

CHARLOTTE RUSSE HOLDING INC

Form 10-Q

April 21, 2003

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 21, 2003

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

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**FORM 10-Q**

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

**FOR THE QUARTERLY PERIOD ENDED MARCH 29, 2003**

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

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COMMISSION FILE NUMBER 0-27677

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**CHARLOTTE RUSSE HOLDING, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**DELAWARE**  
(State or Other Jurisdiction of Incorporation or  
Organization)

**33-0724325**  
(I.R.S. Employer  
Identification No.)

**4645 MORENA BOULEVARD, SAN DIEGO, CA 92117**  
(Address, including Zip Code, of Registrant's Principal Executive Offices)

**(858) 587-1500**  
(Registrant's Telephone Number, Including Area Code)

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 o

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

COMMON STOCK, par value \$0.01 per share, number of shares outstanding as of April 17, 2003: 21,236,695  
shares.

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CONSOLIDATED BALANCE SHEETS**

	<b>March 29, 2003</b>	<b>September 28, 2002</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 17,693,575	\$ 13,553,480
Inventories	34,683,377	33,319,014
Other current assets	8,043,762	2,502,201
Deferred tax assets	4,600,000	4,300,000
	<u>65,020,714</u>	<u>53,674,695</u>
Total current assets	65,020,714	53,674,695
Fixed assets, net	95,279,658	95,632,346
Goodwill, net	28,790,000	28,790,000
Other assets	1,371,281	1,405,928
	<u>190,461,653</u>	<u>179,502,969</u>
Total assets	\$ 190,461,653	\$ 179,502,969
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable trade	\$ 26,583,438	\$ 24,928,743
Accounts payable other	4,049,522	5,444,806
Accrued payroll and related expense	2,319,539	2,372,134
Income and sales taxes payable	1,579,560	1,259,525
Other current liabilities	10,243,571	6,752,135
	<u>44,775,630</u>	<u>40,757,343</u>
Total current liabilities	44,775,630	40,757,343
Deferred rent	9,066,299	8,376,994
Other liabilities	282,777	208,883
Deferred tax liabilities	5,000,000	1,600,000
	<u>59,124,706</u>	<u>50,943,220</u>
Total liabilities	59,124,706	50,943,220
Commitments		
Stockholders equity:		
Preferred Stock \$0.01 par value, 3,000,000 shares authorized, none issued and outstanding		
Common Stock \$0.01 par value, 100,000,000 shares authorized, issued and outstanding shares 21,236,695 at March 29, 2003 and 21,210,707 at September 28, 2002	212,367	212,107
Additional paid-in capital	43,978,905	43,793,497
Deferred compensation	(117,000)	(171,000)
Retained earnings	87,262,675	84,725,145
	<u>131,336,947</u>	<u>128,559,749</u>
Total stockholders equity	131,336,947	128,559,749
Total liabilities and stockholders equity	\$ 190,461,653	\$ 179,502,969

See accompanying notes.

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**CHARLOTTE RUSSE HOLDING, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 29, 2003	March 30, 2002	March 29, 2003	March 30, 2002
Net sales	\$93,098,703	\$86,069,774	\$226,427,339	\$198,007,892
Cost of goods sold, including buying, distribution and occupancy costs	74,841,538	63,240,942	171,578,511	142,886,501
Gross profit	18,257,165	22,828,832	54,848,828	55,121,391
Selling, general and administrative expenses	20,762,893	17,198,466	45,095,200	37,216,115
Store closing costs	5,500,000		5,500,000	
Operating income(loss)	(8,005,728)	5,630,366	4,253,628	17,905,276
Other income(expense):				
Interest income, net	22,598	82,207	31,405	83,715
Other charges, net	(62,649)	(70,260)	(125,148)	(148,556)
Total other income(expense)	(40,051)	11,947	(93,743)	(64,841)
Income(loss) before income taxes	(8,045,779)	5,642,313	4,159,885	17,840,435
Income taxes(benefit)	(3,137,854)	2,139,511	1,622,355	6,957,769
Net income(loss)	\$ (4,907,925)	\$ 3,502,802	\$ 2,537,530	\$ 10,882,666
Earnings(loss) per share:				
Basic	\$ (0.23)	\$ 0.17	\$ 0.12	\$ 0.52
Diluted	\$ (0.23)	\$ 0.15	\$ 0.11	\$ 0.46
Weighted average shares outstanding:				
Basic	21,236,375	20,948,770	21,225,797	20,887,675
Diluted	21,236,375	23,699,708	23,494,120	23,607,835

See accompanying notes.



