

# NATION'S Restaurant News

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## The deal maker



Tilman Fertitta's Landry's Inc. acquired 33-unit Bubba Gump Shrimp Co. in 2010.

### Landry's CEO steps up acquisition engine to build hospitality empire

BY RON RUGGLESS

In the often-brawling game of deal making, hospitality executive Tilman J. Fertitta would weigh in as a heavy weight.

In just the past three months, the founder, chairman and chief executive of Houston-based Landry's Inc. has acquired the Morton's steakhouse chain of Chicago, the McCormick

& Schmick's seafood chain of Portland, Ore., and the celebrity-infused Beso Steakhouse in Las Vegas out of bankruptcy court.

Landry's, which Fertitta took private in a \$1.4 billion deal in October 2010 after nearly two years of sparring with investors, also cherry picked from bankruptcy court in 2010 the Oceanaire and Claim Jumper brands.

And in late January, Fertitta announced his latest venture, a \$60 million project that will turn a 1,130-foot-long structure jutting into the Gulf of Mexico in Galveston, Texas, into the "Historic Pleasure Pier." The developed pier will eventually sport two of Landry's restaurant

concepts: a 450-seat Bubba Gump Shrimp Co. and new quick-service brand extension called Gump on the Run.

The deal making has transformed Landry's, which went public in 1993 and hit the \$1 billion sales mark 10 years later, into a dining, hospitality, entertainment and gaming empire that will generate \$2.5 billion in revenues in 2012, company officials say.

"We're an opportunistic company," Fertitta said after the Pleasure Pier announcement at Landry's Houston headquarters. "I don't go out hunting these things down; they kind of just fall in my lap."



Once the deal-making Texas native — whose company began with the purchase in 1986 of the then-6-year-old Landry's restaurant concept — sets his sights on a venture, he exhibits the tenacity of one of the seasoned gamblers who might frequent his Golden Nugget casinos in Nevada or New Jersey.

Throughout 2009 and 2010, activist investor William Ackman and his Pershing Square Capital Management fought Fertitta's efforts to take Landry's private. During that time, his buyout offer rose from \$14.75 per share to \$24.50 per share before he persevered.

"You have to be willing to accept that if someone outbids me, they get it," Fertitta said. "It's real simple."

But Fertitta's iron will assures he rarely ends up with the losing offer. Last year, he persevered after seven months in his contentious pursuit of then-96-unit McCormick & Schmick's, finally winning the chain for \$131.6 million.

And he captured the 45-unit Claim Jumper casual-dining chain after a two-month battle in 2010, which ended when Landry's bid, valued at \$76.6 million, bested that of its leading contender by more than \$20.5 million.

## Closings of the deal

Once Morton's and McCormick & Schmick's were won, Fertitta was quick to close units that were underperforming or not viewed as ideally located.

"Over time, demographics shift, and so do the areas in which businesses thrive," Landry's vice president of marketing Kris Guthrie said of the closures. She also pointed out that Morton's had multiple locations in many of the affected cities, including Atlanta, Boston, Denver and Phoenix.

Fertitta said the first detail he examines in a new acquisition is how to increase efficiencies.

"We use our distribution and our purchasing power, and we get them involved in our numbers," he said. "We make them understand our productivity from a labor standpoint. We make them understand purchasing a little better and how to buy right. We teach them to manage the numbers."

In the case of the recent Morton's acquisition, Fertitta said the concept "has great food and great service, but they got behind the times in their decor, and they needed to expand their menu. And that's what we are going to be doing with it. Morton's is going to be unbelievable when we finish it."

As for McCormick & Schmick's, a deal that closed at the end of 2011 after a takeover tussle that started in the spring, Fertitta said it "just was not operating at a very high level. Their problem was really more operations."

But it was the seafood chain's portfolio of real estate that caught Landry's eye, Fertitta said.

"Our whole company is very location driven," he said. "One of the things we liked about McCormick & Schmick's is they had a lot of great locations."

Location also is central to Landry's interest in the \$60 million pier development project in Galveston, which the company unveiled Jan. 30.



Landry's chairman Tilman Fertitta, above left with Joe Jaworski, mayor of Galveston, Texas, will open two restaurants in that city. Fertitta also recently led acquisitions of the Morton's and McCormick & Schmick's brands.



