

Monday, July 29, 2019

TEXAS INC★

HOUSTON'S
BUSINESS
INSIDER

BOOK SMART, STREET SMART

Tilman Fertitta on recession,
writing and regulation

TOMLINSON
NEW RULES
FOR THE ROAD

COMPLETELY LEGAL
YETTER FIRM TAKES
ON THE BIG DOGS



COVER STORY

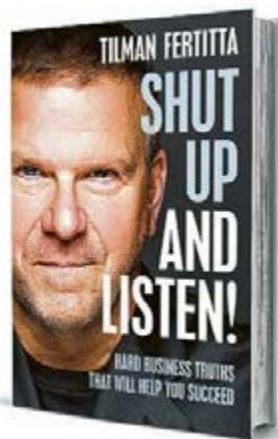
Tilman Fertitta, by the book

By Paul Takahashi
STAFF WRITER

Tilman Fertitta turned a single seafood restaurant in Katy into a multibillion-dollar hospitality empire by constantly worrying about staying one step ahead of his competition.

“Never, ever stop worrying about your business,” the Houston billionaire wrote in his new book, “Shut Up and Listen!,” set to be released next month. “Because when it comes to business and most everything else in life, there is a paddle for everybody’s ass.”

Over the course of 167 pages, Fertitta – sole owner of Fertitta Entertainment, Landry’s, the Golden Nugget Casinos and Hotels, the Houston Rockets and star of the CNBC show “Billion Dollar Buyer” – shares business insights gleaned from his three-decade career in the hospitality industry. The book features the Galveston native’s straightforward advice on business, including “Tilmanisms” such as “Know your numbers,”



Shut Up and Listen!: Hard Business Truths that Will Help You Succeed

By Tilman Fertitta

192 pages

HarperCollins Leadership

\$24.99

“Eat the weak” and “There are no spare customers.” Forbes puts Fertitta’s net worth at \$5.2 billion.

“Shut Up and Listen!,” published by Nashville-based HarperCollins Leadership, will be sold in major bookstores and

airports across the country starting Sept. 17. An audiobook, read by Fertitta, will also be offered.

Fertitta, who plans to go on a book tour across the U.S. and China, sat down with Texas Inc. to talk about the book, the economy and making deals.

Q: You say in your book to never stop worrying about your business. What’s worrying you these days?

A: When things are really good, we forget there’s ever going to be bad again. We’ve been on an unbelievable 10-year economic run, so right now you’ve got to start worrying that things are going to get bad. You’ve got rising labor issues, food-cost issues and occupancy issues. So yeah, I’m worried about everything. It’s tougher today than it was 10, 20 years ago. The headwinds are a little harder and you just got to fight through them.

Q: Economists have been speculating when the next recession will hit. What’s

Fertitta continues on B14



Jon Shapley / Staff photographer

“This book wasn’t written for a super-sophisticated Wall Street guy,” says billionaire Tilman Fertitta.

Fertitta from page B12

your bet?

A: I don't know that you're going to go into a recession. Recessions really don't come along but every 20, 25 years or so. But I think you're going to have a definite downturn. When real estate starts dropping on the East and West coasts and the bond market starts trading down, the stock market is always a few months behind. Your smart people are in the credit market, not the stock market.

Q: Are your restaurant sales a leading indicator of where the economy is heading?

A: Yeah, more so your suburban restaurants than your urban restaurants. You might not see something inside the Loop or in Galveston because it's a tourist area. It's more your suburban areas where people start struggling with their mortgages. Most of my restaurants are in high-profile locations, like the Riverwalk in San Antonio, New York and Las Vegas. Really only Saltgrass Steakhouse is probably our more suburban restaurant.

Q: Have you seen any softness at Saltgrass locations?

A: Not yet.

Q: You've been through three downturns, including the savings and loan crisis in the 1980s that devastated the Houston economy. What did you learn from these downturns?

A: The whole world in Texas between 1986 and 1996 was in neutral. There were no banks, because they all failed. It took us 10 years to recover. That's how bad it was. I had



Karen Warren / Staff file photo

Tilman Fertitta, a Galveston native and University of Houston alumnus, owns the Rockets, Landry's Inc. and other enterprises in the city and beyond.

more of a developer's mindset, so what did I do? I went to San Antonio and opened up a restaurant on the Riverwalk. I went to Corpus Christi and opened a restaurant. I went down to Kemah, an old fishing village, and bought that and opened (the boardwalk) up.

Q: Are you gearing up to make some acquisitions in the next downturn?

A: I haven't done a lot of acquisitions in the last few years. It's been so frothy and there's been so much credit out there, it's been easy for people to overpay for things. You can't imagine the deals I've looked at that I haven't gotten. A lot of times the deals

"Never, ever stop worrying about your business. Because when it comes to business and most everything else in life, there is a paddle for everybody's ass."

