

Wine Spectator

A man in a black suit stands in a modern living room. He is smiling and has his hands on his hips. The room features a large white sofa, a round black coffee table with orange flowers, and a brown leather armchair. A framed abstract painting is on the wall.

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Tilman Fertitta

WITH 600+ RESTAURANTS,
HE'S BETTING BIG ON WINE

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Tilman Fertitta

Tilman Fertitta could eat dinner in one of his restaurants every night and it would be nearly two years before he had a second meal at any of them. That's because this Texas-based businessman owns more than 600 restaurants around the world.

Fertitta grew up near Galveston, working in his family's seafood restaurant. A born entrepreneur, he dropped out of college to work in retail and real estate. In 1985, not yet 30, he began investing in restaurants, an industry that would become his passion.

Today, Fertitta is worth an estimated \$4.4 billion. In addition to the restaurants, his company owns 12 hotels, five casinos, three aquariums, two amusement parks and Bentley, Rolls-Royce and Bugatti dealerships. Last year he bought his hometown NBA team, the Houston Rockets.

Why put him on the cover of *Wine Spectator*? Because Fertitta is serious about wine, both as a personal pleasure and as a business venture.

While many of his restaurants are casual places, his holdings include upscale steak house chains Morton's and Mastro's, which have extensive wine programs. In fact, more than 100 of Fertitta's restaurants hold *Wine Spectator* awards for their wine lists.

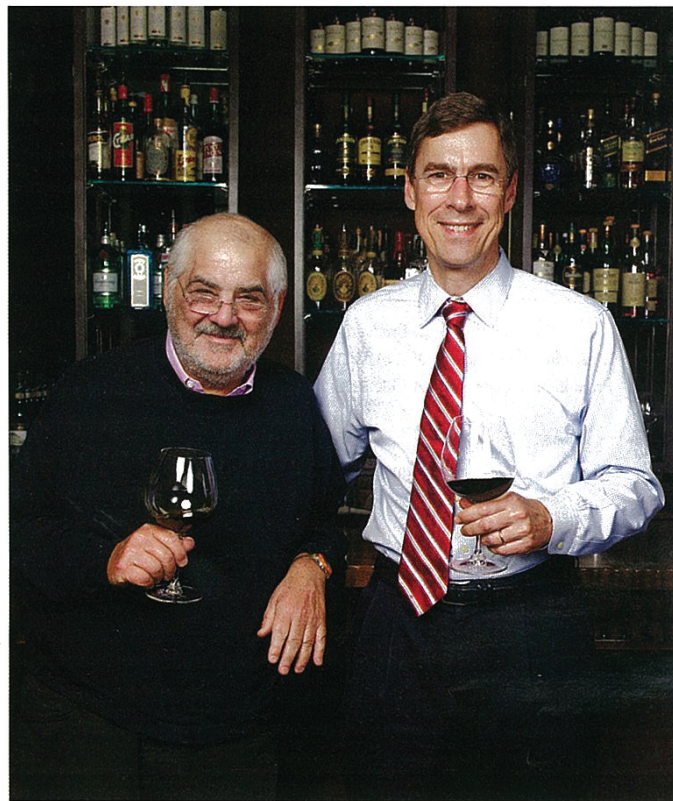
Now he is aiming higher. The newest Mastro's, located in an expansive Houston development called Post Oak, offers a list of 3,000 selections based on an inventory of 30,000 bottles. Fertitta called on experienced wine professionals to develop this program and to expand it to other of his restaurants.

News editor Mitch Frank spent time with Fertitta and his team in Houston. His profile is a comprehensive look at a creative businessman. The odds are you have eaten at a restaurant Fertitta owns. Now you'll know the story behind it. We're sure you'll find it a fascinating report about a dynamic man and his robust and growing company.

As we move toward the end of the year, sparkling wine comes to the fore. This issue features senior editor Alison Napjus' annual tasting report on Champagne. Napjus reviewed 330 Champagnes in blind tastings this year. The top of the mountain? Krug's Clos d'Ambonnay, a blanc de noirs from the 2002 vintage. It scored an extraordinary 99 points. Alas, it costs an extraordinary \$2,500 per bottle. Fortunately, there are many outstanding wines for less than \$100. Let Napjus guide you to the best values.

She also takes a close look at Dom Pérignon, part of the Moët & Chandon group. As *chef de cave* for nearly 30 years, Richard Geoffroy has helped refine and improve the wine behind that iconic label. As Geoffroy moves into retirement, Napjus explores his legacy and shows you the gold beneath the glitz.

