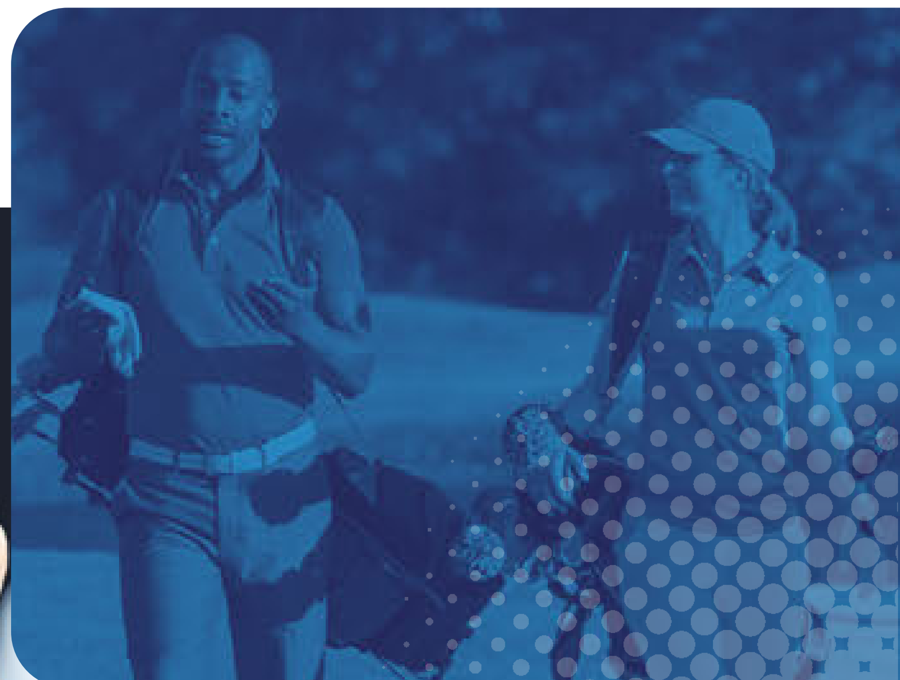
NGCOA

NATIONAL GOLF COURSE OWNERS ASSOCIATION CANADA

PULSE REPORT

2023

YEAR-IN-REVIEW & BUSINESS OUTLOOK FOR GOLF COURSE OPERATORS



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EXECUTIVE SUMMARY

Welcome to the 2023 Golf Business Canada Pulse Report, profiling the current trends in the Canadian golf course operations industry.

This Report provides a Year end Summary of some of the leading indicators from the 2022 golf season, as well as the Business Outlook forecasting what to expect for the 2023 golf season.

Methodology

The compiled data is derived from various sources, including NGCOA Canada's Monthly Rounds Played, Weather Impact, and Revenue Tracker Reports, Annual Pulse Survey, and Macro-Economic Data from Canada's most reputable financial and research institutions.

Golf course survey results are presented as year-over-year % changes, for both 2021-2022 comparisons and 2022-2023 projections. Macro-economic data is presented exactly as provided from Bank of Canada, Statistics Canada, Business Development Corporation, Chartered Banks, and other sources.

The sample size consists of data from hundreds of Canadian golf course operators from coast to coast. Representative participation from private clubs, semi-private, public and all provinces were achieved, providing high confidence in the aggregated results. However, such benchmark surveys are reference points only and ought to be combined with local market considerations for any individual golf course strategic decisions.

For further interpretation of these Pulse Report results, Golf Business Canada Magazine will be providing editorial context and opinion in the cover story of the next issue, to be released this spring.

Report Highlights

2022 Year in Review

In general, the 2022 golf season can be characterized as another challenging but successful year for most Canadian golf course operators. As the world continued to emerge from the impact of Covid-19, the high demand for golf softened somewhat, however still substantially outperformed the pre-Covid 2019 benchmarks.

Year-over-year rounds played were down 6.5% nationally. However, aggregate golf + cart revenues were up 5.6% and gross revenues were up an impressive 9.3%, substantially ahead of the rounds played results. An 18.8% rebound of F&B sales was a major factor in the gross revenues increase.

Private golf clubs appear to have financially outperformed semi-private and public courses on year-over-year revenue growth. However, those same indicators are reversed when golf operator budgets are compiled for the 2023 season, with private club operators projecting lower results than semi-private and public facilities.

Operating expenses in 2022 were challenged by exceptional inflation, continuing supply chain issues, and staff shortages. These factors appear poised to show partial relief in 2023, but to still provide headwinds that operators must navigate through.

Total labour costs increased in 2022 by an average of 13.3% despite only 26% of golf courses able to fully staff their teams. And for 2023, operators are projecting another increase of 9.6%.

Weather conditions were more extreme than usual in 2022. Overall though, Canadian golf course operators rated the impact of weather on golfers' propensity to play as being better than normal, although not as favorable as 2021 had been.

2023 Outlook

The leading macro-economic indicators for the 2023 golf season do not appear to be favorable for business success. However, golf course operators appear to be bucking the trend that a pending recession would normally impose, budgeting for considerable optimism on rounds played, rates, and revenues. Golf may be the exception once again.

Summary Findings

The following Executive Summary Chart presents the national data highlights. The complete Pulse Report provides more granular reporting.

