NATIONAL GOLF COURSE OWNERS ASSOCIATION CANADA

THE PULSE REPORT

2024

NGCOA

EXECUTIVE SUMMARY

Welcome to the 2024 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 key indicators from the 2023 golf season, as well as the Business Outlook forecasting what to expect for the 2024 golf season.

Methodology

The compiled data is derived from various sources, including NGCOA Canada's Monthly Rounds Played, Weather Impact, 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 2022-2023 comparisons and 2023-2024 projections. Macro-economic data is presented exactly as provided from the 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 has been 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.

REPORT HIGHLIGHTS

2023 Year in Review

In general, the 2023 golf season can be characterized as another successful year for most Canadian golf operators, compared to pre-pandemic norms.

Nationally, rounds played rebounded year-over-year by an increase of 2.2% after a 6.5% decline in 2022, yielding a 2023 net result that sustained 23.9% higher rounds played than pre-pandemic 2019.

All four Western Canada provinces significantly outperformed the 2023 national averages. Ontario was relatively flat year-over-year, while Quebec and the Atlantic provinces experienced declines in rounds played.

The corresponding provincial weather impact reports explain much of those provincial variances, with exceptional golf weather in the West and progressively weaker weather patterns heading East.

The Report also shows that revenues outperformed rounds played data, further confirming the success of Canadian operators, and outpacing inflationary impacts in most cases. This appears to be a combination of improved average rates per round, the gradual return of food & beverage and tournament play, other events, and growth in screen golf.

Public/Semi-Private golf courses generally experienced higher year-over-year revenue increases than Private Clubs, which is a reversal from the trend back in 2022.

Operating expenses in 2023 continued to be challenged by high inflation, however at a considerably less serious impact than 2022 as Canada's inflation rate gradually softened. Similarly, supply chain issues were significantly improved in 2023.

Staff shortages also improved, with more golf operations reporting a return to normal on filling seasonal employment. Broader concerns persist with labour shortages for certain key career positions, with assistant superintendents, mechanics and chefs typically presenting the greatest challenges.

Total labour costs increased in 2023 by an average of 10.2%. Although a very high increase, this metric is trending downward compared to the 13.3% increase the year before. Labour cost, as a ratio to revenues generated, remained relatively stable at an average of 32.2% in 2023.

Overall, most golf course operators outperformed their own collective projections made heading into the 2023 golf season, and generally overcame the forecasted headwinds from Canada's macro-economic indicators.

2024 Outlook

For the 2024 Business Outlook, the Pulse Report combines its own survey of Canadian golf course operator projections with the forecasted broader economic indicators that typically impact business success, and any major weather patterns that meteorologists are predicting.

The operator survey clearly indicates optimism ahead, although more conservative growth than they experienced this past year.

Revenues are forecasted to continue growing across all channels, at levels that continue to outpace the projected inflation rate. Of note, the core business of 'golf plus cart revenues' is projected to be up another 4.3%, with the average rate per round up 5.0%.

Expenses are projected to increase significantly as well. Although inflation will likely continue to ease up on most supply purchases, golf courses are budgeting for an average additional increase in labour cost, for example, of 7.2%, with the turf department leading those increases. This metric, although still high, continues to trend downward.

The ratio of labour cost to revenues generated is projected to remain stable this year, indicating that revenue increases are keeping up with those labour increases and surpassing most other expense increases.

Public/Semi-Private courses are projecting to show slightly stronger year-over-year improvements than Private Clubs across most line items again in 2024. The notable exception is membership rates, which are increasing by more at Private Clubs, a very positive indicator for that sector.

The continued evolution of more screen golf and related off-course golf experiences is anticipated to continue expanding in Canada. Golf simulator business has been steadily increasing, both at golf course and stand-alone simulator businesses. It is worth noting that the American growth of off-course golf entertainment has been far greater than in Canada. It is very likely that further growth in Canada will follow.

Heading into the 2024 golf season, the macro-economic metrics appear to indicate mixed impact on Canadian golf businesses.

Inflation is predicted to continue gradually trending downward, which should propel golfer spending. Interest rates are expected to finally start coming down in Q3 and Q4, which may be a little late to have a big impact for this golf season but should help somewhat. If those high interest rates persist any longer than predicted, the negative impact on golfer spending could become a very significant headwind.

