

# CRAZY EDDIE

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FOR IMMEDIATE RELEASE

## CRAZY EDDIE'S '86 YEAR-END NET INCOME RISES 108% ON 57% NET SALES INCREASE

BROOKLYN, NY, May 1, 1986--Crazy Eddie, Inc. (NASDAQ:CRZY) today reported an increase in net income of 115.8% to \$7,136,000 (51 cents per share) on a sales increase of 52.8% to \$99,767,000 for the fourth quarter of its 1986 fiscal year ended March 2, 1986. This compares with net income of \$3,307,000 (25 cents per share) on net sales of \$65,291,000 recorded during the quarter ended March 3, 1985. Comparable store sales for the March quarter climbed 14% versus the corresponding period a year ago.

Net income for the 1986 fiscal year increased 108% to \$13,244,000 (96 cents per share) on net sales of \$262,268,000, an increase of 56.9%. This compares to net income of \$6,366,000 (55 cents per share) on net sales of \$167,147,000 for the twelve months ended March 3, 1985. Earnings per share, after giving effect to a 100% stock dividend declared in July, 1985, rose 75% over the comparable period of the prior year. Comparable Crazy Eddie store sales for the 1986 fiscal year rose 17% over the prior year.

Crazy Eddie fiscal 1986 earnings benefitted by \$0.06 cents per share as a result of tax benefits received by the Company due to the exercise by key employees of non-qualified stock options previously distributed.

The weighted average number of common shares outstanding during the fourth quarter was 13,919,000 versus 13,400,000 during the quarter ended March 3, 1985. The weighted average number of shares outstanding for the 1986 fiscal year was 13,832,000 versus 11,592,000 during the 1985 fiscal year, reflecting the issuance of 200,000 additional shares of common stock during a public offering in March, 1985.

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The total number of Crazy Eddie stores in operation at fiscal year-end amounted to 23 compared to 15 stores open at the close of the 1985 fiscal year, according to Eddie Antar, chairman and chief executive officer.

Discussing operations, Antar reported that gross profit margins during the generally favorable Christmas quarter rose to 29.6% versus 25.3%, while pre-tax margins during the final quarter rose to 13.4% from 11.0% a year ago, and net income as a percent of sales rose to 7.1% compared to 5.1% during the quarter ended March 3, 1985.

For fiscal 1986, Antar explained that gross profit margins rose to 25.9% from 23.6% a year ago, while pre-tax margins increased to 10.1% from 8% during fiscal 1985, and net income as a percent of sales climbed to 5.0% compared to 3.8% a year ago.

Crazy Eddie's sales per square foot rose 22% to \$2,903 during fiscal 1986 from \$2,368 reported a year ago, the Company reported. Gross profit per square foot increased 32% to \$753 versus \$569 per square foot during fiscal 1985, and average sales per store rose 10% to \$13,305,000 compared to \$12,081,000 average sales per store during the year ended March 3, 1985. "We believe that both the sales and gross profit per square foot are among the highest in the retail field," Antar said.

Crazy Eddie, the New York metropolitan area's largest home entertainment and consumer electronics retailer, is completing construction of a new 210,000 square foot warehouse and corporate headquarters in Edison, NJ to be occupied this summer.

CRAZY EDDIE, INC.

Fourth Quarter Fiscal 1986

	<u>1986</u>	<u>1985</u>	<u>Percent Increase</u>
	(3/2/86)	(3/3/85)	
NET SALES	\$99,767,000	65,291,000	52.8
Cost of Sales	70,165,000	48,729,000	44.0
Gross Profit	29,602,000	16,562,000	78.7
Gross Margin %	29.6%	25.3%	--
Selling, General & Admin. Expense	16,232,000	9,357,000	69.2
S. G. & A. %	16.2%	14.3%	--
OPERATING INCOME	13,370,000	7,205,000	85.6
Operating Margin %	13.4%	11.0%	--
Interest & Other Income	1,033,000	618,000	67.1
Interest Expense	216,000	312,000	(30.7)
Profit-Sharing Contribution	500,000	200,000	150.0
Income Before Taxes	13,687,000	7,311,000	87.2
Pre-Tax Margin %	13.7%	11.2%	--
Income Taxes	6,551,000	4,004,000	63.6
Effective Tax Rate	47.9%	54.8%	--
NET INCOME	7,136,000	3,307,000	115.8
Net Margin %	7.1%	5.1%	--
EARNINGS PER SHARE* (1)	\$.51	\$.25	104.0

\* Weighted average number of common shares outstanding during the quarter was 13,919,000 versus 13,400,000 during the March 1985 quarter.

(1) Earnings per share were computed on a primary basis after giving effect to a 100% stock dividend. Options and warrants outstanding during the period were not dilutive.

CRAZY EDDIE, INC.

12 Months Ended March 2, 1986

	<u>1986</u>	<u>1985</u>	<u>Percent Increase</u>
	(3/2/86)	(3/3/85)	(Decrease)
Sales (Retail)	\$262,268,000	\$165,232,000	58.7
Affiliated Sales	-	1,915,000	(100.0)
NET SALES	262,268,000	167,147,000	56.9
Cost of Sales	194,371,000	127,619,000	52.3
Gross Profit	67,897,000	39,528,000	71.8
Gross Margin %	25.9%	23.6%	--
Selling, General & Admin. Expense	42,975,000	26,431,000	62.5
S. G. & A. %	16.4%	15.8%	--
OPERATING INCOME	24,922,000	13,097,000	90.2
Operating Margin %	9.5%	7.8%	--
Interest & Other Income	3,210,000	1,418,000	126.3
Interest Expense	820,000	572,000	43.3
Profit-Sharing Contribution	800,000	600,000	33.3
Income Before Taxes	26,512,000	13,343,000	98.7
Pre-Tax Margin %	10.1%	8.0%	--
Income Taxes	13,268,000	6,977,000	90.1
Effective Tax Rate	50.0%	52.3%	--
NET INCOME	13,244,000	6,366,000	108.0
Net Margin %	5.0%	3.8%	--
EARNINGS PER SHARE (1)	\$0.96	0.55	74.5
Weighted Average number of shares	13,832,000	11,592,000	

(1) Earnings per share were computed on a primary basis after giving effect to a 100% stock dividend. Options and warrants outstanding during the period were not dilutive.