MORTONS RESTAURANT GROUP INC
Form S-1
December 02, 2005
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As filed with the Securities and Exchange Commission on December 1, 2005

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

MORTON S RESTAURANT GROUP, INC.

(Exact name of registrant as specified in Its Charter)

Delaware	**5812**	**13-3490149**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

3333 New Hyde Park Road, Suite 210

New Hyde Park, New York 11042

(516) 627-1515

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant s Principal Executive Office)

Thomas J. Baldwin

Executive Vice President and Chief Financial Officer

Morton s Restaurant Group, Inc.

3333 New Hyde Park Road, Suite 210

New Hyde Park, New York 11042

(516) 627-1515

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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Approximate Date of Commencement of Proposed Offer to the Public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act), check the following box: ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering: ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering: ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Common Stock, par value $0.01 per share	**$150,000,000**	**$16,050**

(1) Includes shares of common stock issuable upon exercise of an over-allotment option granted to the underwriters.
(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 of the Securities Act.
(3) Calculated pursuant to Rule 457(o) under the Securities Act.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED DECEMBER 1, 2005.

PROSPECTUS

Shares

MORTON S RESTAURANT GROUP, INC.

Common Stock

This is Morton s Restaurant Group, Inc. s initial public offering. We are offering shares of our common stock and the selling stockholders identified in this prospectus are offering an additional shares of our common stock. We will not receive any of the proceeds from the sale of the shares of our common stock offered by the selling stockholders. We expect the initial public offering price of our common stock to be between $ and $ per share.

Prior to this offering there has been no public market for our common stock. We intend to apply to have our common stock listed on the New York Stock Exchange under the symbol MRT.

Investing in our common stock involves risks. See Risk Factors beginning on page 10.

	Per Share	Total

Public Offering Price	$	$
Underwriting Discount and Commissions	$	$
Proceeds to Morton s Restaurant Group, Inc.	$	$
Proceeds to the Selling Stockholders	$	$

Delivery of the shares of our common stock will be made on or about , 2005.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

We have granted the underwriters the option to purchase a maximum of additional shares of our common stock to cover over-allotments of shares, if any, exercisable at any time until 30 days after the date of this prospectus.

Wachovia Securities

Piper Jaffray

RBC Capital Markets

SG Cowen & Co.

Jefferies & Company

The date of this prospectus is , 2005.

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Artwork to be filed by amendment

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You should rely only on the information contained in this prospectus. Neither we nor any of the underwriters have authorized anyone to provide information different from that contained in this prospectus. When you make a decision about whether to invest in our common stock, you should not rely upon any information other than the information in this prospectus. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common stock. This prospectus is not an offer to sell or solicitation of an offer to buy these shares of our common stock in any circumstances under which or in any jurisdiction where the offer or solicitation is unlawful.

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TRADEMARKS AND SERVICE MARKS

We own or have the rights to various trademarks and trade names used in this prospectus, including Morton s and Morton s of Chicago. This prospectus also includes trade names and trademarks of other companies. Our use or display of other parties trade names or trademarks is not intended to and does not imply a relationship with, or endorsement or sponsorship of us by, the trade name or trademark owners.

INDUSTRY AND MARKET DATA

Industry, market and demographic data appearing throughout this prospectus, including information relating to our relative position in the restaurant industry, the projected growth of sales in the U.S. restaurant industry, projected increases in real disposable personal income and projected population growth, are derived principally from publicly available information, industry publications, U.S. government data, data made available by market research firms, our own data and similar sources. Although we believe that this information is reliable, we do not guarantee the accuracy or completeness of this information, and we have not independently verified this information. Information in this prospectus concerning the average check at our restaurants excludes tax and tip.

GENERAL ASSUMPTIONS

Unless otherwise expressly stated or the context otherwise requires, the information in this prospectus:

- gives effect to the merger of Morton s Holding Company, Inc., or MHCI, our direct parent, into us and the subsequent distribution of shares of our common stock by Morton s Holdings, LLC, or MHLLC, our indirect parent and the holder of all of the outstanding shares of common stock of MHCI, to its unitholders, both of which transactions will occur prior to the consummation of this offering;
- assumes that we are the obligor on the 14% senior secured notes of MHCI, which notes will become our obligation upon consummation of the merger described above;
- assumes the adoption and filing of our new amended and restated certificate of incorporation, which we refer to as our certificate of incorporation, and the adoption of our new amended and restated bylaws, which we refer to as our bylaws, which will be effected prior to the consummation of this offering and which will, among other things, increase our authorized capital stock and provide for certain anti-takeover provisions as described in Description of Capital Stock;
- gives effect to a for one split of our outstanding common stock that will be effected prior to the consummation of this offering;
- is based upon the number of shares of our common stock outstanding as of October 2, 2005;
- gives effect to the appointment of the applicable persons named in Management to serve as members of our board of directors and board committees and the changes to our management described therein, each of which will occur prior to the consummation of this offering;

