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GOLF ADVISORY PRACTICE IN EMA

Round and revenue trends in EMA 2011

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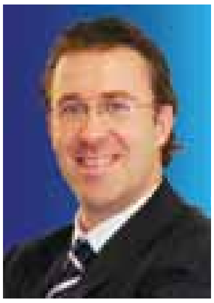
Contents



Dr. Andrea Sartori
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Dear Reader,

It is almost four years since the economic crisis unfolded in late 2008, causing a significant impact on the golf market in Europe, the Middle East and Africa (EMA). The Research Team at KPMG's Golf Advisory Practice has been monitoring business performance trends in the region on an annual basis during this period. While the first two editions of this report have shown negative business results in most locations of the EMA region, we are pleased to note that 2011 brought some signs of recovery, despite the negative trend in golf participation in several European markets.

This report is based on a questionnaire-survey of 380 golf course operators in the EMA region about their business performance in 2011, the measures they have taken to improve profitablilty, as well as their future expectations. Among the most notable findings are:

- More than half of golf facilities reported an increase in rounds and revenues in 2011, compared to only one-third in 2010;
- Courses in the Middle East and North Africa remain the strongest performers in EMA, while Eastern European courses remain the weakest;
- Three-quartersof all surveyed operators have taken specific measures to improve profitability – specifically, 56% of all respondents have cut costs, and 30% cut staff;
- Green fees were increased at 38% of all facilities and annual membership fees at more than half, each by an average of 5-10%.
- Half of golf course owners are making capital investments in 2012, while approximately one in ten is considering selling their facility.

Please read the following pages for an in-depth analysis of our survey findings.

I would hereby like to express my special thanks to all golf course owners and operators who contributed to this survey.

Should you have any questions or queries about our survey findings and our research activities, please do not hesitate to contact KPMG's Golf Advisory Practice at golfbenchmark@kpmg.hu.

To download our other market intelligence studies, please visit **golfbenchmark.com**.

Yours sincerely,

Andrea Sartori

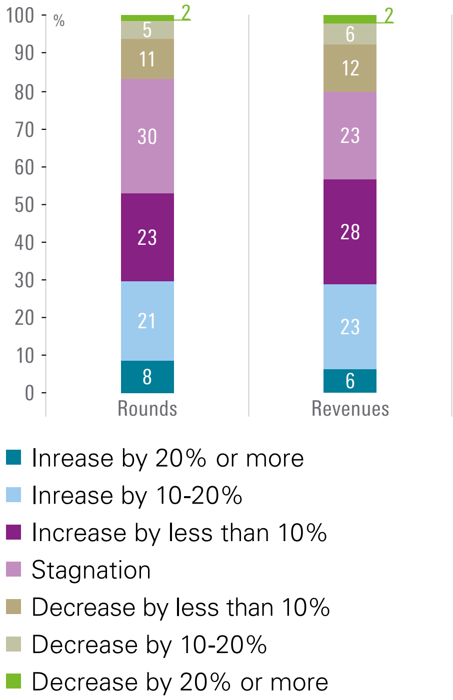
Business performance of golf facilities in 2011

Based on our recent survey, we have noticed a positive shift in performance throughout the EMA region, with 57% of all facilities surveyed assessing their business year in 2011 as good or excellent, and only 8% as poor or very poor, compared to 44% and 17% in 2010, respectively. In fact, results were noticeably better in each individual region of EMA compared to the year before.

Similarly to 2010, facilities in the Middle East and North Africa region outperformed other markets in 2011, with 78% of the facilities surveyed reporting good or excellent business results. Nevertheless, some courses in North Africa experienced a poor business year due to the regional political instability last year.

