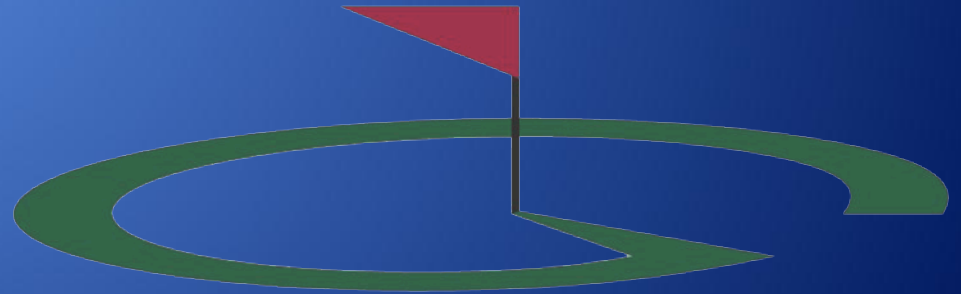


The Business of Golf

And Why the Superintendent is So
Critical



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GCSAA Profile

- ♦ Tenure: 1 to 30 years
- ♦ Average: 16.2 years
- ♦ Current Position: 1 to 26 years
- ♦ Average: 9.5 years
- ♦ 28 are Class 'A'
- ♦ 43% 4-Year Degree Program
- ♦ 86% Senior Agronomic Manager
- ♦ 83% Prepare Own Budget



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GCSAA Profile

- ♦ 72% Understand Balance Sheet
- ♦ 45% Understand Income Statement
- ♦ 59% Need Help
- ♦ 57% Optimistic About 2012
- ♦ 75% Optimistic Course Will Be Better in 2012
- ♦ 64% Optimistic Budget Performance Better
- ♦ 100% Able to Do More With Less



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Overview of Curriculum

- ◆ Franchise and Intrinsic Value
- ◆ Understanding the Income Statement
- ◆ Impacts Controlled by the Superintendent
- ◆ Planning for Revenue Growth
- ◆ Managing Labor Costs
- ◆ Capital Expense Planning
- ◆ Environmental Impact Planning
- ◆ Business Risk Management
- ◆ Servant Leadership



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What Is Expected of You?

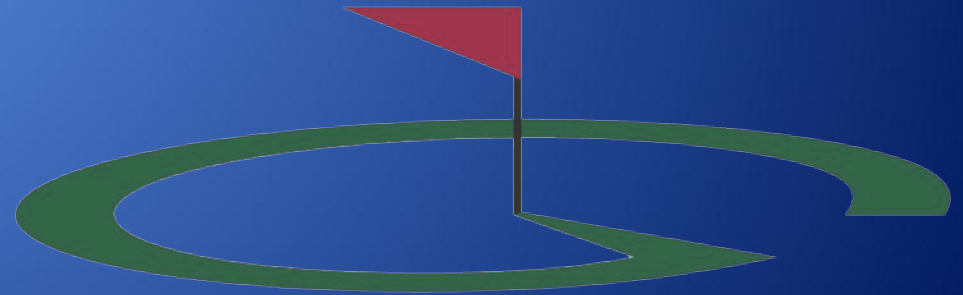
- ◆ Course Conditions: Best Possible
- ◆ Budget Management: Reduce Costs
- ◆ Personnel Management: No Problems/Lower Costs
- ◆ Environmental Responsibilities: Excellence/Safety
- ◆ Club Issues: Problem-Solver
- ◆ Club: Leadership



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Three Smart Moves Smart People Make

- ♦ Know What Matters
- ♦ Measure What Matters
- ♦ Do What Matters



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What is Franchise Value?

- ♦ The commercial value of a business enterprise.
- ♦ It is based on a multiple of the earnings of the business.
- ♦ The superintendent manages the 'franchise' of the club.
- ♦ Why you must be ahead of the numbers game.
- ♦ Measure what matters most.

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What is Intrinsic Value?

“The discounted value of the cash that can be taken out of a business during its remaining life. Anyone calculating intrinsic value necessarily comes up with a highly subjective figure that will change both as estimates of future cash flows are revised and as interest rates move. Despite its fuzziness, however, intrinsic value is all-important and is the only logical way to evaluate the relative attractiveness of investments and businesses.”