And there's plenty more. We offer a travel guide to Lodi, Calif.,



an off-the-beaten-track wine country where longtime grapegrowers are now making their names as vintners. We profile Jimmy Russell, a legendary figure in the Bourbon world. And we recommend gifts for lovers of cheese, chocolate and coffee. We hope to help make your holidays special.

Marvin R. Shanken
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TILMAN FERTITTA BETS BIG ON WINE

By Mitch Frank
Photographs by Julie Soefer

Tilman Fertitta in the lobby of the Post Oak, his new \$350-million hotel in Houston's Galleria neighborhood.



Fertitta chats in his office with sons Michael (left) and Patrick, who both recently joined the company. Tilman got his start working in his dad's seafood restaurant.

Tilman Fertitta should be satisfied. He's having dinner at the new Houston location of Mastro's, his upscale steak house chain. The room is full and lively, with guests enjoying hubcap-sized steaks and generous glasses of wine. The sommelier has poured Fertitta a *grand cru* Chablis, and a server is setting a tower of sushi on the table, the opening act for the meat to follow.

But Fertitta can't sit still and enjoy the fish. He walks over to the server and calmly but firmly explains that she can't bring customers sushi without having first brought chopsticks. Oversight corrected, he sits down again.

Thirty seconds later, he's back up. He moves through the restaurant, heading through the kitchen, observing everything, instructing team members when something doesn't meet his standards.

"You have to try for perfection, to be really good," he explains when he's back at the table. "You teach everybody: 95 percent of everything is right, so go look for the 5 percent that's wrong. I can walk into anywhere and say this chair is in the wrong spot or this counter is dirty. It's just what I do."

Watching him in action, you might think Fertitta managed a single restaurant, or maybe a small handful. He actually runs more than 600. He is CEO and owner of Landry's, one of America's largest hospitality groups.

The private company owns more than 60 restaurant brands, with locations in 36 states and 14 nations, including Landry's Seafood, Chart House, Saltgrass Steak House, Bubba Gump Shrimp Co., Claim Jumper, Morton's The Steakhouse, McCormick & Schmick's,

Mastro's and Rainforest Café. In just the past two years, he bought Ignite Restaurant Group, parent to the Joe's Crab Shack and Brick House Tavern + Tap, for \$57 million, as well as B.R. Guest, owner of brands such as Strip House, Dos Caminos and Bill's Bar & Burger.

Fertitta's company also owns 12 hotels, five casinos, three aquariums, two amusement parks, and a Bentley/Rolls-Royce and a Bugatti dealership. Last year he bought his hometown NBA team, the Houston Rockets, and watched courtside as they won the Southwestern Division. He also has his own show on CNBC, *Billion Dollar Buyer*. Fertitta is worth an estimated \$4.4 billion.

He has achieved his success by acquiring struggling restaurants, cutting costs and simplifying operations. He does not subscribe to the idea of star-power chefs in the kitchen. He says he knows that people call him "the king of middlebrow cuisine," but he believes that in too many restaurants, the chef comes first and the customer comes last. "We're in the hospitality business. C'mon."

Now Fertitta is turning his attention to wine. It's always been an important part of his restaurants, but a supporting player. "We don't sell a lot of wine at Bubba Gump," he admits.

But the new Mastro's in Houston is home to an ambitious wine

program that includes 3,000 selections and 30,000 bottles. Fertitta has hired a team of high-profile sommeliers who have set the goal of winning a *Wine Spectator* Grand Award, the highest honor a wine program can earn. They're designing training programs for the entire corporation, putting more sommeliers in more restaurants. Wine sales are already rising. But they know that Fertitta will not be satisfied until the programs have achieved a Texas-sized success.

"Jeff! Jeff! Come here." Fertitta is in his office, which occupies two sprawling rooms. One features a large conference table. He's sitting at a smaller table in the other, which is packed with couches, sports memorabilia, models and schematics of boats, and a clothes rack holding various options if he needs to go to an event. A TV on one wall is showing CNBC.

Fertitta, 61, keeps his hair cropped short, giving him a youthful look. His face is round and open, and his blue eyes reveal a constant twinkle of amusement. He cracks a lot of jokes. He used to wear dress shirts and ties, but since he started *Billion Dollar Buyer*, he often sports the outfit he wears on the show—a black T-shirt, jeans, sneakers and a blazer.