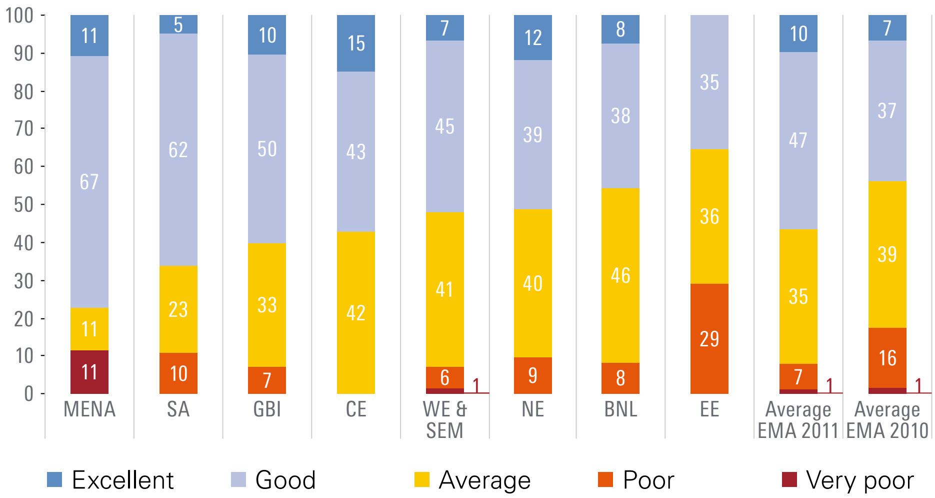
In Great Britain & Ireland, more than 60% of golf courses reported strong results in 2011, while 7% declared poor performances versus 17% in 2010. Courses in Eastern Europe remain the poorest performers, with nearly a third of the survey participants reporting poor results.

Growth tendencies of rounds and revenues (2011/2010)



Source: Golf Benchmark Survey

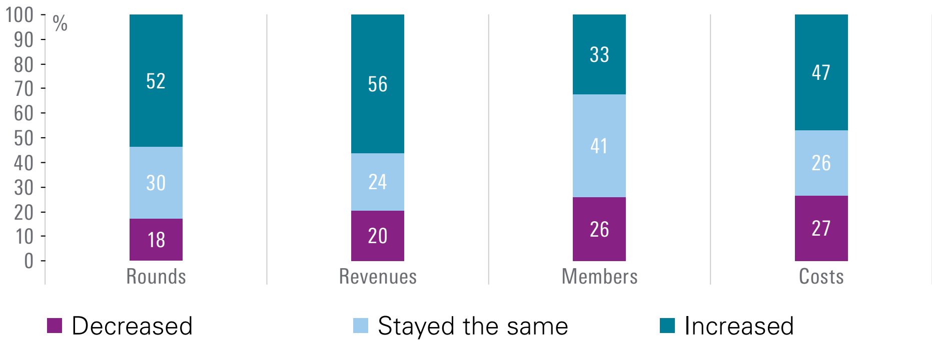
Rating of business performance in 2011



Source: Golf Benchmark Survey

Year-on-year, rounds and revenues have increased at more than half of the facilities surveyed, compared to only one-third the year before, while a fifth of courses experienced a decrease. According to our research, approximately 13% of courses demonstrated an efficient business model of increasing revenues and decreasing costs. However, 9% experienced a revenue drop combined with an increase in costs.

Overall performance of golf facilities in EMA (2011/2010)

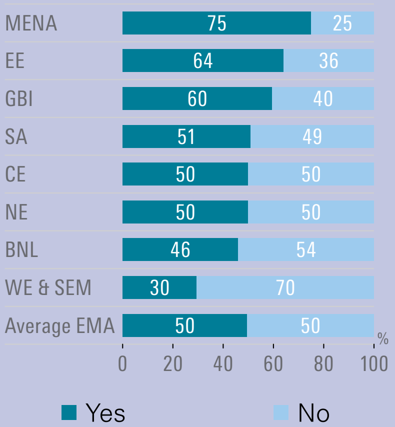


Source: Golf Benchmark Survey

Capital investment in 2012

According to our survey, capital investments are planned at about half of the facilities. Golf courses in the Middle East and North Africa region remain the most active with more than three-quarters of respondents planning to make additional investments.

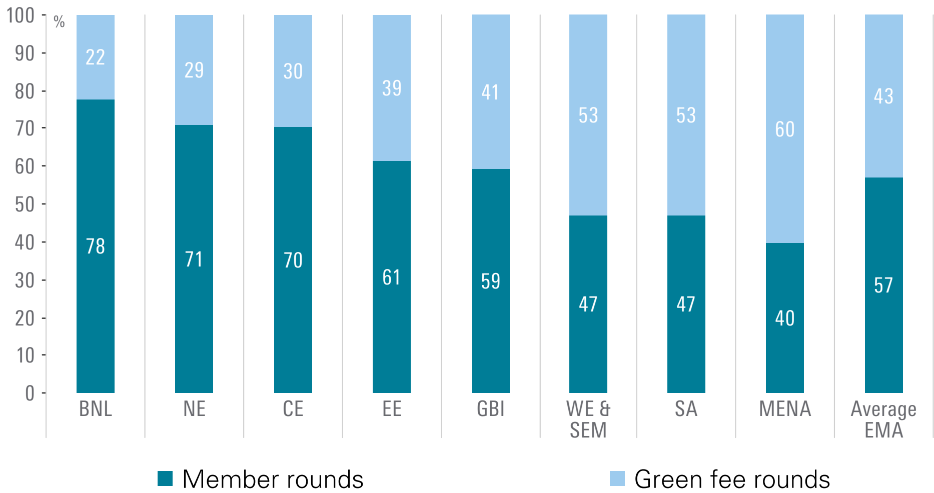
Courses planning capital investments in 2012



Source: Golf Benchmark Survey

Fifty-seven percent of all rounds were played by club members and 43% by daily fee visitors. The share of green fee rounds was higher in regions with a stronger inbound golf tourism market – generally between 50 and 60% of total rounds.

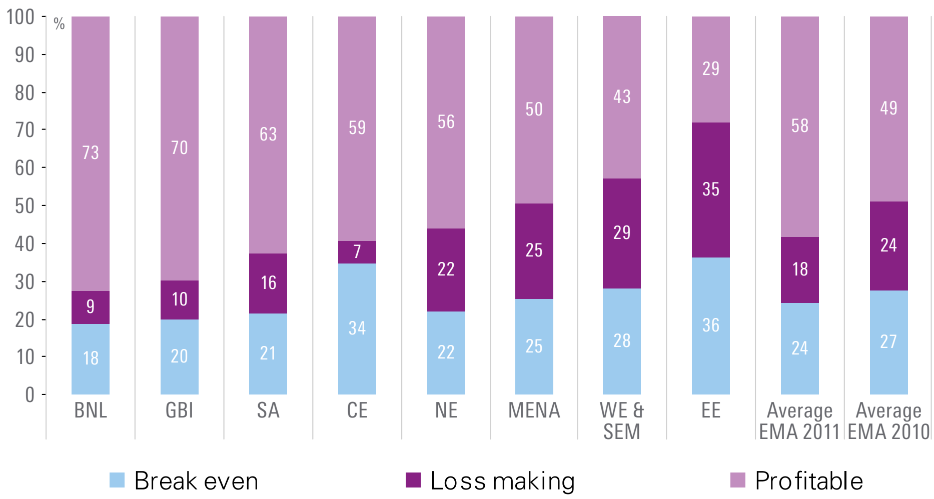
Distribution of member rounds and green fee rounds in EMA (2011)



Source: Golf Benchmark Survey

As the following chart demonstrates, 58% of all golf courses enjoyed a profitable business year in 2011, compared to 49% in 2010, while a quarter reported an operating loss. The Benelux region and Great Britain & Ireland had the highest share of profitable facilities in 2011 (more than 70% each). Our survey suggests that in Great Britain & Ireland a large number of facilities have improved their performance from breaking even to profitable since 2010, when the share of profitable facilities was only 56% and 24% were breaking even.