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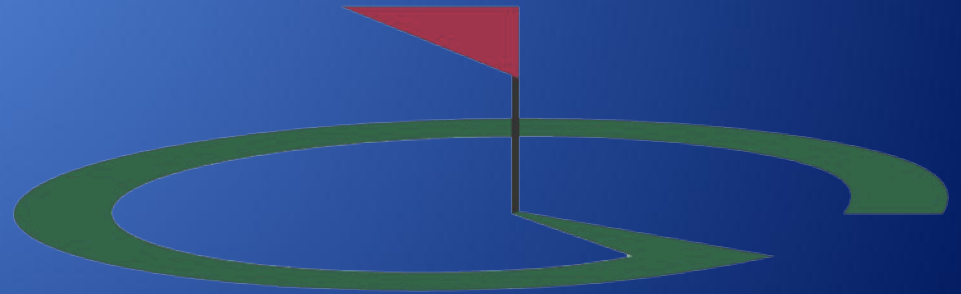
People Pay Attention to Intrinsic Value:

- ♦ Warren Buffet seeks companies that offer advanced Intrinsic Value.
- ♦ Principled Leadership
- ♦ Management Stability
- ♦ Uncommon Comparative Results
- ♦ Common Ambition

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The Business of Golf

Understanding Your Income Statement



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Understanding Your Income Statement

- ♦ How This Differs from a Balance Sheet
- ♦ Balance Sheet = A statement of a business or institution that lists the assets, debts, and owners' investment as of a specified date.
- ♦ Income Statement = a financial statement that gives operating results for a specific period (aka “Profit & Loss”, “P&L” and “Operating Statement”)

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A Sample Income Statement

Revenues

Costs of Sales

Total Revenues

Payroll Expenses

Operating Expenses

Total Expenses

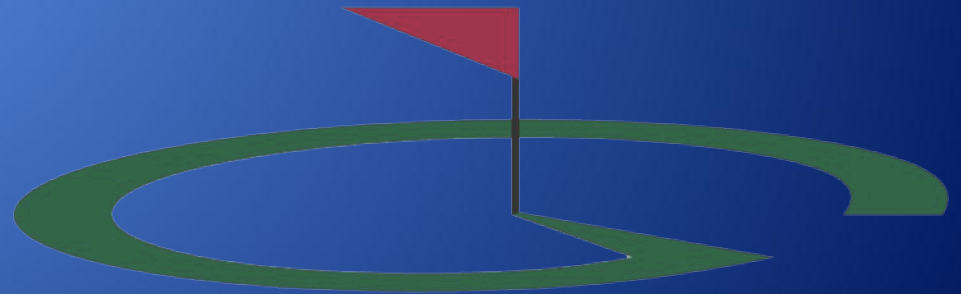
EBITDA (loss)

Interest Payments

Income Taxes

Depreciation/Amortization

Net Income (Loss)



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Understanding Your Income Statement

Revenue

- ♦ Member Dues or Golf Fees
- ♦ Food and Beverage Sales
- ♦ Retail Merchandise Sales
- ♦ How many pennies are in your dollar?

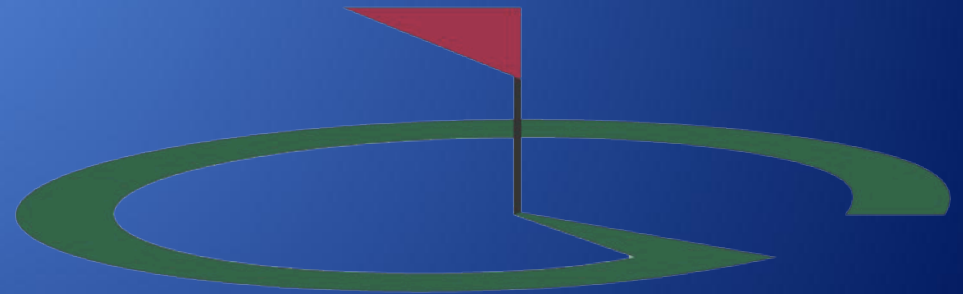


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Understanding Your Income Statement

Expenses

- ♦ Operating Expenses
- ♦ Payroll Expenses

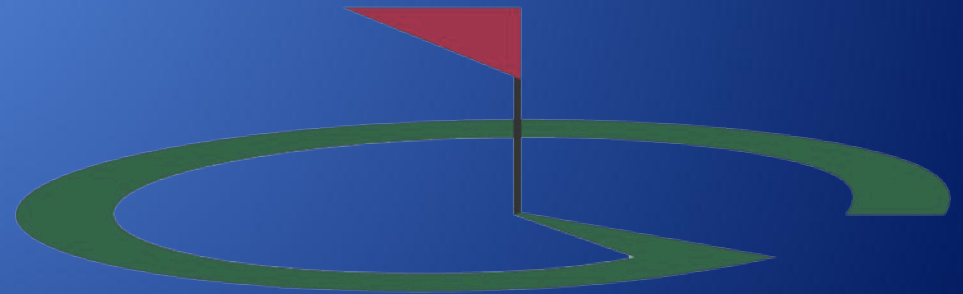


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Understanding Your Income Statement

Overhead/Administrative Expenses

- ♦ Utilities
- ♦ Property Taxes
- ♦ Insurance



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Understanding Your Income Statement

Net Operating Income

- ♦ “EBITDA” = Earnings Before Interest Taxes Depreciation and Amortization
- ♦ = “Cash Flow” (Cash Available After Revenue minus Expenses)
- ♦ = “Net Operating Income
- ♦ = “Profit”
- ♦ “Earnings” = Revenue – Expenses – All Deductions



Who Cares? And Why?

