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Member-Owned Clubs are Recapitalizing:

A Quest for Cash

That wheezing sound emanating from many member-owned facilities across the country is slowly losing volume. Here and there, a trickle of private equity clubs are waving the flag on their old ownership model and calling for help. Battling debt and lacking cash for critical improvements, they're turning to groups like Concert Golf and ClubCorp among a small group of others looking to expand national portfolios.

According to Peter Nanula, CEO of Concert Golf, that trickle will become a trend likely to stretch out over decades. "It's here to stay, literally, for a generation," he says. "Over the next 20 to 30 years, you'll see hundreds of member-owned clubs make the change to a non-equity ownership and management model. It's what the vast majority of private equity, member-owned clubs should do. But that's a group that is historically slow to change."

While such transition numbers may still be low, a growing number of those facilities are at least now open to the idea. "More than 70 percent of the discussions we're having now are with member-owned clubs," Nanula says. "In the old days, it was real estate developers looking to get out, but a lot of those have transitioned now." Concert's percentage is similar to that reported by ClubCorp's Tom Bennison last fall.

A key distinction between the transitioning of member-owned facilities and many recent club sales is that the brush is more of a clean-up than the clean sweep that comes with a fire sale. Most often, Concert Golf retains all staff and, along with the capital injection, brings in its own management and department expertise to refine operations. Debt burden aside, the clubs Concert Golf now owns were “generally pretty healthy” when discussions began. “We operate more as stewards for the club looking to preserve the club the way the members like it,” Nanula says.

Concert closed 2014 with 10 clubs in its stable and expects to close on another two in the first quarter of this year. The company negotiates all-cash purchases, which is a major lure for members who have been watching their clubs bleeding under heavy debt loads. Nanula says the absence of professional management in many cases compounds the problem.

Concert’s latest acquisition of Hawthorns Golf and Country Club in Fishers, Indiana, was a little different. Rather than sluggish management performance, members were looking to get out from under the developer’s financial woes. It took a ruling from a bankruptcy judge to seal the deal.

Nanula says the prospect of being debt-free, enjoying a significant capital injection, and tapping into established operational expertise is “a pretty compelling alternative” that many member-owned facilities are just now discovering. “If your club has issues, then you better act now because the past five or six years have been about as good as it gets,” he says. “If you haven’t been able to make ground in that time, then you’re not likely to by doing what you’ve been doing.”

—*Trent Bouts*