The project will prominently feature the first Texas location of the 33-unit Bubba Gump Seafood Co. casual-dining chain, in conjunction with the new Gump on the Run quick-service concept.

Landry's bought the Bubba Gump brand in November 2010.

"This will be a project that will totally change [Galveston's] Seawall Boulevard," Fertitta said. "Not only because of the way it will light up the boulevard, but the economic impact it is going to have at the same time."

The pier originally was built into the Gulf of Mexico as a recreational facility for the U.S. military in the 1940s. It was heavily damaged by both Hurricane Carla in 1961 and Hurricane Ike in 2008.

Fertitta said the renovated Pleasure Pier, expected to open in May, "will be similar to the Chicago Navy Pier and the Santa Monica Pier [in California]."

The new Gump on the Run concept will have 75 amenity seats, with guests expected to take food away to eat on the Galveston Island beaches. The concept likely will show up in other prominent near-water Bubba Gump locations, executives said.

The pier also will offer seven other food and beverage options, ranging from smoked turkey legs and hamburgers to an ice cream shop, Landry's officials said.

"The city of Galveston just got a lot better," said Galveston Mayor Joe Jaworski.

He said he expects the Pleasure Pier to become a major tourist destination for Galveston.

The pier also will offer rides, including a 36-foot-diameter, double-decker carousel; a 100-foot-tall Ferris wheel; and a steel roller coaster with a 100-foot vertical climb. Fertitta said Landry's has gained experience in the amusement category at its aquarium locations, as well as at his Kemah Boardwalk project just outside Houston.

"One of the things we've always been good at [is determining] what is the best concept for a particular location," Fertitta said.

## A diverse portfolio

Landry's can now choose a brand from its portfolio of concepts to fit a specific location. In addition to Bubba Gump, that portfolio includes Rainforest Cafe, acquired in 2000; Saltgrass Steak House, acquired in 2002; Landry's Seafood House; Claim Jumper; and The Chart House, acquired in 2002. The portfolio also contains fine-dining restaurants Vic & Anthony's Steakhouse, Brenner's Steakhouse, Grotto, La Griglia, Willie G's and Oceanaire Seafood Room.

In addition, Landry's owns the Golden Nugget Hotels & Casinos in Atlantic City, N.J., and Las Vegas and Laughlin, Nev.; the Kemah Boardwalk in Kemah, Texas; the San Luis Resort in Galveston; Inn at the Ballpark, a luxury hotel in Houston; and the downtown aquariums in Denver and Houston.

Fertitta said officials could now pick and choose from the Landry's portfolio the best restaurant to go into a hotel property, as well.

"In [the Golden Nugget in] Laughlin, Nev., which is more casual, we have a Saltgrass and a Joe's Crab Shack," he said, referring to a brand the company bought in 1994 and sold in 2006 to a private equity firm for \$192 million. "We still have a couple of Joe's, and we'll probably eventually convert that to Bubba Gump. [At the more upscale Golden Nugget] in Vegas, we have Vic & Anthony's and Chart House."

One of Landry's most recent high-profile real estate spots came with the bankruptcy-court deal to buy 50 percent of actress Eva Longoria's Las Vegas steakhouse, Beso.

The \$1 million deal made in November 2011 ensured that Longoria would continue to be involved in the restaurant, which is located in the prominent Crystals shopping center, part of the MGM Resorts International CityCenter complex on the Las Vegas Strip. Beso LLC filed for Chapter 11 bankruptcy protection in January 2011.

Fertitta said he keeps his eye on possible deals, but he's not actively seeking any now.

"We've got a lot going on," he said. "We need to operate this well."

And he's not planning to sell or spin off any of Landry's other brands any time soon.

"If someone wants to pay me a ridiculous multiple, I'll sell something," Fertitta said. "Maybe Saltgrass goes public one day by itself because it's such a strong concept."

As for Landry's ever going public again, Fertitta emphatically and firmly said, "No."

"The company would never go public," he said.

Then, in a rare moment of hesitation, he added, "You know, never is a long time. There is absolutely no intention whatsoever. Maybe my kids will take it public one day because they want liquidity, but I think they'll have liquidity, regardless."