

Morton's Restaurant Group, Inc. First Quarter 2008 Revenues Up 6.2%  
2008-05-01

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Morton's Restaurant Group, Inc. Reports Results for First Quarter 2008

Morton's Restaurant Group, Inc. (NYSE:MRT) reported unaudited financial results for its fiscal 2008 first quarter.

The three month period ended March 30, 2008 as compared to the three month period ended April 1, 2007 (13 weeks to 13 weeks)

Revenues increased 6.2% to \$94.4 million.

Comparable restaurant revenues for Morton's steakhouses increased 0.7% for the first quarter of fiscal 2008 ended March 30, 2008. Due to a fiscal calendar shift, the first quarter of fiscal 2008 included New Year's Eve's (December 31, 2007) revenue, which was not included in the first quarter of fiscal 2007. Excluding the first day of both fiscal quarters, comparable restaurant revenues for Morton's steakhouses would have decreased 2.1% for the first quarter of fiscal 2008.

The growth in revenues is attributable in part to the shift of New Year's Eve into the first quarter of 2008, as well as to revenues from five new Morton's steakhouses, which opened during fiscal 2007, and one new Morton's steakhouse, which opened during fiscal 2008.

The Company's net income was \$2.4 million, or \$0.14 per diluted share, for the three month period ended March 30, 2008, which compares to net income of \$5.0 million, or \$0.29 per diluted share, for the three month period ended April 1, 2007.

As previously announced, Morton's revenues have been pressured by the challenging and uncertain macroeconomic environment in the United States and industry headwinds, which resulted in weaker guest traffic throughout the industry. Weaker comparable restaurant revenues adversely impacted earnings due to the deleveraging on the fixed cost base.

"Morton's revenues increased, however, pressure on operating costs impacted quarterly results," said Thomas J. Baldwin, Chairman and Chief Executive Officer of Morton's Restaurant Group. "Our development plans and our focus on strategic initiatives are backed by our nearly thirty years of operating history and our steadfast commitment to providing high-quality food, service and Morton's genuine hospitality. This commitment continues to make Morton's, what we believe to be, the premium brand in the fine dining segment. Further, we believe that Morton's is well positioned for long-term growth, as the U.S. economy rebounds. Our four primary growth initiatives include broadening Morton's appeal, expanding our rollout of Bar 12-21 (Morton's bar dining concept), growing revenues from Morton's private dining boardrooms and pursuing disciplined new restaurant growth in key geographic markets. Morton's continues to work hard to manage elements that are within the Company's control and manage through challenging market conditions and this uncertain economic period."

### **Restaurant Development**

On March 7, 2008, the Company opened a Morton's steakhouse in Naperville, IL. The Company has entered into leases to open new Morton's steakhouses in Brooklyn, NY, Coral Gables, FL, Ft. Lauderdale, FL, Indian Wells, CA, Leawood/Overland Park, KS, and Miami Beach, FL.

During the first quarter of fiscal 2008, the Company completed the introduction of Bar 12-21 in its Morton's steakhouse in Los Angeles (Downtown).

Based on a strategic assessment of trends, the Company closed its Bertolini's in Indianapolis, IN in March 2008.

### **Stock Repurchase**

In the first quarter of fiscal 2008, the Company announced that its Board of Directors had authorized the repurchase of a total of \$10.0 million of the Company's common stock. Through April 29, 2008, the Company had repurchased approximately \$6.3 million of its common stock.

### **Second Quarter Fiscal 2008 and Full Year Fiscal 2008 Financial Guidance**

At this time, the Company believes it has limited ability to provide guidance given the current uncertainty of the U.S. economy and the external environment. The Company cautions that the guidance provided herein could differ materially from actual results.

The Company currently expects second quarter of fiscal 2008 revenues to range between \$89.0 million and \$91.0 million, including decreases in comparable restaurant revenues for Morton's steakhouses of approximately 1% to 2% as compared to the second quarter of fiscal 2007. Second quarter diluted net income per share is expected to approximate \$0.10 to \$0.13. This range includes estimated compensation expense, net of related income taxes, pursuant to Statement of Financial Accounting Standards No. 123R, "Share Based Payment" ("SFAS No. 123R"), which requires the expensing of stock issued to employees (approximately \$0.02 per diluted share). This range also includes expectations that the Company's effective income tax rate for the second quarter of fiscal 2008 will approximate 26%. During the second quarter of fiscal 2008, the Company expects to open one Morton's steakhouse, which will include a Bar 12- 21 and a new temperature controlled display wine room.

The Company currently expects fiscal year 2008 revenues to range between \$380.0 million and \$385.0 million, including increases in comparable restaurant revenues for Morton's steakhouses of approximately 0.0% to 1.5% as compared to fiscal 2007. This range reflects that fiscal 2008 will consist of 53 weeks compared to 52 weeks for fiscal 2007. The fourth quarter of fiscal 2008 will consist of 14 weeks compared to 13 weeks for the fourth quarter of fiscal 2007. Furthermore, fiscal 2008 is scheduled to include revenue from two New Year's Eves (December 31, 2007 in the first quarter and December 31, 2008 in the fourth quarter) and fiscal 2007 did not include revenue from New Year's Eve. Diluted net income per share is expected to approximate \$0.57 to \$0.62. This range includes estimated compensation expense, net of related income taxes, pursuant to SFAS No. 123R (approximately \$0.08 to \$0.10 per diluted share). This range also includes expectations that the Company's 2008 effective income tax rate will approximate 27.5%. During fiscal 2008, the Company expects to open four to six Morton's steakhouses, each of which will include a Bar 12-21 and a new temperature controlled display wine room. In addition, during fiscal 2008, we expect to retrofit up to eight Morton's steakhouses to include Bar 12-21.

Morton's Restaurant Group, Inc.  
Consolidated Statements of Income and Margin Analysis - Unaudited  
(Amounts in thousands, except per share data)

	Three Month Periods Ended			
	March 30, 2008		April 1, 2007	
Revenues	\$94,439	100.0%	\$88,887	100.0%
Food and beverage costs	31,320	33.2%	30,109	33.9%
Restaurant operating expenses	45,844	48.5%	40,717	45.8%
Pre-opening costs	970	1.0%	986	1.1%
Depreciation and amortization	3,254	3.4%	2,333	2.6%
General and administrative expenses	6,958	7.4%	5,288	5.9%
Marketing and promotional expenses	1,894	2.0%	1,458	1.6%
Operating income	4,199	4.4%	7,996	9.0%
Interest expense, net	749	0.8%	881	1.0%
Income before income taxes	3,450	3.7%	7,115	8.0%
Income tax expense	1,088	1.2%	2,117	2.4%
Net income	\$2,362	2.5%	\$4,998	5.6%
Net income per share:				
Basic	\$0.14		\$0.30	
Diluted	\$0.14		\$0.29	
Shares used in computing net income per share:				
Basic	16,614.9		16,917.2	
Diluted	16,614.9		16,960.7	

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