Profitability of golf courses by region (2011)

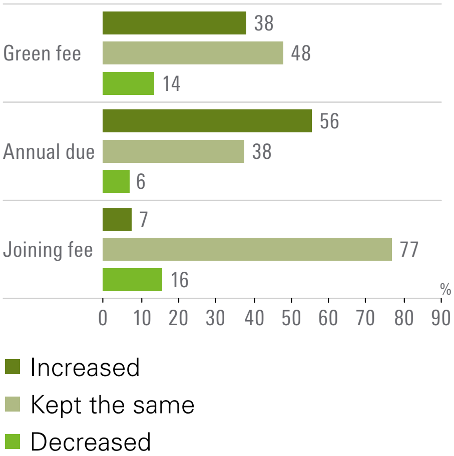


Source: Golf Benchmark Survey

Measures taken to increase profitability

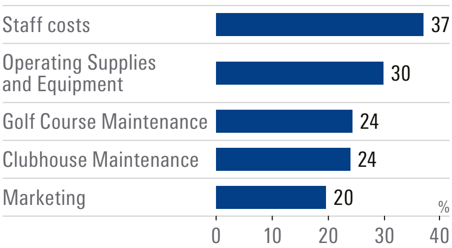
About three-quarters of golf course managers have taken specific measures to improve profitability. More than half changed their pricing policy and have introduced cost cutting, while over 40% have changed their PR and marketing strategies.

Changes in pricing



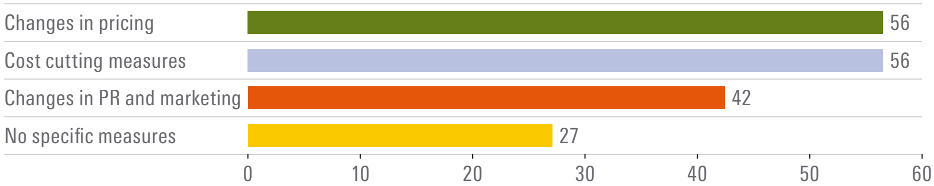
Source: Golf Benchmark Survey

Cost cutting measures specified



Source: Golf Benchmark Survey

Measures taken in 2011 to increase profitability



Source: Golf Benchmark Survey

A large number of facilities kept the same price levels in 2011 as in 2010. **Green fees** were unchanged at nearly half of all courses, while 38% of courses increased their green fees by up to 10%. Only 14% of the surveyed facilities decreased their green fees.

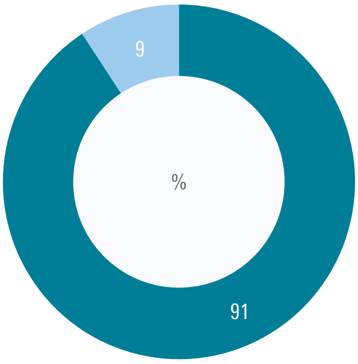
Annual dues were increased at 56% of all courses, typically by 5%, and remained the same at 38% of facilities. **Joining fees** were typically kept the same or reduced significantly (by 50% or more). Approximately 5% of facilities cancelled their joining fee altogether.

More than a third of facilities reduced **staff costs**, typically by 5-10%. Thirty percent cut costs related to **operating supplies and equipment**, and about a quarter cut **golf course and clubhouse maintenance** costs, each by 5-10%. A fifth of facilities have also reduced **marketing expenditure**, typically by 50%, as part of their cost cutting strategy.

Many golf course operators have shifted their attention to **online media and social marketing**, and have reduced the production of printed material. Several golf course managers have focused more on direct marketing to existing members (for example, via targeted newsletters). Many have introduced a more aggressive marketing strategy, promoting special offers and packages, often targeting young golfers and families. Several facilities have also enlarged their marketing team or realized the necessity to hire dedicated marketing staff.