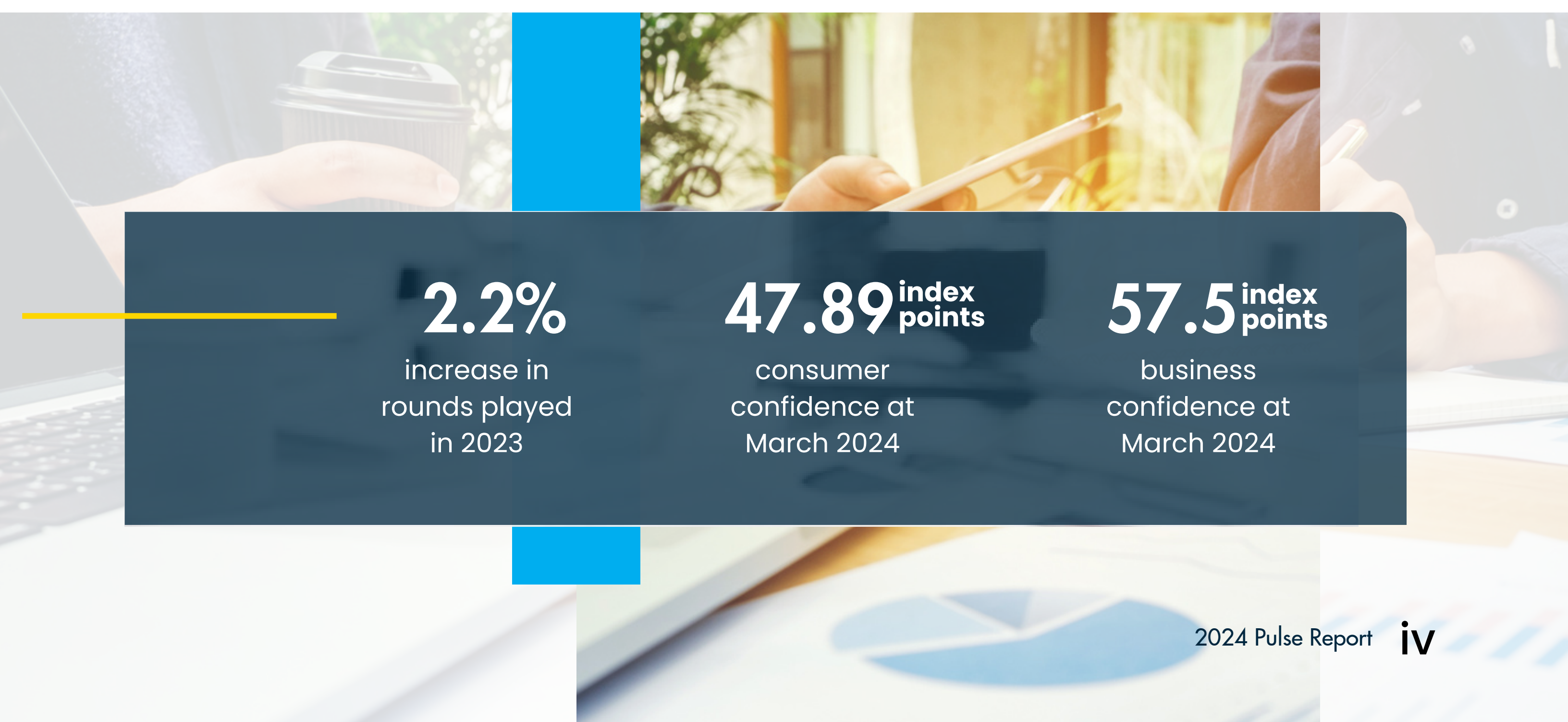
GDP in Canada is likely to show very modest growth through 2024. The pending recession that some economists keep predicting continues to get deferred and is no longer likely to be a big factor this golf season. Yet unemployment rates are projected to continue rising, which should provide further stimulus for candidates to fully staff golf courses.

Consumer confidence overall is currently well below average, which normally dampens overall consumer spending. How much this impacts golfers is uncertain and likely to vary considerably between market segments of golf courses. Meanwhile, business confidence is now surprisingly high, indicating optimism about the economic trending and expectations of business success in general.

SUMMARY FINDINGS

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

	2023 (vs. 2022)	2024 (outlook)
Golf + Cart Revenue	up 8.0%	up 4.3%
Membership Revenue	up 4.2%	up 4.0%
Tournament Revenue	up 8.6%	up 3.8%
F&B Revenue	up 10.5%	up 6.3%
Average Rate Per Round	up 5.8%	up 5.0%
Total Labour Costs	up 10.2%	up 7.2%
Maintenance Labour Costs	up 15%	up 15.5%



2.2% increase in rounds played in 2023

47.89 index points consumer confidence at March 2024

57.5 index points business confidence at March 2024

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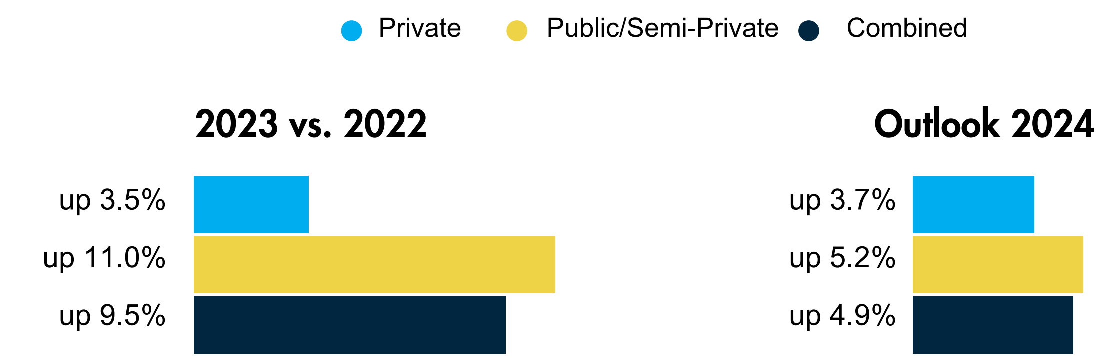
REVENUE

REVENUE STREAMS

When asked how their gross revenues in 2023 compared to 2022, survey respondents reported an average increase of 9.5%. In addition to busy tee sheets, higher rates and less discounting, the gradual return of banquet functions, daily restaurant sales and tournaments further boosted overall revenues, as well as expansion in the simulator business.

