Update on Framework for a Strategic Response to the Coronavirus Crisis

June 3, 2020

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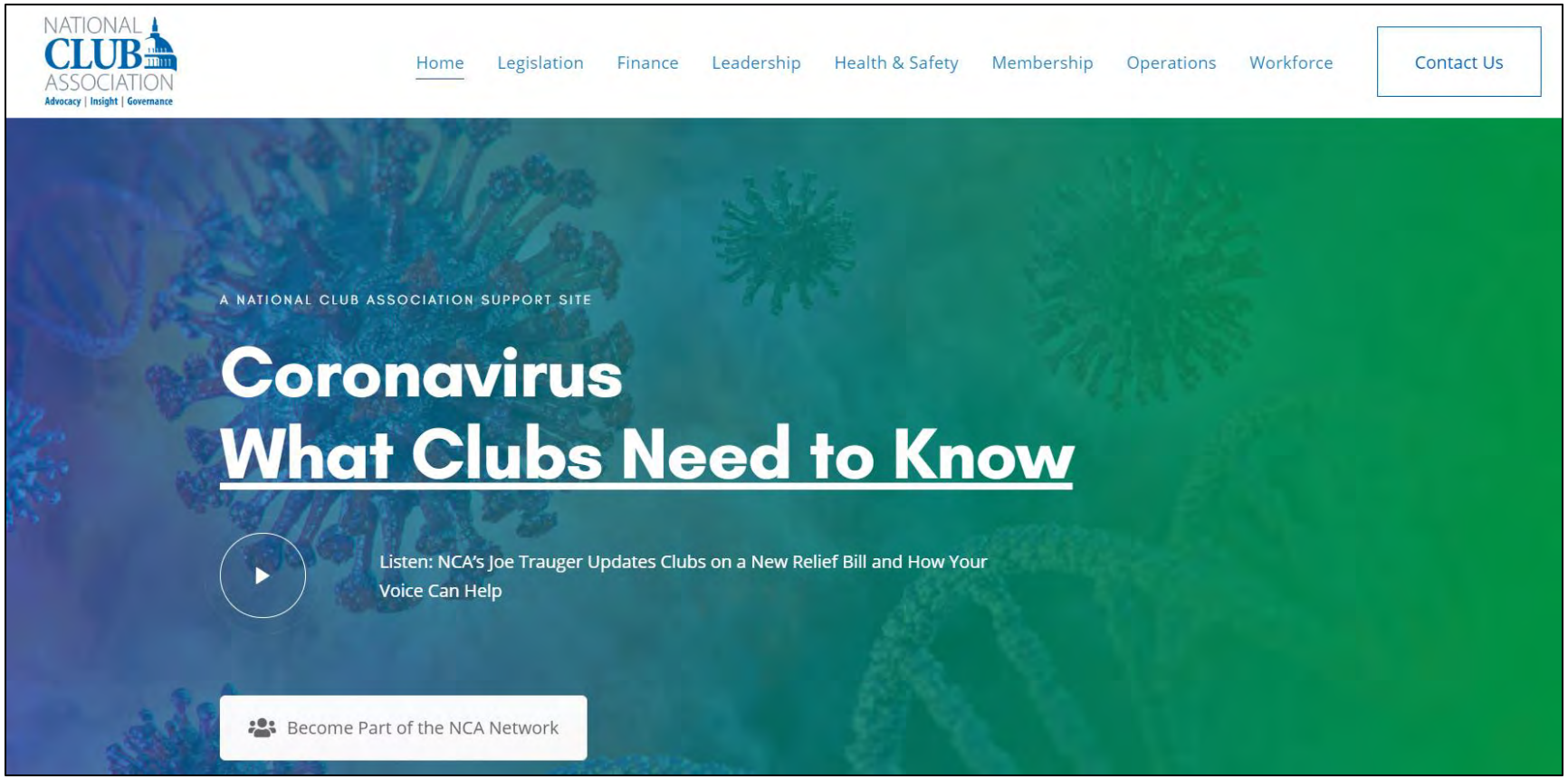