He's chatting animatedly with three other people around the table, but from this vantage point he can still scan who's walking by his door. So when he sees Jeff Cantwell, his executive vice president for development, who supervises construction at all Landry's properties, he calls him in.

"What have you gotten done today?" Fertitta asks in his Texas twang. He's referring to the Post Oak, the hotel that has risen up

next to Landry's corporate headquarters over the past two years. Cantwell, like many Landry's employees, has worked for Fertitta for decades. He got his start as a waiter at one of his boss' restaurants. So he knows what Fertitta wants to know as he ticks off a lengthy list.

For a man with more than 600 properties, Fertitta doesn't ignore the small stuff. He says it's a big part of how he got this far. On one side of his desk sits a stack of small closed-circuit monitors where he can see what's going on at his restaurants. He is obsessed with the details, he is uncompromising when it comes to finances, and he is insatiably ambitious.

The Post Oak marks a new high point of aspiration for him. "This is my legacy," says Fertitta, pointing out his office window at the 38-story, 240-room luxury hotel and surrounding complex featuring two freestanding fine dining restaurants, three cafés, two bars, a banquet hall, a private dining venue, a spa and luxury car dealerships for Rolls-Royce, Bentley and Bugatti.

The building was a \$350-million undertaking. Fertitta spent millions on the art alone. Giant Frank Stella paintings adorn the walls of the lobby, which is dominated by a dazzling, custom-made Swarovski crystal chandelier.

For wine lovers, the most beautiful feature is tucked away on a quiet hallway on the fourth floor. This is the wine cellar for the entire complex. Fertitta hired Keith Goldston, a master sommelier, to conceive and build what he hopes will be one of the top wine programs in the world, its 30,000 bottles filled out by as many large-format and rare wines as Goldston can get his hands on. The oldest wine so far is a Château Gruaud-Larose 1825, resting alongside



Fertitta congratulates Houston Rockets point guard Chris Paul after the Rockets defeated the Golden State Warriors in a playoff game last fall. Fertitta first tried to buy the team in 1993; when it came up for sale last year, he paid \$2.2 billion. A lifelong Rockets fan, he can be found cheering courtside at home games.

several Madeiras that date back to 1850. The program is primarily for Mastro's, but will be utilized by the entire complex.

Goldston and James Kramer, Landry's VP for beverages (he got his start at the company 26 years ago as a bartender), both believe the program will pay off for the rest of Fertitta's empire. They're planning a "wine university" where managers and beverage professionals from throughout Landry's can come learn at Post Oak and take that knowledge back to their home venues. "Tilman talked with us about what he wanted for the Post Oak wine program. Along with that came the directive to find a master sommelier to oversee it," says Kramer. "This was something Tilman wanted to still be here 15 years from now or longer."

Fertitta enjoys great wine, but he doesn't claim expertise. "I'm a wine buff. But I'm not going to sit here and tell you I'm a wine buff," he says. "I'm a fan of Pinot Noir. I like lighter red wines." His wine team, who helps stock his 1,000-bottle collection in his multiple homes, back that assertion up, adding that his Pinot Noir preference leans to California versions.

Fertitta believes that a world-class hotel needs a world-class wine program. "It fits the project," he says. "Why not have one of the best wine lists in the country? I would like that when wine lovers are sitting around talking about the best wine programs, if someone asks, 'Well, who has the best wine program in the country?' the answer [is obviously], 'Tilman Fertitta at the Post Oak.'"

The project is a matter of pride for Fertitta. He thinks it's ridiculous that the city of Houston, with its huge economic growth in the past 30 years, has no five-star hotel. "When I'm gone, this will still be here, serving the city," he says. "The short-term return is not good, but it is a great long-term investment."

Fertitta moved to Houston at 16, having spent most of his childhood just to the south, in Galveston. A coastal city that was once larger than Houston, Galveston was a vibrant port and the financial heart of Texas before it was devastated by a major hurricane in 1900. Since then it has been quieter, a beachfront playground for its bustling neighbor to the north.

Gambling was legal during the first half of the 20th century. Two of Fertitta's great-great-uncles, Salvatore and Rosario Maceo, operated the Balinese Room, a nightclub and casino many said was a hangout for local mob figures. Fertitta's paternal grandfather and great-uncle helped run the Maceos' casinos.