	2022	2023 (Forecast)
Golf + Cart Revenue	up 5.6%	up 3.9%
Membership Revenue	up 6.7%	up 4.3%
Tournament Revenue	up 24.8%	up 7.5%
F&B Revenue	up 18.8%	up 9.3%
Average Rate Per Round	5.8% increase	4.0% increase
Total Labour Cost	up 13.3%	up 9.6%

-6.5%
drop in rounds played in 2022

47.3 index points
consumer confidence at March 2023

51.6 index points
business confidence at March 2023

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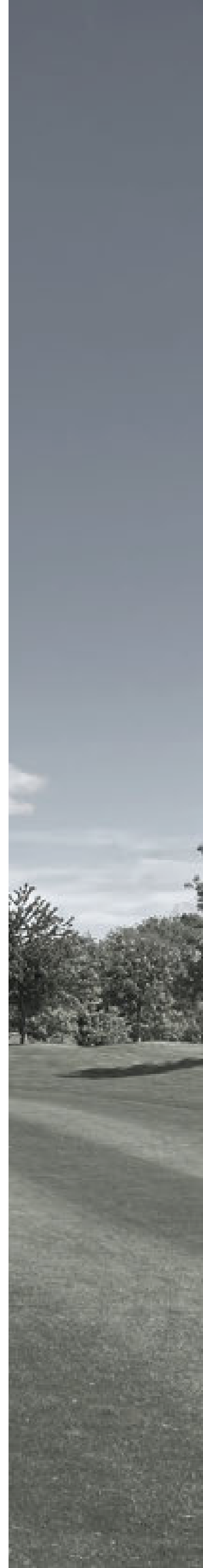
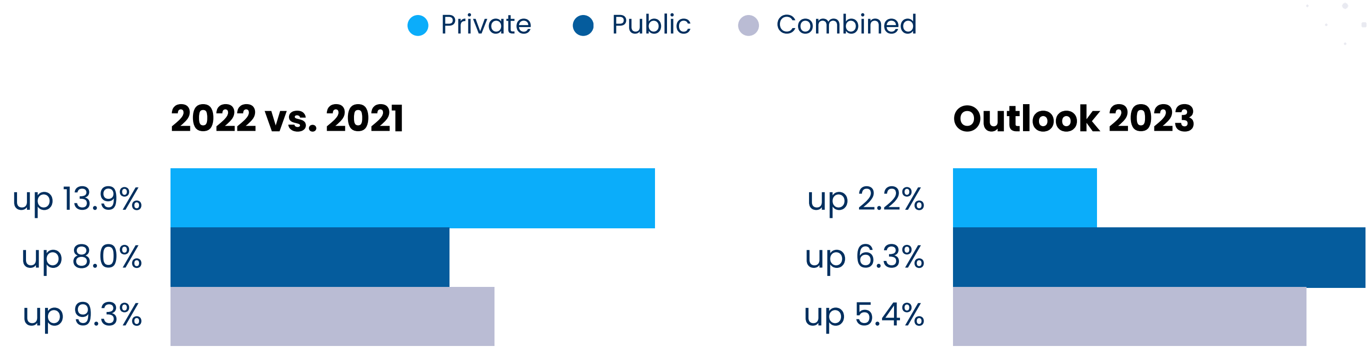


REVENUE

Revenues

Pulse survey participants reported Gross revenue increases in 2022 averaging 9.3%. In addition to busy tee sheets, higher rates and less discounting, the gradual return of banquet functions, daily restaurant sales and tournaments from the previous Covid limitations further boosted overall revenues.

