

EVOLVE OR PERISH

Golden Nugget CEO Tilman Fertitta talks to Iqbal Johal about his ongoing success in business, how the casino operator is getting through the pandemic, and why the future of the gaming industry lies equally in the land-based and online sectors.

"Anyone can be a CEO in good times; it's about who can be a good CEO in tough times. You've got to make tough decisions and that's what I did, and that's why we're still here." Tilman Fertitta comes across as a tough man. But then again, you couldn't reach the level of success he has had in business without that ruggedness. After all, the Landry's, Houston Rockets and Golden Nugget Casino owner has an estimated net worth of \$4.2bn and is referred to by Forbes as "the world's richest restaurateur."

Tough times don't come much tougher than the COVID-19 pandemic period. Fertitta reacted quickly to the impending crisis by furloughing 40,000 employees, including thousands at his five Golden Nugget casinos, back in late March. The move drew plenty of criticism at the time but Fertitta tells *Gaming America*: "I reacted quickly to the pandemic as it wasn't going away, and laid off and furloughed a lot of people, where everyone else did it later." The Golden Nugget CEO compared his decision to that of Wynn Resorts CEO Matt Maddox, with the operator furloughing employees of its Las Vegas properties in July long after casinos had reopened, a move Fertitta claimed "didn't make any sense."

That forward-thinking led to Fertitta offering a leveraged loan with an interest rate of at least 15% in April, as an insurance policy in response to the potential crippling effect the pandemic could have had on his businesses.

"The loan ended up being \$300m because there was such demand for it," Fertitta explains. "Debt trades just like stocks, and I was the first person out there so if I waited a day the leverage market would've traded up and I would have borrowed at 8%. But if you read my book, you'll see that I have a section that you borrow money when you don't need it. I

didn't need the money and still don't need it but it's sitting in the bank and I'll pay it back. What would've happened if I did need it?"

The fact the business is not a public company that can sell stock at times of hardship, Fertitta was adamant he had to make sure the business was secure, especially considering he, like most of the world, assumed venues would be closed for longer than two months. "I originally looked at it as we're going to be closed until the end of the year," he further adds.

Although the pandemic wasn't nearly as bad as first predicted, Fertitta is under no illusions that it still has been the biggest challenge he's faced in the casino industry, since Landry's expanded into the sector and purchased Golden Nugget in 2005. While millions of dollars was lost during closures in April and May, the land-based sector is up and running again as "July and August have been very good in the gaming business," he says.

Like the rest of the industry, the land-based closures forced companies such as Golden Nugget to turn its attentions to the online space. Fertitta is not the sort of person to let opportunity pass him by. As a man who knows all about and utilizes opportunity, Fertitta saw the period as a chance to further establish the online business. And that has certainly been achieved so far.

Golden Nugget Online Gaming (GNOG), which started operations in New Jersey in 2013, has been one of a number of online companies to excel, with Q2 gross gaming revenue increasing 85% year-on-year to \$28.2m, while net revenue improved 78% to \$24.8m, from Q2 2019. Operating income skyrocketed 74%, up to \$8.5m for the quarter. The online growth doesn't stop there. In June, GNOG followed in

DraftKings' footsteps by going public, following Landcadia II entering into a purchase agreement to acquire the operator for approximately \$745m.

Confidence and belief in your business is another factor needed to reach the top and are both points Fertitta possesses in abundance after hearing him talk about his online ambitions. "We knew GNOG was going to be a very successful business," Fertitta says. "But with the pandemic happening, we saw there was an opportunity and a couple of other companies went public. We then said we make a bunch of money and we do online gaming as good as anybody, so let's see if we can take GNOG public, because you know how Wall Street is. They like companies that are very focused where the numbers don't get mixed up with the sticks and bricks casinos. We're excited about it being public next month."

And it's the forward-looking, proactive mindset that should see GNOG stand ahead of its competitors, considering the online successes it has already witnessed, and that the online shift will only increase the process of approving online gaming

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and sports betting quicker, benefitting the operator. Even before the pandemic, Golden Nugget was "already doing more than \$20m in annual EBITDA in our New Jersey online gaming business", Fertitta points out.

"We absolutely see the business focusing more online, as a result of the pandemic. The rise in online activity is definitely a silver lining but we always knew there would be an opportunity. We think our online gaming business is going to be something special in the years to come."

It would certainly be no surprise if Fertitta's foresight is true and GNOG becomes a "special business", considering his list of accomplishments.