gives effect to the termination of our current $15 million working capital facility and the effectiveness of a new $ million senior revolving credit facility, which will occur in connection with this offering;

assumes the effectiveness of an equity incentive plan that we plan to adopt prior to the consummation of this offering;

gives effect to the termination of the management agreement between MHLLC and Castle Harlan, Inc.; and

assumes no exercise of the underwriters over-allotment option to purchase up to additional shares of our common stock from us.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that may be important to you. You should carefully read this prospectus in its entirety before making an investment decision. In particular, you should read the section entitled Risk Factors and our consolidated financial statements and notes related to those statements included elsewhere in this prospectus. In this prospectus, unless otherwise expressly stated or the context requires otherwise, we, us, our and the Company refer to Morton s Restaurant Group, Inc. and its subsidiaries, Morton s refers to our steakhouses operated under the Morton s brand name, MHCI refers to Morton s Holding Company, Inc., our immediate parent, which we anticipate will merge into Morton s Restaurant Group, Inc. prior to the consummation of this offering, and MHLLC refers to Morton s Holdings, LLC, our indirect parent, whose unitholders we anticipate will become our direct stockholders upon the expected distribution by MHLLC of shares of Morton s Restaurant Group, Inc. to them prior to the consummation of this offering.

Our Company

We are the world s largest owner and operator of company-owned upscale steakhouse restaurants, based on the number of restaurants owned and operated by us as compared to our known competitors. Our founders Arnie Morton and Klaus Fritsch opened the original Morton s steakhouse in downtown Chicago on December 21, 1978. Since then, we have expanded to a total of 69 Morton s steakhouses, including 65 domestic restaurants located in 60 cities across 28 states, along with two restaurants in Canada, one in Hong Kong and one in Singapore. We also own and operate four upscale Italian restaurants, which are designed as white tablecloth, authentic Italian trattorias. We own and operate all of our restaurants and do not have any franchisees. In fiscal 2004, we had total revenues of $276.3 million and operating income of $21.2 million, representing increases from fiscal 2003 of 6.8% and 8.8%, respectively. In the nine month period ended October 2, 2005, we had total revenues of $217.1 million and operating income of $12.8 million, representing increases of 8.7% and 23.9%, respectively, over the comparable period in fiscal 2004.

Morton s steakhouses have remained true to our founders original vision of combining generous portions of high quality food prepared to exacting standards with exceptional service in an enjoyable dining environment. We have traditionally catered primarily to business clientele but have recently implemented strategies to broaden our appeal to local fine-dining guests. While our menu s emphasis is on USDA prime aged steaks, we also feature other fresh premium items including veal, chicken, lobster and other varieties of seafood, complemented by our extensive award winning premium wine list. By owning and operating all Morton s steakhouses, each with a similar menu, we believe that we are better able to provide a consistently high quality dining experience across all our locations.

Morton s steakhouses average approximately 8,300 square feet in size, including the kitchen area, and on average have seating for approximately 200 guests. All Morton s steakhouses have a similar style, concept and decor, and are designed to convey an image of sophistication, warmth and a premium dining experience. All but one Morton s steakhouse have on-premises, private dining and meeting facilities that we refer to as Boardrooms.

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Our Business Strengths

We believe the following strengths have helped drive the growth of our business:

Premier Fine-Dining Brand. We believe that Morton s, with its 27-year history and 69 steakhouses located in 60 cities across 28 states and four international locations, is a premier fine-dining brand. We believe that our brand recognition is supported by our distinctive food and high service standards, which are exemplified by numerous awards and favorable reviews. In addition, we believe that our brand is enhanced by the sophisticated interior design of our Morton s steakhouses, which are consistent in terms of style, concept and decor, and by the typical location of our restaurants in upscale retail, hotel, commercial and office complexes in major metropolitan and urban centers and surrounding suburban areas.