- ♦ The superintendent controls the largest numbers.
- ♦ Revenue Flexibility, Elasticity and Reliability
- ♦ 97% of Golf Facilities Cannot Grow Revenue (2005/2012)
- ♦ 55% of Golf Maintenance Costs Are Payroll
- ♦ Cost-Cutting Cannot Be Sustained



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Impacts You Control

- ♦ Tee Time Inventory Availability
- ♦ Market Attractiveness
- ♦ Customer Retention
- ♦ Member and Customer Satisfaction
- ♦ Cost Containment
- ♦ Capital Expense Requirements

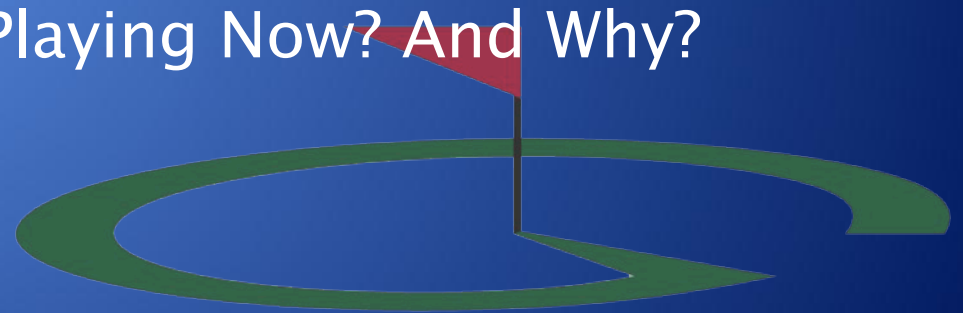


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Planning for Revenue Growth

Evaluate the Sources of Golf Rounds

- ♦ What Target Groups Can Increase Utilization
- ♦ Why Does Utilization Matter?
- ♦ Where Are They Playing Now? And Why?



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Planning for Revenue Growth

Identify Steps that Can Increase Tee Time Inventory

- ♦ More Hours of Tee Times
- ♦ Increased Access to the Practice Facility
- ♦ Integration of Profit Centers

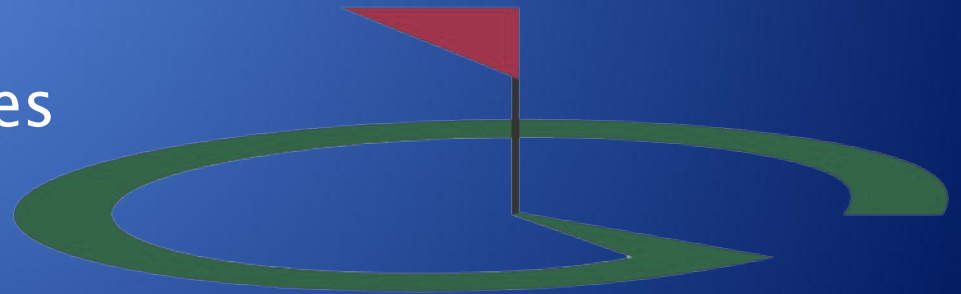


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Planning for Revenue Growth

Consider New Revenue Sources

- ♦ 'Fire at the Flag' (Canadian Program)
- ♦ Hole-in-One Competitions
- ♦ Dawn Tee Times
- ♦ Twilight Tee Times

