Private equity buyers back in golf 6

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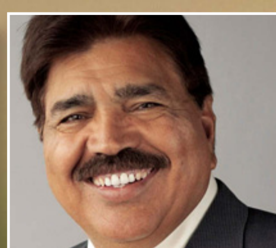


the MOST POWERFUL People in Golf

Goodbye Tiger, hello Rory. While management execs still dominate, the world of golf continues to grow beyond the U.S.

Private equity back in golf

Two funds have started rolling up distressed golf courses, and others are expected to enter the market soon. Why the recapitalization of golf should be good for the industry.

BY JACK CRITTENDEN

Several private equity funds are currently considering whether to enter the golf market, and a few have already started acquiring distressed golf courses.

While it is unclear how many funds will enter golf and how much money will be invested, some long-time insiders believe that golf will see a significant recapitalization over the next few years.

"It has taken time, but people are seeing that opportunities are good and they are planning to venture into [the golf market]," said Jerry Hinckley, senior vice president and managing director for Real Estate Assets at Textron Golf Finance Division. "The recapitalization of golf will take place, and it is an optimistic sign."

Hinckley oversees Textron's holding company, Great Oaks Golf, which currently has 29 courses — all properties that Textron Financial has taken over in the last three years. Hinckley said 20 of those courses are currently listed for sale and that he has spoken with many potential buyers, some that have capital and are serious.

Peter Nanula is one such buyer. Nanula, who ran Arnold Palmer Golf Management from 1993 to 2000, reentered the golf market in July with the acquisition of 0Heathrow Country Club in Lake Mary, Fla., for $3.5 million.

Nanula, a Harvard-trained lawyer with a background in private equity, said his new company, Concert Golf Partners, has cash on hand and can close deals within 30 days. He expects to invest $50 million into golf courses over the next year and is hopeful to acquire five to 10 private or public courses.

"We are interested in hearing from owners of clubs who want to do something fast," Nanula said. "There is a large volume of tire kickers out there who spend a lot of time, but don't really have the money [to buy]. That story is getting very tiresome for owners and brokers."

The company is focused on courses that have one million people within 20 minutes of the golf course, revenue above $3 million a year and that are not currently professionally managed.

"That rules out of a lot of clubs in tourism markets like Las Vegas and Palm Springs," he said. "They struggle when the economy is down."

He said Concert Golf Partners is a good buyer for equity clubs facing bank pressure, bank-owned courses and courses like Heathrow, which was foreclosed on in March.

Nanula said he has two other courses under letter of intent — one in Florida and one in Arizona.

Peter Nanula (left) and Tom Bennison (right) each head investment groups that hope to acquire and manage distressed properties. Both recently acquired their first course.

Tom Bennison, a 27-year veteran of ClubCorp, has joined forces with Charlie Staples and Mike Miraglia to acquire golf courses. Their partnership, Fore Golf Partners, has attracted several investors and led to the purchase of Feather Sound Country Club in Clearwater, Fla., in August.

"It is a good story for the golf industry when you can secure sophisticated investor capital," Bennison said. "It shows investor confidence in golf."

Bennison said this is an "unprecedented acquisition environment as club owners and lenders seek liquidity from these businesses." He said Fore Golf Partners is a cash buyer that is familiar with most major U.S. markets and able to close quickly.

He declined to disclose the purchase price for Feather Sound, but said he is looking for courses that are selling between .75 to 1.3 times gross revenue.

"Most of these courses either have a negative EBITDA or so little that you can't value them based on it," he said.

Steve Ekovich, vice president and director, National Golf & Resort Group of Marcus & Millichap, said that a lot more opportunity funds, vulture funds and private equity funds will enter the golf market.

He said those investors are mainly looking for opportunities in the value-added category — courses that offer revenue from more than just golf. Ekovich said these opportunities include properties that include residential communities that weren't completed, or 36-hole courses that are underperforming and could have part of the course converted to condos or apartment buildings.

He said this is good news for a market that spent the worst of the recession with frozen capital and tremendous uncertainty.

Dana Garmany, CEO of Troon Golf, the world's largest management company, said he has met with thee potential investor groups who are still hesitant to enter the market, due to a lack of exit strategy.

"We can guarantee a good yield on their money," he said. "The problem is that people want to get out in three to five years, and there is no institutional buyer. If you have 100 golf courses, how do you sell them?"

Two Japanese companies, Pacific Golf Management and Accordia Golf, rolled up more than 100 distressed golf courses during the country's real estate depression in the early 2000s. Both went public after about five years. But Garmany said that is not an option in the United States, as the value of the company would need to be near a billion to get serious interest from mutual funds.

Still, he expects large investors to enter the industry.

"There really is a great opportunity to make a nice yield," he said. "Somebody will do it."

Eagle Golf is hopeful it can acquire courses soon.

"We would love to own 30 to 40 courses in 10 years from now," said Eric Logan, chief financial officer for Eagle. "With course values 50 to 70 percent lower than they were in 2007, that is a possibility."

Logan said Eagle is working with a bank to find interested investors, but it is still early in the process. He said the idea is to buy undervalued courses in cluster markets. Eagle is focusing on Phoenix, Houston, San Antonio and other markets in the southern United States, where weather is not a factor.

The management company recently added its 77th golf course, Bluebonnet Country Golf Course in Navasota, Texas, under a management contract.

"Whether it's a good management deal, lease or acquisition, we'll take it," Logan said. "If we believe we can turn [the golf course] around, we will take it. We try to be very disciplined about that."

Eagle currently has 58 courses in triple net leases — 43 of which are owned by CNL. It manages 16.5 courses and owns 3.5 others. Eagle is owned and run by Joe Munsch, who acquired the company in 2008. Since he took over, the company's portfolio has been relatively stable, despite what this magazine reported in the Summer 2011 issue.

"We have lost a few management contracts, but have gained more than we lost," Logan said. "The CNL courses are stable and long term."

Logan said the 43 CNL courses are under 20-year leases that were signed in 2009. The company also has leases for courses in Denver and Chicago with other owners.

Nanula, who is based in Newport Beach, Calif., entered golf in 1993 as an investment banker when he felt there were good growth opportunities. He acquired 30 golf courses, but sold the company in 2000 when it seemed golf's future was dimming.

He has been a private equity investor since then and decided to jump back into golf about six months ago after seeing courses selling for bargain prices. He plans to operate the courses on his own and is in the process of hiring personnel.

"We are not building a management company," he said. "We will be owner-operators with our own team. We want to talk to the top 2 percent. People with track records of producing top results."

Bennison's group also plans to operate its courses. Staples, who has been in the golf industry for 40 years, is considered the "highest margin" operator in the industry. Miraglia has 26 years in the golf business, and co-owns Fore Golf with Staples. Fore Golf has 13 courses in Florida, Northern Virginia, Maryland and Ohio.

Investors in the joint venture include Dallas businessmen John Pigott and Bruce Leadbetter; Harold Handelsman, counsel to the Pritzker family of Chicago for 35 years; and Christopher Bancroft, a former Director of Dow Jones & Company.

People on the Move

■ **Sam Sakocius** has formed Project Control International LTD, a Hong Kong chartered company conducting business globally. PCI has been formed to provide select clients with customized consulting and project management programs throughout the world.

■ **Jeff Burkle** joined Affiniti Golf Partners as a strategic partner, responsible for new business development and acquisitions. He was previously senior vice president of Credit & Product Development for Textron Financial Corporation's Golf Finance Division.

■ **Jamey Clark** is now general manager at Stonebridge Golf Club of New Orleans in Gretna, La., a KemperSports facility. Most recently, Clark served as general manager at Oak Harbor Golf Club in Slidell, La.

■ Andrews Times Golf Management (ATGM), based in Shenzhen, now represents Swan Golf Designs in China and East Asia. **Raymond Tang**, managing director of ATGM, will act as SGD's representative, assisting with the promotion, marketing, project sourcing and client liaison.

