

CB RICHARD ELLIS GROUP INC

Form S-1/A

April 05, 2004

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As filed with the Securities and Exchange Commission on April 5, 2004

Registration No. 333-112867

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CB Richard Ellis Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

6500
(Primary Standard Industrial
Classification Code Number)

94-3391143
(I.R.S. Employer
Identification No.)

865 South Figueroa Street, Suite 3400

Los Angeles, CA 90017

(213) 438-4880

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Kenneth J. Kay

Chief Financial Officer

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CB Richard Ellis Group, Inc.

(formerly known as CBRE Holding, Inc.)

865 South Figueroa Street, Suite 3400

Los Angeles, CA 90017

(213) 438-4880

(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 sale to the public: As soon as practicable after the effective date of this Registration Statement.

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, 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 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(d) 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 delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. "

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 of 1933, as amended, or until this Registration Statement shall become effective on such date as the 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 these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 5, 2004

Shares

CB Richard Ellis Group, Inc.

Class A Common Stock

Prior to this offering, there has been no public market for our Class A common stock. The initial public offering price of our Class A common stock is expected to be between \$ _____ and \$ _____ per share. We have applied to list our Class A common stock on the New York Stock Exchange under the symbol CBG.

We are selling _____ shares of Class A common stock and the selling stockholders are selling _____ shares of Class A common stock. We will not receive any of the proceeds from the shares of Class A common stock sold by the selling stockholders.

The underwriters have an option to purchase a maximum of _____ additional shares of Class A common stock from the selling stockholders to cover over-allotments of shares.

Investing in our Class A common stock involves risks. See Risk Factors beginning on page 8.

<u>Price to Public</u>	<u>Underwriting Discounts and Commissions</u>	<u>Proceeds to CB Richard Ellis Group</u>	<u>Proceeds to Selling Stockholders</u>
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Per Share	\$	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$	\$

Delivery of the shares of Class A common stock will be made on or about _____, 2004.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston

Citigroup

The date of this prospectus is _____, 2004.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this prospectus.

CB Richard Ellis and the CBRE CB Richard Ellis corporate logo set forth on the cover of this prospectus are the registered trademarks of CB Richard Ellis Group, Inc. and its subsidiaries in the United States. All other trademarks or service marks are trademarks or service marks of the companies that use them.

Industry and market data used in this prospectus were obtained from our own research, publicly available studies conducted by third parties and publicly available industry and general publications published by third parties and, in some cases, are management estimates based on its industry and other knowledge. While we believe our research and management estimates are reliable, they have not been verified by independent sources.

Some figures in this prospectus may not total due to rounding adjustments.

Dealer Prospectus Delivery Obligation

Until _____, 2004, all dealers that effect transactions in these securities, whether or not participating in the offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

This summary may not contain all of the information that may be important to you. You should read this summary together with the entire prospectus, including the information presented under the heading "Risk Factors" and the more detailed information in the financial statements and related notes appearing elsewhere in this prospectus, before making an investment decision. Unless the context indicates otherwise, (1) references in this prospectus to "common stock" mean our Class A common stock and (2) information presented on a "pro forma basis" gives effect to our acquisition of Insignia Financial Group, Inc. on July 23, 2003 and the related transactions and financings and the completion of the offering and the use of the net proceeds we receive, in each case as described in this prospectus under the heading "Unaudited Pro Forma Financial Information."

CB Richard Ellis Group, Inc.

We are the largest global commercial real estate services firm, based on 2003 revenue, offering a full range of services to occupiers, owners, lenders and investors in office, retail, industrial, multi-family and other commercial real estate assets. As of December 31, 2003, we operated in 48 countries with over 13,500 employees in 220 offices providing commercial real estate services under the "CB Richard Ellis" brand name. Our business is focused on several service competencies, including strategic advice and execution assistance for property leasing and sales, forecasting, valuations, origination and servicing of commercial mortgage loans, facilities and project management and real estate investment management. We generate revenues both on a per project or transaction basis and from annual management fees.

We have a well-balanced, highly diversified base of clients that includes more than 60% of the *Fortune 100*. Many of our clients are consolidating their commercial real estate-related expenditures with fewer providers and, as a result, awarding their business to those providers that have a strong presence in important markets and the ability to provide a complete range of services worldwide. As a result of this trend and our ability to deliver comprehensive solutions for our clients' needs across a wide range of markets, we believe we are well positioned to capture a growing percentage of our clients' commercial real estate services expenditures.