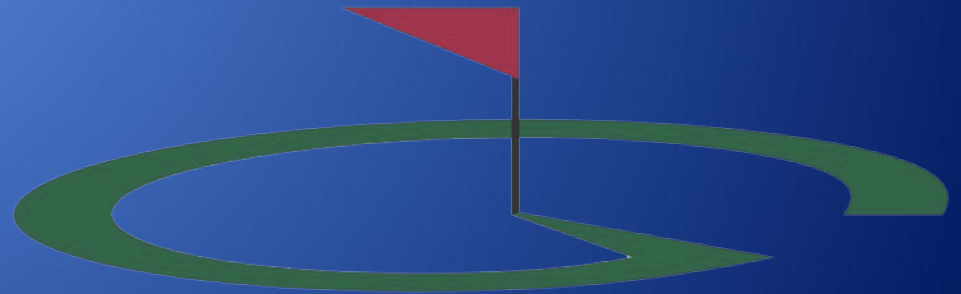


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Planning for Revenue Growth

How a Revenue Dollar Impacts Your Business

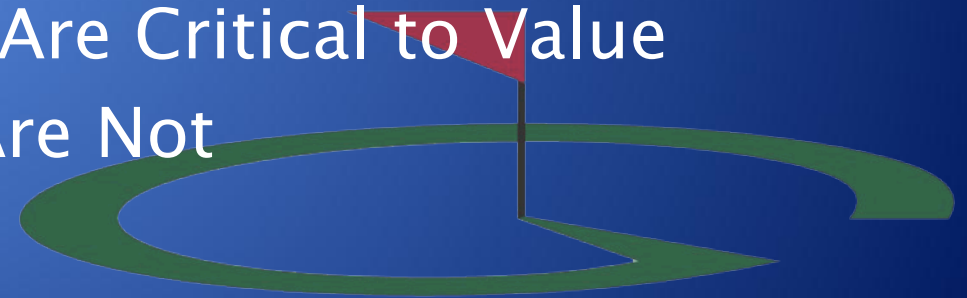
- ◆ Fees and Dues
- ◆ Food and Beverage
- ◆ Retail Merchandise



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Managing Labor Costs

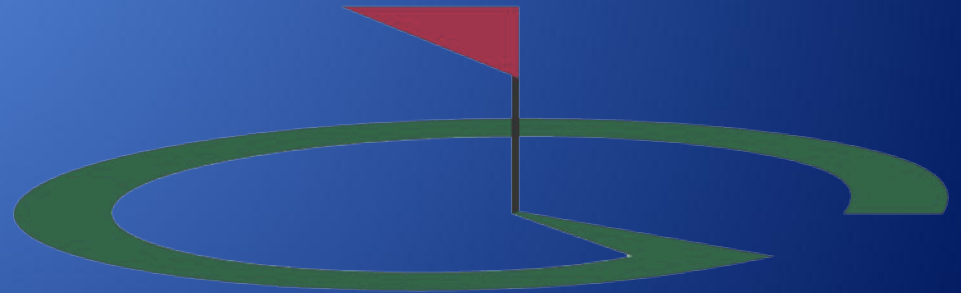
- ♦ Most Labor Costs Are Variable (not Fixed)
- ♦ Time and Motion Considerations
- ♦ Employee Leasing Programs
- ♦ Employee Benefits
- ♦ When Employees Are Critical to Value
- ♦ And When They Are Not



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Capital Expense Planning

Can you define a capital expense?



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Capital Expense Planning

- ♦ 62% of Facility 'CapEx' Is Golf Course Related
- ♦ 9% of Golf Facilities Maintain a Working CapEx Plan
- ♦ CapEx Versus R&M Expenses
- ♦ Identify ALL Assets That Must Be Replaced
- ♦ Leasing Versus Outright Purchase



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CapEx Budgets

- ♦ Should include every single item that requires not operating capital.
- ♦ Should span 5 to 15 years.
- ♦ Should be 'rolling' budgets that are renewed each year.
- ♦ Should be supported by multiple bids and shopped.



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Tools That You Should Have at Hand

- ♦ Income Statement Template
- ♦ Capital Expense Template
- ♦ Balance Sheet (your club)
- ♦ Income Statement (your club)
- ♦ Agronomic Plan (your club)
- ♦ Capital Expense Budget (your club)



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Business Risk Management

- ♦ What is Risk Management?
- ♦ How does it apply to the Golf Superintendent?
- ♦ Why should you watch for risk?
- ♦ What are the primary risk indicators?
- ♦ How you should review and evaluate your operation?
- ♦ Three keys to address tomorrow?

Business Risk Management

- ♦ Anticipate frailties in your operation and fix them.
- ♦ Do not procrastinate.
- ♦ You may miss some things but preparation trumps being caught off-guard.
- ♦ You and your staff deserve thorough preparation.



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Three Keys to Address Tomorrow

1. Where do you maintain the primary permits and licenses for your department?
2. Is every employee in your charge properly trained on each piece of equipment he or she operates?
3. How often do you review and execute training for job safety and safe haven work environment?

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Five Things to Remember

1. YOU Control the Value of Your Club
2. Measure the Things that Matter Most
3. Revenue Growth Is Critical to Your Success
4. Assertive Expense Management Separates the Top Performers
5. CapEx Planning Saves Money



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Servant Leadership

It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat.