MORTONS RESTAURANT GROUP INC
Form DEFA14A
July 17, 2002

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant /X/

Filed by a Party other than the Registrant / /

Check the appropriate box:

/ / Preliminary Proxy Statement
/ / Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
/ / Definitive Proxy Statement
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MORTON'S RESTAURANT GROUP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

/X/ No fee required.

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(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:
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(2) Form, Schedule or Registration Statement No.:
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(3) Filing Party:
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(4) Date Filed:

July 17, 2002

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FOR IMMEDIATE RELEASE

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MORTON'S RESTAURANT GROUP REPORTS RESULTS FOR 2002 SECOND QUARTER

New Hyde Park, NY....Morton's Restaurant Group, Inc. (NYSE:MRG) today reported 2002 second quarter revenues of $57,800,000, up 1.4% versus 2001 second quarter revenues of $57,006,000. Net income for the 2002 second quarter was $66,000, or $0.02 per diluted share, which includes a pretax gain on insurance proceeds of $125,000, or $0.02 after tax per diluted share; a pretax credit of $300,000, or $0.05 after tax per diluted share, representing the recovery of write-down and exit costs, which were less than initially anticipated, associated with the Sydney, Australia restaurant closing; and pretax costs of $1,426,000, or $0.24 after tax per diluted share, associated with the company's merger and evaluation of strategic alternatives. Due to fewer restaurant openings in the period, pre-opening costs incurred and recorded as expense for the 2002 second quarter were $363,000, or $0.06 after tax per diluted share compared to $1,762,000, or $0.30 after tax per diluted share for the comparable period in 2001. The net loss for the second quarter of 2001 was $1,535,000, or $0.37 per diluted share. Morton's of Chicago comparable restaurant revenues declined 2.3% for the 2002 second quarter.

Revenues for the six months ended June 30, 2002 were $118,906,000, down 3.6%, versus $123,348,000 for the comparable 2001 period. For the six months ended June 30, 2002, net income was $2,331,000, or $0.55 per diluted share, which includes a pretax gain on insurance proceeds of $1,443,000, or $0.24 after tax per diluted share; a pretax credit of $300,000, or $0.05 after tax per diluted share, representing the recovery of write-down and exit costs, which were less than initially anticipated, associated with the Sydney, Australia restaurant closing; and pretax costs of $2,665,000, or $0.44 after tax per diluted share, associated with the company's merger and evaluation of strategic alternatives. Due to fewer restaurant openings in the period, pre-opening costs incurred and recorded as expense for the 2002 six month period were $650,000, or $0.11 after tax per diluted share compared to $2,376,000, or $0.39 after tax per diluted share for the comparable period in 2001. Net income was $1,209,000, or $0.28 per diluted share, for the six-month period ended July 1, 2001. Morton's of Chicago comparable restaurant revenues declined 7.1% for the six-month period ended June 30, 2002.

During 2002, in accordance with the adoption of SFAS 142, "Goodwill and Intangible Assets", the company ceased amortizing goodwill. Included in the 2001 three month and six month periods ended July 1, 2001, is goodwill amortization of approximately $101,000, or $0.02 per diluted share and approximately $202,000, or $0.05 per diluted share respectively.

Consistent with its previous announcements, the company said that due to the severe nationwide impact of the World Trade Center terrorist attacks, the continuing impact of the troubled economy, unfavorable business conditions, corporate spending cutbacks and reduced business travel, it has experienced, and may continue to experience, weak revenue trends and negative comparable restaurant revenues. These adverse operating conditions, weak revenue trends, and investment banking, legal and other costs associated with the company's merger and evaluation of strategic alternatives have, and are expected to continue to negatively impact results.

The company believes that if such unfavorable conditions continue, or worsen, future results will also be adversely affected, the full extent of which cannot be determined or forecasted at this time.

On March 26, 2002, the company entered into a definitive merger agreement, as amended, providing for the acquisition of Morton's by an affiliate of Castle Harlan Partners III, L.P., a New York based private equity investor. The aggregate purchase price (including assumed debt) is approximately $168.4 million. Under the terms of the agreement, Morton's stockholders will receive $17.00 in cash for each share of common stock. Consummation of the merger is subject to customary closing conditions.

Allen J. Bernstein, chairman, president and chief executive officer said, "The quarter was favorably impacted by our ongoing cost reduction programs which continued to be effective during 2002, enabling the company to reduce general and administrative expenses by over one million dollars in the quarter, compared to the prior year. Additionally, due to fewer restaurant openings, pre-opening costs were approximately $1.4 million lower than the comparable 2001 quarter."

During April 2002, the company opened a new Morton's in King of Prussia, PA. The company has commenced construction to open new Morton's in Arlington, VA; Burbank, CA; and Paramus, NJ. During January 2002, the Morton's of Chicago steakhouse in Sydney, Australia was closed.

At June 30, 2002, Morton's Restaurant Group owned and operated 66 restaurants (62 Morton's of Chicago steakhouses and 4 Bertolini's Authentic Trattorias) in 57 cities and 27 states, in the continental United States, Hawaii, Puerto Rico, Canada, Hong Kong and Singapore.