Industry Overview

We estimate the U.S. commercial real estate services market generated approximately \$27 billion in revenue in 2003, representing approximately one-third of the total global market for commercial real estate services. Based upon average rental rates and total stock of office and industrial space, we also estimate that the U.S. commercial real estate services market grew at a compound annual growth rate of 3.4% from 1991 through 2003, and we expect this market to grow to approximately \$32 billion in revenue by 2006, representing a compound annual growth rate of 5.8%.

During the next few years, we believe the key drivers of revenue growth for the largest commercial real estate services companies will be the following:

Outsourcing. Motivated by reduced costs, lower overhead, improved execution across markets, increased operational efficiency and a desire to focus on their core competencies, property owners and occupiers have increasingly contracted out for commercial real estate services, including transaction management, facilities management, project management, lease administration, property management and property accounting.

Consolidation. The commercial real estate services industry remains highly fragmented, and we believe that major property owners and corporate users are motivated to consolidate their service provider relationships on a regional, national and global basis to obtain more consistent execution across markets, to achieve economies of scale and enhanced purchasing power and to benefit from streamlined management oversight and the efficiency of single point of contact service delivery.

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Institutional Ownership of Commercial Real Estate. Institutional owners, such as real estate investment trusts, or REITs, pension funds, foreign institutions and other financial entities, increasingly are acquiring more real estate assets and financing them in the capital markets. We believe it is likely that these owners will consolidate their use of commercial real estate services vendors and outsource management of their portfolios.

Our Regions of Operation and Principal Services

We have organized our business and report our results of operations through three geographically organized segments: (1) the Americas, (2) Europe, Middle East and Africa, or EMEA, and (3) Asia Pacific.

The Americas

The Americas is our largest segment of operations and provides a comprehensive range of services throughout the United States and in the largest metropolitan regions in Canada, Mexico and other selected parts of Latin America. Our Americas segment accounted for 73.5% of our 2003 revenue.

Within our Americas segment, we organize our services into the following business areas:

Advisory Services. Our advisory services business line accounted for 59.7% of our 2003 revenue. We hold the leading commercial real estate services market position in many U.S. metropolitan statistical areas (as defined by the U.S. Census Bureau), including in terms of 2003 office leasing transactions in New York and Philadelphia; property sales and leasing transactions in Atlanta; and leased square footage in Chicago, Boston and Dallas.

Real Estate Services. We provide strategic advice and execution assistance to owners, investors and occupiers of real estate in connection with leasing, disposition and acquisition of property.

Mortgage Loan Origination and Servicing. Our wholly owned L.J. Melody & Company subsidiary originates and services commercial mortgage loans without incurring principal risk.

Valuation. We provide valuation services that include market value appraisals, litigation support, discounted cash flow analyses and feasibility and fairness opinions.

Outsourcing Services. Our outsourcing services business line accounted for 11.2% of our 2003 revenue. As of December 31, 2003, we managed approximately 422.8 million square feet of commercial space for property owners and occupiers, which we believe represents one of the largest portfolios in the Americas.

Asset Services. We provide property management, construction management, marketing, leasing, accounting and financial services on a contractual basis for income-producing office, industrial and retail properties owned by local, regional and institutional investors.

Corporate Services. We provide a comprehensive set of portfolio management, transaction management, project management, strategic consulting, facilities management and other corporate real estate services to leading global companies and public sector institutions with large, geographically-diverse real estate portfolios.

Investment Management Services. Our investment management services business line accounted for 2.6% of our 2003 revenue. Our wholly owned subsidiary, CB Richard Ellis Investors, L.L.C., provides investment management services to clients that include pension plans, investment funds, insurance companies and other organizations seeking to generate returns and diversification through investment in real estate and sponsors funds and investment programs that span the risk/return spectrum.

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Europe, Middle East and Africa

Our EMEA segment has offices in 28 countries, with its largest operations located in the United Kingdom, France, Spain, The Netherlands and Germany. Operations within the EMEA countries generally include brokerage, investment properties, corporate services, valuation/appraisal services, asset management services, facilities management and other services similar to our Americas segment. We hold strong commercial real estate services market positions in a number of European metropolitan areas, including the leading market position in London in terms of 2003 leased square footage. The EMEA segment accounted for 19.2% of our 2003 revenue.

Asia Pacific

Our Asia Pacific segment has offices in 11 countries, with our principal operations located in China (including Hong Kong), Singapore, South Korea, Japan, Australia and New Zealand. The services we provide in our Asia Pacific segment are generally similar to those provided by our Americas and EMEA segments. We believe we are one of only a few companies that can provide a full range of commercial real estate services to large corporations throughout the Asia Pacific region. The Asia Pacific segment accounted for 7.3% of our 2003 revenue.

Our Competitive Position

We believe we possess several competitive strengths that position us to capitalize on the positive outsourcing, consolidation and globalization trends in the commercial real estate services industry. Our strengths include the following:

Global Brand and Market Leading Positions. For nearly a century, we and our predecessors have built the CB Richard Ellis brand into the largest commercial real estate services provider in the world, based on 2003 revenue.

Full Service Capabilities. We provide a full range of commercial real estate services to meet the needs of our clients, and we believe this suite of services represents a broader range globally than nearly all of our competitors.

Strong Client Relationships and Client-tailored Service. We have forged long-term relationships with many of our clients. Our clients include more than 60% of the *Fortune 100*, with nearly half of these clients purchasing more than one service from us.

Attractive Business Model. Our business model features a diversified client base, recurring revenue streams, a variable cost structure, low capital requirements and strong cash flow generation.

Strong Management Team and Workforce. We have recruited a talented and motivated workforce of over 13,500 employees worldwide, who are supported by a strong and deep senior management team consisting of a number of highly-respected executives, most of whom have over 20 years of broad experience in the real estate industry.

Although we believe these strengths will create significant opportunities for our business, you should also be aware of the risks that may impact our competitive position, which include the following:

Significant Leverage. We have significant debt service obligations and the agreements governing our long-term debt impose operating and financial restrictions on the conduct of our business.

Geographic Concentration. A significant portion of our U.S. operations is concentrated in California and the New York metropolitan area. Adverse effects on these local economies may affect us more than our competitors.

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Exposure to Risks of International Operations. Because a significant portion of our revenue is derived from operations outside the United States, we are exposed to exchange rate and other foreign social, political and economic risks.

Smaller Presence in Some Markets than our Local Competitors. Although we have a large global presence, many of our competitors may be larger on a local or regional basis and devote more resources to these markets.

Our Growth Strategy

We believe we have built an integrated, global services platform that is unparalleled in our industry. Our primary business objective is to use this platform to garner a disproportionate share of industry revenues relative to our competitors. We believe this will enable us to maximize and sustain our long-term cash flow and increase long-term stockholder value. Our strategy to achieve these business objectives consists of several elements:

Increase Revenue from Large Clients. We plan to capitalize on our client management strategy for our large clients, by using relationship management teams to provide these clients with a full range of services globally while maximizing our revenue per client.

Capitalize on Cross-selling Opportunities. Because we believe cross-selling represents a large growth opportunity within the commercial real estate services industry, we have dedicated substantial resources and implemented several management initiatives to better enable our workforce to capitalize on these opportunities among our various lines of business.

Continue to Grow our Investment Management Business. Our growing investment management business provides us with an attractive revenue source through fees on assets under management and gains on the sale of assets.

Focus on Best Practices to Improve Operating Efficiency. In 2001, we launched a best practices initiative, branded People, Platform & Performance, to achieve operating cost reductions, and we continue to strive for efficiency improvements and cost savings in order to maximize our operating margins and cash flow.

We were incorporated in Delaware on February 20, 2001. Our principal executive offices are located at 865 South Figueroa Street, Suite 3400, Los Angeles, California 90017 and our telephone number is (213) 438-4880. Our website address is www.cbre.com. The information contained on, or accessible through, our website is not part of this prospectus.

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Common stock offered by us	shares	
Common stock offered by the selling stockholders	shares (or option in full)	shares if the underwriters exercise the over-allotment
Common stock to be outstanding after the offering	shares	
Proposed New York Stock Exchange symbol	CBG	
Use of proceeds	We estimate that our net proceeds from the offering will be \$ million, based on an initial public offering price of \$ per share, which is the mid-point of the range set forth on the cover page of this prospectus. We intend to use these net proceeds of the offering to redeem all of our outstanding 16% senior notes due 2011 and for other general corporate purposes, including repayment of other indebtedness. We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholders.	
Dividend Policy	Following the consummation of the offering, we do not expect to pay any dividends on our common stock for the foreseeable future.	
Risk Factors	You should carefully read and consider the information set forth under Risk Factors and all other information set forth in this prospectus before deciding to invest in shares of our common stock.	