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Reopening

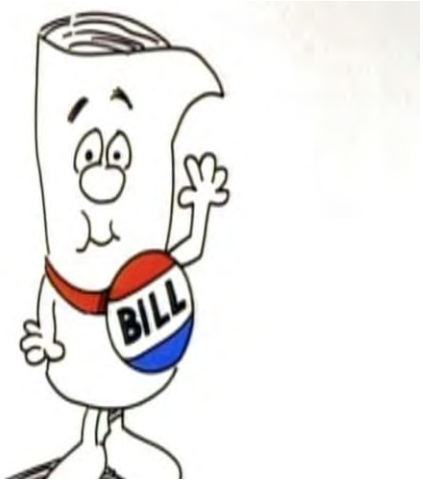
- Tennis Industry United, USTA
- COVID-19 Updates, USTA
- COVID-19 Reopening Guidance – A Guide for the Restaurant Industry (Updated), National Restaurant Association
- Getting F&B Back to Business: Guest Safety Above All, Hotels Mag
- Back2Golf Operations Playbook (version 3.0), Amateur Competitions and Junior Programming, We Are Golf
- Recovery Readiness Roadmap, Cushman & Wakefield
- Considerations for Youth and Summer Camps, CDC
- Activities Supporting the Opening of America, CDC
- Opening Camps Decision Tree, CDC
- CDC Releases Guidelines for Reopening Restaurant Dining Rooms and Bars, Restaurant Hospitality
- Field Guide for Camps on Implementation of CDC Guidance, American Camp Association and YMCA of the USA
- Route to Recovery: Healing Through Sports, Sports Turf Managers Association
- Equinox, SoulCycle, Life Time, Others Release Reopening Protocols, Club Industry
- Getting F&B Back to Business: Focus on Employees, Hotels Mag
- Bar Industry Guidelines, American Industrial Hygiene Association

Joe Trauger

Vice President of Government Relations
National Club Association

The Path Ahead

- PPP legislation in the House this week - "skinny version"
- Effort late last week in Senate, but deferred to House
- Senate to take up this week – should pass overwhelmingly
- Next bill?
- Liability protections being discussed for businesses
- Early to mid-June before anything happens
- George Floyd Protests
- Civil Unrest
- Law enforcement reforms
- H-2B program being discussed
- NCA signed letter to President
- Senate letter to President



Ray Cronin

Founder & Chief Innovation Officer
Club Benchmarking

Early June Update

The Framework for a Strategic Response to the Coronavirus Crisis

Where are we at this point?

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June 3, 2020

Two Important Points

The virus crisis is ***An Issue***, not ***The Issue***

A Tactical Issue, not ***A Strategic Issue***

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Context

Recession	Start End	Duration (months)	Time Since Prior Recession (months)	Peak Unemployment	GDP Decline
1980	Jan 1980 July 1980	6 months	58 months	7.8%	−2.2%
1981 – 1982	July 1981 Nov 1982	16 months	12 months	10.8%	−2.7%
Early 1990s	July 1990 Mar 1991	8 months	92 months	7.8%	−1.4%
Early 2000s	Mar 2001 Nov 2001	8 months	120 months	6.3%)	−0.3%
Great Recession	Dec 2007 June 2009	18 months	73 months	10.0%	−5.1%
Global Downturn 2020	Mar 2020– present	?	129 months	?	?

483 months since January 1980
56 months in recession (12%)

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What has had more of an impact on your club's current financial position?