High Quality Cuisine. We strive to provide guests at Morton s steakhouses with generous portions of high quality cuisine prepared to exacting standards. Morton s steakhouses feature USDA prime aged beef in the United States and Canada and comparable high quality aged beef in our steakhouses in Asia. While the emphasis is on our steaks, we believe our menu selection is broad enough to appeal to many taste preferences and desires. In addition, each Morton s steakhouse has a fully stocked bar and extensive premium wine list and every Morton s steakhouse open at the end of 2004 received the Wine Spectator Award of Excellence, which was awarded for our well chosen selections of quality wines. During fiscal 2004 and the nine month period ended October 2, 2005, the average per-person Morton s steakhouse check was approximately $84.70 and $86.25, respectively.

Consistency of Our Service, Experience and Atmosphere. We seek to consistently provide guests with the same fine-dining steakhouse experience at all Morton s steakhouses. Among the key aspects of the experience is our signature tableside presentation of many of our menu items. Our servers conduct this presentation to our dining room guests in all Morton s steakhouses. We believe this visual presentation allows our guests to see the freshness and quality of our food, and enhances our guests experience. In addition, all Morton s steakhouses feature common design elements, including rich woods, a wine display wall, LeRoy Neiman artwork and private wine lockers. All Morton s steakhouses also feature an open display kitchen where our chefs and broilers are visible, which we believe increases the energy level of the restaurant and further enhances our guests experience. Our typical table to server ratio is three to one, which helps us provide our guests with personal, attentive service.

Strong Restaurant-Level Economics. Morton s steakhouses have strong restaurant-level operating margins, which we define as revenues less food and beverage costs, restaurant operating expenses and marketing and promotional expenses as a percentage of revenues. This is as a result of strong average restaurant revenue coupled with what we believe are effective cost controls. Morton s steakhouses open for all of fiscal 2004 generated average revenues of approximately $4.0 million per restaurant and average restaurant-level operating margins of approximately 16.4%. In the case of the four new Morton s steakhouses that we opened during the nine month period ended October 2, 2005, our average initial cash investment, net of landlord contributions and equipment financing, was approximately $2.0 million, including pre-opening costs of approximately $0.5 million, which are expensed under U.S. generally accepted accounting principles, which we refer to as GAAP.

Effective Cost Control Mechanisms. We believe that our operations and cost control systems, which we have developed and refined over our 27-year history, enable us to maintain a high degree of control over operating expenses and allow us to better adjust our cost structure to changes in revenues. We also believe that centralized sourcing from our primary suppliers of beef and other products gives us significant cost and availability advantages over many independent steakhouses.

Highly Experienced Management Team. Our executive management team has an average of 23 years of experience in the restaurant industry. Thomas J. Baldwin, who we anticipate will become our Chairman, Chief Executive Officer and President prior to the consummation of this offering, has been with us since 1989 and has over 21 years of experience in the restaurant industry, including as our Chief Financial Officer from 1989 to 2005. In addition, our 12 regional managers average 25 years of restaurant experience, including eight years of experience with us.

Our Growth Strategy

Our objectives are to further leverage our experience in operating our Morton s steakhouses to increase the revenues and operating income of our existing restaurants, and to open new Morton s steakhouses in existing markets and selected new domestic and international markets.

Continue to Broaden Our Appeal. Traditionally, the primary target market of our Morton s steakhouses has been business-oriented guests. Recently, we also have increased our focus on local fine-dining guests. We have developed several marketing initiatives, including the addition of new menu items developed through market testing, new wine selections and the use of targeted direct mailings, as part of our strategy to increase the appeal and awareness of our fine-dining steakhouse experience with local fine-dining guests. In addition, we have recently introduced a new bar concept, Bar 12·21, which we believe has further broadened our appeal, increased revenues and increased dining capacity in the restaurants where it has been implemented.

Expand Bar 12·21 Concept. Our new bar concept, named Bar 12·21 to commemorate the date that our original Morton s steakhouse opened, is intended to provide a comfortable, warm atmosphere to meet friends or business associates and enjoy a large selection of fine spirits, wines and appetizers. The redesign typically includes opening the bar area to the restaurant and reconfiguring the bar top and adjacent tables to create more comfortable seating and what we believe is a more inviting area for gathering and dining. We feature our Bar 12·21 concept in all new Morton s steakhouses opened after fiscal 2003, and we have remodeled the bar area in three existing Morton s steakhouses to include our Bar 12·21 concept. During fiscal 2006, we plan to remodel the bar area in at least six other Morton s steakhouses to provide a similar atmosphere. We currently expect to remodel the bar area in approximately four to six other Morton s steakhouses in each of the next several years.