The number of shares shown to be outstanding after the offering is based upon 21,853,987 shares outstanding as of March 1, 2004, reflects the automatic conversion at a one-to-one ratio of all outstanding shares of our Class B common stock into shares of Class A common stock in connection with the completion of the offering and excludes:

2,493,561 shares subject to options issued under our 2001 stock incentive plan at a weighted average exercise price of \$16.00 per share;

1,129,181 shares underlying outstanding stock fund units under our deferred compensation plan, which shares are issuable in connection with future distributions under the plan pursuant to the elections made by plan participants; and

2,500,000 additional shares available for future issuance under our 2004 stock incentive plan that we expect to adopt prior to the completion of the offering.

The number of shares shown to be outstanding after the offering includes shares that will be issued by us in connection with the automatic cashless exercise of outstanding warrants to acquire 255,477 shares of our common stock at an exercise price of \$30.00 per share as a result of the completion of the offering. This number of shares issued upon exercise of these warrants assumes an initial public offering price of \$ per share, which is the mid-point of the range set forth on the cover page of this prospectus. For additional information regarding these

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warrants, including the cashless exercise terms, you should read the description of these warrants under the heading Description of Capital Stock Warrants.

Except as otherwise indicated, all information in this prospectus assumes:

the amendment and restatement of our certificate of incorporation prior to, and again immediately after, the completion of the offering;
and

no exercise by the underwriters of their option to purchase up to additional shares from the selling stockholders to cover
over-allotments of shares.

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The following table is a summary of our historical consolidated financial data as of and for the periods presented, as well as pro forma financial data giving effect to our acquisition of Insignia Financial Group, Inc., or Insignia, the related transactions and financings for such acquisition and the offering for the periods presented. On July 20, 2001, we acquired CB Richard Ellis Services, Inc. Except as otherwise indicated below, the statement of operations data, statement of cash flow data, other data and balance sheet data for the dates and periods ended prior to July 20, 2001 are derived from the consolidated financial statements of CB Richard Ellis Services, our predecessor company. You should read this data along with the information included under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and

"Unaudited Pro Forma Financial Information" and the financial statements and related notes included elsewhere in this prospectus. The pro forma statement of operations data do not purport to represent what our results of operations would have been if the Insignia acquisition, the related transactions and financings and the offering had occurred as of the date indicated or what our results will be for future periods.

	CB Richard Ellis Group				Predecessor Company		
	Year Ended		Year Ended	Period from	Period from	Year Ended	
	December 31, 2003		December 31,	February 20 (inception) to December 31,	January 1 to July 20,	December 31,	
	Pro Forma	Actual (1)	2002	2001 (2)	2001	2000	1999
(Dollars in thousands, except share data)							
Statement of Operations Data:							
Revenue	\$ 1,948,827	\$ 1,630,074	\$ 1,170,277	\$ 562,828	\$ 607,934	\$ 1,323,604	\$ 1,213,039
Operating income (loss)	33,217	40,195	106,062	62,732	(14,174)	107,285	76,899
Interest expense, net	64,355	81,175	57,229	27,290	18,736	39,146	37,438
Net (loss) income	(28,214)	(34,704)	18,727	17,426	(34,020)	33,388	23,282
EPS (3):							
Basic		(1.89)	1.25	2.22	(1.60)	1.60	1.11
Diluted		(1.89)	1.23	2.20	(1.60)	1.58	1.10
Weighted average shares (4):							
Basic		18,373,118	15,025,308	7,845,004	21,306,584	20,931,111	20,998,097
Diluted		18,373,118	15,222,111	7,909,797	21,306,584	21,097,240	21,072,436
Statement of Cash Flow Data:							
Net cash provided by (used in) operating activities		\$ 63,941	\$ 64,882	\$ 91,334	\$ (120,230)	\$ 80,859	\$ 70,340
Net cash used in investing activities		(284,795)	(24,130)	(261,393)	(12,139)	(32,469)	(23,096)
Net cash provided by (used in) financing activities		303,664	(17,838)	213,831	126,230	(53,523)	(37,721)
Other Data:							
EBITDA (5)	136,602	132,817	130,676	74,930	11,482	150,484	117,369

CB Richard Ellis Group				Predecessor Company		
As of December 31,				As of December 31,		
2003						
Pro Forma	Actual	2002	2001	2000	1999	

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(In thousands)

Balance Sheet Data:

Cash and cash equivalents	\$ 198,588	\$ 163,881	\$ 79,701	\$ 57,450	\$ 20,854	\$ 27,844
Total assets	2,253,318	2,213,481	1,324,876	1,354,512	963,105	929,483
Long-term debt, including current portion	767,233	802,705	509,715	517,423	289,447	348,435
Total liabilities	1,838,424	1,873,896	1,067,920	&n		