

SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

FORM 10-Q

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

For the Quarter Ended November 30, 1984

Commission File No. 2-91259

CRAZY EDDIE, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

11-2667288

(I.R.S. Employer  
identification number)

2845 Coney Island Avenue, Brooklyn, N.Y.  
(Address of principal executive offices)

11235

(Zip Code)

Registrant's telephone number, including  
area code

(718) 934-0100

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 x No   .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock - \$.01 par value  
(Description of Class)

6,700,000  
(Shares Outstanding  
at November 30, 1984)



CRAZY EDDIE, INC.

I N D E X

Page No.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Condensed Balance Sheet - November 30, 1984 and May 31, 1984	1
Consolidated Condensed Statement of Operations - three months ended November 30, 1984 and 1983 and six months ended November 30, 1984 and 1983	2
Consolidated Condensed Statement of Changes in Stockholders' Equity - six months ended November 30, 1984	3
Consolidated Condensed Statement of Changes in Financial Position - six months ended November 30, 1984 and 1983	4
Notes to Consolidated Condensed Financial Statements	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	6

PART II. OTHER INFORMATION

---

Item 6. Exhibits and Reports on Form 8-K	8
--	---



Item 1. Financial Statements

CRAZY EDDIE, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEET

	November 30, 1984 (Unaudited)	May 31, 1984
<u>ASSETS</u>		
(In thousands)		
Current assets:		
Cash	\$ 2,130	\$ 1,375
Short-term investments	9,900	—
Due from American Express Co.	1,452	996
Miscellaneous receivables	940	1,607
Merchandise inventories	31,114	23,344
Prepaid expenses and other current assets	936	350
Deferred public offering costs	—	165
Total current assets	<u>46,472</u>	<u>27,837</u>
Due from affiliates	<u>9</u>	<u>5,739</u>
Furniture, fixtures, equipment and leasehold improvements at cost, less accumulated depreciation and amortization of \$1,749 and \$1,476, respectively	<u>2,774</u>	<u>1,844</u>
Construction in process	<u>999</u>	<u>—</u>
Other assets	<u>1,431</u>	<u>1,645</u>
	<u>\$51,685</u>	<u>\$37,065</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Notes payable - banks and other	\$ 3,817	\$ 3,396
Current maturities of long-term liabilities	<u>124</u>	<u>124</u>
	<u>3,941</u>	<u>3,520</u>
Accounts payable	23,589	21,227
Accrued liabilities	1,802	983
Income taxes payable	<u>1,685</u>	<u>5,065</u>
Total current liabilities	<u>31,017</u>	<u>30,795</u>
Long-term liabilities, less current maturities	<u>109</u>	<u>46</u>
Stockholders' equity:		
Preferred stock-par value \$1.00 per share, authorized 5,000,000 shares, none issued	—	—
Common stock — par value \$.01 per share, authorized 15,000,000 shares, outstanding 6,700,000 and 5,000,000 shares, respectively	<u>67</u>	<u>50</u>
Additional paid-in capital	12,370	574
Retained earnings	<u>8,122</u>	<u>5,600</u>
Total stockholders' equity	<u>20,559</u>	<u>6,224</u>
	<u>\$51,685</u>	<u>\$37,065</u>

See accompanying notes to consolidated condensed financial statements.

CRAZY EDDIE, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS

(Unaudited)

(In thousands except per share amounts)

	<u>Three Months Ended November 30,</u>		<u>Six Months Ended November 30,</u>	
	<u>1984</u>	<u>1983</u>	<u>1984</u>	<u>1983</u>
Net sales	\$38,684	\$30,699	\$71,028	\$58,209
Cost of goods sold	<u>29,867</u>	<u>23,945</u>	<u>54,692</u>	<u>45,128</u>
Gross profit	8,817	6,754	16,336	13,081
Selling, general and administrative expense	6,041	5,701	11,152	10,211
Other income	334	178	594	321
Interest expense	<u>(34)</u>	<u>(147)</u>	<u>(126)</u>	<u>(240)</u>
Income before pension contribution and income taxes	3,076	1,084	5,652	2,951
Pension contribution	<u>200</u>	<u>-</u>	<u>400</u>	<u>-</u>
Income before income taxes	2,876	1,084	5,252	2,951
Income taxes	<u>1,496</u>	<u>604</u>	<u>2,730</u>	<u>1,585</u>
Net income	<u>\$1,380</u>	<u>\$ 480</u>	<u>\$2,522</u>	<u>\$1,366</u>
Earnings per share	<u>\$ .21</u>	<u>\$ .10</u>	<u>\$ .44</u>	<u>\$ .27</u>
Weighted average number of shares	<u>6,454</u>	<u>5,000</u>	<u>5,728</u>	<u>5,000</u>

See accompanying notes to consolidated condensed financial statements.





CRAZY EDDIE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands)

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, May 31, 1984	\$50	\$ 574	\$5,600	\$ 6,224
Net income for six months ended November 30, 1984	—	—	2,522	2,522
Issuance of 1,700,000 common shares	17	11,796	—	11,813
Balance, November 30, 1984	<u>\$67</u>	<u>\$12,370</u>	<u>\$8,122</u>	<u>\$20,559</u>

See accompanying notes to consolidated condensed financial statements.