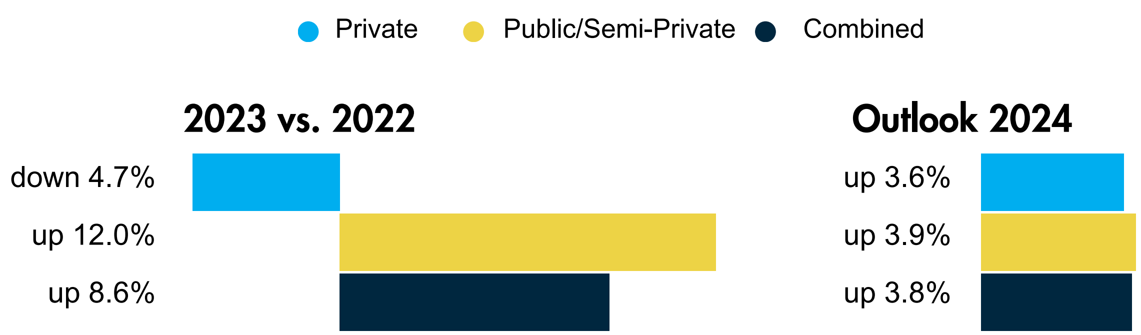
Gross Revenues



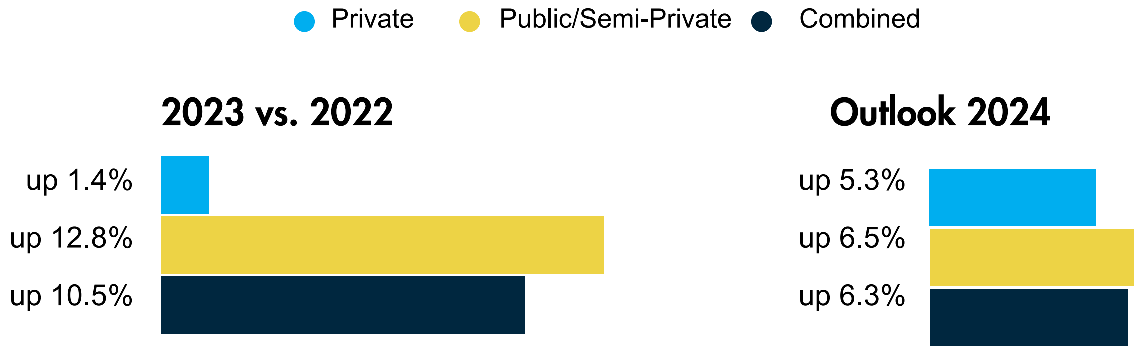
Golf course operators are generally forecasting a continuation of these growth trends in 2024, although at a significantly slower pace than 2023 for Public/Semi-Private operators.

Green Fee plus Cart revenues are projected to be up another 4.3% on average, with higher growth in F&B revenues leading to gross revenues up by 4.9% in all categories. All such revenue projections do need to be evaluated against inflation rates affecting expenses in each department.

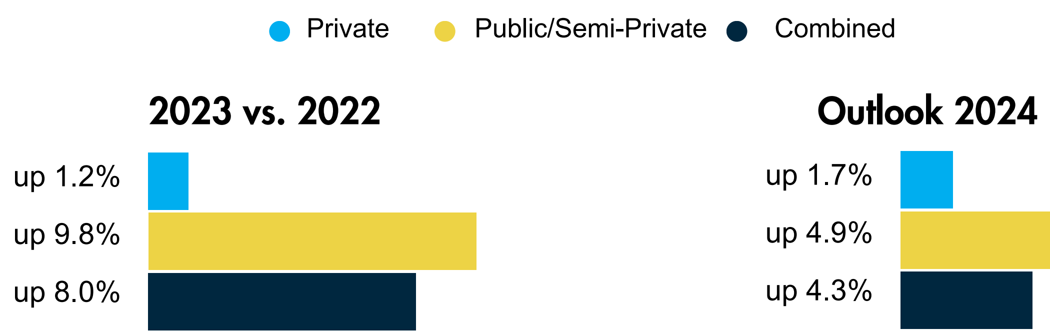
Tournament Revenues



Food & Beverage Revenues



Green Fee + Cart Revenues



ROUNDS PLAYED

In 2023, Canada's golf courses collectively experienced a 2.2% rise in rounds played over 2022, sustaining an impressive 23.9% above the pre-pandemic levels of 2019. This growth was led by the four western provinces, with Alberta seeing the highest year-over-year with an 8.6% increase. Ontario was basically flat, reporting a slight 0.6% uptick. While Quebec and the Atlantic provinces faced declines in 2023 due primarily to weather. Rounds played in both of these regions were still 12-14% above pre-pandemic levels.

	2023 vs. 2022	2023 vs. 2019
National	+2.2%	+23.9%
British Columbia	+5.6%	+23.6%
Alberta	+8.6%	+36.3%
Prairies	+8.1%	+26.7%
Ontario	+0.6%	+25.2%
Quebec	-4.6%	+13.9%
Atlantic	-5.1%	+12.5%

As presented in the Weather Indexing later in this Report, the significant variance in rounds played trends between western and eastern Canada provinces is largely influenced by the exceptionally favorable golf weather across all western provinces, and more negative weather impacts as the Weather Index heads east.

