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COVID surge slowly subsiding:
Did you beat the industry performance in May? (Cont.)

7 Dimensions are better than just 1 (volume); any arguments?
While industry efforts over the past 20 years to provide any type of visibility to monthly performance using solely volume (rounds) have been laudable, I don't think I'll get any arguments from reasoned people that it's woefully inadequate for understanding the health of the industry and the contributing factors. Here are just a couple of examples of how exclusive volume tracking can lead us astray:

- Revenue is the key metric; volume increases that don't improve the revenue line are of little value to individual operators and the industry in general. Simply tracking volume either ignores this fact or assumes that revenue is moving in lockstep with volume changes (we politely refuse to accept either tradeoff)
- Channeling (again) Stuart Lindsay "You cannot have an intelligent conversation about facility performance without incorporating weather impact…" This applies to both the volume metric (which needs converted into the more useful and informative % Utilization) and revenue metric (converted to Golf Revenue per Available Round or GRevpAR). Volume alone can lead us to undue euphoria (Played Rounds up but Capacity Rounds up more) or despair (Played Rounds down but Capacity Rds down more)
- Understanding whether volume gains were "bought" via increased discounting or represent organic, sustainable growth. Tracking the % Discount measure (achieved rate-per-round vs. maximum rate-per-round) gives us another barometer of whether or not volume increases are improving our bottom line

To the PGA of America's credit (a statement not often seen in these pages), their PerformanceTrak effort over 5+ years attempted to address a couple of the above. They tried to reasonably capture Revenue (but they went with Total vs. Golf, that muddies the waters for some number of facilities with extensive F&B or Pro Shop operations) as well as a self-reported proxy for Playable Days (which introduces the variables of Pro-by-Pro interpretations of weather, not counting partial day weather events and the human element of wanting to make the results more vs. less favorable by writing their own report card). They also had sample balance/projections issues due to the fact that a majority of participating facilities were Private Clubs so we ended up with things like "the average facility does 25K rds/yr" which, when multiplied by the number of US golf facilities in total, came up about 70M rounds short of the historical, annual national figures we and other information providers had been tracking to for years (oops). We believe that the GMRC metrics and approach fix those shortcomings as well as adding the "missing metrics". Here's a quick review of the Core 7 metrics which Stuart and I came up with over the years and comprise the backbone of GMRC:

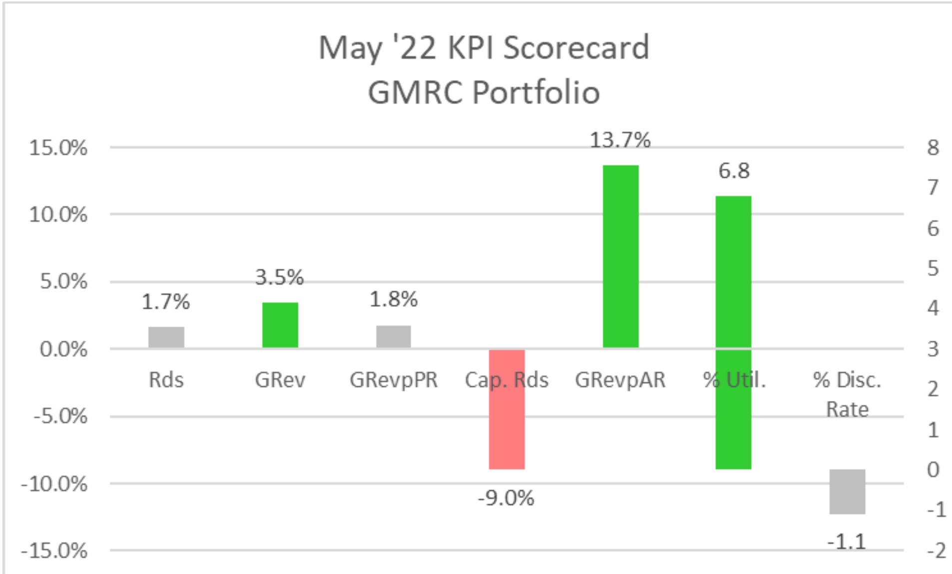
- Golf Revenue – we chose to start with just golf-related revenue (greens fees, carts, memberships/season passes/loyalty programs etc.). Based on feedback from our subscribers, we modified the input for this to break out "per-play" revenue from "subscription" revenue; the per-play revenue gets applied directly to the month entered while the subscription revenue gets distributed across the balance of the season. This is the money-metric and it underpins our cardinal metric, GRevpAR
- Rounds – defined as "starts" to keep it simple; a round is a round the whole world over so 18 holes, 9 holes, twilight, pay-per-hole, comps all get incorporated equally into rounds. For comparative purposes at market-level and above we equivalize these across formats (i.e. >18-hole facilities get factored accordingly while 9-hole facilities get equal treatment because they have the capability to produce as many rounds as an 18, just not the same Golf Revenue potential)
- Golf Revenue per Played Round – simply Golf Revenue/Rounds; this is what the industry refers to as Avg. Rate, we call it this to recognize that there is a weather-adjusted rate, Golf RevpAR, and this naming convention provides consistency
- Capacity Rounds – This is the number of rounds that we've calculated the facility could have done during the period if they had a foursome on the first tee for every Golf Playable Hour (GPH, Pellucid's proprietary formula using seasonality, daylight hrs, AM/PM "setbacks" and weather conditions (temp, precip, windspeed among others)). We use a static tee time spacing to establish hourly throughput so GPH * Pellucid hourly throughput rate = Capacity Rounds
- % Utilization – Equally simple, now that we know Played and Capacity Rounds, Played Rounds/Capacity Rounds = % Utilization. This number over a season generally falls between 50-65% but it will be 70%+ in shoulder months due to weather & play vagaries and it is possible, for select facilities in select situations, for it to exceed 100% (i.e. March in Chicago, the weather rules say that it's too early/cold to play but us "crazies" are out there playing anyway and the facilities are more than happy to accept our money)
- Golf Revenue per Available Round – This is the cardinal metric we follow which measures the weather-adjusted revenue generation of our facilities. The simple formula is Golf Revenue/Capacity Rounds and this number generally ranges, over a season, between \$22-\$35 (compare that to the GRevpPR which generally ranges between \$40-\$50)