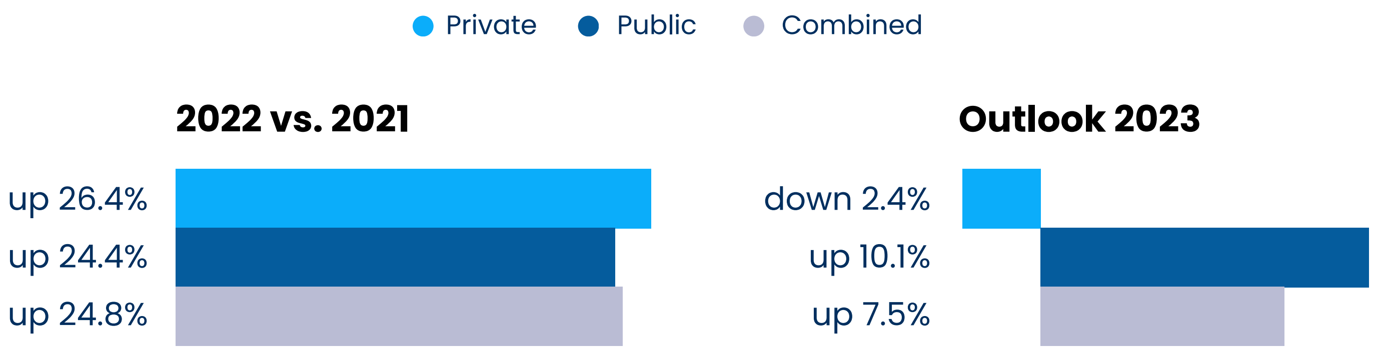
Gross Revenues



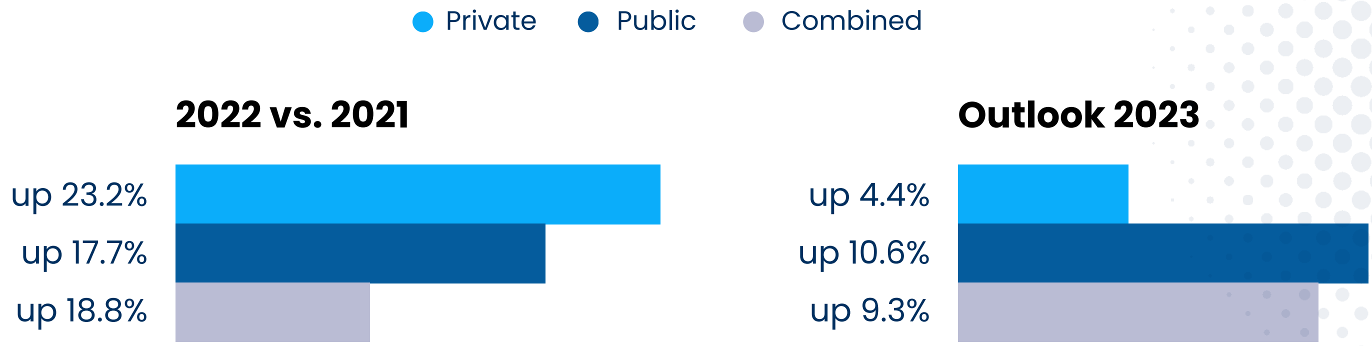
Golf course operators are generally forecasting a continuation of these trends in 2023, although at a slower pace of growth.

Green Fee + Cart revenues are projected to be up another 3.9% on average, with higher growth in tournament and F&B revenues leading to gross revenues up by 5.4%. All such projections do need to be evaluated against inflation rates affecting expenses in each department. Public and semi-private clubs are projecting higher growth this year than private clubs.

