interest, had been fully forgiven, resulting in \$1.9 million of gain on forgiveness of loan recorded during the first quarter of 2021.

On April 18, 2020, the Company executed a Business Loan Agreement and a Promissory Note each dated April 17, 2020 (collectively, the "Parent PPP Loan Documents"), with respect to a loan in the amount of \$128 thousand (the "Parent PPP Loan") from Amegy Bank. The Parent PPP Loan was also obtained pursuant to the PPP. The Parent PPP Loan originally matured on April 17, 2022 and bore interest at a rate of 1.00% per annum. As allowed under the Paycheck Protection Flexibility Act, the Parent PPP Loan was extended to mature on April 17, 2025. On April 3, 2021, the Company received notice from the SBA that the Parent PPP Loan, including \$1 thousand accrued interest, had been fully forgiven. Since the loan was forgiven after the end of the first quarter of 2021, the Parent PPP Loan liability remained on the Company's balance sheet at March 31, 2021, and the Company has recorded \$129 thousand of gain on forgiveness of loan in the second quarter of 2021.

## **Off-Balance Sheet Arrangements**

As of March 31, 2021, the Company had outstanding a \$0.2 million irrevocable standby letter of credit under the revolving credit facility with Amegy Bank. The letter of credit served as security under the lease relating to the Company's office space in New York City that expired on February 2021. The Company expects to terminate the letter of credit once the final office utility fees are billed and paid during the second quarter of 2021.

## **Effect of Inflation**

Inflation has not historically been a material factor affecting the Company's business. General operating expenses, such as salaries, employee benefits, insurance and occupancy costs are subject to normal inflationary pressures.

## **Critical Accounting Policies**

### *Basis of Presentation*

The consolidated financial statements include the accounts of Wilhelmina and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

### *Revenue Recognition*

The Company has adopted the requirements of Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606"). ASC 606 establishes a principle for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services.

Our revenues are derived primarily from fashion model bookings, and representation of social media influencers and actors for commercials, film, and television. Our performance obligations are primarily satisfied at a point in time when the talent has completed the contractual requirements.

A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The performance obligations for most of the Company's core modeling bookings are satisfied on the day of the event, and the "day rate" total fee is agreed in advance when the customer books the model for a particular date. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation based on the estimated relative standalone selling price.

### *Model Costs*

Model costs include amounts owed to talent, including taxes required to be withheld and remitted directly to taxing authorities, commissions owed to other agencies, and related costs such as those paid for photography. Costs are accrued in the period in which the event takes place consistent with when the revenue is recognized. The Company typically enters into contractual agreements with models under which the Company is obligated to pay talent upon collection of fees from the customer.

### *Share Based Compensation*

Share-based compensation expense is estimated at the grant date based on the award's fair value as calculated by the Black-Scholes option pricing model and is recognized on a straight line basis as an expense over the requisite service period, which is generally the vesting period. The determination of the fair value of share-based awards on the date of grant using an option pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the estimated volatility over the expected term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rates, estimated forfeitures and expected dividends.

### *Income Taxes*

We are subject to income taxes in the United States, the United Kingdom, and numerous local jurisdictions.

Deferred tax assets are recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Unused tax loss carry-forwards are reviewed at each reporting date and a valuation allowance is established if it is doubtful we will generate sufficient future taxable income to utilize the loss carry-forwards.

In determining the amount of current and deferred income tax, we take into account whether additional taxes, interest, or penalties may be due. Although we believe that we have adequately reserved for our income taxes, we can provide no assurance that the final tax outcome will not be materially different. To the extent that the final tax outcome is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results.

#### *Accounts Receivable and Allowance for Doubtful Accounts*

Accounts receivable are accounted for at net realizable value, do not bear interest and are short-term in nature. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on accounts receivable. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to the allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. The Company generally does not require collateral.

#### *Goodwill and Intangible Asset Impairment Testing*

The Company performs impairment testing at least annually and more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the reporting unit's fair value. The Company sometimes utilizes an independent valuation specialist to assist with the determination of fair value. In accordance with ASU 2017-03, effective January 1, 2020, only a one-step quantitative impairment test is performed, whereby a goodwill impairment loss will be measured as the excess of a reporting unit's carrying amount over its fair value. If the carrying amount of the reporting unit's goodwill exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill.