The 12% of time the country was in recession

or

The decisions made in 483 Board meetings since 1980

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Entering the Crisis

25% Shrinking

1. **Too few members as a result of weak member experience**
   a. Narrow breadth of lackluster services and amenities
2. **Weak Balance Sheet**
   a. Declining Net Worth
   b. Significant deferred capital investment
   c. Lack of adequate cash reserves
3. **Operational Governance over Strategic Governance**
4. **Members think like Customers, not Owners**

50% Sideways - Moderate Growth

1. **Barely adequate to adequate number of members. Barely acceptable to acceptable member experience**
   a. Lackluster to above average services and amenities
2. **Average Balance Sheet**
   a. Net Worth flat to growing slightly in real dollars
   b. Significant to slightly deferred capital investment
   c. Some cash reserves
3. **Bouncing between Operational Governance and Strategic Governance**
4. **Mix of members thinking like Customers and Owners**

25% Growing Purposefully

1. **Full Membership Roster**
   a. Compelling services and amenities
2. **Strong Balance Sheet**
   a. Net Worth growing > 5% CAGR
   b. Fresh and up to date asset base
   c. Adequate cash reserves
3. **Focus of Governance is on making the club better (can still be stuck in Operational Governance at times)**
4. **Most members think like Owners and take pride**

A Decision Framework for the Crisis

- Don't make decisions with long-term consequences with short-term information
  - Has anyone cut the initiation fee anticipating a need for more members?
  - Has anyone hacked away at the 2020 Operating and Capital budgets expecting doomsday?
- Thus far, we have seen most clubs "absorbing" the impact.
- View every decision within context the bucket your club was in entering the crisis – and why it is in that bucket
- We have received significant feedback on the white paper – it seems to have made a difference.

- Consider three time periods for Decisions
  - Until club opens (end of April to Mid-May) "Real" opening beginning in June
  - May – June We will look at membership trends through March
  - July – Year End We are gathering membership trends for April now – will publish by June 8

The Club is Essentially Closed – View as a Tactical Issue

- Close to zero Non-Dues Revenue
  - Clubs “shut down” somewhere between March 17 and March 27
  - At the Median, Non-Dues Revenue was down 34% March 2020 vs. March 2019

- Members are not in the club (most clubs working on ways to stay in communication and keep the members engaged)
  - Significant positive surprise was golf became the thing to do – every club we talked with saw significant increase in rounds played – on the order of +30%
  - Tee sheets were full (with increased tee time spacing)
  - Fair amount of Innovation on keeping members engaged
    - Virtual Happy Hours, Take-Out, Groceries, Digital Engagement

The Club is Essentially Closed – View as a Tactical Issue

- Key decision is whether to pay the staff during the shutdown
  - 1/3 likely will
  - 1/3 likely pay for a determined period of time 2 – 6 weeks
  - 1/3 will layoff or furlough a large chunk of the staff

  - Most common approach seemed to have been a combination of paying staff combined with a furlough at some point

- The hourly staff payroll is very close to the financial impact of the shutdown at the average club
- Keep the decisions anchored to the impact of the shutdown – short-term issue, short-term solutions, short-term consequences
  - Most common approach seemed to have been a combination of paying staff combined with a furlough at some point

Thru the End of April

- Median with Golf - $7.7 Million in Operating Revenue
- Median without Golf - $5.1 Million in Operating Revenue
- Estimated Impact 4 Week Shutdown
  - $140,000 with Golf
  - $90,000 without Golf

- 3.5% to 4.5% of Dues Revenue for 4 Week Shutdown
  - $300 per member with Golf
  - $150 per member without Golf

- Shutdown typically has lasted beyond the end of April – most common would be through mid-May to early June
- Wide distribution of opening rules by states
- Shutdown period of somewhere between 8 and 12 weeks
- Based on discussions with 75+ clubs…estimated impact of two month shutdown falls around **10% of annual dues revenue**

Thru the End of April

- This is an **opportunity** to understand (and start to change) your club's model
- The Operating Model effects the impact
- Clubs with Leveraged Operating Models tend to have that model to "keep dues low"
- Clubs with Dues Centric Models tend to lean towards funding the member experience we desire - "We will pay for what we want"
- Lesson of Operating Model illuminated
- Clubs with Dues Centric Model may see positive variances