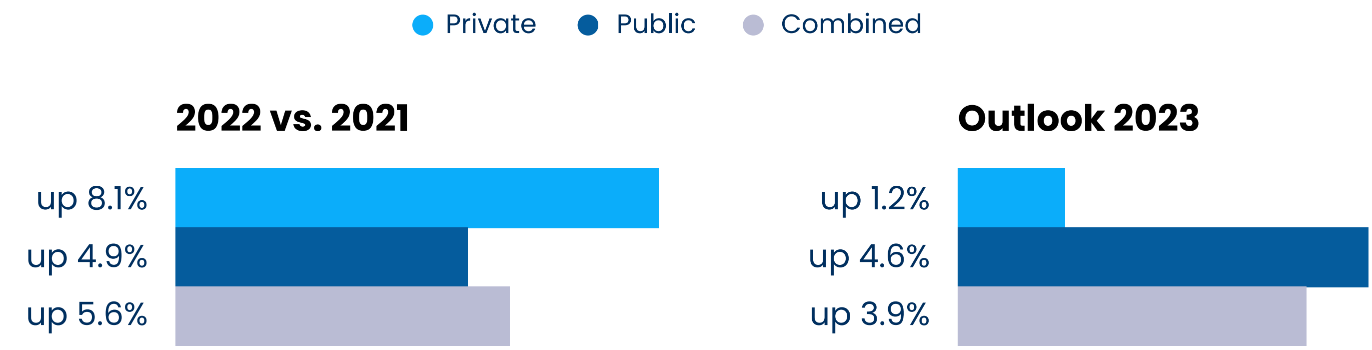
Tournament Revenues

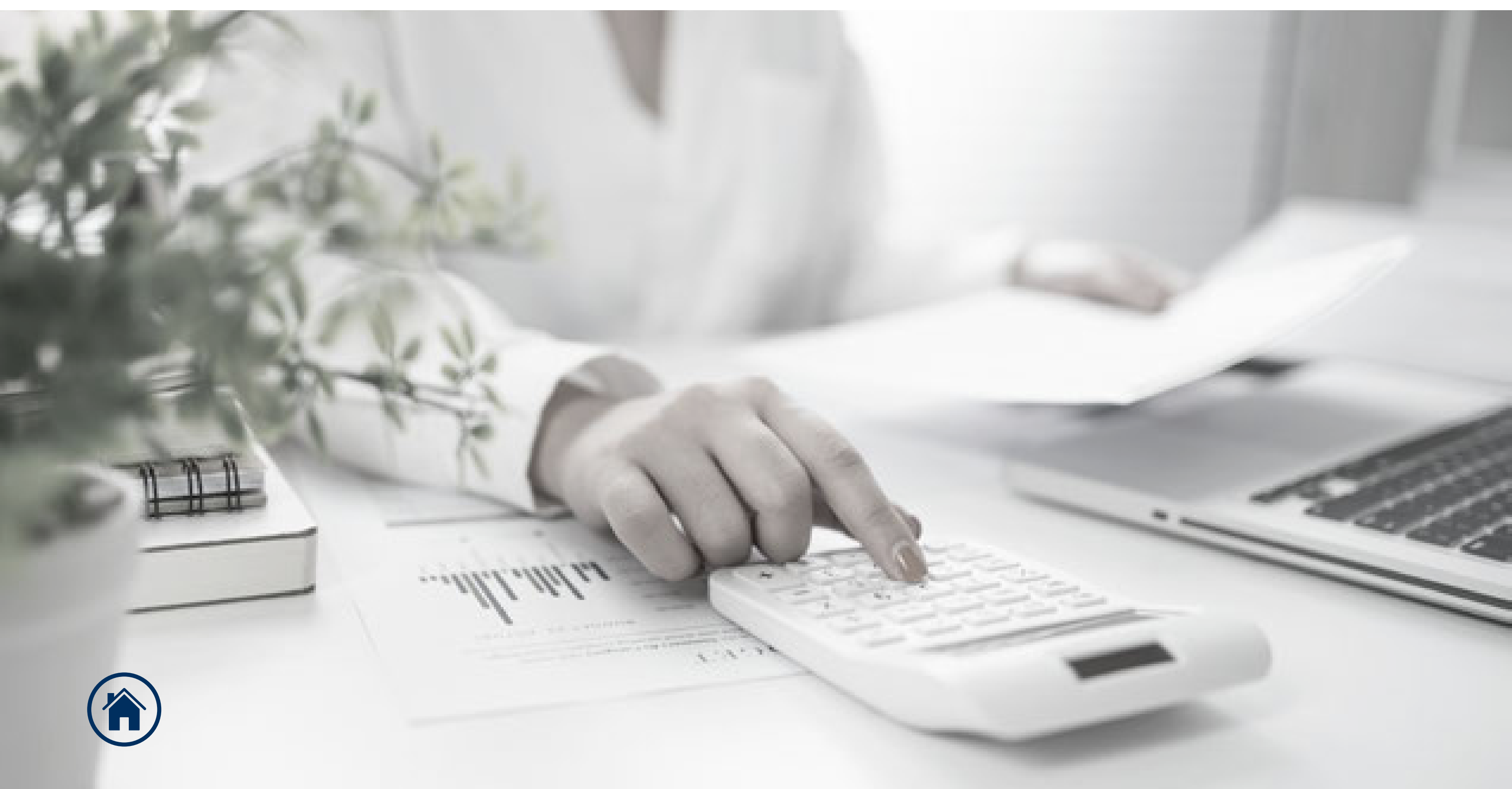


Food & Beverage Revenues



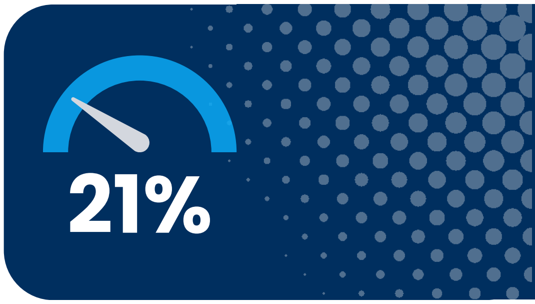
Green Fee + Cart Revenues





Rounds Played

Nationally, year-over-year rounds played were down 6.5% in 2022. Yet we continued to significantly outpace pre-Covid levels, at 21.2% above 2019 averages. Provincially, Ontario was the only one with a year-over-year increase in 2022, however that would be due to their unique Covid closure for several weeks in the spring of 2021. Compared to pre-Covid benchmarks, Alberta rounds played showed the greatest uptick at 25.6%.



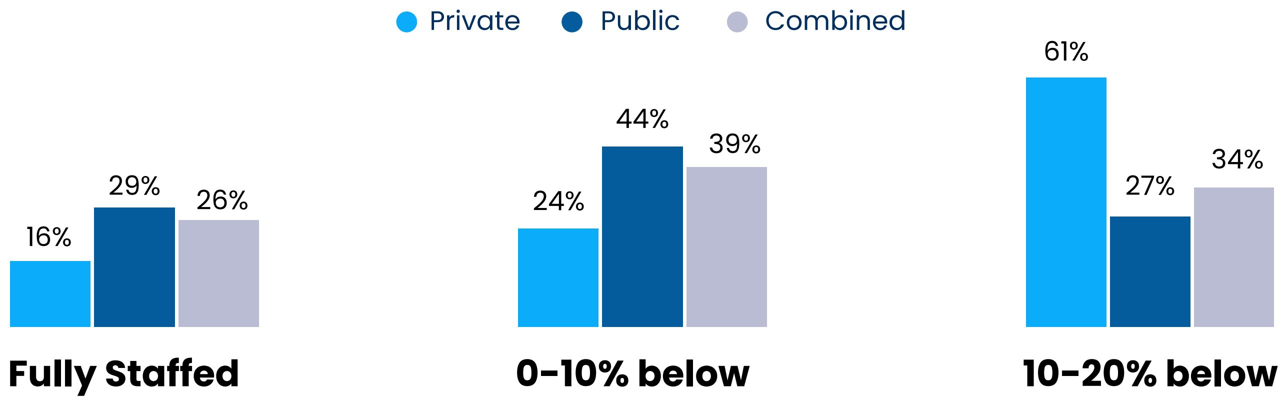
	Over 2021	Over 2019
National	-6.5%	+21.2%
British Columbia	-12.3%	+2.4%
Alberta	-7.5%	+25.6%
Prairies	-12.7%	+17.2%
Ontario	+1.9%	+23.9%
Quebec	-11.6%	+19.4%
Atlantic	-12.4%	+18.6%

These Canadian results are trending similarly to the USA golf industry. However, American rounds were only down 3.7% in 2022. Compared to pre-Covid, they outpaced by 15% in 2022. Those variances between Canada and the USA results are most likely because their total increase in rounds played during peak Covid impact was less than Canada's uptick.