Future outlook

Considering selling facility

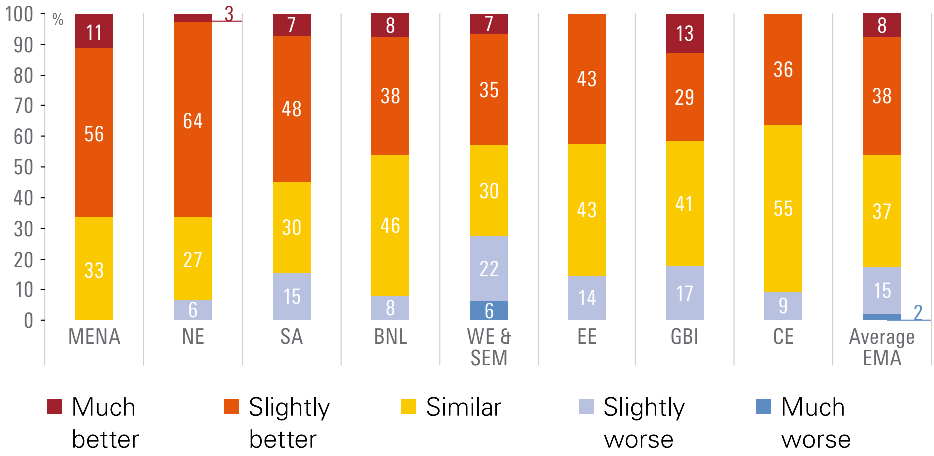


Source: Golf Benchmark Survey

According to our survey, 46% of course owners expect an improved year in 2012, and 8% foresee significantly better business results than in 2011. Meanwhile, one in six facility owners anticipate poorer performance. In fact, 9% of respondents are considering selling their facility.

Course operators in the Middle East and North Africa are relatively optimistic about the future, similar to Northern Europe, but a high percentage of operators in Western Europe and the South-East Mediterranean, as well as in Great Britain & Ireland, forecast a decline in performance in 2012.

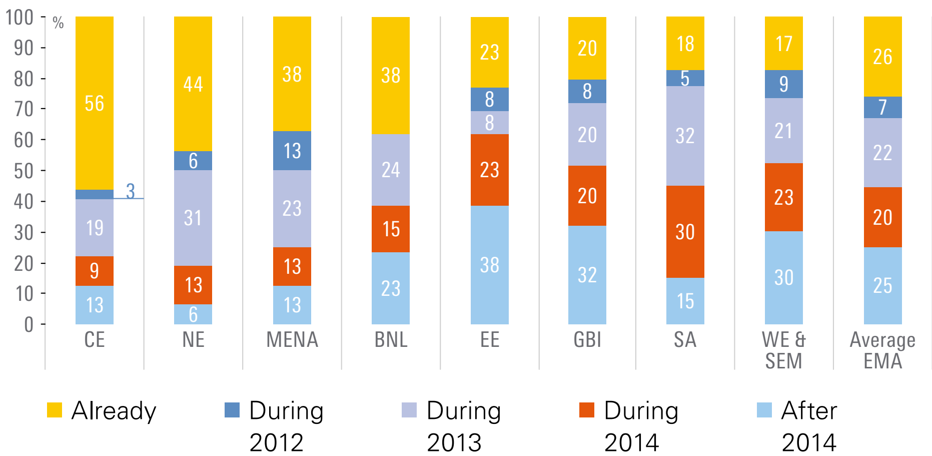
Expected business performance in 2012 compared to 2011



Source: Golf Benchmark Survey

Only a quarter of operators in our sample have reached the same performance level as before the economic crisis, while close to half do not expect to fully recover before 2014. Courses in Eastern Europe, South Africa, Western Europe and South-East Mediterranean Europe, plus Great Britain & Ireland, are the most conservative in their outlook on recovery, while in Central and Northern Europe about half of all courses have indicated a recovery from the downturn.

Expect to reach same performance level as pre-crisis



Source: Golf Benchmark Survey

Conclusion

The year 2011 has established a positive trend in golf course performances throughout Europe, the Middle East and Africa. Course operators in every single region reported improved results compared to the year before. Overall, courses in the Middle East and North Africa are still leading the way in terms of business performance.

More than half of facilities have reported increased rounds and revenues in 2011, with about 30% recording an increase of 10% or more. Fifty-eight percent of the facilities surveyed reported a positive gross operating profit. However a large proportion of the remaining facilities described themselves as not-for-profit operations.