The state banned gaming in 1955, and Fertitta's youth was spent

"When I'm gone, this will still be here, serving the city. This is a legacy project. Houston's been good to me." —Tilman Fertitta



The Post Oak is a 38-story, 240-room luxury hotel, with fine dining, a banquet hall and luxury automobile dealerships.

in a quieter setting, his father Vic's seafood restaurant, Pier 23, where he peeled shrimp in the kitchen after school. By high school, he was helping to manage staff at times and showed an aptitude for hospitality. There was also wine around. "My uncle on my mom's side was an importer. We would go to their house to eat and there was always wine," he recalls.

Asked what he learned from his dad, Fertitta says, "I learned a little bit of it all. The numbers. Hard work. Take care of your customer." (Fertitta still asks Vic for advice on his projects.)

Fertitta's parents made him attend college for two years, but at heart he was an entrepreneur and was itching to start work. During high school he had bought candy in bulk and sold it to classmates at a markup. He dropped out of the University of Houston and began dabbling in retail and real estate. He had a clothing store, then several vitamin shop franchises. His biggest success came when he saw kids pumping quarters into a new invention—Pac-Man. He started a business leasing the machines to businesses and hotels around town.

In 1985, Fertitta owned construction and real estate companies and was working on a hotel project when he met the Landry brothers, Bill and Floyd. From Lafayette, La., they had started various Cajun seafood restaurants in the Houston area with four high school buddies, including Landry's in nearby Katy and a Willie G's Seafood House in Houston. They brought Fertitta on as an investor and a real estate specialist. But they were also squabbling and looking to sell. By 1988, Fertitta had

bought them all out. He was in the restaurant business.

The timing was not ideal. The Texas oil market went bust that same year, and the real estate market followed. Fertitta had built up \$10 million in debt, and several of his creditors sued him as he worked to pay them back. With a lot of effort and legal maneuvering, he was able to restructure and avoid bankruptcy.

Rather than playing cautiously, he poured more energy into his restaurants. While the Landry's in Katy failed, he had better luck in nearby cities; over five years, he opened multiple locations from Corpus Christi to San Antonio. He seemed to have a knack for picking locations, and his focus on details made his restaurants popular with customers looking for affordable family-friendly places.

By 1993, Fertitta was back on his feet and ready to expand. He took Landry's public, gaining \$24 million in new capital. That helped fund a decade-long buying spree of other restaurant brands—Joe's Crab Shack, the Crab House, Rainforest Café, Chart House and Saltgrass Steak House.



The lobby of the Post Oak features Frank Stella paintings and a custom-made Swarovski chandelier. Tucked away is a wine cellar with space for 30,000 bottles.

Expansion has been a consistent part of Fertitta's strategy, particularly in times of economic downturn, during which he can buy up failing competitors and use his company's scale and know-how to try and turn them around. He's like the sharks in his aquariums—always moving and always feasting. "I love bad times. I eat the weak in bad times," he says, chuckling. "It's been 10 years since the recession. I've got an appetite."

He's referring to the Great Recession that began in 2008, the hardest time for the global economy in decades. For Fertitta, it was an opportunity. He began a campaign to take Landry's private again. He already owned more than half the company, and after two years of negotiations, he bought the rest. The deal was worth about \$1.4 billion, including \$700 million in debt.

Fertitta did it because he was tired of answering to investors more worried about the current share price than the future. "Having to report quarter to quarter, you can't think long-term," he says. "You can't think, where do you want your business to be in 10 years, you have to think where do you want to be next quarter. When you think short-term, you go out of business. Why do you think every restaurant company that goes public eventually blows up? I've bought six public companies since I went private."

He began his next shopping spree immediately after he finished buying back all the Landry's stock, and within two years he'd purchased Claim Jumper, Bubba Gump Shrimp Co., McCormick & Schmick's Seafood & Steaks, the Oceanaire, Morton's the Steakhouse, and Mastro's.

In 2011, Landry's unveiled a new logo, with the words, "Dining Hospitality Entertainment Gaming" to emphasize that it is more than a restaurant company. Over the past 15 years, Fertitta had diversified into amusement parks, with the Kemah Boardwalk near Houston and Galveston's Pleasure Pier. He bought several hotels in Texas. And in 2005, he bought Nevada's Golden Nugget Casinos, expanding the brand with new locations in Biloxi, Miss., Lakes Charles, La., (a two-and-a-half-hour drive from Houston) and Atlantic City, where he took over the failing Trump Marina.

