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Crumbs' sweet success story

Cupcake baker with 34 locations goes public as part of a merger agreement; \$66 million deal is a first for the cupcake business.

By [Adrienne Pasquarelli](#)

New Year's resolutions are going to be a lot harder to keep if Crumbs has any say in the matter. The cupcake retailer announced Monday that it will go public as part of a merger agreement with acquisition company 57th Street General Acquisition Corp. The \$66 million deal, which is expected to close this March, will make Crumbs one of the first cupcake shops to go public. The bakery will trade on the Nasdaq stock market.

The news was first reported in The New York Times.

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The company currently operates 34 stores, including 14 in New York City. Each shop generates about \$1,000 in sales per square foot, according to the company. As part of the agreement, Crumbs owners will receive \$27 million in cash and 3.9 million shares of 57th Street common stock, along with 4.4 million in possible earn-out shares.

Crumbs Chief Executive Jason Bauer, who co-founded the company in 2003 with his wife Mia, noted that the deal will help fund the company's retail expansion plans.

"The additional equity capital that may be available should enable us to execute our development strategy more quickly and help us reach our initial expansion to a planned 200 locations in the top 15 markets by year-end 2014," he said in a statement.

Crumbs, which had revenue near \$31.1 million last year, and earnings between \$1.7 million and \$1.9 million, is planning to open as many as 45 stores in 2012. Mr. Bauer expects revenue between \$45 million and \$50 million next year.

Some restaurant consultants wonder about the growth potential for a cupcake purveyor, even one as well-established as Crumbs.



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"Unless they're actually going to start a wholesale line, or make their own specialty food line and find some other way that the brand can be sustainable, it's just going to be knocked off by anyone who has an oven or a mixer," said Arlene Spiegel, a restaurant consultant, comparing Crumbs to Mrs. Field, the chocolate chip cookie brand that eventually ceded ground to similar concepts. Ms. Spiegel did note that she has seen more healthy options at the cupcake shop, such as muffins and scones, which may help the brand attract other consumers.

Yet after eight years in business, Crumbs seems to have found a recipe for success thus far. A bakery spokesman confirmed that the company is focused on retail expansion and e-commerce, not on wholesaling its brand to other outlets like supermarkets.

Experts say it will be the first gourmet cupcake shop to go public.

"The cupcake segment has become very trendy and a lot of people have jumped on the bandwagon, but Crumbs has a far head start," said Andrew Moger, chief executive of restaurant development firm BCD, which works with Crumbs as a client.