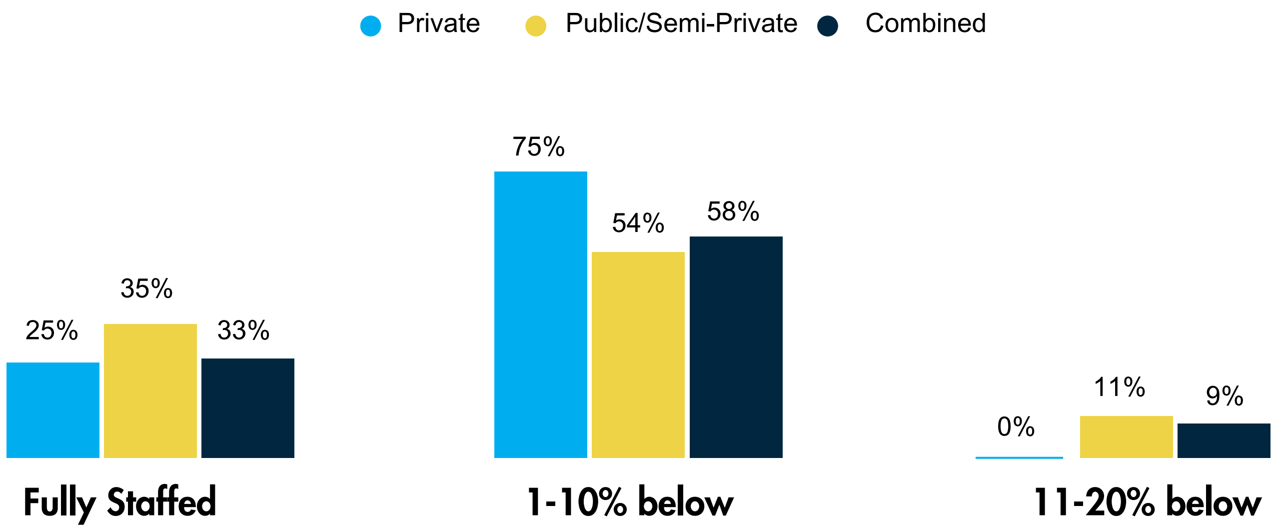
23.9%

rise over pre-pandemic levels of 2019

STAFFING & LABOUR

STAFFING LEVELS

Recruiting full staff teams was noticeably improved for many golf courses in 2023. It would appear many seasonal employees returned to the workforce, while the unemployment rate crept up as well. Only 9% of all surveyed golf courses reported a serious shortfall beyond 10% vacancy. In the clubhouse, chefs and F&B managers were the most challenging to attract and retain. In the turf department, qualified mechanics and assistant superintendents remain the biggest concerns.



Looking forward, the number of applicants for seasonal staff appears to be returning to normal and 2024 should be manageable for most golf courses in larger markets. However, concerns about the long-term ability to attract full time careers into golf course operations is projected to persist.

33%

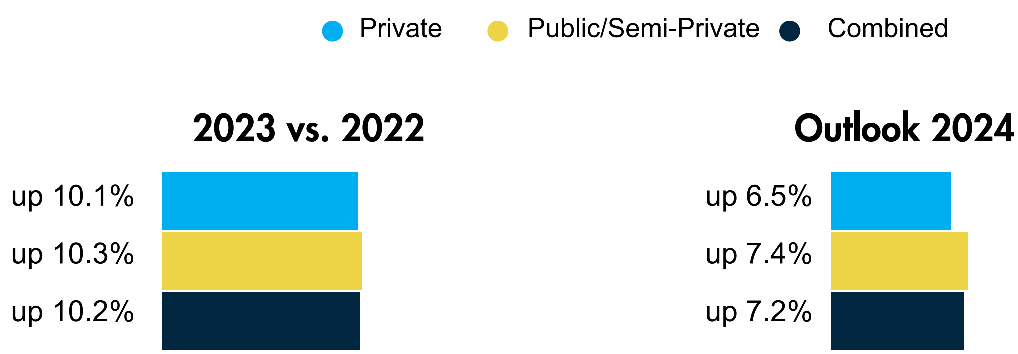
one third of clubs surveyed achieved full seasonal staffing in 2023 rising from 26% in the previous year

LABOUR COSTS

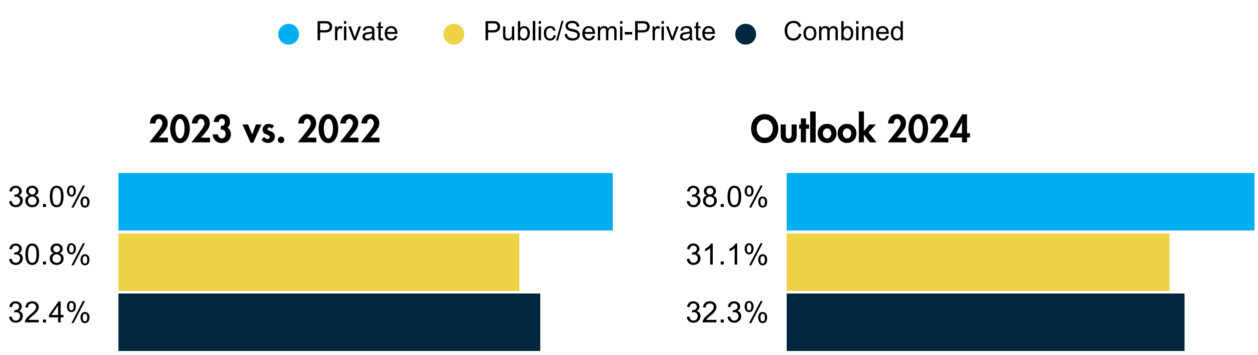
Total labor costs increased by an average of 10.2% in 2023. Compared to the previous year's increase of 13.3%, this represents an improvement, but it remains a major concern. The rise in expenses appears to have been driven by staff shortages, general inflation, and legislated increases in minimum wages. The outlook for 2024 anticipates a further average increase of 7.2%.

As a percentage of revenue generated, labour costs averaged 32.4% in 2023, which is virtually the same as the year before and what golf courses are projecting for 2024 ahead. This appears to imply that revenue growth is keeping pace with the unusually high wage increases.