	Leveraged Operating Model		Average Operating Model		Dues Centric Operating Model	
	With Golf	Without Golf	With Golf	Without Golf	With Golf	Without Golf
Dues to Operating Revenue Ratio	< 45%	< 40%	45% to 55%	40% to 50%	> 55%	> 50%
Effect of Shutdown	Effect will be greater as these clubs rely on non-dues revenue to subsidize dues. Non-Dues revenue is lost during shutdown.		Effect at the estimated $140,000 for clubs with golf and $90,000 for clubs without golf.		Effect will be less as less revenue emanates from non-dues and dues revenue will stil flow during shutdown.	
Balance Sheet Strength	Clubs tend to have weaker balance sheets.		Clubs tend to have average balance sheets.		Clubs tend to have the strongest balance sheets.	
Ability to Absorb Impact of One Month Shutdown	May be difficult		Should be able to absorb impact – make the choice to absorb it		Should easily absorb impact	
Performance Since 2007/2008 Meltdown	• These clubs reacted to 2007/2008 meltdown by focusing on cutting costs, keeping dues low (thus the leveraged model), and decreasing or eliminating initiation fee. They tend to have a weak member experience. • NWOT typically decreasing since the last recession and significant deferred capital asset maintenance.		• These clubs tend to be able to meet repair and replacement capital needs. Some are also able to grow the asset base (adding new services and amenities). They have an acceptable member experience. • NWOT typically flat (0% growth) to 3.5% annual growth rate since 2006.		• These clubs tend to have invested consistently over time Compelling member experience. Well-maintained asset base and have also been expanding services and amenities. • NWOT typically increasing at a annual rate of over 5% since 2006. Generating adequate capital to grow.	
Percent of Industry	**25%**		**50%**		**25%**	

Other Tactical Issues

- Dues holidays do not make sense – resist the temptation. The members are owners, they need to assure the club's health.
  - Definitely discussions of Dues Holidays – but clubs steered away from that as advised.
- Certain clubs (especially City Athletic Clubs) may have a base dues supplemented by athletic dues. Some of those clubs may relax the supplemental dues while the club is closed. Clubs will use common sense in such cases – can't wipe out a substantial portion of dues revenue.
- Relaxing or suspending F&B minimum would have marginal financial impact and makes sense.
  - Some clubs relaxed F&B minimums.

Key Issues in this Time Period

- Are we emerging from shutdown quickly or slowly?
  - Quickly – Dow is likely at 24,000 + we are going back to normal (may be a new normal).
    - In terms of stock market, we are in Scenario 1.
    - In terms of health and safety, great variation based on where you live.
  - Slowly – Dow is likely at 21,000 or lower. Serious social distancing still in play. People are not going out as before.

- The scenarios will be obvious to depict outside of clubs – just watch TV. There will be no ambiguity as to which scenario exists.
    - Prognostication is difficult – George Floyd tragedy is another curve ball – what happened to Covid on the news?

Key Issues in this Time Period

Two things to keep in view:

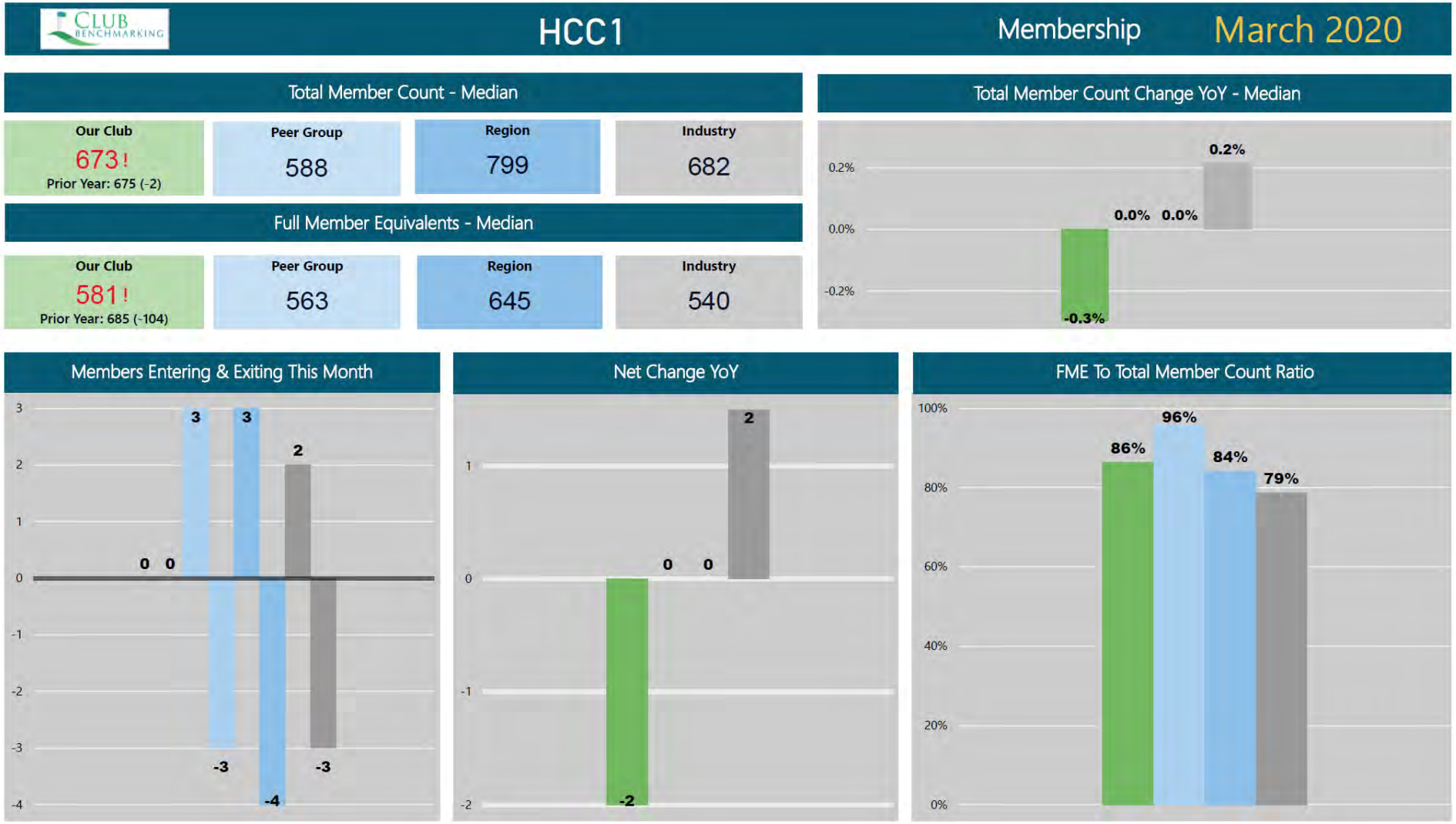
1. Understand your membership engine's strength entering the crisis
2. Make sure you are measuring member recruitment and attrition precisely – both your club and the market's trends.
   - Our efforts completely oriented here at this point
   - Seems amazing how the stock market came through this --- likely a downturn in front of us
   - The data through March shows NO IMPACT on membership recruitment or attrition due to virus
   - April will give us a better measure (June 8) – but expectation is for membership picture to remain normal
   - At the Median, Dues Revenue in March was up 3.7% versus March 2019

Evaluate and Understand Your Membership Engine

- **Strong** – Club is full and has a wait list, 20% to 25% of market. Upper quartile initiation fee.
- **Moderate** – No waiting list but there are enough members to adequately(or near adequately) fund operations and capital. 50% of market. Initiation fee ranges between 25th and 75th percentiles.
- **Weak** – Inadequate number of members to fund operations and capital. Lower quartile initiation fees. Weak Balance Sheet. 25% of market.

