Golf Matrix waiting for a buyers’ market

By ANDREW OVERBECK

SCOTTSDALE, Ariz. — With golf development financing getting tougher and the acquisition market still bottoming out, Golf Matrix, along with many other management companies, is turning its attention inward and playing the waiting game.

“There is too much for sale out there right now and no one is buying anything,” said Deron Bocks, president of corporate operations and acquisitions. “Why buy something now when it will be cheaper in August? Those guys [companies selling off courses] are in trouble and we are not going to bail them out.”

Instead of concentrating its efforts on the volatile acquisitions market, Golf Matrix is spending the first half of 2001 optimizing the performance of its existing portfolio. “We’ll poke our heads up July 1, and look around to grow again,” Bocks said.

Golf Matrix began managing Woodlake Resort and GC this fall.

Leasing options for turf equipment growing

DALLAS, Texas — Leasing and financing options have long been available in the golf car business and have become the preferred method of payment for large fleet purchases. However, leasing is a relatively new option when it comes to buying turf maintenance equipment.

“We have seen a strong buy into the marketplace in turf equipment in the last three years,” said Ron Ort senior vice president of golf and turf for CITCapital, formerly known as the Associates. “We launched our product in 1995. It was hard to get it out there beforehand because turf equipment was treated as a commodity. You bought it, you used it until it wore out and then you bought more.”

Leasing, though, is quickly becoming popular. In fact, in the four years that the Toro Co. has offered a leasing program, approximately one third of its business is now being done through leases, said Toro’s finance marketing manager, Paul Danielson.

According to Ort, attitudes about leasing turf equipment have changed because courses are realizing that leasing allows them to leverage their budgets and maximize cash flow.

“Superintendents have seen that by leveraging buying power over the course of four years as opposed to a capital expenditure in one year, they have gained a terrific cost or a cost amount of purchasing power,” he said.

The chart above illustrates how much equipment $50,000 yearly equipment budget can buy over a 48-month leasing period.

Despite $50-million cache, LinksCorp on sidelines

By JAY FINEGAN

BANNOCKBURN, Ill. — With an acquisition war chest of $50 million and a buyer’s market in golf properties, you might think LinksCorp would be busily adding to its 24-course portfolio. You would be wrong.

“This is probably the toughest buying environment we’ve seen in a long time,” said Ben Blake, LinksCorp’s president and CEO. “There’s a lot for sale, but you don’t see many transactions happening except for the real high-end stuff.”

Course prices are dropping, he said, but not far enough. Many sellers seem to have “overly optimistic” expectations.

“We’re coming off a pretty tough year in 2000,” he said. “People are putting their courses on the market and aren’t even close to getting the price they want. It’s largely because the relationship between current cash flow and asking price shows a significant gap.”

LinksCorp prefers to buy courses in the $4 million to $7 million range, so it can offer affordable golf.

There aren’t many transactions being done at our level,” Blake said. “If they are, they’re localized, where a few guys put up the dough and get it financed at a local bank.”

TRAILING CASH FLOW

At one time, Blake said, course valuations hinged on the replacement cost of the asset. That’s changed in recent years, and 12-month trailing cash flow is now viewed as the best indicator.

“The industry has usually traded at six to 10 times earnings before interest and taxes, and it’s probably closer to 10 than six,” he explained. “You’re now seeing those multiples coming down to nine.”

The deals he’s looking for are priced at eight times cash flow or better. “A course that’s doing $500,000 net and is selling for $4 million would be a good deal,” Blake said. “It would qualify for financing.”

DaimlerChrysler builds portfolio to $225 million

By JAY FINEGAN

DALLAS, Texas — The golf division of DaimlerChrysler Capital Service has quietly become the fastest-growing lender in the golf industry. The firm funded $85 million in projects in 1998 and $50 million more in 1999. But last year DCCS stepped up with about $125 million, bringing its portfolio to about $225 million invested in 45 golf courses.

“Our focus is on existing facilities,” said Bobby Fitzpatrick, the Dallas-based national director of the DCCS Golf & Sports Finance Division. “The majority of what we’re doing is the refinancing of courses. We also fund a lot of acquisition deals.

“We might even take a look at a start-up, if it’s already built,” he adds. “But we’re not into construction lending. We’ll only make a couple of construction loans this year, and we already know which