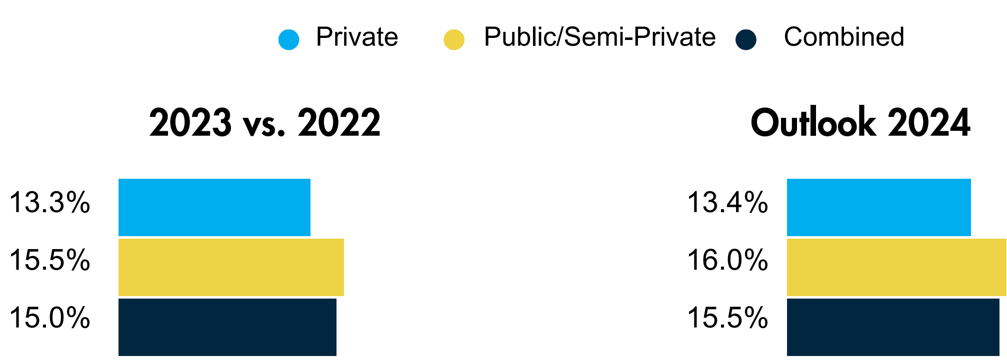
Total Labour Costs



Labour Costs (% of revenue)



Course Maintenance Labour Costs (% of revenue)



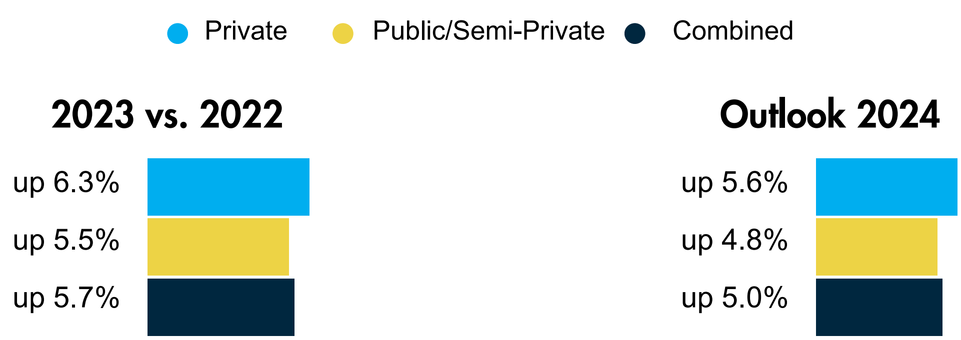
MEMBERSHIP

MEMBERSHIP INSIGHTS

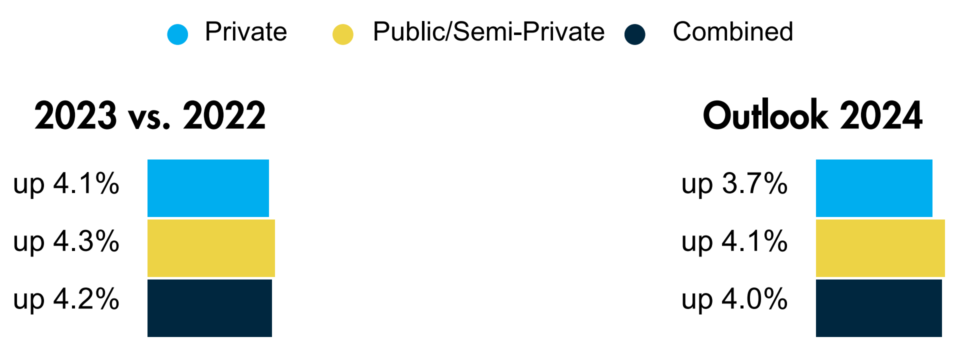
The demand for golf memberships remained high in 2023. Membership reporting showed 5.7% higher average rates and a relatively flat number of members, contributing an overall membership revenue growth of 4.2%.

The outlook for 2024 is projected to yield an additional 4.0% in overall membership revenue growth, which implies keeping pace with inflation or slightly better, but very little real growth.

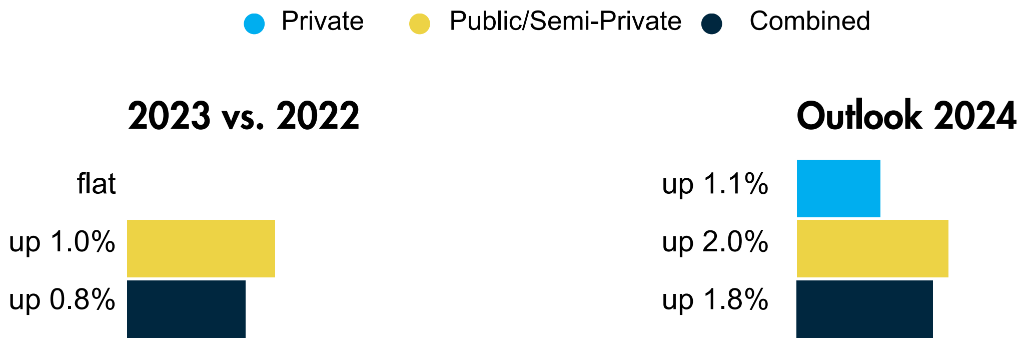
Rates



Revenues

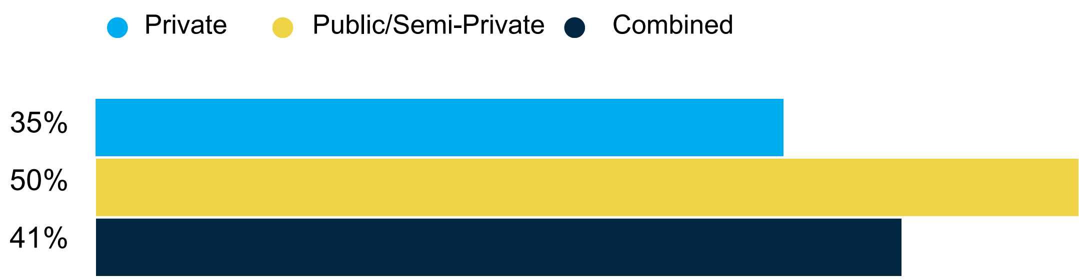


Membership Numbers



The number of Private Clubs reporting membership waitlists has declined to 35%, while Semi-Private Clubs have increased to 50% as some appear to be maintaining tight ceilings on the number of members they want.