This WAS the FOCUS, REMAINS the FOCUS

May - June



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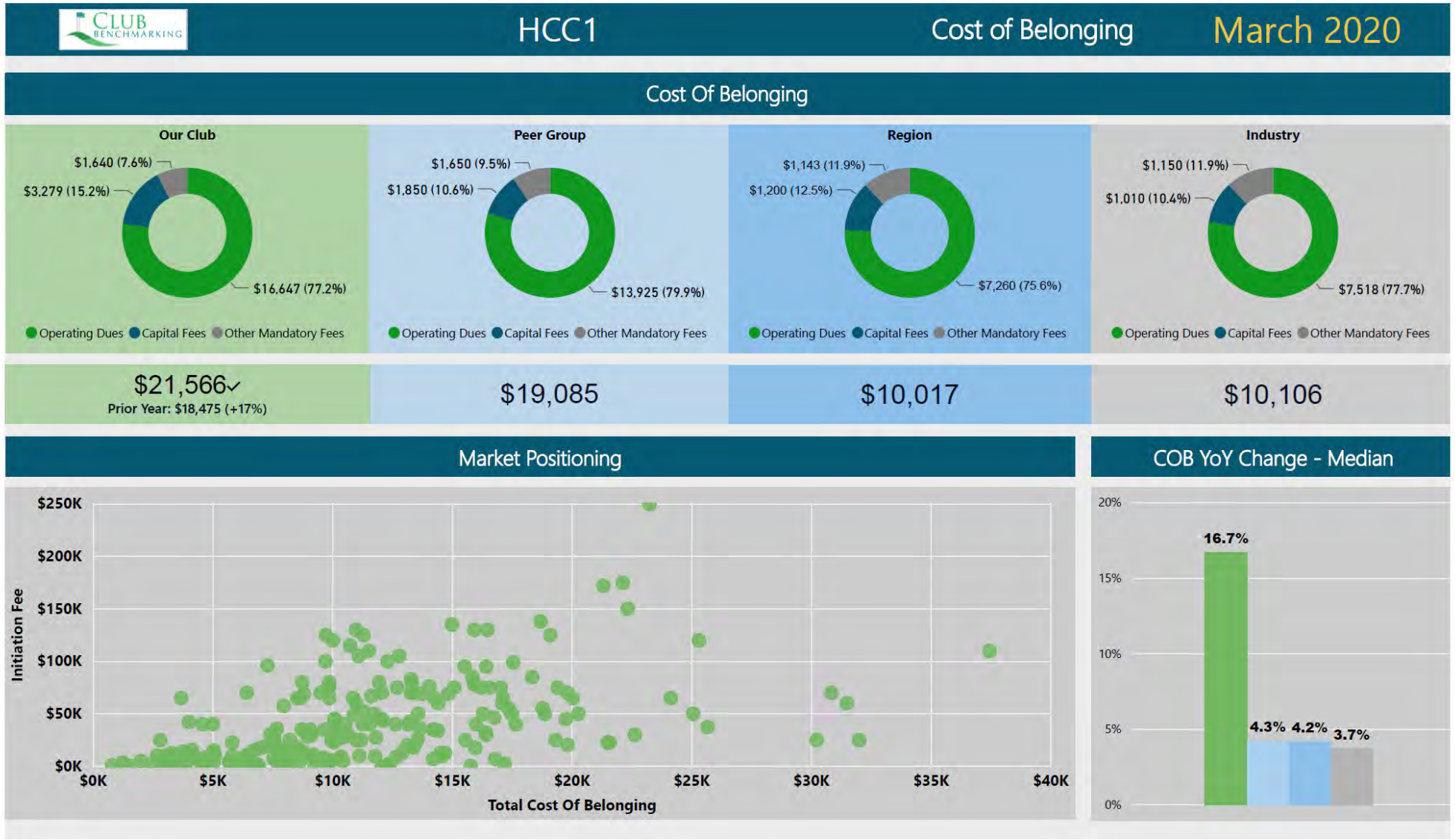
May - June



May - June

HCC1 — Initiation Fee & Joining — March 2020

Initiation Fee

Our Club	Peer Group	Region	Industry
$22,500✓	$27,500	$23,000	$27,500
Prior Year: $19,500 (+15%)			