How exactly is he paying for all this? Primarily through debt. He has partnered with financial firms such as the Jefferies Group to sell bonds. He claims his access to capital is the same as when he ran a public company. "I can't sell stock, so I use debt. I would rather have control and incur debt. When you reach my size, access to capital is not an issue—as long as you perform."

"One of the things about Tilman is he's not just a remarkable operator," says Richard Handler, CEO of Jefferies. "He's also a very savvy financier. He understands capital markets."

Handler has helped Fertitta finance multiple deals since 2008. "When he's considering a deal, Tilman literally pulls out a napkin or a piece of paper and he can look at a very complicated situation and boil it down to the revenues, the costs, the margin and the acquisition price. Because of his scale, he knows in his mind what he can do with a brand."

People in finance refer to Fertitta as an operator—he knows how to run restaurants. "He's always performed," says David Jacquin, founder and managing partner of North Point Advisors, a mergers and acquisition firm that works with Landry's. "When he tells the debt markets he's going to buy Morton's and get these results, within a year he delivers."

Fertitta has long focused on seafood restaurants—Landry's, Mitchell's Fish Market, Bubba Gump Shrimp. His family taught him what makes a good fish joint, and they always work well in coastal markets. More recently he has acquired several steak house chains because he believes they are reliably successful in any location. He even owns franchises at multiple levels of the steak house category—Saltgrass Steak House is more casual than Morton's,



Fertitta bought the Golden Nugget casino on Fremont Street in Las Vegas and a sister casino in 2005. He has renovated the Vegas location and expanded the brand to Atlantic City, N.J., Biloxi, Miss., and Lake Charles, La.

which is more casual than Mastro's, whose top two locations by same-store sales are in Beverly Hills (next door to Spago) and in Midtown Manhattan.

His strategy has always been to first find a good concept that is struggling, buy it and then fix the specific issues holding it back. (It helps that he often buys brands out of bankruptcy. One chain, Joe's Crab Shack, he even sold and then bought again 10 years later from bankruptcy proceedings.)

Those specifics might include the location; he is not afraid to close a restaurant and reopen it in a better spot. "We'll sometimes swap concepts at a location," says Kramer. "Another restaurant might work much better there."

"The name of the game to be successful is knowing what to put where," Fertitta says. Details, he says, are about building brand loyalty. Customers go out for the whole experience. And when the team pays attention to the details, people come back.

Landry's size also allows for efficiency. The company buys a huge amount of food every day, in a business where commodity prices have a big impact. Plus, when Fertitta buys a restaurant company, he can often shed extraneous corporate staff.

Fertitta is not a fan of chef-driven restaurants, particularly

"I don't want to trash chef-driven restaurants. But a few restaurants have forgotten what hospitality is about."

—Tilman Fertitta

celebrity chefs. While their popularity has brought new attention to great cuisine, he believes it has sometimes put chefs' culinary visions above consumers' desires. "We're in the hospitality business. Why do we want to tell the customer no? My deal is you don't tell the customer no. You might not be able to tell them yes, but you don't need to tell them no. That's the hospitality business. I don't want to trash chef-driven restaurants. But there are a few restaurants in the country where we have forgotten what hospitality is about."

Fertitta also understands that sometimes a restaurant needs an outsider to see the flaws. When he acquired the eco-minded fast-casual chain Rainforest Café in 2000, every location included live tropical birds in the dining room. Keeping the birds and satisfying health officials was a big expense. The birds were quickly retired.

When he bought Oceanaire Seafood in 2010, it featured a kitschy 1930s cruise-ship decor. He kept the nautical theme but updated it and toned it down, making the place feel more like a seafood restaurant and less like a theme restaurant. A year later sales were up 50 percent per unit.

Morton's is still a work in progress. Once an iconic name, it has been left behind by much more upscale modern steak houses. Landry's has closed some locations and is gradually renovating the remainder. It has maintained its core menu but added new items to lure a younger clientele.

That's also the reason for an expanded wines-by-the-glass program. "Ever since the financial crisis, when you could no longer go out on an expense account, we focused on the bar and the by-the-glass program," says Tylor Field, divisional vice president for Morton's, Mastro's, the Ocean Club, Strip House and Oceanaire. "Millennials were looking for that."

When Field started with Morton's, there were four by-the-glass options at some locations. Now there are 40. Approximately 20 percent of Landry's restaurants' revenues come from alcohol sales. Of that, 38 percent come from wine. That number is lower than some restaurant companies, but reflects the fact that Landry's brands range from fine dining to fast casual.

