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.

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 Ortiz, senior vice president of golf and turf for CityCapital, 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 managing director, Paul Danielson.

According to Ortiz, 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 1.5 to 2.0 percent increase in a cost of $322,500. The total value of leased equipment is $182,500.

Source: CityCapital

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 really high-end stuff."

Course prices are dropping, he said, but not far enough. Many sellers seem to have "fairly 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."

PIE SLICE IS TOO THIN

The large number of courses for sale is a function of supply and demand, Blake said. "Too many courses probably have been built," he observed, "and the number of golfers isn't corresponding. The pie is getting sliced too thin in some places."

The most visible acquisitions are taking place at the top of the market. Heritage Golf Group, for example, recently bought White Columns GC in Atlanta and Talega GC in Southern California, reportedly paying about $20 million for each one.

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 are 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 those priced at eight times trailing 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 $50 million in projects in 1998 and $50 million more in '99. 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 startup, 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"
Golf Matrix
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in its "Carolina Collection" to six. It also recently signed a management contract for the new Jim Lipe-designed course that is being built in Alexandria, La. as part of the economic redevelop-ment of the closed England Air Force Base.

Golf Matrix also is involved in course ownership. In November, the company broke ground on its newest project, The Golf Club of Louisiana, in Shreveport. The Jack Nicklaus signature design is scheduled to open in spring 2002 and work will be directed by construction and development vice president Barton Tuck.

DEVELOPMENT DEALS BECOMING SCARCE
Development deals like the one in Shreveport are becoming more and more scarce said Bocks. "We have some unique things going on with the home builder partner," he said. "There were a lot of enticements to make the deal."

The homebuilder agreed to give Golf Matrix free land for the course, a subsidy for Nicklaus' fee and a one-third interest in the profits of home sales. "Two years ago, I'd be lucky if I got the free land," said Bocks. "These days it takes a perfect situation like this one and the home builders know that."

As a result, Bocks doesn't see a lot of development deals on the horizon. "I don't see us developing more than one course a year for the next couple of years," he said. "There are not a ton of people jumping to finance new golf projects right now."

TARGETING THE SNOWBIRDS
When acquisitions and development opportunities present themselves, Golf Matrix will look to add facilities in the upper Midwest and the Southwest. In the meantime, the company aims to acquire management contracts in these target areas as well as in the Southeast and mid-Atlantic regions.

"We are looking at getting into the northern Midwest and the Southwest," said Bocks. "There is a tremendous opportu-nity to build a brand up there so that in the winter if some-one comes to Scottsdale they can play a Golf Matrix facility and know that they are going to get the same service and programs that they are used to getting. It would also help to steady out our cash flow."

'',ClubCorp building first Bear's Best in Las Vegas
Continued from page 1
Southwest. Bear's Best Atlanta, scheduled to open in spring 2002, will feature 18 holes mostly from eastern states. But Nicklaus couldn't resist picking two holes from Scotland, and one each come from England and Ireland. For the finishing hole in Atlanta, he went with number 18 at Castle Pines Golf Club, in Colorado.

QUEST FOR EXACTNESS
Each hole will be an exact copy of the original, down to the tini-est details, based not only on original plans but on "as built."

"Jack makes a lot of changes in the field as he's building a course," said Dave Richey, ClubCorp's se-nior vice president of development and the program's prime mover. "To make sure we're replicating today's hole, we sent a survey team to each of the holes Jack picked. We did a GPS survey of the entire hole, down to 20-foot grids. Then we had photos taken from all angles and loaded everything into the computer. So the shapers have a very good depiction of the current golf hole."

The fanatical quest for accu-racy doesn't stop there.

"We want to make sure that the shot values and the playing environment are replicated," Richey said. "We can't do every-thing the same outside the play-ing area. Castle Pines has 5,000 pine trees around each hole. We can't do that in Las Vegas. But if there are trees that are part of the playing strategy of the hole, they will be there."

"At the eighth hole at La Paloma, Continued on next page

Many of the 1200 Ty-Crop MH-400 customers world-wide are reporting improved playing conditions, lower operational costs, and increasing profitability (more people are coming to play at their courses). But worst of all, grounds crews are saving on average over 1100 hours each year and they're struggling to manage all of this extra time (not!). We're really sorry about that.

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