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GRILL CONCEPTS INC  
Form 10-K  
March 26, 2004

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 28, 2003

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File No. 0-23226

GRILL CONCEPTS, INC.

(Exact name of registrant as specified in its charter)

Delaware

13-3319172

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

11661 San Vicente Blvd., Suite 404, Los Angeles, California 90049

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Include Area Code: (310) 820-5559

Securities Registered Under Section 12(b) of the Exchange Act:

| Title of Each Class | Name of Each Exchange on Which Registered |
|---------------------|---|
| None                | None                                      |

Securities Registered Under Section 12(g) of the Exchange Act:

Common Stock, \$.00004 par value

(Title of Class)

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  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the

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best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes [ ] No [X]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price on the NASDAQ Small-Cap Market, as of the close of business June 30, 2003 was approximately \$ 7,424,000.

Number of shares outstanding of the registrant's common stock, \$.00004 par value, as of March 12, 2004: 5,537,071 shares.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive annual proxy statement to be filed within 120 days of the Registrant's fiscal year ended December 28, 2003 are incorporated by reference into Part III.

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## PART I

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Company's actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such a difference are discussed in the section entitled "Certain Factors Affecting Future Operating Results" beginning on page 33 of this Form 10-K.

## ITEM 1. BUSINESS

Except as expressly indicated or unless the context otherwise requires, as used herein, "GCI," the "Company", "we", "our", or "us", means Grill Concepts, Inc., a Delaware corporation and its subsidiaries.

## GENERAL

Grill Concepts, Inc. and its subsidiaries (the "Company") develop and operate casual dining restaurants under the name "Daily Grill" and fine dining restaurants under the name "The Grill on the Alley." In addition, we own and operate, or have management or licensing agreements with respect to, other restaurant properties.

The Company was incorporated under the laws of the State of Delaware in November of 1985 to acquire and operate franchised Pizzeria Uno restaurants. Since our acquisition of Grill Concepts, Inc., a California corporation ("GCI"), in March of 1995, we have focused principally on the expansion of the "Daily Grill" and "The Grill on the Alley" restaurant formats of GCI.

At December 28, 2003, we owned and operated fourteen restaurants and managed or licensed eight additional restaurants. Of the total ten Daily Grill restaurants and four The Grill on the Alley restaurants are owned and operated, five Daily Grill restaurants are managed and two Daily Grill restaurants and a City Bar & Grill restaurant are licensed by us. With the exception of three The Grill on the Alley restaurants, which are operated by partnerships, all of the Daily Grill and The Grill on the Alley restaurants which were owned and operated at December 28, 2003 were solely owned and operated on a non-franchise basis by us.

In 2001 the Company entered into a strategic alliance with Starwood Hotels and Resorts Worldwide, Inc. to jointly develop the Company's restaurant properties in Starwood hotels. Management believes that the opening of restaurants in hotel properties in strategic markets will help further establish brand name recognition for the opening of free-standing restaurants in those markets.

During 2002, we opened two managed restaurants, consisting of (1) a Daily Grill restaurant, not subject to the Starwood alliance, opened in February 2002 in the Handlery Union Square Hotel in San Francisco, California, and (2) a Daily Grill restaurant opened in July 2002 in the Westin Galleria Hotel in Houston, Texas pursuant to our alliance with Starwood. During 2002, we (1) sold our last Pizzeria Uno franchise in Cherry Hill, New Jersey and (2) closed the Daily Grill in Encino, California.

During 2003, the Company continued to pursue a strategic growth plan whereby the Company plans to open, and/or convert, and operate, and/or manage, Daily Grill and The Grill on the Alley restaurants in hotel properties, and free-standing restaurants, in strategic markets throughout the United States.

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During 2003, we opened one owned and one managed restaurant, being (1) a 50.1% owned Daily Grill opened in January 2003 in El Segundo (South Bay), California, and (2) a managed Daily Grill opened in September 2003 in the Portland Westin Hotel in Portland, Oregon operated pursuant to our alliance with Starwood.

In January 2004, a 100% owned Daily Grill, not covered by the Starwood alliance, was opened in the Hyatt Bethesda Hotel in Bethesda, Maryland.

The following table sets forth unaudited restaurant count information, per restaurant sales information, comparable restaurant sales information for restaurants open twelve months in both periods, and total sales information during 2003 and 2002 by restaurant concept for both owned restaurants ("Company Restaurants") and managed and/or licensed restaurants ("Managed Restaurants"):

-3-

|                                  | 2002  | 2003  |
|----------------------------------|-------|-------|
|                                  | ----- | ----- |
| Number of restaurants:           |       |       |
| Daily Grill restaurants:         |       |       |
| Company Restaurants:             |       |       |
| Beginning of year                | 10    | 9     |
| Restaurant opening               | -     | 1     |
| Restaurant closings              | (1)   | -     |
|                                  | ----- | ----- |
| End of year                      | 9     | 10    |
| Managed or Licensed Restaurants: |       |       |
| Beginning of year                | 4     | 6     |
| Restaurant openings              | 2     | 1     |
|                                  | ----- | ----- |
| End of year                      | 6     | 7     |
| Total Daily Grill restaurants:   |       |       |
| Beginning of year                | 14    | 15    |
| Restaurant openings              | 2     | 2     |
| Restaurants closed or sold       | (1)   | -     |
|                                  | ----- | ----- |
| End of year                      | 15    | 17    |
|                                  | ===== | ===== |
| Grill restaurants:               |       |       |
| Company Restaurants:             |       |       |
| Beginning of year                | 4     | 4     |
| Restaurant openings              | -     | -     |
|                                  | ----- | ----- |
| End of year                      | 4     | 4     |
| Total Grill restaurants:         |       |       |
| Beginning of year                | 4     | 4     |
| Restaurant openings              | -     | -     |
|                                  | ----- | ----- |
| End of year                      | 4     | 4     |
|                                  | ===== | ===== |

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Other restaurants1:

Company Restaurants:

|                            |       |       |
|----------------------------|-------|-------|
| Beginning of year          | 1     | -     |
| Restaurants closed or sold | (1)   | -     |
|                            | ----- | ----- |
| End of year                | -     | -     |

Managed or Licensed Restaurants:

|                   |       |       |
|-------------------|-------|-------|
| Beginning of year | 1     | 1     |
|                   | ----- | ----- |
| End of year       | 1     | 1     |

Total Other restaurants:

|                            |       |       |
|----------------------------|-------|-------|
| Beginning of year          | 2     | 1     |
| Restaurants closed or sold | (1)   | -     |
|                            | ----- | ----- |
| End of year                | 1     | 1     |
|                            | ===== | ===== |

Total restaurants:

|                            |       |       |
|----------------------------|-------|-------|
| Beginning of year          | 20    | 20    |
| Restaurant openings        | 2     | 2     |
| Restaurants closed or sold | (2)   | -     |
|                            | ----- | ----- |
| End of year                | 20    | 22    |
|                            | ===== | ===== |