Membership Waitlists
(% of clubs)



35%

barely one third of Private Clubs have a waitlist, a sharp drop from 87% in 2022

INDUSTRY TRENDS

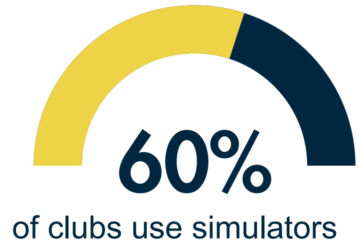
INDUSTRY TRENDS

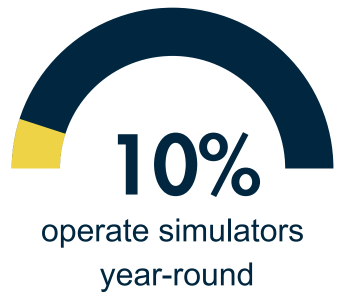
Golf Simulators

60% of Canadian golf courses now operate at least one simulator onsite. Most courses only operate these simulators during the off-season, however 10% do operate year-round.

In addition to the potential of providing additional revenue streams, many clubs report positioning their simulators as an additional strategy to keep members and guests engaged year-round and to retain certain staff in the off-season.

Scaling up to several simulator units appears necessary to sustain real profitability.





Artificial Intelligence

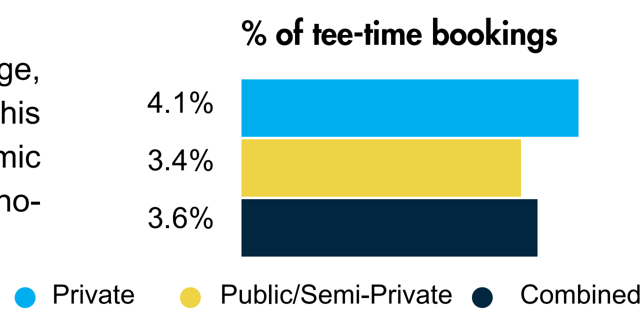
Among the technology impacts affecting the golf business, AI sources such as Chat GPT were the largest disruptors in 2023. Although simmering for years, course operators reported some major impacts during this past golf season. Some of it was clearly beneficial, and some of it not so positive.

Many courses report improved operational efficiencies through AI implementation, saving time and money, while enhancing golfer experiences. Key areas included more effective content creation for communications and marketing, personalized service offerings, optimizing maintenance and resources, robotic mowers and range pickers, automated systems for labour cost savings, predictive intelligence for better dynamic pricing, improved analytics for teaching, deeper data analysis, enhanced inventory management, improved security systems, and more effective weather management, for example.

The outlook for 2024 is that golf course operators are intending to leverage AI resources more often and more effectively. AI specific staff training will become a higher priority. New staff policies will be introduced to protect against certain liability risks. And sadly, the threat of AI fraud is expected to increase in frequency and become increasingly sophisticated to defend against.

No Shows

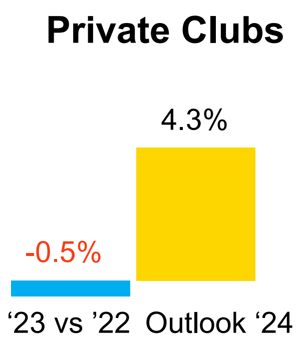
Survey respondents have reported that, on average, 3.6% of tee time bookings result in no-shows. While this figure marks an improvement from the pre-pandemic period, it still represents an increase compared to the no-show rates observed in 2022.

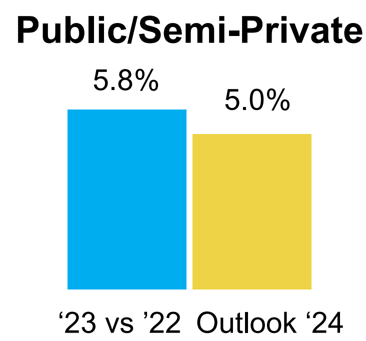


Average Rates Per Round

2023 results show that average rates per round continued to improve for Public and Semi-Private courses, by 5.8%. This is a slower pace of increase than the year before but still a very positive metric for success. Private Clubs' average rate per guest fee was relatively flat, following an increase of 4.5% the year before.

For 2024, Canadian operators are projecting continued increases in average rates per round, with Public courses at 5.0% and Private Clubs at 4.3%. These projections appear poised to outpace inflation.