The level of restaurant also determines the wine list. Kramer



Above: Master sommelier Keith Goldston serving wine at the Houston Mastro's steak house. Below: Veteran Landry's executives James Kramer (right), vice president of beverages, and Scott Tarwater, director of wine.



says that beverage directors at the fine dining restaurants select about 70 percent of the wines on their list; at more casual chains, it's 30 percent. Landry's has also begun a partnership with Coravin, focusing on how to use the device to keep wines fresher longer, allowing for more options by-the-glass. The company includes 111



Fertitta has filmed three seasons of *Billion Dollar Buyer*, where he meets entrepreneurs such as Social Sparkling CEO Leah Caplanis (pink dress), who wants to place her sparkling saké in his Landry's group restaurants.

Wine Spectator Restaurant Award winners.

"You have to constantly change, otherwise you're going to be left by the wayside," says Fertitta. "You're going to lose some long-time customers, but you're going to gain more new ones."

The restaurant industry is currently facing stiff headwinds. More and more locations have opened in recent years, but same-store sales are dipping. Grocery stores are offering more prepared foods that people can take home for dinner, and restaurants are experimenting with more delivery options. (Fertitta partnered with Handler to create an investment fund called Landcadia, which spent \$308 million to acquire WAITR, an Internet platform for online ordering and on-demand delivery that serves 5,000 restaurants in the South.)

"It's tough. Labor costs are going through the roof as states raise minimum wage," says Fertitta. "And commodity costs are going up too. Scale helps, but we can't price our way out of it. Our commodity costs are up \$17 million a year. It's hard right now."

That's one reason he diversified to hotels and gaming. He says he can make the same amount of money with one casino as with 50 restaurants and with a lot less overhead and support staff.

"It takes \$125 million to run the corporate office to support the restaurants. The only reason we're so successful is because we're high-volume." Landry's made \$3.56 billion in revenues in 2017 and \$726 million in earnings before tax, depreciation and amortization. The company's average full-service restaurant brought in \$5.6 million in sales last year.

Despite the substantial overhead, the secret is that Fertitta still enjoys restaurants. "The restaurant business is what gave me the opportunity to get into the gaming business and the hotel business

and to buy the Houston Rockets," he says. "I would never sell my fiefdom."

Fertitta used to work late most evenings before heading home to his house in Houston's River Oaks neighborhood, where he lives with his wife, Paige. Two of his sons now work for Landry's. His daughter and youngest son are currently in college. But now, on game nights during the basketball season, he leaves the office promptly so he can sit courtside and cheer on the Rockets. He paid \$2.2 billion for the team last year, with \$100 million up front and the rest financed.

According to Handler, Fertitta paid for the bulk of the deal by merging Landry's and Golden

Nugget into one firm, Fertitta Entertainment Inc. He issued corporate bonds and bank debt as part of the arrangement, raising nearly \$1.4 billion. He put together the financing in just five days, at a time when Hurricane Harvey was flooding Houston.

Though he plans to open Landry's brands at the Rockets' arena, corporate synergy wasn't his motivation. "This is because I love this town and I love the team," he says. When he and Paige started dating in the '80s, they went to games together. Later, he brought his kids. Some of his first profits from his businesses went into buying a 3 percent stake in the team. And when the franchise last came up for sale, in 1993, he narrowly lost out on buying the team for \$81 million. Now he has accomplished his dream.

Before and after the games, he entertains VIPs in a luxury suite, but during the action he is up close. He is rapidly becoming one of the most well-known people in his beloved hometown. "Houston's been good to me," he says, smiling.

When a restaurant isn't known for its chef or cutting-edge cuisine, it can be difficult to build a brand. Recently, Fertitta appears to be attempting to make himself the brand. Exhibit A is *Billion Dollar Buyer*.

The show is a cross between *Shark Tank* and *The Apprentice*. In each episode Fertitta meets with entrepreneurs who pitch their products for his restaurants, hotels or casinos. He mentors them, and makes sure to explain how Landry's venues always carry the best. CNBC has aired three seasons, and a fourth is in the works. While it hasn't been a blockbuster, it's earned solid ratings. And it provides priceless publicity for Landry's—and Tilman.

"It has helped build the brand," he insists. "Can I put a value on it? No. But last time I was in the Golden Nugget Las Vegas, I had five different people from five different states stop me the first night I was there and say, 'I love your show!'"

He cracks his trademark smile. Fertitta has plenty of swagger and he knows how to use it. Landry's could hardly have a better emblem.



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