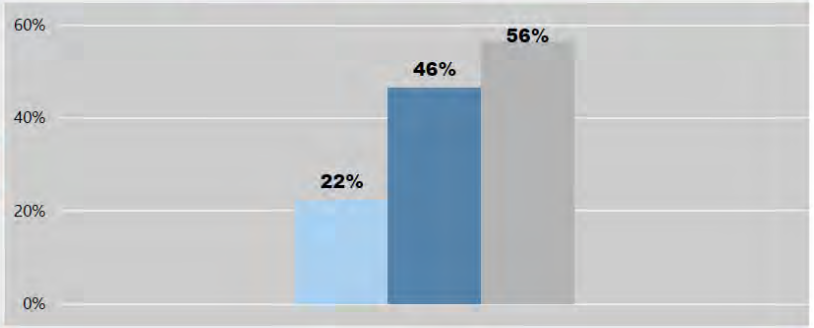
Wait List

Our Club	Peer Group	Region	Industry
0✓	0	16	16
Prior Year: 0			

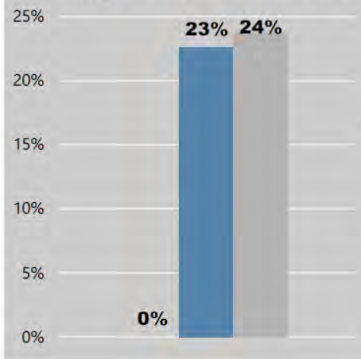
Sell List

Our Club	Peer Group	Region	Industry
0✓	150	37	17
Prior Year: 0			

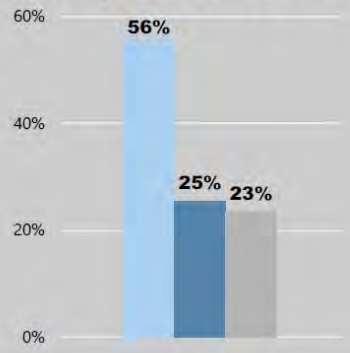
Percentage of Clubs Offering Financing



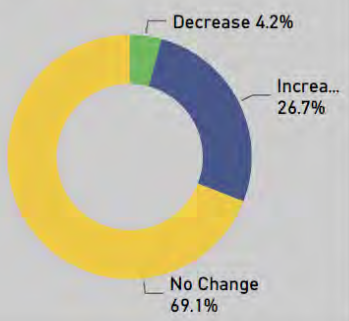
Percentage of Clubs With a Wait List



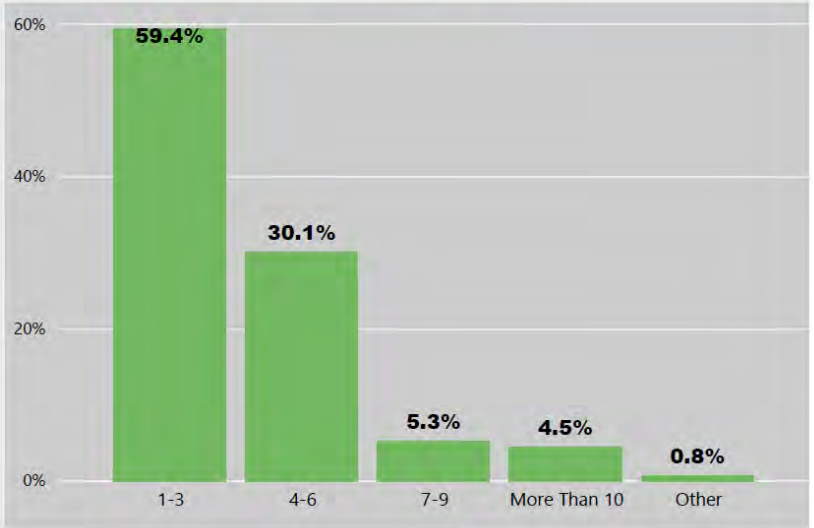
Percentage of Clubs With a Sell List



YoY Initiation Fee Change Industry



Financing Terms



May - June

HCC1 — Finance — March 2020

Dues Revenue

Our Club	Peer Group	Region	Industry
$805,482✓	$540,176	$441,844	$352,059
Prior Year: $788,965 (+2%)			

Non-Dues Revenue

Our Club	Peer Group	Region	Industry
$393,636!	$300,188	$298,135	$174,163
Prior Year: $496,432 (-21%)			