After running a construction and development business in the 1980s, Fertitta jumped into the restaurant trade, a business he was very familiar with on the basis his father had a restaurant during his childhood. After investing in a couple of Landry's restaurants, Fertitta became sole owner in 1988 before taking the company public in 1993, during a time of impressive growth before becoming a private company again in 2009. That was during the financial crisis, another crisis where instead of panicking, Fertitta saw opportunity as share prices went up by 400% in those years, he says.

Now, Fertitta owns more than 600 properties in 36 US states and in over 15 countries, while being one of the largest employers in the nation with more than 60,000 employees. Then there's the expansion into sports, with Fertitta buying the Houston Rockets in 2017 for an NBA record of \$2.2bn.

Houston is where he calls home, and alongside his copious titles, Fertitta also serves as the chairman of the board at the Houston Police Foundation and Houston children's charity. ▣



While that added responsibility might lead to some crumbling under the added weight of pressure, it's something that, unsurprisingly, Fertitta thrives on.

"I live in Houston, and have been here my whole life," Fertitta proclaims proudly. "I have lots of businesses in Houston, from amusement parks to aquariums, to probably 70 restaurants and seven hotels in the area. When you're a leader, you're a leader and lots is expected of you and by giving back to the community, I'm just trying to do my little share."

And what's the key elements to making all his businesses work together? Well, just like any good leader, Fertitta knows how to delegate.

"The key to making all the businesses work together is that I have good people running everything," he explains.

"I have people that run my restaurant business; I have people running the Houston Rockets; and the online gaming business. I'm very strategic and get involved a lot, but day-to-day everyone gets on with their business and I'm here to point everybody in the right direction and help make decisions."

But in terms of the casino industry, or "big boxes" as Fertitta refers to the sector, venturing into gaming back in 2005 has been a shrewd business decision that has continued to pay off.

As he explains, "You can make a lot of EBITDA and instead of opening up 50 restaurants, you can open up one casino and you're only dealing with one general manager instead of 50. The industry has changed a lot over the years, to the extent it's not just about gaming anymore, but about the entertainment for the customer. You also do as much business in your restaurants as you do in gaming revenue. People like going to casinos and they like the action. When I bought the business back in 2005, Laughlin and Las Vegas together were doing \$30m in EBITDA and last year we did more than \$300m in all the Golden Nugget properties."

As Fertitta mentioned earlier, it's been a quicker than expected upturn in fortunes for casino uptake since properties reopened. Golden Nugget's Lake Charles venue reopened the casino floor on 18 May, with the rest of the properties in Las Vegas, Laughlin, Atlantic City and Biloxi following suit in the following month. Just like the rest of the US and the majority of casinos worldwide, Golden Nugget had to implement strict health and safety measures to combat the spread of the virus. That included personal protective equipment (PPE) for all staff, facemasks for guests, social distancing, screens separating gaming machines, temperature checkpoints and capacity limits, among other things on an extensive list.

Some industry analysts believe the measures in place at casinos will prevent a quick recovery, with 2022 predicted as the year where business will start to 'normalize' in the sector. Fertitta acknowledges that limits do have an impact on operations, saying, "There's definitely capacity limits right now in our casinos. If there wasn't, we'd be doing even more

business." But he has more optimism than those analysts do and is more than satisfied with how business has been since operations were resumed.

"Right now, we're holding our own even with reduced capacity and measures in place, and we're very happy with the way things are going currently."

In terms of surviving through the pandemic, Fertitta is adamant that has already happened. "We've recovered from the pandemic, in terms of the fact venues have now opened up again," he says adamantly. And for the future, of course it's all about opportunity and very much the continued focus of Golden Nugget's land-based casinos, despite an online acceleration.

"We're out there right now looking for opportunities. We're opportunists and that's what I've always been and that's what I'm looking for right now," he adds. "The online business is very much a focus and the sticks and bricks is very much a focus, not one more than the other."

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There's a lot to admire about Fertitta. From speaking to him, it's immediately clear that he's a proactive businessman who is always looking for that next opportunity. That's emphasized from the leveraged loan as an insurance policy against the pandemic, as well as other measures to safeguard the business during the crisis and capitalizing on the digital future by taking GNOG public.

It's also hard not to notice his tough exterior and traditional values, which is what you'd expect from someone who's been making a name for himself in the business world since the early 1980s. But those traditional ideals, continuing to focus on the land-based industry, as well as the forward-thinking vision expanding where the future lies with online, will only help Golden Nugget continue to evolve and grow, and take it to the next level. 