AGC plans to expand upscale daily-tee golf course holdings

By PETER BLAIS

SANTA MONICA, Calif. — American Golf Corp. hopes to shed its image as an operator of only municipal and low-end daily-tee courses by adding more upscale properties to its portfolio over the next few years, according to the company's head of acquisitions.

"It's important for us to establish credibility by acquiring high-quality properties," said Executive Vice President Joe Guerra.

"We've been viewed as an operator of affordable golf courses. The reality is that we operate in every segment — municipal, affordable daily-tee, high-end daily-tee, private entry-level and trade-up courses. We're similar to Marriott hotels in a way. They have several product lines among their hotels, everything from Fairfield Inns to their JW facilities. We have several product lines of golf courses."

Numerically, AGC is the largest operator of U.S. golf courses with more than 200 properties and 9,000 employees. Still, management companies in general operate less than 5 percent of all U.S. courses. Guerra sees that percentage growing.

At the same time, he foresees the number of management companies declining, with bigger operators getting bigger and smaller operators selling off their holdings as they realize the enormous returns they'd anticipated simply aren't available.

"The golf industry needs professional management services," the AGC executive said. "Between 1992-94 we saw many developers building courses. They liked the idea of building, but not necessarily in a way. The hotels have large sales teams with combined marketing budgets totaling millions of dollars to overcome that situation, Fitzgerald said. AGC has a partnership with 25 area hotels and two upscale Broward County courses, Deer Creek Golf Club in Deerfield Beach and the Carolina Club in nearby Margate.

The hotels have large sales teams with combined marketing budgets totaling millions of dollars. They promote the golf program in corporate mailings, at national and international trade shows for travel agents, and on sales missions to associations and other groups. They advertise the course in magazines and newspapers.

The result for the courses is increased play by vacationers and other non-members. To overcome that situation, Fitzgerald said. AGC has a partnership with 25 area hotels and two upscale Broward County courses, Deer Creek Golf Club in Deerfield Beach and the Carolina Club in nearby Margate.

"My goal is to hire someone who knows more than me in each area of course operations and then get out of his or her way," said RMA President Henry DeLozier.
AGC plots future acquisition strategy

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about all you can expect is a fair return. The idea of operating a course is scary to many developers. They don't want to worry about things like how many hamburger buns to order. That's where we come in."

AGC's goal is to add 15 to 20 high-quality courses annually in metropolitan areas, Guerra said. The company will also explore expansion possibilities into Canada and adding additional facilities in the United Kingdom, where it presently operates seven courses.

"Over the next five years, we'd like to double the size of the organization," Guerra said.

Asked what could stand in the way of that lofty goal, Guerra never hesitated.

"I read the National Golf Foundation's report on the [November] Golf Summit and was amazed at public's perception of the environmental harm done by golf courses," the AGC executive said. "The environment seems to be even more of a concern than it was two years ago. We need to take this seriously and do a better job of communicating the positive effect golf has on the environment."

"There are many inconsistencies in the anti-golf movement's arguments that we need to address. No one has done a great job promoting the game. It's a key to keeping the industry healthy."

Financing is another concern. AGC's founders developed National Golf Properties, a real estate investment trust, to attract investor dollars for golf course acquisitions. Other large, established management firms, like Club Corporation of America and Cobblestone Golf Group, have little trouble obtaining financing, Guerra said.

But access to capital is a growing concern, especially for those who, Guerra believes, paid too much to build or buy courses in the past five years. Those facilities aren't meeting financial projections, which worries financial markets and hurts everyone seeking capital for the golf industry, Guerra said.

With more management companies comes more competition for leasing opportunities.

"We run across each other [competitors] out there," Guerra said. "But we're looking for leasing or management-only opportunities, not acquisitions."

"There's a huge contingent of course owners who don't want to sell their properties, but do want professional management services. They want a management company with substantial revenues that can guarantee them a rent check month in and month out."

"There are several reasons why an owner would rather lease than sell his course. First, he doesn't believe he's received his full, long-term value out of the investment, yet. Second, he might want to create an investment annuity that provides a long-term revenue stream for his family. Third, he might want to develop a golf course portfolio without the headaches of daily management. Fourth, he may just be enamored of the idea of owning a course. Or fifth, there are always tax considerations."

"We've had to become creative to address those various needs and we'll continue to do so."

Golf Enterprises acquires a pair of Texas courses

DALLAS — Golf Enterprises has added two Texas courses to its portfolio since the first of the year.

In January, the company signed a contract to manage Indian Creek Golf Course in Carrollton, Texas. A month later, it purchased Eldorado Country Club in McKinney.

"These acquisitions further GEI's announced strategy to be a leading consolidator in the golf course industry," said President and Chief Executive Officer Robert Williams.

The Dallas-based firm now owns, leases or manages 28 golf courses in 16 states. In its recently released financial data, GEI reported a fourth-quarter operating revenue of $11.6 million, an increase of 24.4 percent over the $9.4 million for the same period a year ago. The company reported net income of $41,000 for the fourth quarter of 1994, compared to a net loss of $1.1 million during the final quarter of 1993. For the year, GEI reported a net loss of $1.1 million as a result of an extraordinary loss on the early extinguishment of debt from the proceeds of the company's initial public offering in July 1994. That offering was used to establish a $45 million revolving credit line, which the company used to acquire eight courses during the fourth quarter of 1994.

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