Expand Our Boardroom Business. All but one of our Morton s steakhouses have on-premises, private dining and meeting facilities that we refer to as Boardrooms, which generated approximately 18.7% of revenues generated by our Morton s steakhouses for fiscal 2004. We seek to increase the utilization of our Boardrooms because they typically generate a higher average check than our dining rooms and allow us to better leverage our fixed costs and achieve higher margins on those revenues. In addition to promoting our current Boardrooms, during fiscal 2006 we are planning to add additional Boardrooms in three of our existing Morton s steakhouses. We are currently evaluating other Morton s steakhouses for increased Boardroom capacity.

Pursue Disciplined New Restaurant Growth. We plan to expand our Morton s concept and strong brand name by opening new Morton s steakhouses in our existing markets that we believe can support additional restaurants. We also plan to enter new markets selectively when we believe that those markets can successfully support a Morton s steakhouse. We currently expect to open five new Morton s steakhouses in 2006 and approximately five to seven new Morton s steakhouses in each of the next several years.

Our Equity Sponsor

Castle Harlan, Inc. is a New York-based private equity investment firm founded in 1987 specializing in investments in middle-market companies through leveraged buyouts, industry consolidations and divestitures. Since its inception, Castle Harlan has invested, on behalf of the private equity funds that it

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manages, in 45 companies with a total enterprise value in excess of $7.5 billion. On July 25, 2002, Castle Harlan acquired us in a going private transaction, which included an initial equity investment by Castle Harlan of approximately $93.7 million. Immediately prior to this offering, Castle Harlan owned a majority of our outstanding common stock. We refer to Castle Harlan, Inc. and its affiliates and associates (excluding us and other companies it owns through private equity funds it manages) in this prospectus as Castle Harlan.

Risk Factors

You should carefully consider all of the information set forth in this prospectus and, in particular, the information under the heading Risk Factors, prior to purchasing the shares of common stock offered hereby.

Corporate Information

We are a Delaware corporation, incorporated on October 3, 1988, and our principal executive offices are located at 3333 New Hyde Park Road, Suite 210, New Hyde Park, New York 11042. Our telephone number is (516) 627-1515. Our website address is http://www.mortons.com. The information contained on our website does not constitute part of, nor is it incorporated into, this prospectus.

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THE OFFERING

Common stock offered by us	shares
Common stock offered by the selling stockholders	shares
Common stock to be outstanding immediately after this offering	shares
Use of proceeds	We estimate that the net proceeds from this offering, at an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this preliminary prospectus, after deducting underwriting discounts and commissions and other estimated offering expenses payable by us, will be approximately $ million. If the underwriters exercise their over-allotment option in full to purchase up to additional shares of our common stock, we estimate that our net proceeds, calculated as described above, will be approximately $ million.

We intend to use the net proceeds from this offering, together with the proceeds from borrowings under a new senior revolving credit facility that we intend to enter into in connection with this offering, as follows:

(1) approximately $ million to repay all of our currently outstanding 7.5% senior secured notes, including a prepayment premium of approximately $ million;

(2) approximately $ million to repay all of the currently outstanding 14% senior secured notes of MHCI, including a prepayment premium of approximately $ million;

(3) approximately $ million to pay the termination fee in connection with the termination of MHLLC s management agreement with Castle Harlan, Inc.;

(4) approximately $ million to collateralize outstanding letters of credit issued under our current working capital facility; and

(5) the remainder for general corporate purposes.

We will not receive any of the proceeds from the common stock sold by selling stockholders in this offering.

Proposed New York Stock Exchange symbol	MRT

The number of shares of our common stock to be outstanding immediately after this offering is based on the number of shares outstanding on October 2, 2005 and excludes the following:

- up to shares of our common stock that may be issued by us if the underwriters exercise their over-allotment option to purchase additional shares;

options to purchase shares of common stock at a weighted average exercise price of $ per share that we intend to issue and shares of restricted stock that we intend to issue, prior to the consummation of this offering, under an equity incentive plan we intend to implement prior to the consummation of this offering; and

an aggregate of additional shares of our common stock that will initially be available for future awards pursuant to the equity incentive plan referred to above, plus potential future increases in the number of shares available for issuance under that equity incentive plan.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following table contains summary consolidated financial data as of October 2, 2005 and for fiscal 2002, 2003, 2004 and for the nine month periods ended October 3, 2004 and October 2, 2005. The following table also contains summary consolidated balance sheet financial data as of October 2, 2005, as adjusted, to give effect to this offering and the other transactions described in the first paragraph under the caption Capitalization as if they had occurred as of October 2, 2005. Interim period summary financial data are not indicative of results for the full fiscal year. The summary financial data for fiscal 2002, 2003 and 2004 are derived from our audited consolidated financial statements contained elsewhere in this prospectus. The summary financial data as of October 2, 2005 and for the nine month periods ended October 3, 2004 and October 2, 2005 are derived from our unaudited consolidated financial statements contained elsewhere in this prospectus, which, in our opinion, include all adjustments, consisting of only usual recurring adjustments, necessary for the fair presentation of that information for these periods. The summary financial data should be read in conjunction with Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto contained elsewhere in this prospectus.