Tilman Fertitta in his new book, "Shut Up and Listen!"

come back your way in a few years. I think we're going to have a stretch over the next 10 years where there's going to be some great opportunities, and that's when you eat the weak.

Q: You were recently outbid for Las Vegas gaming giant Caesars Entertainment. Do you think Caesars could come back your way?

A: I don't think Caesars as the whole company is. I think you're going to see a lot of Caesars broken up and different properties could come back my way.

Q: You have cousins in Las Vegas, Frank and Loren-

zo Fertitta who owns Stations Casinos. How close are you with them and do you view each other as competition as you look to expand your footprint in Las Vegas?

A: I have all the respect in the world for them. Everything I've ever needed, they're there for me and I'm there for them. We might not talk to each other for three or four months, but when you pick up the phone and talk to each other, you can tell each other anything. We all think alike, we have all the same genes. If you own 100 restaurants and my brother owns one, everybody's your competition.

Q: Earlier this year, you launched your second blank-check company to acquire another business and take it public. How's the search going?

A: We have two years to do the deal, and we've been focused on other things. Are we looking at a few deals here and there? Yes. But we haven't got a deal yet.

Q: Are you working on any other deals right now?

A: You would be shocked at the deal flow that comes through here. It's just crazy. You only have so much human capital, so you have to fish out things. Right now, we're working hard on three deals. We have something in the gaming class, something in the restaurant class and something in hospitality. None of them are in Houston.

Q: Restaurants are facing growing pressure from online deliveries and the rise of meal kits and prepared meals. You recently invested in Waitr, a startup that focuses on food deliv-

Fertitta continues on B15

Fertitta from page B14

eries. How do you see this change impacting your restaurant business?

A: Home delivery is a problem for the restaurant industry. Too many people are trying to make money off of it, but the consumer is only going to pay so much. You're starting to see companies and local restaurant people saying, "I'm doing this business and I'm losing money on it." Remember, you've got the driver, the cost of the car and everything else. We're doing all this business in home delivery and it's not as profitable a business, but you have to do it right now. We tend to make things better and figure things out, and I think that's what's going to happen.

"Texas is a very easy place to do business in, and it'll be disappointing if that ever changes."

— *Tilman Fertitta*

Q: What's your pet peeve in business?

A: I hate regulation. If you want to order something at a restaurant, you shouldn't have to look at the calories if you don't want to. I think people want to go out and enjoy life. Minimum wage doesn't work if you don't have a tip credit. I can't pay the dishwasher as much because I'm having to pay the waiter so much. People who make the rules, they've never run a business and they don't want to listen to what it takes to run a business. I don't like the government getting involved in our business in every aspect.



Jerry Baker / Contributor

Tilman Fertitta, who is chairman of the Houston Police Foundation, is not only a deal-maker but is behind many projects such as HPD's upcoming Tilman Fertitta Family Tactical Training Center.

Texas is a very easy place to do business in, and it'll be disappointing if that ever changes.

Q: You're a partner in Dignitas Gaming, a Philadelphia-based e-sports outfit that acquired your Clutch Gaming company. Where do you see e-sports going?

A: I know e-sports gets a lot of eyeballs, but until you can show me sponsors and TV deals, I don't know. If you want to know what's truly going to happen in the future, just look at what the kids are doing today. E-sports is totally going to evolve.



Yi-Chin Lee / Staff file photo

The Fertitta family — Tilman, from left, Michael, Blake, Paige and Patrick — hosted Galveston's San Luis Salute in March.

Q: You've stated you want to bring a professional hockey team to Houston. What's your interest in hockey and where are you with that?

A: I'm disappointed we're going to be the third-largest city in America and we're not going to have a National Hockey League team here. I would love to be the person to bring it here, but the business model has to work for Houston. Hockey teams have struggled in the south. In your northern cities, a lot of Canadians influx to America. In the South, you have different people influx to the United States. If you look at the cities where hockey is the most successful, they're not as diverse as Houston. We've paid lots of dollars for different studies to tell me exactly what would happen, and economically, it could just be very tough. I would have to buy the right team at the right amount to bring them here, and we would have to make sure it works here.

Q: How was it working on your book? Do you plan to write more?

A: I never wanted this to be a book that somebody, when they're reading it, their mind wanders off. So I purposely sat there and read every paragraph over and over to make sure every paragraph was interesting. This book wasn't written for a super-sophisticated Wall Street guy but at the same time, that person would say, "That's kind of funny, and he's right." This isn't a life story of Tilman. This is a business strategy book. Maybe my next one will tell a lot more stories.

paul.takahashi@chron.com
twitter.com/paultakahashi