Whenever events or circumstances change, entities have the option to first make a qualitative evaluation about the likelihood of goodwill impairment. If impairment is deemed more likely than not, management would perform the goodwill impairment test. Otherwise, the goodwill impairment test is not required. In assessing the qualitative factors, the Company assesses relevant events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances and how these may impact a reporting unit's fair value or carrying amount involve significant judgments and assumptions. The judgment and assumptions include the identification of macroeconomic conditions, industry and market considerations, overall financial performance, Company specific events and share price trends, an assessment of whether each relevant factor will impact the impairment test positively or negatively, and the magnitude of any such impact

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not required for smaller reporting company

### **Item 4. Controls and Procedures.**

The Company maintains disclosure controls and procedures designed to ensure that information it is required to disclose in the reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, including the Company's principal executive officer and principal financial officer have evaluated the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

During the most recent fiscal quarter, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II

### OTHER INFORMATION

#### Item 1. Legal Proceedings.

On October 24, 2013, a putative class action lawsuit was brought against the Company by former Wilhelmina model Alex Shanklin and others, including Louisa Raske, Carina Vretman, Grecia Palomares and Michelle Griffin Trotter (the "Shanklin Litigation"), in New York State Supreme Court (New York County) by the same lead counsel who represented plaintiffs in a prior, now-dismissed action brought by Louisa Raske (the "Raske Litigation"). The claims in the Shanklin Litigation initially included breach of contract and unjust enrichment allegations arising out of matters similar to the Raske Litigation, such as the handling and reporting of funds on behalf of models and the use of model images. Other parties named as defendants in the Shanklin Litigation include other model management companies, advertising firms, and certain advertisers. On January 6, 2014, the Company moved to dismiss the Amended Complaint in the Shanklin Litigation for failure to state a claim upon which relief can be granted and other grounds, and other defendants also filed motions to dismiss. On August 11, 2014, the court denied the motion to dismiss as to Wilhelmina and other of the model management defendants. Separately, on March 3, 2014, the judge assigned to the Shanklin Litigation wrote the Office of the New York Attorney General bringing the case to its attention, generally describing the claims asserted therein against the model management defendants, and stating that the case "may involve matters in the public interest." The judge's letter also enclosed a copy of his decision in the Raske Litigation, which dismissed that case.

Plaintiffs retained substitute counsel, who filed a Second and then Third Amended Complaint. Plaintiffs' Third Amended Complaint asserts causes of action for alleged breaches of the plaintiffs' management contracts with the defendants, conversion, breach of the duty of good faith and fair dealing, and unjust enrichment. The Third Amended Complaint also alleges that the plaintiff models were at all relevant times employees, and not independent contractors, of the model management defendants, and that defendants violated the New York Labor Law in several respects, including, among other things, by allegedly failing to pay the models the minimum wages and overtime pay required thereunder, not maintaining accurate payroll records, and not providing plaintiffs with full explanations of how their wages and deductions therefrom were computed. The Third Amended Complaint seeks certification of the action as a class action, damages in an amount to be determined at trial, plus interest, costs, attorneys' fees, and such other relief as the court deems proper. On October 6, 2015, Wilhelmina filed a motion to dismiss as to most of the plaintiffs' claims. The Court entered a decision granting in part and denying in part Wilhelmina's motion to dismiss on May 26, 2017. The Court (i) dismissed three of the five New York Labor Law causes of action, along with the conversion, breach of the duty of good faith and fair dealing and unjust enrichment causes of action, in their entirety, and (ii) permitted only the breach of contract causes of action, and some plaintiffs' remaining two New York Labor Law causes of action to continue, within a limited time frame. The plaintiffs and Wilhelmina each appealed, and the decision was affirmed on May 24, 2018. On August 16, 2017, Wilhelmina timely filed its Answer to the Third Amended Complaint.

On June 6, 2016, another putative class action lawsuit was brought against the Company by former Wilhelmina model Shawn Pressley and others, including Roberta Little (the "Pressley Litigation"), in New York State Supreme Court (New York County) by the same counsel representing the plaintiffs in the Shanklin Litigation, and asserting identical, although more recent, claims as those in the Shanklin Litigation. The Amended Complaint, asserting essentially the same types of claims as in the Shanklin action, was filed on August 16, 2017. Wilhelmina filed a motion to dismiss the Amended Complaint on September 29, 2017, which was granted in part and denied in part on May 10, 2018. Some New York Labor Law and contract claims remain in the case. Pressley has withdrawn from the case, leaving Roberta Little as the sole remaining named plaintiff in the Pressley Litigation. On July 12, 2019, the Company filed its Answer and Counterclaim against Little.

On May 1, 2019, the Plaintiffs in the Shanklin Litigation (except Raske) and the Pressley Litigation filed motions for class certification on their contract claims and the remaining New York Labor Law Claims. On July 12, 2019, Wilhelmina filed its opposition to the motions for class certification and filed a cross-motion for summary judgment against Shanklin, Vretman, Palomares, Trotter and Little, and a motion for summary judgment against Raske.

By Order Dated May 8, 2020 (the "Class Certification Order"), the Court denied class certification in the Pressley case, denied class certification with respect to the breach of contract and alleged unpaid usage claims, granted class certification as to the New York Labor Law causes of action asserted by Vretman, Palomares and Trotter, and declined to rule on Wilhelmina's motions for summary judgment, denying them without prejudice to be re-filed at a later date. The Court has directed the parties to non-binding mediation and that process is underway.

The Company believes the claims asserted in the Shanklin Litigation and Pressley Litigation are without merit and intends to continue to vigorously defend the actions.

In addition to the legal proceedings disclosed herein, the Company is also engaged in various legal proceedings that are routine in nature and incidental to its business. None of these routine proceedings, either individually or in the aggregate, are believed likely, in the Company's opinion, to have a material adverse effect on its consolidated financial position or its results of operations.

**Item 1.A. Risk Factors.**

Not required for smaller reporting company.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

During 2012, the Board of Directors authorized a stock repurchase program whereby the Company could repurchase up to 500,000 shares of its outstanding common stock. During 2013, the Board of Directors renewed and extended the Company's share repurchase authority to enable it to repurchase up to an aggregate of 1,000,000 shares of common stock. In 2016, the Board of Directors increased by an additional 500,000 shares the number of shares of the Company's common stock which may be repurchased under its stock repurchase program to an aggregate of 1,500,000 shares. The shares may be repurchased from time to time in the open market or through privately negotiated transactions at prices the Company deems appropriate. The program does not obligate the Company to acquire any particular amount of common stock and may be modified or suspended at any time at the Company's discretion. The Company did not make any purchase pursuant to the stock repurchase program during the quarter ended March 31, 2020.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

Not applicable.

**Item 6. Exhibits.**

The following is a list of exhibits filed as part of this Form 10-Q:

Exhibit No.	Description
<a href="#"><u>3.1</u></a>	<a href="#"><u>Restated Certificate of Incorporation of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.1 to Form S-1/A, filed January 30, 2012).</u></a>
<a href="#"><u>3.2</u></a>	<a href="#"><u>Certificate of Amendment of the Restated Certificate of Incorporation of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.1 to the Form 8-K, filed July 15, 2014).</u></a>
<a href="#"><u>3.3</u></a>	<a href="#"><u>Certificate of Amendment of the Restated Certificate of Incorporation of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.1 to Form 8-K filed July 12, 2017).</u></a>
<a href="#"><u>3.4</u></a>	<a href="#"><u>Amended and Restated Bylaws of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.2 to Form 8-K, filed May 24, 2011).</u></a>
<a href="#"><u>4.1</u></a>	<a href="#"><u>Form of Stock Certificate of Common Stock of Billing Concepts Corp. (incorporated by reference from Exhibit 4.1 to Form 10-Q, filed May 15, 1998).</u></a>
<a href="#"><u>31.1</u></a>	<a href="#"><u>Certification of Principal Executive Officer in Accordance with Section 302 of the Sarbanes-Oxley Act. *</u></a>
<a href="#"><u>31.2</u></a>	<a href="#"><u>Certification of Principal Financial Officer in Accordance with Section 302 of the Sarbanes-Oxley Act. *</u></a>
<a href="#"><u>32.1</u></a>	<a href="#"><u>Certification of Principal Executive Officer in Accordance with Section 906 of the Sarbanes-Oxley Act. *</u></a>
<a href="#"><u>32.2</u></a>	<a href="#"><u>Certification of Principal Financial Officer in Accordance with Section 906 of the Sarbanes-Oxley Act. *</u></a>
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase *
101.DEF	XBRL Taxonomy Extension Definition Linkbase *
101.LAB	XBRL Taxonomy Extension Label Linkbase *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase *

\* Filed herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WILHELMINA INTERNATIONAL, INC.  
(Registrant)

Date: May 12, 2021

By: /s/ James A. McCarthy  
Name: James A. McCarthy  
Title: Chief Financial Officer  
(principal financial officer)

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark E. Schwarz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wilhelmina International, Inc. for the quarterly period ended March 31, 2021;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 12, 2021

/s/ Mark E. Schwarz  
Name: Mark E. Schwarz  
Title: Executive Chairman  
(principal executive officer)

## CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

## PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James A. McCarthy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wilhelmina International, Inc. for the quarterly period ended March 31, 2021;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 12, 2021

/s/ James A. McCarthy

Name: James A. McCarthy

Title: Chief Financial Officer  
(principal financial officer)

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Wilhelmina International, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark E. Schwarz, Executive Chairman of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented.

May 12, 2021

/s/ Mark E. Schwarz

Name: Mark E. Schwarz

Title: Executive Chairman

(principal executive officer)

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Wilhelmina International, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James A. McCarthy, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the presented.

May 12, 2021

/s/ James A. McCarthy

Name: James A. McCarthy

Title: Chief Financial Officer

(Principal Financial Officer)