- % Discount – This is the brainchild of Stuart and something he's followed for years in his consulting work for facilities. Facilities position themselves in the market and generally anchor their pricing structure around their most desirable/highest fees time (i.e. weekend AMs or "primetime"). Like any other business, we offer discounts off that top rate for the less desirable times as well as periodic specials/promotions and what I call "favored groups" (Srs, Jrs, Military etc.). Percent Discount compares the Golf Revenue that you ultimately got (GRev) against what I'll call Capacity Revenue (the revenue potential if you had sold every tee time during the period at your absolute highest rate). As Stuart points out, we have a generally constant discount rate built into our most common rate card structures and discounts (weekday vs. weekend, AM vs. PM, weighted by the average rounds contribution of each of those rate types) which pencils out to ~17%. So, this measure for the vast majority of golf facilities starts at 83% (the inverse of the 17% discount) and the difference between the facility's % Discount and 83% is the level of discretionary discounting that you're providing/allowing. We generally see this metric range between 60-70% and call out clients where we see this value consistently below 60% to see if they're intentionally wanting to discount that deeply

We believe (as well as our GMRC subscribers) that these metrics and definitions provide the minimum foundation of breadth and rigor for operators to make better-informed decisions both about their performance as well as having some visibility into how their market and the general industry are performing. They get the values for their facility immediately after inputting their 3 variables into the portal (Rounds, Golf Revenue, Weekend GF for the month) and we publish the portfolio summary results and markets where we have multiple facilities participating for guidance (not benchmarking yet, we need more facilities and balanced across Pellucid's facility types of Premium/Value/Price before we get to benchmarking) during the first week following the month close. To their credit, 90%+ of them enter their numbers in the portal in the first 5 days of the month so our speed is a result of their timeliness and interest in seeing their individual numbers through our GMRC lens. Enough of measures and theory, let's see how it plays out in numbers and pictures using the month of May for the GMRC portfolio and what it tells us that volume-only reports cannot.

Industry sources show May was a "down month" on volume alone; our scorecard tells a different story.

As referenced in the intro, the recently-released volume-only (rounds % change) "call" at the national level was -6% for Public facilities. Our Revenue-anchored, broader and weather-adjusted scorecard suggests that we actually had a pretty good month as illustrated below:



May '22	Rds	GRev	GRevpPR	Cap. Rds	GRevpAR	% Util.	Disc. Rate
EHE Avg.	4,608	$ 208,105	$ 45.16	7,105	$ 29.29	64.9%	66.4%

Let's run through how to read and interpret the above graphic and KPIs:

- A fundamental difference between the industry view of May and our GMRC portfolio is that our portfolio actually managed a slight up (+2%) in volume vs. the mid-single digits down for the industry's larger sample. This pulls our general analysis of the "world" upward but, since we don't have any way to superimpose their rounds results to our extended measures you just have to play along with our figures directionally if you want to understand more than how volume compared to Year Ago (YA)
- Golf Revenue for our portfolio was +4% which beat both the rounds increase (+4% vs. +2%) as well as the May '21 revenue mark (+4% vs. YA)
- That revenue gain was driven by the combination of Volume and Rate (+2% each)
- It gets more interesting (and better) when we crank in the fact that May Capacity Rounds, for the aggregated markets in which our portfolio resides, were down 9% (wow, ouch!). This is not dissimilar to our full US figure we previously released which was -7% for the month
- The fact that the GMRC portfolio basically "held" rounds against a 9% decline in Capacity Rounds drives the healthy 7-point Utilization gain. We also know this marks the 3rd consecutive month of Utilization Gains against unfavorable Rounds and weather "comps" so, for a change, we can quantify and definitively say that current volume trends are 100% attributable to weather conditions at the national level
- Similarly, our portfolio's +4% gain in Revenue vs. '21 against a 9% decline in Capacity Rounds gives us a favorable GRevpAR of +14%. In other words, our "factories" are doing an admirable job of generating revenue constrained by weather headwinds so, if we can get a break in the weather comps in the back half of the year, golf's "animal spirits" are still strong. On that note, our GMRC

clients have access to their 60-day, daily forecasts for Capacity Rounds as well as us being able to provide them with the full year forecast (not daily, but the summary number of where we think they'll end compared to full year '21)

- Last, but not least, we see that the % Discount metric for May was basically flat so we know that our portfolio hasn't "bought" those results by going back to pre-COVID discounting practices, frequencies and levels
- For your convenience (and to hopefully pique your curiosity to see more of the numbers and join our merry little band), the table above provides the May values for our portfolio for the average, 18-hole equivalent (EHE) facility to see how your results compare. Obviously, the volume metrics (Rounds and Golf Revenue) will be influenced by the types of facilities and geographic distribution of our portfolio vs. your facility but, never fear, the % Utilization and GRevpAR figures should be comparable since we've neutralized weather (that, of course, assumes that you know <u>your</u> weather-adjusted % Utilization and GRevpAR hmmm)

In summary, for May our GMRC portfolio was up on the cardinal metric of GRevpAR, as well as Utilization. We can quantify the magnitude of weather impact in isolation (Capacity Rounds -9%) and we can see that we didn't meaningfully change our discounting level as we fought through the month's headwinds. Armed with this breadth of information and the different story than "volume down", don't you think the average operator would make some different decisions in how to move forward in June? (which we'll know here for our portfolio in ~8 days) As far as communicating to the various non-operator industry stakeholders (ranging from golf course equipment manufacturers to investors), wouldn't this be a more optimistic, confidence-building message on industry health than "volume down"? When's the last time that you saw Pellucid and optimistic in the same sentence? (Someone memorialize this moment! ha, ha) This begs the question, "How do was as operators and an industry move forward to build on this small but solid foundation of performance information and insight?" Glad you asked…

What comes next?

Consistent with Pellucid/Edgehill's exhibited DNA over 20 years trying to drag the golf industry kicking and screaming into the information and insights era, while we're building each new capability we're always thinking in tandem about where it might lead with the participation and input from our progressive client base. The expansion of the GMRC capabilities is no exception and below provides a preview of how we're planning to help and guide our early adopters to the next level of insights:

- Continue to expand the network – Through a combination of good math and some luck, we're getting representative results from a fairly small sample allowing us to provide directional and order-of-magnitude guidance at the national and limited key markets level at this point. More facilities "joining the march" will make the results more reliable as well as allowing us to provide the next level of granularity (key markets and more of them) for the benefit of our subscribers and industry visibility. Based on the Yr 1 feedback from the wide number of facilities we solicited for charter subscribers and early adopters, the 3 barriers cited have been

    - Time constraints (don't have time to put in historical figures or the 3 monthly numbers; I call BS on the latter BTW, our users say it's 5-7 mins monthly)
    - Usefulness (either wouldn't look at the results/scorecard or wouldn't know what to do differently if I did) and
    - Budget constraints (at $500/yr or less, I'm also inclined to call BS on this one, particularly given the current operator universe macroeconomics)
- Make it easier, less time-consuming - To address the time/skills constraints objection, we're working with a partner to introduce an automated monthly data transfer for participating facilities on one of four existing Point-of-Sale (PoS) platforms. The connections are in place for those transfers (with the facility's permission and participation obviously) so we're just working on finalizing the metrics, reports and financials of launching this enhancement, hopefully in 2nd half '22. If your facility is currently on one of these 4 platforms, you'll be GMRC-ready on Day 1. If you're not, then you'll have to still go through the current process of uploading historicals (only once) and monthlies through the portal (might also be a reason to consider switching providers going forward, just sayin')
- Expand the breadth of reporting, send scheduled "push" reports - The above development when it comes to fruition will also expand the underlying data coming from the facility to include customers tied-to-transactions which Stuart and I have long championed as the gold standard for information vs. pulling reservations from tee sheets and proxying in rates to get to revenue and lacking any knowledge about the customers in aggregate. That would open up more customer-based KPIs like customer base/growth, churn (net bodies/dollars gain/loss), spend per customer, average visits and spend per visit. We've struggled to figure out consumer churn at the national level on an annual basis, wouldn't it be ironic if we got to understanding that metric on a monthly basis (within 15 days of month close) at market level first? How would an operator's marketing plan change if they knew those figures, new guests vs. defectors, most valuable spenders etc. and, in time, how their customer base compared to their market and/or peer group?