■ Somerby Golf Club and OB Sports appointed **Kurtis Pitcher** as the general manager for the private club in Byron, Minn. Pitcher is responsible for all club operations, golf operations, food and beverage and marketing.

the MOST POWERFUL PEOPLE in GOLF

Goodbye Tiger, hello Rory. While management execs still dominate, the world of golf continues to grow beyond the U.S.

Amid foreclosures, struggling private clubs and a stagnant development market, the world of golf saw a burst of hope this past year. It came in the face of Rory McIlroy.

Not since Tiger Woods' heyday has a new golfer had such a profound impact on the state of the industry. And while many are hopeful that the Irish kid can boost golf, there have only been a few individuals who, like Arnold Palmer, have ever achieved such a task.

Not even Tiger lived up to his billing. When this magazine premiered our power ranking in 1998, Woods was placed on the list because of what he might do. But just when he started to take an active interest in the business of golf, his star fell sharp and suddenly. His descent continued this past year, as the stress of divorce took a toll.

His return to tournament play was plagued by injuries that had him sitting out both the U.S. and British Opens and withdrawing from the Players Championship after only nine holes. Woods capped off the summer by firing his long-time caddy and losing more endorsements. For the first time since 1998, he is not on our power list.

In his place, albeit in the last spot, is McIlroy. Thanks to his ascending star, along with that of other European players, a host of Europeans moved up our power rankings. Chubby Chandler makes his debut at No. 19, and George O'Grady, executive director of the European PGA Tour, moved up 10 spots to No. 9.

But the list is still dominated by management company executives, including Dana Garmany, who returned to Troon Golf after a one-year hiatus and took our top spot for the first time. As Garmany said recently, this is a good time to manage — and not own — golf courses.

Opportunistic buyers are starting to make waves in the industry and on our list, including Peter Nanula, who returns to our ranking for the first time in more than 10 years.

Those working in China continue to see their power rating rise, including David and Ken Chu (moving up to No. 4) and Wang Jun, who joins our list for the first time. Overall, there are nine new people on the list this year — the second year in a row we have seen turnover greater than 20 percent. And that is a reflection of golf, an industry in flux and one that is not sure if it is healing or getting sicker. But one thing is for sure — it is changing.

Jack Crittenden, Robert Vasilak, Elizabeth Ewing and David McPherson compiled this story, with feedback from Trevor Ledger and Bruce Buckley.

dominance of European Tour golfers over the past year, with four out of the top 10 players in the world calling Europe home. Many see O'Grady as central to that success. Accolades on the course were matched by a strong showing of it, as O'Grady managed to shepherd the Race to Dubai through the world's tough financial climate to offer a $7.5 million earnings pool in its third year. With an exciting crop of young players, look for O'Grady's influence to continue to grow over the coming years.

#10 STEVE SKINNER & JOSH LESNIK

CEO and President, KemperSports
2010 Ranking: 7 (Steve Skinner and Steve Lesnik)
United States

The guys at the top of KemperSports are being closely watched as they maintained their aggressive growth despite the tough economy over the last year. They added five more courses to their portfolio, for a total of 107 properties managed in the United States. Lesnik, who has taken the reins from his father, Steve, was heavily involved with the USGA and bringing the 2015 U.S. Open to Chambers Bay. KemperSports is also gearing up for a big renovation project in Puerto Rico to be complete this fall, after working with Robert Trent Jones, Jr., on a makeover of his dad's original design.

#11 JOE STERANKA

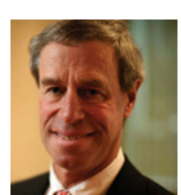
CEO, PGA of America
2010 Ranking: 10
United States

After 23 years with The PGA of America — five of them as CEO — Steranka has developed a reputation as a respected thought leader in the industry. In the past year, Steranka prepared for the launch of Golf 2.0, a long-term strategic plan designed to grow the game to 40 million players by 2020. Steranka also serves as chairman of We Are Golf, which recently lobbied to get tax relief for courses devastated by natural disasters. An expert on the global growth of the game, Steranka is co-founder of the World PGA Alliance, which supports standards for golf professionals worldwide.