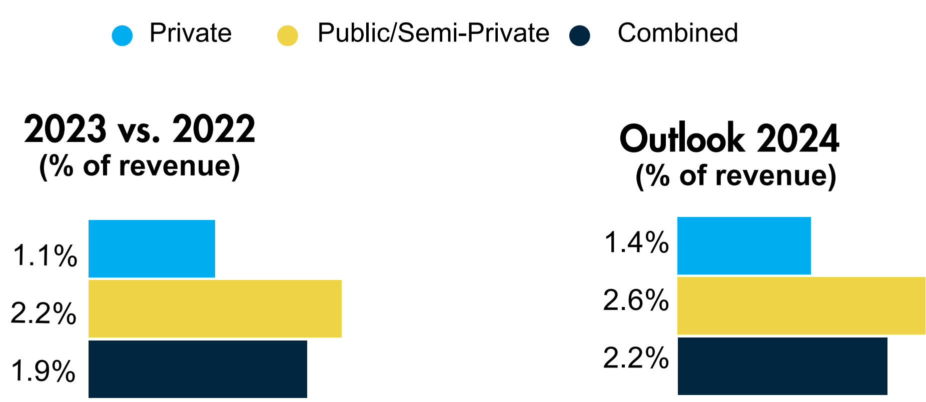
Marketing

With the boost in demand from Covid, most golf courses experienced near-full tee sheets during the peak of that period. As a result, marketing budgets were often reduced.

In 2023, marketing budgets began returning towards normal, with Public/Semi-Private courses increasing to an average of 2.2% of revenues generated, and 1.1% for Private Clubs.

Golf operators are projecting a continuation of that trend with further increases in 2024 marketing budgets to 2.6% and 1.4% respectively.

The implication of these marketing trends is that operators sense the need to be more proactive in order to sustain their relatively full tee sheets, memberships, and events business.



WEATHER


$25.9M
$17.9M
65%
37%
22%
75%
32%
Last 24 Hours
Sales By Product
Sales 73.2 M
21.3 M From Last May
Refreshed 2 Min ago
Profit and Loss summary
Last 30 days
Retention
81%
69%
85%

WEATHER INSIGHTS

In 2023, Canada experienced a year of extreme weather. In the West, there was exceptionally good weather for golfers, but the region also faced record wildfires and droughts. The East saw excessive rainfall and flooding. Nationwide, various record-setting heatwaves occurred.

NGCOA Canada's Weather Impact Reports quantify the weather index scores from operators across the country. British Columbia, Alberta, Saskatchewan, and Manitoba all reported unusually favorable weather for propelling rounds played. Ontario's golf weather was generally mediocre, while Quebec and Atlantic Canada suffered an inordinate number of lost rounds and fully closed days due to rain, wind, and flooding.

As is to be expected, there is a close correlation between these weather patterns and the rounds/revenue analytics stated earlier in this Pulse Report.

The outlook for Canada's 2024 weather, according to leading meteorologists, is for the El Niño impact of the past year to fade away by approximately June. That pattern of unusually warm ocean temperatures causing heat waves and very turbulent conditions is expected to evolve into another extreme, La Niña, meaning unusually cool ocean temperatures.

If the shift from El Niño to La Niña has been accurately forecasted, it is likely that the unusually warm temperatures will moderate by about June, then remain relatively normal for a couple of months, followed by the typical La Niña effect of being cooler and wetter than normal. Hurricanes in the Atlantic are typically more prevalent during La Niña, indicating an increased risk throughout the fall of 2024.

NGCOA Canada Weather Impact Index

	BC	AB	PR	ON	QC	ATL
2023	7.5	7.3	6.3	5.8	5.5	5.2
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

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

ECONOMIC OUTLOOK

Economic Outlook

Macro-economic fundamentals impact the ability of golf course operators to succeed. By compiling the most recent forecasts from Canada's leading financial and research institutions, the Pulse Report presents the following key indicators: inflation, Central Bank Rate, Real GDP, wages, unemployment, and consumer and business confidence.

Inflation

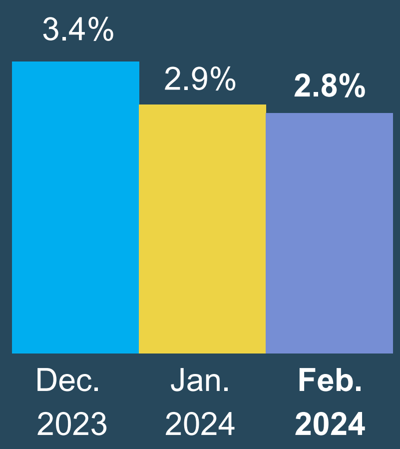
Inflation eased significantly through 2023, yielding an average annual increase of 3.9%. Compared to the extreme inflation shock of 6.8% in 2022, this is a good news trend and relieves some of the expense concerns for golf operators.

All provinces shared in the improved inflation data. The biggest winner was PEI at 2.9% annual inflation in 2023. Quebec had the highest at 4.5%.

Compared to rates charged to golfers, it is a healthy indicator that most operators were able to raise their prices beyond the level of inflation in their province.

Looking forward, the Bank of Canada is still targeting a reduction back to 2% inflation, however not likely to achieve that until sometime in 2025. For 2024, their projections are for an annual average of 3%. February's monthly result was a surprisingly low 2.8%.

gradual decrease in national inflation rate at the start of 2024



Central Bank Rate

The Central Bank Rate, as set by the Bank of Canada, rose drastically to 5% in July 2023. It has stayed at that level ever since as the Bank leverages these high interest rates to cool down the economy, thereby reducing inflation rates.

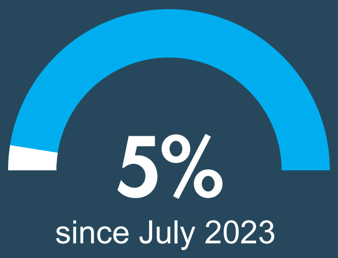
For 2024, Bank of Canada officials continue to say that it's too early to begin reducing interest rates. Most Bay Street analysts are currently predicting June to be the start of such rate cuts.