Despite the positive development in business performances, only a quarter of facilities have reached their pre-crisis performance level, and many do not expect to recover before 2014. Courses in Central and Northern Europe have demonstrated the quickest turnaround, with nearly a half of operators reporting a recovery.

About three-quarters of operators have taken active steps to improve profitability, mainly via cost cutting measures, as well as enhanced PR and marketing strategies. Many have reduced staff costs, as well as costs related to operating supplies, equipment, course and clubhouse maintenance, each by 5-10%.

Across the EMA region as a whole, 50% of course owners are planning capital investments, while 9% are considering selling their facility.

Andrea Sartori, head of KPMG's Golf Advisory Practice, said: "While there are signs that golf courses in Europe, the Middle East and Africa have started to recover from the economic downturn, the speed of that recovery is variable across the region and it will still take time to return to pre-downturn levels of business performance. Although much depends on the overall economic climate, active measures for improved business performance can significantly help facilities to develop. Our survey shows that the golf course businesses that are performing well are successfully identifying and reaching the right target costumers via effective communication channels, offer a well-defined service mix within an appropriate pricing policy and are active in improving their cost efficiency."

For more golf business research and reports, please visit:
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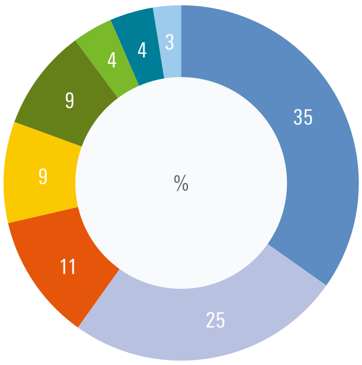
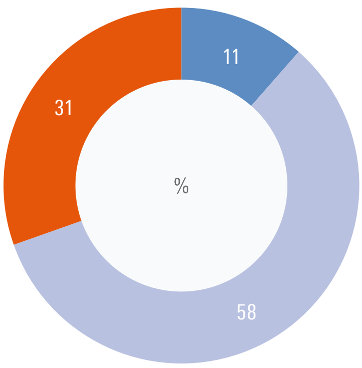
Distribution of golf courses ...by location



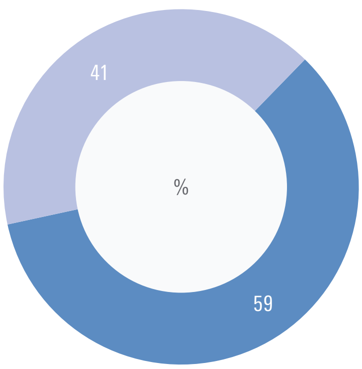
- GBI
- WE & SEM
- SA
- NE
- CE
- BNL
- EE
- MENA

...by size



- 9-hole
- 18-hole
- 27-hole+

...by type of facility



- Tourist resorts and residential communities
- Stand-alone golf courses

Source: Golf Benchmark Survey

Methodology

More than a third of the 380 survey respondents are located in Great Britain & Ireland – the EMA's largest golf market – 25% are based in Western and South-East Mediterranean Europe, 11% in South Africa, 9% in Northern Europe, 9% in Central Europe, 4% in the Benelux, 4% in Eastern Europe, and 3% in the Middle East and North Africa region.

The majority (58%) of survey participants are 18-hole facilities, 11% are 9-hole golf courses and 31% are 27-hole or larger.

Fifty-nine percent of the surveyed golf courses are stand-alone facilities, while 41% are part of a tourist resort and/or a residential community.

Some of the survey findings should be considered as indicative only due to a lower sample size.