#12 MICHAEL KEISER

Developer
2010 Ranking: 16
United States

Keiser is moving full-steam ahead. His Cabbot Links opened for limited play on Cape Breton Island, Nova Scotia, in July. He also has a fifth Bandon course — Bandon Preserve — under construction and is in discussions with Oregon officials to open a 27-hole municipal course with architect Gil Hanse in Bandon. The past year has only added to Keiser's reputation as a visionary developer of world-class links courses, and it doesn't look like he's going to be changing that anytime soon.



#13 JIM HINCKLEY

CEO, Century Golf Partners/ Arnold Palmer Golf Management
2010 Ranking: 11
United States

While many companies were adding management contracts to their revenue stream in the past year, Hinckley oversaw a major purchase for Century as the company moved from management to ownership of a five-course resort portfolio in Myrtle Beach, S.C., including the Legends, the Heritage Club and Oyster Bay. But Hinckley added to the management side as well, with the addition of the 27-hole Medallion Club in Westerville, Ohio, to the 64 other courses already under operation by Arnold Palmer Golf Management.

PETER NANULA #14

CEO, Concert Golf Partners
2010 Ranking: NR
United States

Peter Nanula was last on our power list in 1998, when he was CEO of Arnold Palmer Golf Management. A lawyer with a background in private equity, he had pulled together more than $135 million for the acquisition of golf courses and landed himself in the top 10 of our inaugural power ranking, above Dana Garmany. However, he left the golf industry less than two years later, when his primary investor sought an

exit. But the moneyman is back in golf with Concert Golf Partners, convinced that now is a great time to buy. He has $50 million to invest, bought his first course in July and is aggressively seeking other deals. He could close 10 this year and has the know-how to secure another $50 million in funding. If all falls right, Nanula could spearhead the recapitalization of golf, leading to far brighter times for an industry that has been strapped for cash.

#15 NICK FALDO

Chairman, Nick Faldo Golf
2010 Ranking: 14
United Kingdom

He was once characterized by his failures (the British tabloids used to call him Nick Foldo), but Faldo eventually became one of the golf industry's biggest successes.

During a period that stretched roughly from the mid-1980s to the mid-1990s, Faldo — Sir Nick as he's known in the U.K. — was arguably the best player in the world. He won 40 professional events (including six majors), spent 98 weeks ranked as the world's No.1 player and was inducted into the World Golf Hall of Fame.

Since then, Faldo has hit big as a television commentator. The gig has put him squarely in the public eye and helps to market his other golf ventures, which include instructional tomes, practice facilities in Florida and California and golf course architecture.

Faldo's career as a course designer hasn't yet achieved lift-off in the U.S. — where he's opened just five courses — but his brand flies high internationally. Nick Faldo Design, which opened in 1991, has completed 18 courses in 16 foreign nations, and it currently has others under construction in Vietnam, India and Cambodia.

So in one way or another, the next voice you hear may be Faldo's.

#16 RAI SAHI

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#17 RONALD FREAM

Architect, Golfplan
2010 Ranking: 15
United States

For more than 40 years, Ronald Fream has been on a mission. While his competitors have chased prestige projects and cashed big paychecks, Fream has taken golf to places it's never been, spreading the gospel known as "growing the game."

Since the early 1970s, when he established Golfplan, Fream has been a constant traveler, designing and building golf courses in dozens of nations on six continents. Although he's worked for a sultan (of Brunei) and done his share of projects in the so-called civilized nations, he followed his heart, chasing adventure and unpredictability in far-away places where golf is — or at least was — barely known. He found his true calling in the challenge of blazing trails.

What other architects couldn't tolerate — hotels without flush toilets, meals eaten on dirt floors in huts — Fream viewed as delightful inconveniences. When there wasn't enough money to do the job right, he figured out how to get the job done. Unlike some other architects, he was willing to strip the game of its five-star pretensions. He allowed its rough, ancient edges to show and dressed it in clothes appropriate to the place he was in. For