

Golf Inc.™

NOVEMBER/DECEMBER 2016

Ownership & Management

ClubCorp undervalued?

Eric Affeldt, CEO of ClubCorp, can't seem to get a break. In the spring, a short-seller claimed the company's stock was overvalued by more than 25 percent. Now, a minority shareholder has sent a public letter claiming that the company is undervalued and that it should consider selling non-core, lower-returning clubs or convert to a real estate investment trust (REIT).



Eric Affeldt

Affeldt, meanwhile, has said the company's story and financials are not well understood, primarily because it is the only public golf entity in the U.S. It went public in 2013.

FrontFour Capital, an investment advisory firm that owns less than 3.4 percent of ClubCorp's shares, criticized ClubCorp's stock performance, which is down nearly 36 percent in the past 12 months.

It said a sale would enable ClubCorp to pay off some of its debt and, in the process, boost the value of its underperforming stock. It said ClubCorp owns the land at 126 of its 160 golf and country club properties, for a total of roughly 30,000 acres, valued at \$1.5 billion.

"We believe that ClubCorp's portfolio of assets, which includes 30,000 acres of fee-simple acreage, would garner significant strategic and financial interest from a variety of parties," FrontFour wrote. "Given ClubCorp's currently depressed valuation, projected decline in capital expenditures and the potential near-term exhaustion of tax mitigation strategies, the strategic alternatives process should consider whether the right time is approaching for a conversion to a REIT in order to unlock significant value."

ClubCorp said it is confident in its business strategy.

Other investors continue to support ClubCorp's strategy of acquiring underperforming clubs and investing heavily to re-invent them.

Watermark acquires fifth course

Watermark Properties, which owns four courses in Grand Rapids, Mich., will add a fifth property in January with the acquisition of The Golf Club at Thornapple Pointe.

Thornapple Pointe opened in 1997 and has operated as a public course. Watermark's other facilities — Sunnybrook Country Club, Watermark Country Club, StoneWater Country Club and Thousand Oaks Golf Club — are all private.

The purchase will not impact Watermark Properties' private memberships. It will remain a public course and banquet facility.

Arcis sells The Crossings

The Crossings Golf Club in Glen Allen, Va., may have once been worth more than \$10 million, but the daily-fee course recently sold for only \$1.7 million.



The Crossings

Arcis Golf sold it to Matthew Hall, who owns Meadowspring Turf Farm and Home Field Fertilizer. Hall is the club's fourth owner in 14 years. The Crossings was built as a nine-hole extension of another club in the early 1960s. It added nine holes and became known as The Crossings in the early 1980s.

Traditional Golf bought the course in 2002 for \$5.2 million. CNL Lifestyle Properties, a REIT, acquired it in 2008 for \$10 million. Arcis bought it as part of a much larger portfolio from CNL in 2014 for an estimated \$2.4 million.

Arcis said the sale is part of a tailoring and fine-tuning of its portfolio.

MANAGEMENT RECAP



Jacaranda West

Coral Hospitality adds Jacaranda

Coral Hospitality will take over management of Jacaranda West Country Club in Venice, Fla. GF-Jacaranda recently acquired the course and hired Coral Hospitality.

Jacaranda West Country Club features a par-72 golf course, eight tennis courts and an expansive clubhouse with a full-service restaurant and banquet facilities.

KemperSports adds Pincrest Golf Club

The Huntley (Ill.) Park District has selected KemperSports to manage Pincrest Golf Club, an 18-hole course located in the suburbs of Chicago.



Pincrest

The 44-year-old public course has undergone several refreshes during the years. KemperSports hopes to use its experience managing some of the top municipally owned golf courses around the country to implement marketing strategies that will grow business in golf, banquets and the restaurant.

Public Course

Third Place

▶ QUAIL RIDGE GOLF CLUB *Ada, Mich.*

Course manager: Kyle Holmes
Consultant: Quinn Smith, QNorth Golf

Quail Ridge Golf Club, like many courses in Michigan, was hit hard by the recession. The course, located east of Grand Rapids, started to see modest gains in 2011. But, things really started to improve after consultant Quinn Smith instituted dynamic pricing in 2013.

Smith uses GolfNow to manage his pricing, which was based on weather, amount of play and other market factors.

"It goes back to tee sheet utilization," Smith said. "You have to look for advantages on a day-by-day basis."

About the same time, Smith made a big effort to drive more league and outing play.

"We have been especially focused on league play," he said. "And we have been able to expand food and beverage for that."

League play has taken over the time of day that used to be discount-rate twilight hours.

"We have flipped things around so that we now offer twilight rates in the morn-



Smith

ing," he said. "That has allowed us to be more aggressive in the mornings for seniors, who look for value."

The club renovated its grill two years ago to make it more wedding friendly, and weddings have increased from 13 to 27 a year. The facility is maximizing its space, so Smith plans to add a tent structure to further expand this revenue source.

The course has also booked more outings, and uses dynamic pricing for them as well.



"Revenue has been increasing, and the average rate for play has gone up [since we started using GolfNow]," Smith said. "I know a lot of people feel GolfNow hurts business, but that is not true in my business."

He said the times he trades to GolfNow are times he would likely not sell anyway.

Honorable mention

▶ EAGLE RIDGE GOLF CLUB *Fort Myers, Fla.*

Owner: CH-5-Eagle Ridge
General manager: James Mason
Management company: Coral Hospitality

Eagle Ridge Golf Club was foreclosed on in 2012 and spent three years owned by a bank before members of the Coral Hospitality executive team acquired the 128-acre course for \$1.87 million in March 2015.

Coral Hospitality, a management company, quickly set out to turn things around and improve the course's profitability.



Mason

It introduced summer and annual membership pricing structures and deployed active online marketing initiatives and yield-management techniques.

Coral Hospitality also improved the

course's maintenance with a modest capital investment of \$115,000. As a result, in just

one year, rounds increased by 28 percent and the course saw a \$443,398 improvement in revenue. That has increased profit from less than \$200,000 a year to more than \$363,000.