FORWARD-LOOKING STATEMENTS

EXCEPT FOR THE HISTORICAL INFORMATION CONTAINED IN THIS NEWS RELEASE, THE MATTERS ADDRESSED ARE FORWARD-LOOKING STATEMENTS THAT INVOLVE CERTAIN RISKS AND UNCERTAINTIES, INCLUDING BUT NOT LIMITED TO, GENERAL ECONOMIC CONDITIONS, COMPETITIVE ACTIVITIES, THE COMPANY'S EXPANSION PLANS AND RESTAURANT PROFITABILITY LEVELS AND OTHER MATTERS IDENTIFIED FROM TIME TO TIME IN THE COMPANY'S PUBLIC REPORTS AND SEC FILINGS. ACTUAL RESULTS MAY VARY.

ADDITIONALLY, THIS DOCUMENT CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES RELATING TO THE PROPOSED MERGER AND OTHER FUTURE EVENTS, INCLUDING WHETHER AND WHEN THE PROPOSED MERGER WILL BE CONSUMMATED. A VARIETY OF

FACTORS COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY THE FORWARD-LOOKING STATEMENTS. THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO, RISKS THAT STOCKHOLDER APPROVAL AND MATERIAL THIRD PARTY CLEARANCES MAY NOT BE OBTAINED IN A TIMELY MANNER OR AT ALL, THAT AN ORDER OR INJUNCTION MAY BE IMPOSED PROHIBITING OR DELAYING THE MERGER AND THAT ANY OTHER CONDITIONS TO THE MERGER MAY NOT BE SATISFIED OR WAIVED. THE COMPANY ASSUMES NO OBLIGATION TO UPDATE THE FORWARD-LOOKING INFORMATION.

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MORTON'S RESTAURANT GROUP, INC.

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

(UNAUDITED)

	CONSOLIDATED STATEMENTS OF INCOME (LOSS)			
	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2002	JULY 1, 2001	JUNE 30, 2002	JULY 1, 2001
Revenues	$57,800	$57,006	$118,906	$123,348
Food and beverage costs	19,509	19,602	40,713	42,272
Restaurant operating expenses	27,002	26,485	54,367	54,318
Pre-opening costs, depreciation, amortization and non-cash charges	2,910	4,313	5,346	7,068
General and administrative expenses	3,727	4,846	7,485	9,778
Marketing and promotional expenses	1,493	1,674	2,682	3,873
Gain on insurance proceeds	125	--	1,443	--
Restaurant closing costs (credit)	(300)	--	(300)	--
Costs associated with merger, strategic alternatives and proxy contest	1,426	370	2,665	370
Interest expense, net	2,064	1,909	4,061	3,942
Income (loss) before income taxes	94	(2,193)	3,330	1,727
Income tax expense (benefit)	28	(658)	999	518
Net income (loss)	$ 66	$(1,535)	$ 2,331	$ 1,209
Net income (loss) per share:				
Basic	$ 0.02	$ (0.37)	$ 0.56	$ 0.29
Diluted	$ 0.02	$ (0.37)	$ 0.55	$ 0.28
Weighted average shares outstanding:				
Basic	4,188	4,173	4,185	4,166
Diluted	4,244	4,173	4,213	4,299

Number of restaurants at:

Beginning of periods	65	62	66	62
End of periods	66	64	66	64

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MORTON'S RESTAURANT GROUP, INC.
(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	CONSOLIDATED BALANCE SHEETS	
	JUNE 30, 2002	DECEMBER 30, 2001
Current assets:		
Cash and cash equivalents	$ 5,163	$ 4,827
Accounts receivable	3,133	3,988
Income taxes receivable	1,788	560
Inventories	7,497	8,061
Landlord construction receivables, prepaid expenses and other current assets	1,557	2,632
Deferred income taxes	4,203	4,616
Total current assets	23,341	24,684
Property and equipment, net	81,391	82,936
Intangible assets, net of accumulated amortization of $5,072 at June 30, 2002 and December 30, 2001	10,923	10,923
Deferred income taxes	5,926	6,907
Insurance receivable	--	1,682
Other assets and deferred expenses, net of accumulated amortization of $703 at June 30, 2002 and $649 at December 30, 2001	8,029	7,582
	$129,610	$134,714
Current liabilities:		
Accounts payable and accrued expenses	$ 22,595	$ 26,097
Current portion of obligations to financial institutions and capital leases	3,420	4,477
Accrued income taxes	659	--
Total current liabilities	26,674	30,574
Obligations to financial institutions and capital leases, less current maturities	95,990	100,232
Other liabilities	4,510	4,118
Total liabilities	127,174	134,924
Stockholders' equity (deficit):		
Preferred stock, $.01 par value per share. Authorized 3,000,000 shares, no shares issued or outstanding	--	--
Common stock, $.01 par value per share. Authorized 25,000,000 shares, issued 6,808,801 at June 30, 2002 and 6,803,801 shares at December 30, 2001	68	68

Nonvoting common stock, $.01 par value per share. Authorized 3,000,000 shares, no shares issued or outstanding	--	--
Additional paid-in capital	63,528	63,478
Accumulated other comprehensive loss	(685)	(907)
Accumulated deficit	(13,764)	(16,095)
Less treasury stock, at cost, 2,619,090 shares at June 30, 2002 and 2,624,154 shares at December 30, 2001	(46,711)	(46,754)
Total stockholders' equity (deficit)	2,436	(210)
	$129,610	$134,714