On July 25, 2002, MHLLC acquired all of our outstanding stock in a business combination accounted for under the purchase method of accounting. As a result of the acquisition, our capital structure and our basis of accounting under the push down method for the period prior to the acquisition, which we sometimes refer to as the Predecessor Period, differ from our capital structure and our basis of accounting for the periods after the acquisition, which we sometimes refer to as the Successor Period. Therefore, our financial data as of dates and for periods prior to July 25, 2002 are not comparable to our financial data as of dates or for periods on or after July 25, 2002. As a result of the acquisition, our consolidated statements of operations for the Successor Period include amortization expense relating to debt issuance costs and management fees that did not exist prior to the acquisition. Further, as a result of purchase accounting, the fair values of our fixed assets on the date of acquisition became their new cost basis. Accordingly, the depreciation of these assets for the Successor Period is based upon their newly established cost basis. Other effects of purchase accounting in the Successor Period are not considered significant.

The unaudited as adjusted balance sheet data as of October 2, 2005 are derived from the balance sheet of such date and gives effect to this offering and the transactions related thereto as if they had occurred as of October 2, 2005. The unaudited as adjusted financial data are subject to a number of assumptions and uncertainties and do not purport to reflect what our financial position would have been had these transactions taken place on the date indicated and are not intended to project our financial position for any future date.

We use a 52 or 53-week fiscal year that ends on the Sunday closest to January 1. In this prospectus, we sometimes refer to the fiscal years ended December 29, 2002, January 4, 2004 and January 2, 2005 as fiscal 2002, fiscal 2003 and fiscal 2004, respectively. Approximately every six or seven years a 53^{rd} week is added to our fiscal year. Fiscal 2002 and 2004 each consisted of 52 weeks, while fiscal 2003 consisted of 53 weeks. As a result, some of the differences in our results of operations between those fiscal years are attributable to the different lengths of the fiscal years. The nine month periods ended October 3, 2004 and October 2, 2005 each consisted of 39 weeks.

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	Fiscal Year 2002					
	Predecessor Period	Successor Period				
			Fiscal Year		Nine Month Periods Ended	
					(unaudited)	
	Dec. 31, 2001 to July 24, 2002 Restated(1)	July 25, 2002 to Dec. 29, 2002 Restated(1)	2003	2004	Oct. 3, 2004	Oct. 2, 2005
	(dollars in thousands)					
Statement of Operations Data: (2)(3)						
Revenues	$ 132,433	$ 105,704	$ 258,668	$ 276,334	$ 199,682	$ 217,122
Food and beverage costs	45,566	35,797	86,265	93,222	67,566	72,328
Restaurant operating expenses	60,111	51,134	124,051	127,000	95,457	104,109
Pre-opening costs	703	1,254	904	1,059	553	2,050
Depreciation and amortization	6,593	1,913	5,360	6,435	4,766	5,327
General and administrative expenses	8,483	6,369	16,680	18,949	14,011	16,431
Marketing and promotional expenses	3,005	3,597	5,933	8,472	7,002	4,082
Operating income	7,972	5,640	19,475	21,197	10,327	12,795
(Gain) loss on insurance proceeds (4)	(1,443)			(986)		
Costs associated with the repayment of certain debt (5)			2,349	264	264	174
(Gain) loss on sale of investment (6)						(664)
Costs associated with strategic alternatives and proxy contest (7)	9,078					
Restaurant closing (credit) costs (8)	(300)					
Interest expense, net	4,647	2,876	8,862	14,989	10,671	12,945
Management fee paid to related party (9)		1,243	2,800	2,800	2,100	2,100
(Loss) income before income taxes	(4,010)	1,521	5,464	4,130	(2,708)	(1,760)
Income tax expense (benefit)	818	642	1,224	4,868	86	(1,355)
Net (loss) income	$ (4,828)	$				