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.

Adding courses in the Southeast

Golf Matrix, however, has been far from dormant. In the past two years, Golf Matrix has amassed 15 courses in the Southeast and the mid-Atlantic. This fall, the company added three management contracts in the Pinehurst, N.C., area, bringing the total number of courses to 24.

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 can’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.”

Pie slices 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.”

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 Ott, 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 Ott, 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 amount of purchasing power,” he said.

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

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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 an additional $5 million annually.”

DCCS, however, may just be scratching the surface of the golfing community. The chart above illustrates how much equipment a $50,000 yearly equipment budget can buy over a 48-month leasing period.

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too, volume-wise. The deals will be structured more conservatively than two years ago, though. We're anticipating an economic slowdown and increasing pressure on existing facilities from all the new supply."

DCCS, a wholly owned subsidiary of DaimlerChrysler Corp., was formerly known as Debis Financial.

Surveying the outlook for golf courses, Fitzpatrick predicts some challenging times for many of the newer layouts. "People spent too much money in recent years," he said. "They went kind of crazy. They thought they needed the best architect, the best cart path, the best irrigation system, the best clubhouse. And all of a sudden, a course that started out needing to be an $8-million project turned into a $12-million golf course. Now you're forced into being a high-end daily fee, where you wanted to be a moderate daily-fee."

"Obviously that means charging more, and maybe you could get that," he said. "But with a slowing economy and all the new supply, the higher-end courses will clearly be challenged in some areas."

WHITE COLUMNS EXAMPLE

Consequently, Fitzpatrick is interested in some selective financing of acquisitions that show an upside as turnaround prospects. A case in point is White Columns Golf Club, a daily-fee course north of Atlanta. Bob Husband's Heritage Golf Group recently acquired the club with some DCCS financing.

"The Japanese owned White Columns and undermanaged it," Fitzpatrick said. "They made money, but not enough relative to what Heritage paid for it. Industry reports put the purchase price at $20 million. So it definitely needs to get better. It's the best public course in Atlanta, a Tom Fazio design - it's just fantastic."

"It won't be hard for Heritage to enhance the cash flow there. There are some easy opportunities to bump it," he said. "The trailing 12-month cash flow could have serviced the loan, but barely, and we like to have a cushion. So we definitely underwrote some improvement in the cash flow. If we didn't think it would happen, we would not have done the loan."

Golf developers targeting even underserved areas need to look elsewhere for funding, however. DCCS isn't interested. "We'll get packages on 200 courses for construction loans, and we'll pick what points are more to his liking."

"When you go out to California, say, it's almost doubled. The courses are twice as expensive, and they throw off twice the cash," he said. "A $50 [green fee] golf course in the Southeast might cost $90 in California. That's what the market will bear. But you need a lot of money to get into course ownership out there."

Although LinksCorp has $50 million budgeted for acquisitions this year, Blake has yet to see a deal he likes.

"Thirty proposals crossed our desk in January, and not one of them made it to the next level," he said. "What's out there are many properties earning maybe $200,000, but they're asking $5 million. Who's interested in those kind of economics? That should be valued at maybe a $2.5-million deal."

Until prices become more realistic, Blake is prepared to sit tight. "To buy courses just to get bigger doesn't get you anywhere," he said. "I think you're better off buying a few good deals rather than a lot of marginal deals, because sooner or later they come back to haunt you."

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"In the same course was throwing off only $200,000 in cash," he added, "it wouldn't qualify for debt financing anyway, because the lender wouldn't get comfortable with that kind of coverage."

30 PROPOSALS, NO DICE

Blake is actively searching for workable deals, primarily in the Southeast, where the price points are more to his liking.

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