STAFFING + LABOUR

Staffing Levels

Recruiting full staff teams was challenging for most golf courses in 2022. Only 26% reported that they filled all positions, with private clubs more severely affected than public/semi-private. The most difficult positions to staff were Chefs, followed by F&B Managers. Mechanics were the most challenging in the turf department, followed by Assistant Superintendents.



Looking forward, the number of applicants for seasonal staff appears to be significantly improving for 2023. However, concerns about the long-term ability to attract full time careers in golf course operations persist.

26%

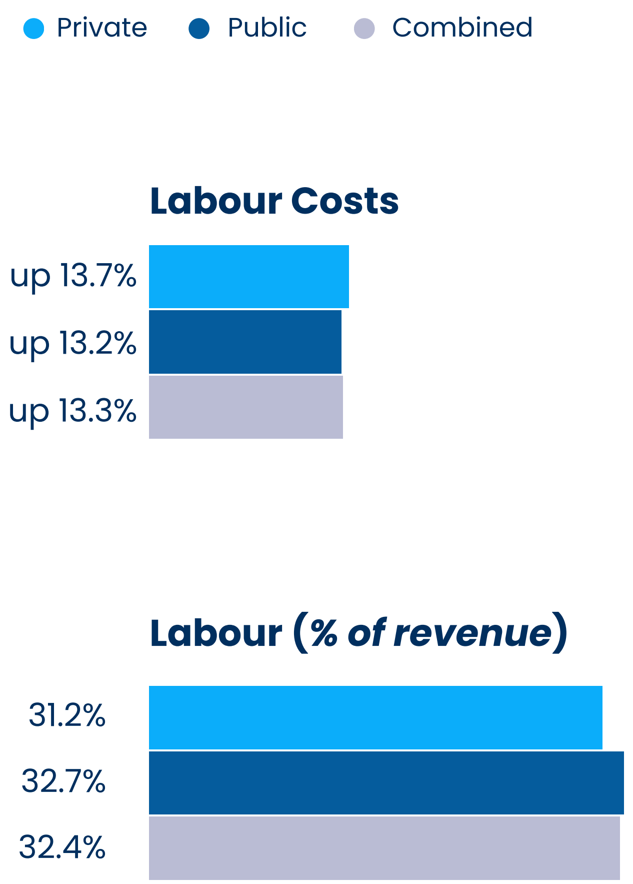
barely one quarter of clubs surveyed were able to fully staff seasonal positions in 2022

Labour Costs

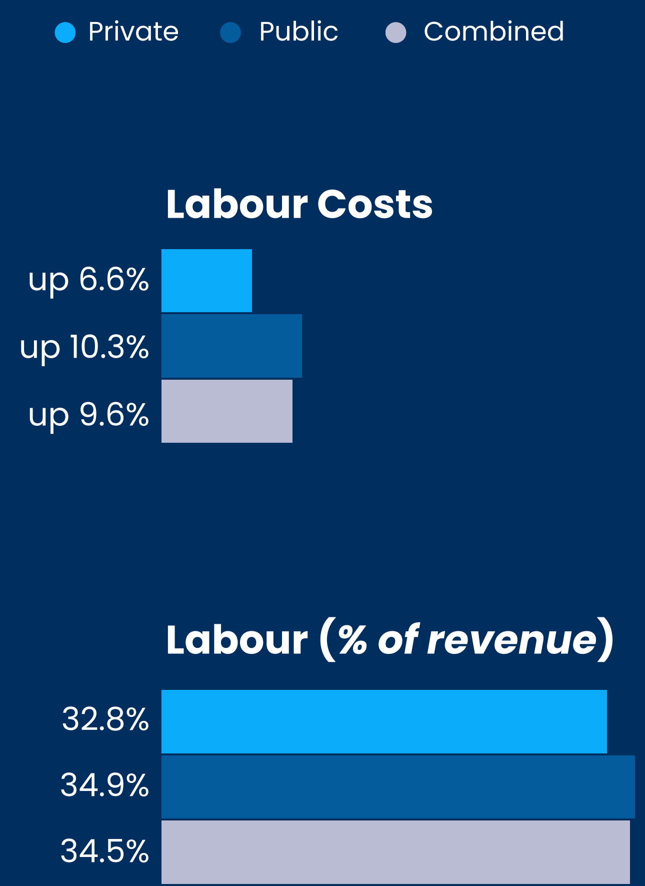
Total labour costs increased in 2022 by an average of 13.3%. Staff shortages, general inflation, and legislated increases to minimum wages appear to have driven these increased expenses. As a percentage of revenue generated; labour costs averaged 32.4%.