It's a perversity of analysts that we get excited thinking about and architecting how the above capabilities would expand the knowledge and alter business decisions of operators. The "plumbing" exists to use technology to reduce their effort involved, increase the breadth and accuracy of insights and increase the speed of that feedback both for their business and the larger universe in which they operate, we just need to connect it to the faucet. We're going to do that in the upcoming 6 months for some number of progressive operators and others will then have to decide whether to follow or compete using their current data, practices and business model. As prominent sportswriter Hugh Keough is attributed to have said, "The race is not always to the swift, nor the battle to the strong; but that is the way to bet."

If I Were King...

A recent comment in a conversation with a C-level industry veteran challenged me to stop, step outside my logical, rational, analyst bubble and think about this issue from the average operator's perspective: "Jim, what if, at the end of the day, this just isn't a Top 10 issue for the average operator?" My instinctive reaction was to get defensive/indignant and counter with, "OK, what are the 10 other things that are more important to success than improved performance tracking and having some external benchmarks for reference?" You'll be pleased to know that I refrained and just agreed to take it under consideration. His support points for the hypothesis were:

- An average owner/operator is may not be driven by wanting the business to be ever-increasingly successful. Many want to make an annual target profit, be a good local employer/citizen and work toward a successful retirement; that's it. More diligent and accurate performance tracking likely isn't essential if this is all the operator wants
- Management companies may believe that they already have these capabilities and a competitive advantage in local markets where they operate multiple facilities and can compare/contrast between them. This has some element of truth in that diversification within a geography does provide some advantages but saying "my 3 instances in Chicago represent the market and its performance" is kind of self-fulfilling in that what one knows there is essentially how that business model is functioning in Chicago. As the owner of those facilities, I'd kind of like to know how I'm doing both against the non-managed and other-managed facilities for a more accurate representation of performance and Return on Investment for my owner
- The lack of technology to integrate and make operators' lives easier and reduce their need to invest time in skill development drops this on their importance list. Guilty as charged; we as insights providers and the technology companies we rely on to extract, organize and make data digestible have to up our game. We're looking for partners who feel the same but, over the past decade, they've been far and few between
- Anything that I have to go look for vs. it coming to me gets a lower priority. This one's a stretch but we're working on it. What they want is automated delivery (1st of every month shows up in your Inbox, don't have to go run the report or log into some portal/system) and exception reporting (don't show me all the things happening as expected, show me the 3-5 things that are abnormally good or poor in pictures). They're willing to act upon call-outs delivered to them; they don't have time to chase them down and sort out what's critical vs. usual

We'll seek to sort out the above through subscribers, prospect surveys and colleague conversations and we're willing to accept reality if the result is that the above truly are show-stoppers for these capabilities expanding or persisting in the industry. That said, if this proves to be true then golf will be the only industry I've ever worked in or read extensively about where this isn't a Top 10 capability requirement. I'll close with a story from a years-ago exploratory meeting on the topic with several Smith Travel Systems (the STAR Report folks, just to clarify) execs in Nashville TN. After the better part of a day of discussions regarding our journey in bringing performance reporting to golf and the assets we possess to make it happen, the senior person looked at Stuart and I and said, "We've looked at golf over the years and determined that the fragmentation of outlets (courses), the technology sophistication (i.e. the PoS and tee sheet service providers), the economics (that the average client is an ~$1.25M gross revenue business) and the general operator's understanding of information uses/benefits aren't a highest and best use of our limited resources to expand into new verticals."

This basically echoes what our industry veteran proposed in his rhetorical question. Our natural question to the Smith Travel folks was, "What industries currently interest you then, if we might ask?" Their reply was they were shortly launching an offering in the Self-storage industry given its growth and other factors. On the way back to the airport Stuart and I wondered aloud, "Surely we can't collectively as an industry (and that includes us) be more either apathetic or stupid than the self-storage industry in general, can we?" The Smith Travel folks weren't willing to take that bet but our future efforts and the success/failure of the GMRC program will answer that question once and for all. We're up for the challenge and will see along the way whether either a majority or the progressive minority of operators and technology partners can demonstrate that it's critical for success vs. merely just an alternate path to the same destination.

As always, samples of all our publications, reports and services are available on the Reports and Services pages of the Pellucid website.