Participating countries by geographic region

Region	Participating countries
Great Britain & Ireland (GBI)	United Kingdom, Ireland
Western and South-East Mediterranean Europe (WE)	Croatia, Cyprus, France, Greece, Italy, Spain, Portugal, Turkey
Northern Europe (NE)	Denmark, Finland, Norway, Sweden
Central Europe (CE)	Austria, Germany, Switzerland
South Africa (SA)	South Africa, Mauritius, Swaziland
Benelux (BNL)	Belgium, Netherlands, Luxemburg
Eastern Europe (EE)	Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Russia, Slovakia, Slovenia
Middle East and North Africa (MENA)	Brunei, Egypt, Qatar, Tunisia, United Arab Emirates

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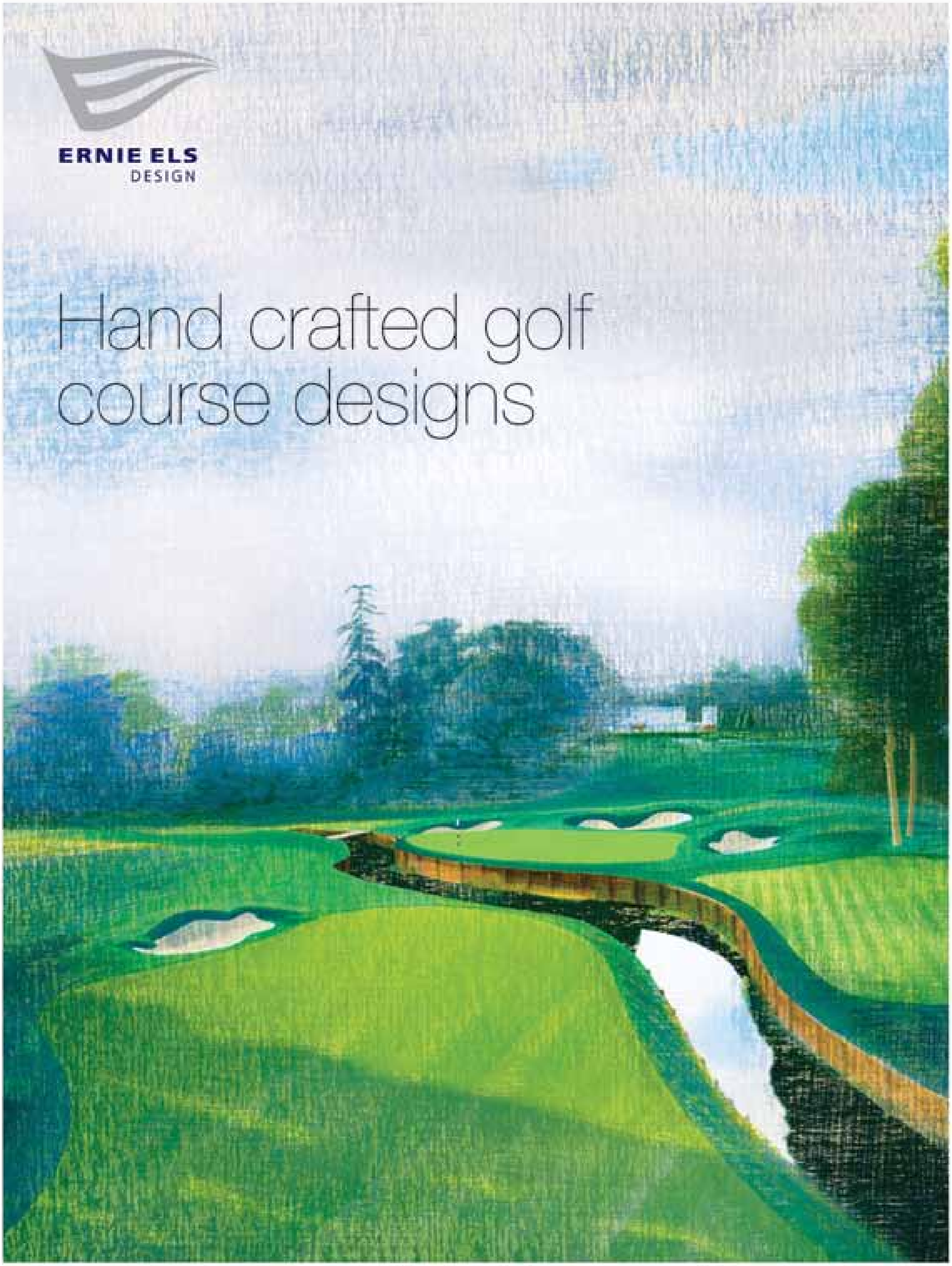