Canadian golf courses are projecting further increases for 2023, with total labour costs budgeted to be up an average of 9.6% beyond 2022, and reaching 34.5% of revenues.

2022 vs. 2021



Outlook 2023



MEMBERSHIP

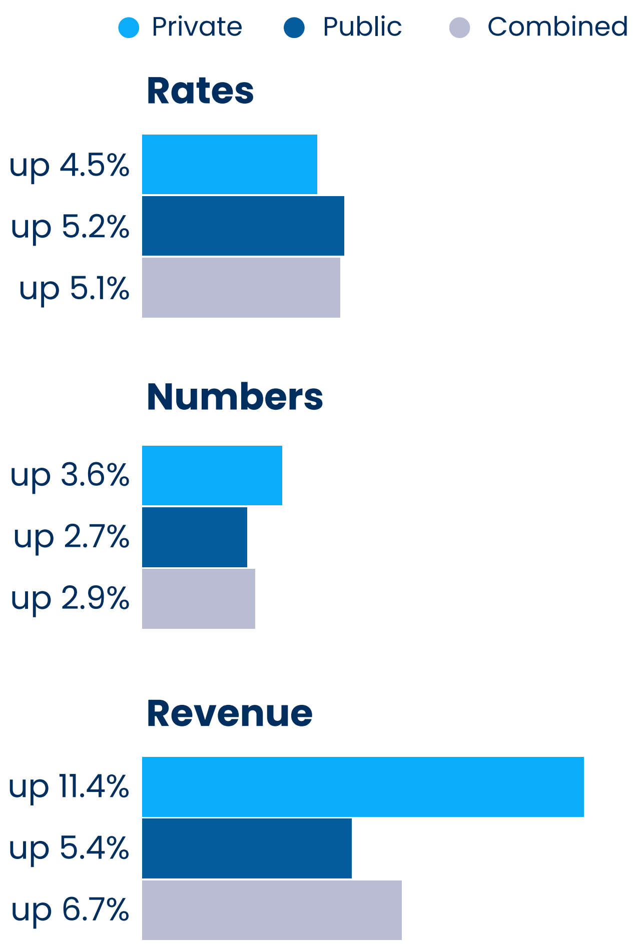
Membership

The demand for golf memberships remained high in 2022. Membership growth can be summarized as 5.1% higher average rates, 2.9% increased number of members, contributing a overall membership revenue growth of 6.7%. The growth at private clubs outpaced that of semi-privates.

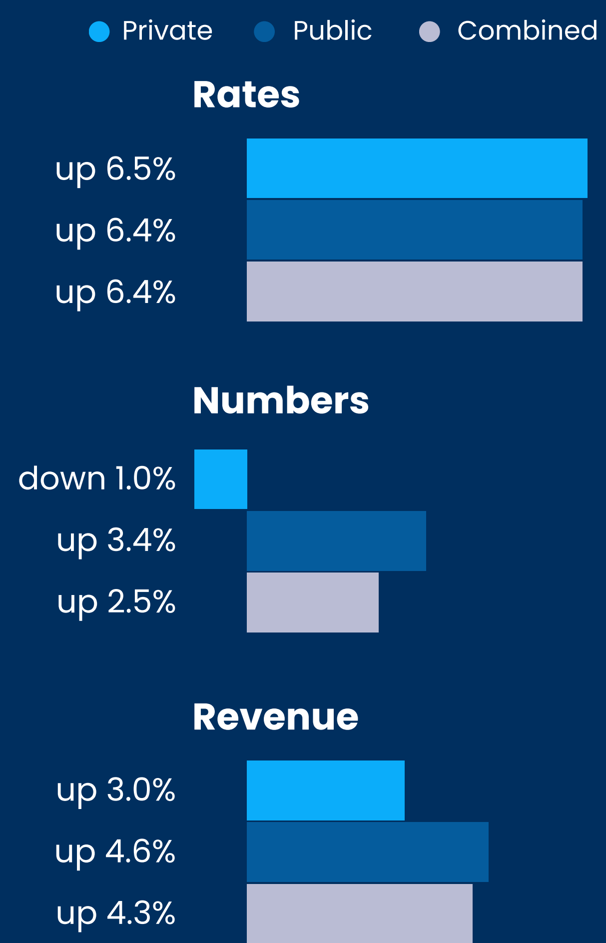
The outlook for 2023 is projected to yield an additional 4.3% membership revenue growth, with membership rates growing at an increasing pace of 6.4% over 2022.

The majority of private clubs are reporting wait lists, compared to about 1/3 of semi-privates.

2022 vs. 2021



Outlook 2023



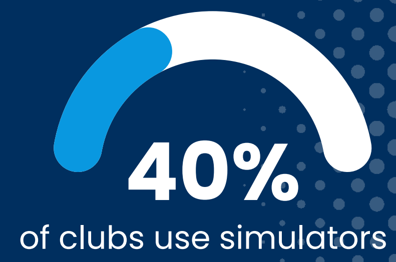
INDUSTRY TRENDS

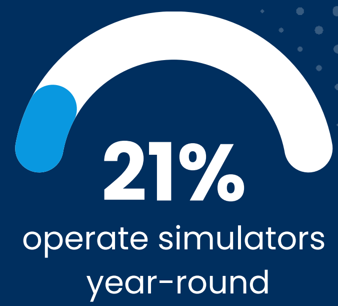
Golf Simulators

This year's Pulse Report has added profiling of golf simulators since that emerging market has now gained considerable traction.