Since most golfers experience interest rate impacts through mortgages and other consumer debt, their economic realities such as higher mortgage payments have been a risk to golfer spending patterns.

Fortunately, golf has so far been bucking the trend in reduced consumer spending. And if the interest rate does indeed begin declining in June, some increased golfer spending should further propel the golf industry through the balance of 2024 and beyond.

It should be noted that the recent years of higher interest rates have also hurt the debt service commitments of some golf operators. The expected Bank of Canada rate cuts should benefit those financing issues, cash flow, and golf operator business confidence.

Bank of Canada holds rates steady to tame inflation



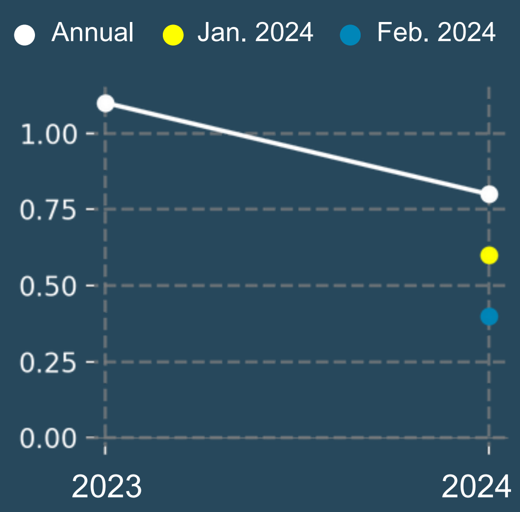
Real GDP

After Real GDP grew by 3.6% in Canada during 2022, the economy stalled in 2023. Although avoiding the predicted recession, annual GDP growth was only 1.1%, the lowest since 2016.

Forecasts for the 2024 Real GDP predict very modest annual growth of just 0.8%. That implies a very stagnant economy, barely avoiding a recession, which would mean headwinds that contradict Canadian golf course operators' own business projections.

However, the early 2024 results are certainly outperforming that annual forecast. January's Real GDP grew by an unexpected 0.6% and February by another 0.4%. So, there is a lot of unpredictability about Canada's economic performance in 2024.

2024's Real GDP kicks off by surpassing annual forecasts



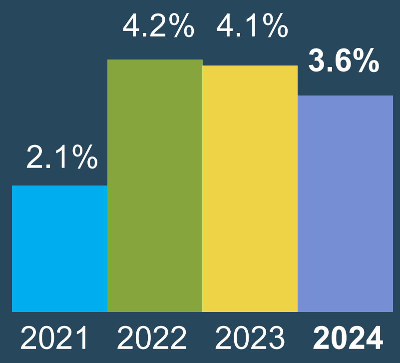
Wages

Wages tend to lag behind the timing of inflation moves and are also influenced by how tight the labour market is. The net effect for 2023 was an average Canadian wage increase of 4.1%.

Most projections for 2024 are calling for Canadian wage growth of 3.6%. This decline in the rate of increase should provide some relief to one of the largest expense line items for golf courses.

Golf course operators should also refer to the NGCOA Canada's Compensation & Benefits Report for specific golf industry data on compensation for all of their leading job descriptions.

downward trend in wage increases projected for 2024



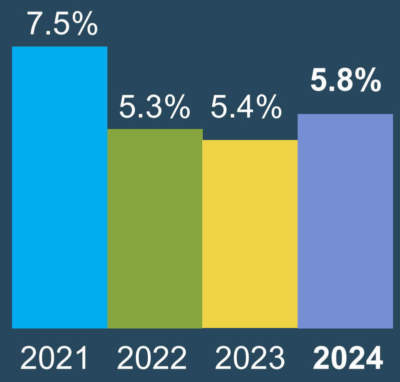
Unemployment

Canada's Unemployment Rate through 2023 increased from historical lows of 5.0% early in the golf season to a year-end rate of 5.4%.

That trend appears to have significantly improved the tight labour market for golf operators, allowing more courses to fill their staff teams and softening the wage hikes.

The outlook for 2024 is that the unemployment rate will gradually increase further to the 6.0% range, enabling golf operators to better manage their HR needs.

upward trend in YOY unemployment rates at February



Consumer Confidence

Consumer Confidence in Canada at the start of the 2023 golf season was 48.83. With an index of 50 being net neutral, that was a slightly pessimistic belief in their immediate future financial well-being.

As of March 2024, the story remains basically the same, with a consumer confidence index of 47.89. That does imply less propensity to spend on golf.

However, golfers seemed to overcome their own financial concerns in 2023 with robust rounds played and money spent. So, it would appear likely that 2024 golfers may also avoid major cutbacks on golf despite predictions that they will do so with some of their other discretionary spending.

Consumer Confidence at March 2024

47.89 **index points**

Business Confidence

Business Confidence entering the 2023 golf season was 51.6, slightly better than average, and significantly more than consumers' confidence levels.

For the 2024 golf season, business confidence is more optimistic than last year, currently indexed at 57.5. Once again, this is more optimism than the opinion of consumers about the near future.

As stated earlier in this Pulse Report, Canadian golf course operators appear to share this cautious optimism for the coming golf season, and probably even more so than the average business community referenced in this business confidence index.

Business Confidence at March 2024

57.5 **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 and other requests through the year for their operational data. And thank you to the NGCOA Canada's Research and Communications Departments for compiling and presenting the outcomes in this 2024 Pulse Report for the benefit of the NGCOA Canada membership.