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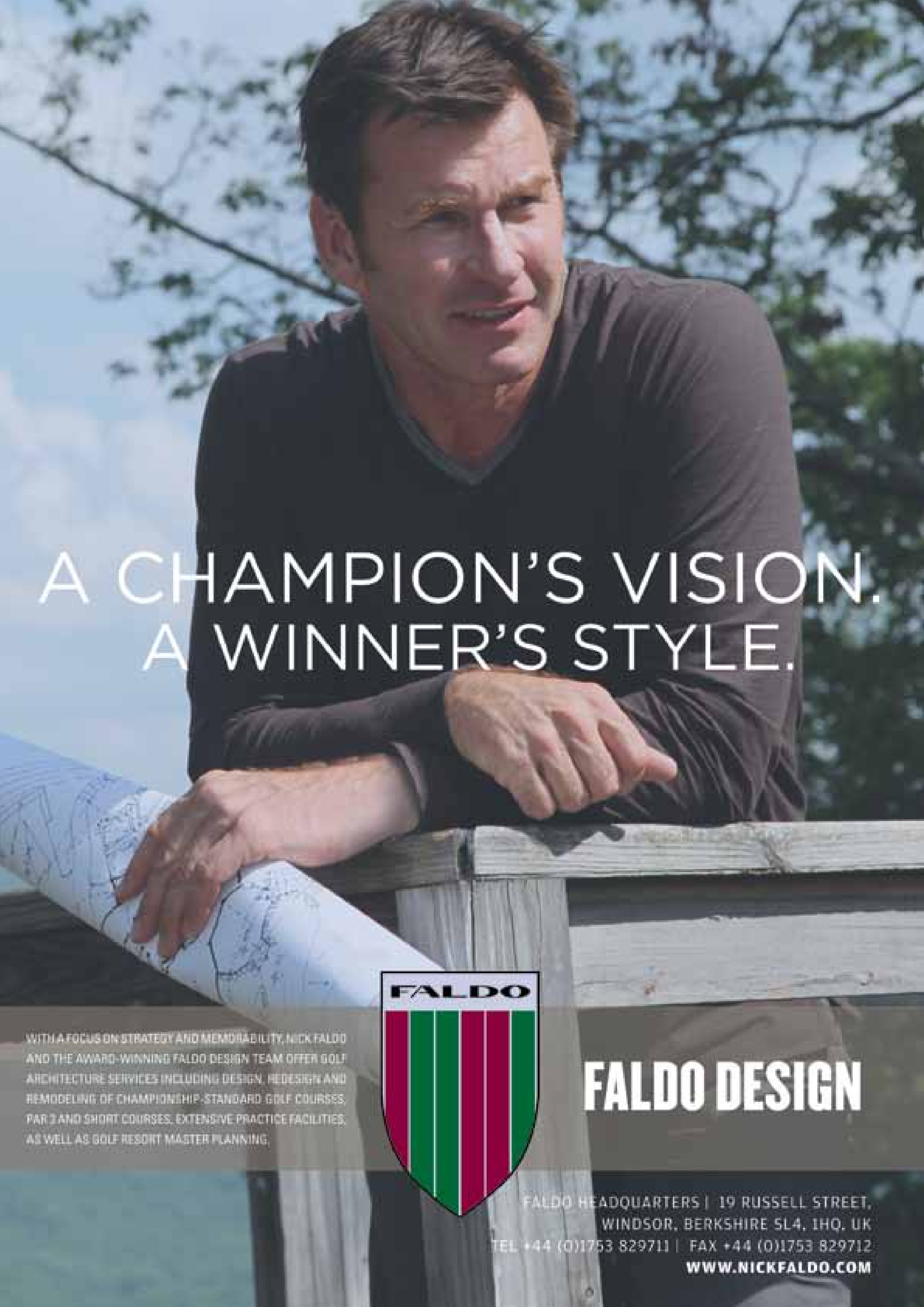
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