40% of Canadian golf courses now operate at least one simulator onsite. The penetration at private clubs is much higher than that overall average, with 87% reporting simulator business. Most courses only operate these simulators during the off-season, however 21% do operate year-round.

Only 6% of those surveyed feel that golf simulators generate a significant revenue stream. It appears that most clubs are positioning their simulators as an additional strategy to keep members and guests engaged year-round and to retain certain in the off-season.





Average Rates Per Round

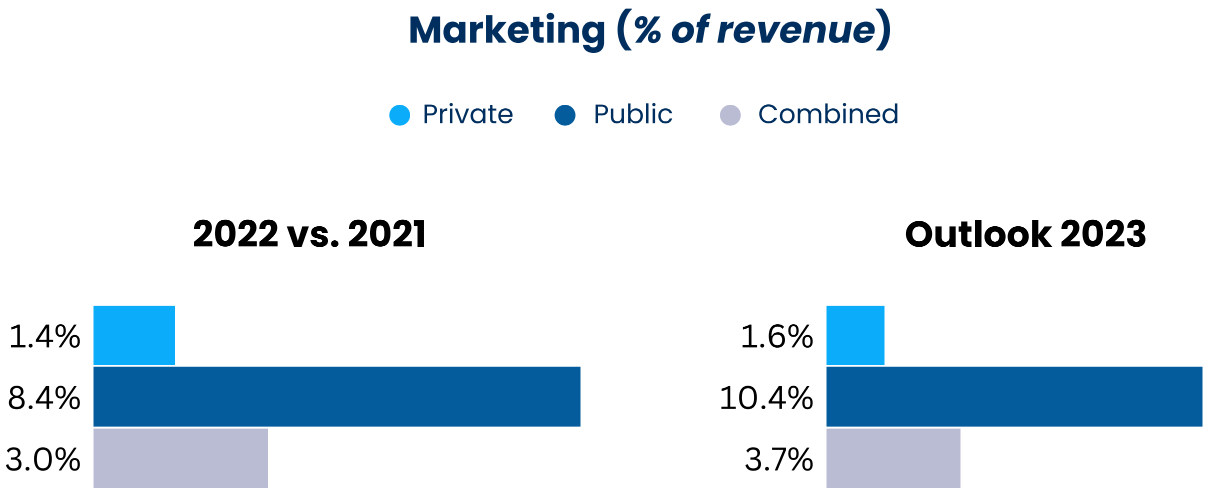
2022 results show that average rates per round played improved by 6.4% for semi-private clubs and 5.4% for public courses. At private clubs, average rates per guest fee rounds were up 4.5%.

For 2023, all golf courses are projecting continued increases in average rates per round. Most semi-private and public course operators are projecting a slowing pace for the amount of those increases, however private clubs are trending higher at 5.5% year-over year increase on guest fee average rates.

Marketing

With the boost in demand from Covid, most golf courses experienced near-full tee sheets during the peak of that period. Marketing budgets were therefore reduced. Although a strong case can be made for marketing being an essential fundamental of business regardless of good times, bad times, or normal times, this reduction in marketing was an understandable reaction to the high demand.

During 2022, marketing budgets represented an overall average of 3% of revenues generated. Private clubs were considerably below that average while public facilities were somewhat above, which is also how those segments would historically compare to each other.



The forecast for the 2023 investment in marketing does show a marked increase across all types of golf operation, presumably reflecting a recognition that there may be some further reduction in golfer demand as competing industries reclaim more of their market share, and economic conditions somewhat tighten most consumer spending patterns.

The 2023 marketing budgets for all segments of Canadian golf course forecasts is up, at a combined average of 3.7%. On a year-over-year basis, that's a 23% increase in average marketing spend. And as expected, the private clubs continue to budget below those averages, while publics are above and semi-privates in between.

WEATHER


WED
THU
FRI
SAT
SUN
MON
TUE
90%
10-15 mm
PM Rain
90%
5-10 mm
28
21
26
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2022 Weather

From hurricane Fiona in Eastern Canada to the record-breaking heat in the West, 2022 was a year of extreme weather events in Canada.

In the West, there was major flooding in Manitoba in May followed by four powerful superstorms in July that extended into areas of Alberta.

British Columbia not only dealt with winter-like conditions in the spring and leading into summer, but also recorded some of the hottest temperatures on record during August to October while Alberta and Saskatchewan saw their hottest August on record.

In the East, summer continued until mid-November; extending the golf season in parts of Ontario and Atlantic Canada. Both coasts also saw wildfires come mid-summer although later in the season than was typical in British Columbia due to the cooler and wetter spring.

Despite these extreme weather events, NGCOA Canada's 2022 Weather Report shows favourable weather scores from operators across most regions of the country with the exception of the Prairies where the repeated weather events had a greater impact.