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**CHARLOTTE RUSSE HOLDING, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 29, 2003	March 30, 2002	March 29, 2003	March 30, 2002
<b>Operating Activities</b>				
Net income(loss)	\$ (4,907,925)	\$ 3,502,802	\$ 2,537,530	\$ 10,882,666
Adjustments to reconcile net income(loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,909,443	3,205,925	7,810,163	6,384,758
Deferred rent	179,560	723,542	689,305	1,388,468
Amortization of deferred compensation	27,000	27,000	54,000	54,000
Loss on impairment and disposal of assets	3,072,136		3,235,796	23,745
Deferred income taxes	3,100,000	(300,000)	3,100,000	(400,000)
Changes in operating assets and liabilities:				
Inventories	(9,505,060)	(9,064,914)	(1,364,363)	(1,650,715)
Other current assets	(3,683,531)	1,021	(5,541,561)	(361,656)
Accounts payable trade	6,702,297	9,317,888	1,654,695	3,572,528
Accounts payable other	189,766	1,599,141	(1,395,284)	(1,477,541)
Accrued payroll and related expense	(2,040,109)	(1,152,840)	(52,595)	737,427
Income and sales taxes payable	(5,874,529)	(4,211,567)	341,633	(1,411,051)
Other current liabilities	(324,832)	(1,544,774)	3,491,436	2,100,900
Other liabilities	58,894	(105,586)	73,894	(90,587)
Net cash provided by (used in) operating activities	(9,096,890)	1,997,638	14,634,649	19,752,942
<b>Investing Activities</b>				
Purchases of fixed assets	(6,203,399)	(11,793,473)	(10,672,081)	(19,061,523)
Other assets	(45,781)	10,026	13,457	(18,564)
Net cash used in investing activities	(6,249,180)	(11,783,447)	(10,658,624)	(19,080,087)
<b>Financing Activities</b>				
Payments on capital leases		(24,951)		(45,017)
Proceeds from notes payable to bank				11,000,000
Payments on notes payable to bank				(11,000,000)
Proceeds from issuance of common stock	131,570	782,695	164,070	872,996
Net cash provided by financing activities	131,570	757,744	164,070	827,979
Net increase (decrease) in cash and cash equivalents	(15,214,500)	(9,028,065)	4,140,095	1,500,834
Cash and cash equivalents at beginning of the period	32,908,075	20,560,297	13,553,480	10,031,398
Cash and cash equivalents at end of the period	\$ 17,693,575	\$ 11,532,232	\$ 17,693,575	\$ 11,532,232

See accompanying notes.



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**CHARLOTTE RUSSE HOLDING, INC.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**1. Interim Financial Statements**

The accompanying unaudited consolidated financial statements of Charlotte Russe Holding, Inc. (the Company) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures required by accounting principles generally accepted in the United States for complete financial statements have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited financial statements contain all material adjustments, consisting of normal recurring accruals, necessary to present fairly the Company's financial position, results of operations and cash flows for the periods indicated, and have been prepared in a manner consistent with the audited financial statements as of September 28, 2002.

Due to the seasonal nature of the Company's business, the results of operations for the six month period ended March 29, 2003 are not necessarily indicative of the results of a full fiscal year.

These financial statements should be read in conjunction with the audited financial statements and the footnotes for the fiscal year ended September 28, 2002 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on December 13, 2002.

**2. Net Income(Loss) Per Common Share**

In accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share, the following table reconciles income(loss) and share amounts utilized to calculate basic and diluted net income(loss) per common share.

	Three Months Ended		Six Months Ended	
	March 29, 2003	March 30, 2002	March 29, 2003	March 30, 2002
Net income(loss)	\$ (4,907,925)	\$ 3,502,802	\$ 2,537,530	\$ 10,882,666
Earnings(loss) per share:				
Basic	\$ (0.23)	\$ 0.17	\$ 0.12	\$ 0.52
Effect of dilutive stock options		(0.01)	0.00	(0.02)
Effect of dilutive warrants		(0.01)	(0.01)	(0.04)
Diluted	\$ (0.23)	\$ 0.15	\$ 0.11	\$ 0.46
Weighted average number of shares:				
Basic	21,236,375	20,948,770	21,225,797	20,887,675
Effect of dilutive stock options		878,220	487,439	860,590
Effect of dilutive warrants		1,872,718	1,780,884	1,859,570
Diluted	21,236,375	23,699,708	23,494,120	23,607,835