CRAZY EDDIE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN FINANCIAL POSITION

(Unaudited)

(In thousands)

Six Months Ended November 30,

	<u>1984</u>	<u>1983</u>
Working capital provided from:		
Net income	\$ 2,522	\$1,366
Add charges not affecting working capital:		
Depreciation and amortization	<u>273</u>	<u>192</u>
Working capital provided from operations	2,795	1,558
Decrease in due from affiliates	5,730	3,006
Decrease in other assets	214	106
Increase in long-term debt	63	
Issuance of common stock, less issuance costs of \$1,862	<u>11,813</u>	
Total working capital provided	<u>20,615</u>	<u>4,670</u>
Working capital used for:		
Acquisition of furniture, fixtures, equipment and leasehold improvements	1,203	196
Construction in process	999	
Advances and sales to affiliate		3,802
Reduction in long-term liabilities		8
Total working capital used	<u>2,202</u>	<u>4,006</u>
Increase in working capital	<u>\$18,413</u>	<u>\$ 664</u>

See accompanying notes to consolidated condensed financial statements.

CRAZY EDDIE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

PUBLIC OFFERING

On September 20, 1984, the Company sold to the public 1,700,000 shares of common stock (including 300,000 shares pursuant to an over-allotment option granted by the Company to the underwriters) at a price of \$8 per share.

BASIS OF PRESENTATION

The financial information for the three months and six months ended November 30, 1984 and 1983 is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and changes in financial position for the interim periods. The notes included herein should be read in conjunction with the notes to the consolidated financial statements of the Company at May 31, 1983 and 1984 and for the three years ended May 31, 1984 included in the Company's Prospectus dated September 13, 1984.

INVENTORIES

Merchandise inventories are stated at the lower of cost, using the first-in, first-out (FIFO) method, or market. The inventory at November 30, 1984 has been computed based upon the gross profit method.

TAXES

Income tax expense has been provided based upon management's estimate of the annualized effective tax rate.

EARNINGS PER SHARE

Earnings per share is computed based upon the weighted average number of common shares outstanding.

Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations

Results of Operations

Net sales and net income recorded by the Company continued to improve for the six months and three months ended November 30, 1984 compared to the corresponding periods in the prior fiscal year. Net sales for the six months ended November 30, 1984 were \$71,028,000, an increase of 22%, or \$12,819,000, over the same period in the prior fiscal year. Of this increase, \$8.6 million resulted from new stores opened during the period and the balance of \$4.2 million was attributable to the Company's other stores, representing an 8% comparable store increase. Net sales for the three months ended November 30, 1984 were \$38,684,000, an increase of 26%, or approximately \$8,000,000, over the same period in the prior fiscal year. Of this increase, \$5.2 million resulted from new stores opened during the period; the balance of \$2.8 million was attributable to the Company's other stores, again representing an 8% comparable store increase.

Gross profit (net sales less cost of goods sold) increased \$2,063,000 and \$3,255,000 in the three-month and six-month periods ended November 30, 1984 compared to the corresponding periods in the prior fiscal year. This increase was primarily due to the additional sales discussed above, and also reflected an overall increase in the gross profit margin (gross profit as a percentage of net sales) from 22.5% for the six months ended November 30, 1983 to 23.0% for the six months ended November 30, 1984. The increased gross profit margin resulted from continued improvement in purchasing.

Selling, general and administrative expenses as a percentage of net sales improved by approximately 1.8%, and approximated 17.5% for the six months ended November 30, 1983 compared to 15.7% for the six months ended November 30, 1984. The increases in net sales for the more recent three-month and six-month periods have enabled the Company to improve this ratio because selling, general and administrative expenses are principally fixed expenditures; however, on a comparable store basis, the Company also experienced decreases in payroll and advertising expenses in absolute dollars when compared to the corresponding periods of the preceding fiscal year. The increase in selling, general and



administrative expenses in absolute dollars from \$5,701,000 and \$10,211,000 for the three months and six months ended November 30, 1983 to \$6,041,000 and \$11,152,000 for the three months and six months ended November 30, 1984 primarily resulted from the costs incurred at the new stores opened during the Company's current fiscal year.

Earnings for the three months and six months ended November 30, 1984 include a pension contribution of \$200,000 and \$400,000, respectively. No contribution was required for the comparable periods in the prior fiscal year.

### Liquidity and Capital Resources

On September 20, 1984, the Company completed the public offering of 1,700,000 shares of common stock. As a result of the offering, the Company received approximately \$11.8 million of net proceeds, the substantial portion of which remains available to finance additional store openings. At November 30, 1984, the Company had total working capital of \$15,455,000. During the six months ended November 30, 1984, the Company generated \$2,795,000 from operations.

On December 21, 1984, the Company obtained a \$7.8 million loan financed by the New Jersey Economic Development Authority, the proceeds of which will be used to construct the Company's new warehouse, corporate offices and a retail outlet in Edison, New Jersey. The loan bears interest at a rate equal to 75% of the prime rate of a commercial bank, subject to a maximum and minimum interest rate of 14% and 7% per annum, respectively, and is repayable in varying installments through 2015. In addition, the Company has arranged for an unsecured line of credit in the amount of \$10 million with another commercial bank.

In light of the Company's existing financing arrangements, normal trade credit and anticipated cash flow, the Company believes that it will be able to continue to provide for its contemplated cash requirements and carry out its expansion plans without any material adverse effect on its financial condition or future operations. The Company's current expansion plans include the opening of five new stores during the first six months of 1985 in Massapequa, New York, Nanuet, New York, Livingston, New Jersey and the Boroughs of Manhattan (150 Broadway) and Queens (Queens Boulevard) in New York City.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. None.

(b) Reports on Form 8-K. No reports on Form 8-K were filed during the quarter ended November 30, 1984.

CRAZY EDDIE, INC. AND SUBSIDIARIES

SIGNATURES

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

CRAZY EDDIE, INC.  
(Registrant)

January 11, 1985  
(Date)

By /s/ Eddie Antar  
Eddie Antar,  
Chairman of the Board,  
President and Chief  
Executive Officer

January 11, 1985  
(Date)

By /s/ Eddy Antar  
Eddy Antar,  
Treasurer and Principal  
Financial Officer