Weather Impact Index

	BC	AB	PR	ON	QC	ATL
2022	6.6	6.4	4.7	6.2	7.2	6.4
2021	6.8	7.2	6.8	6.6	7.1	6.9
2020	7.1	7.1	6.5	8.0	7.8	8.0
2019	5.7	5.2	5.3	5.7	6.0	6.1

5=Average for this time of year | **10**=Perfect Weather | **0**=Course unplayable due to weather

ECONOMIC OUTLOOK

Economic Outlook

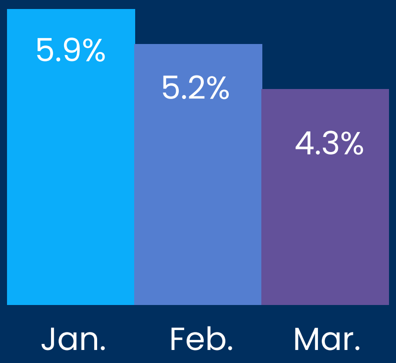
Macro-economic fundamentals affect golf course operators' ability to succeed. Compiling the most recent forecasts from Canada's leading financial and research institutions, the Pulse Report presents the following key indicators.

Inflation

Inflation was a severe and unexpected factor in 2022, negatively affecting every golf operator's supplier expenses and most consumer's disposable income for golf. From its mid-summer peak of 8.1%, inflation has been gradually declining and currently sits at 4.3%.

The 2023 forecast projects a continued decline to 3.0% by August, providing some significant relief.

recent momentum in downward trend in inflation



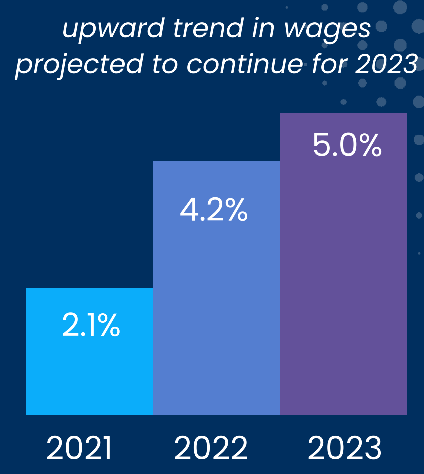
Central Bank Rate

The Central Bank Rate, as set by the Bank of Canada, rose from .25% to 4.5% through 2022, resulting in the gradual reduction in the inflation rate. However, higher interest rates also hurt the debt service of golf course operators and golfers' who finance loans of mortgages.

For the balance of 2023, the most likely scenario is a forecast of 4.5% sustained through the golf season.

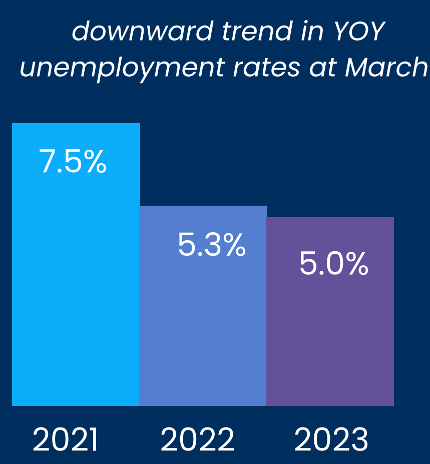
Wages

Wages tend to lag behind the timing of inflation and are also influenced by how tight the labour market is. Average Canadian wage increases in 2022 was 4% growth over previous year and a 12.9% growth over the past 3 years. Average wages are projected to be 5% in 2023. Golf courses should refer to the NGCOA Canada's ***2023 Compensation & Benefits Report*** for specific golf industry data on wages for all of their leading job descriptions.



Unemployment

Canada's Unemployment Rate for 2022 was near historical lows hovering around 5.3%, which contributed to the staff shortages reported by the majority of golf operators. For 2023, it is forecasted that unemployment will rise to between 5.4% and 5.8%, which should provide some relief to the staff shortage and wage pressures.



Real GDP

Real GDP grew by 3.6% in Canada during 2022 despite various headwinds facing the economy. For 2023, it is projected that annual growth will stall and only grow by an estimated .3% - .7%, with a very real risk of a couple of quarters of contraction included.

Such a recession should soften demand for all consumer spending including golf, and prompt the aforementioned rise in unemployment.

Consumer Confidence

Consumer Confidence in Canada ranged between 46.6 and 52.2 in 2022, with an index of 50 representing average confidence in their own financial well being for the near future.

As of March 2023, it had declined to 47.3 meaning that many golfers are becoming increasingly pessimistic.

Business Confidence

Business Confidence for 2023 is currently at an index of 51.6, slightly better than average, and significantly more optimistic than the outlook of consumers.

As stated earlier in this Pulse Report, Canadian golf course operators share this cautious optimism for the coming golf season.

Consumer Confidence at March 2023

47.3 index points

Business Confidence at March 2023

51.6 index points

THANK YOU
TO OUR PULSE REPORT CONTRIBUTORS

The NGCOA Canada thanks the hundreds of Canadian golf course operators who responded to our 2023 Pulse Survey with their operational data. And thank you to the NGCOA Canada's Research and Communications Departments, as well the *Golf Business Canada* magazine for compiling and presenting the outcomes for the benefit of the NGCOA Canada membership.

Special thanks to Deluxe Canada for their sponsorship of this Pulse Report.