Capital Income

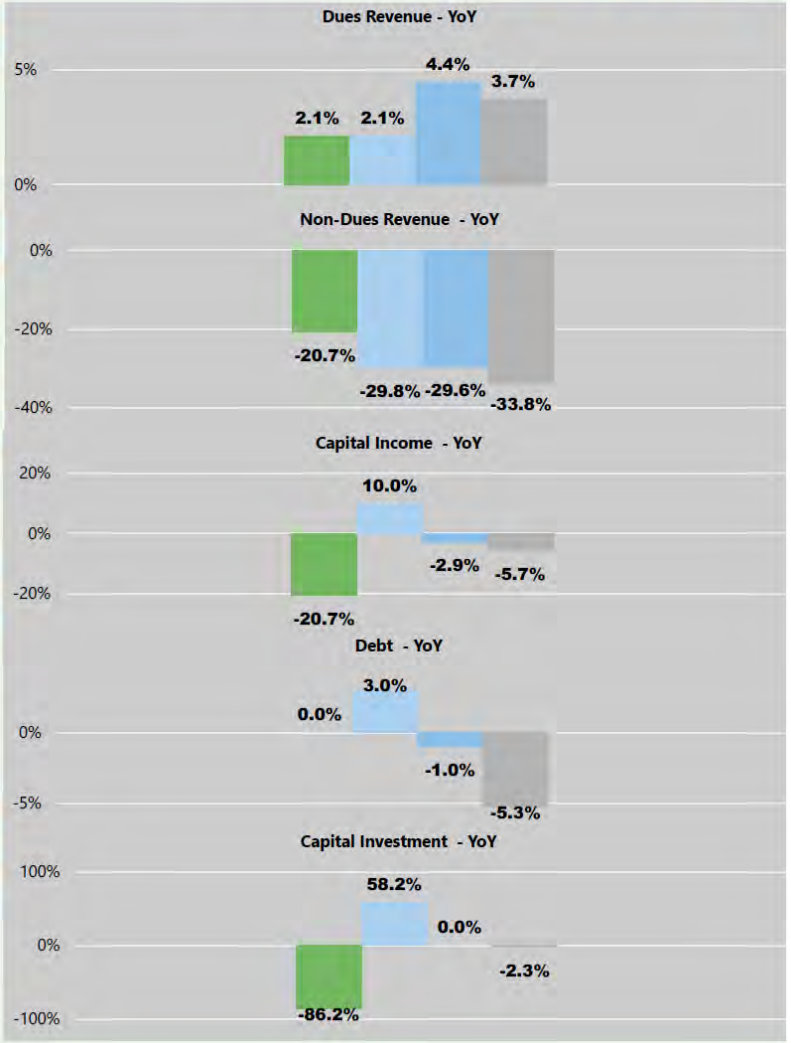
Our Club	Peer Group	Region	Industry
$214,881!	$133,350	$108,287	$85,007
Prior Year: $271,122 (-21%)			

Debt

Our Club	Peer Group	Region	Industry
$0✓	$1,153,156	$1,775,269	$2,018,930
Prior Year: $0			

Total Capital Investments

Our Club	Peer Group	Region	Industry
$137,544!	$2,528,506	$9,808,789	$38,557,233
Prior Year: $997,363 (-86%)			



The Things We Know

- Most states (New Jersey begins Friday) are in some phase of re-opening
- There is still widespread unemployment > 40 Million
- Stock market has weathered the storm thus far
- Non-Dues Revenue taking a significant hit in March and same expected for April and May. Will withhold prediction on June.
- Dues Revenue up 3.7% in March and same expected for April – June
- Initiation Fees held up in March
- Apparent financial impact of approximately 10% of annual Dues Revenue – clubs appear to be absorbing it (as suggested)
- General Managers and Staff have focused on the “new” normal – focused on Health and Safety when re-opened
- Golf seems to be enjoying the “safe, social distance, outdoor activity” winner
- Banquets in most states will be MIA through the summer – in some states into the Fall

The Things We Know

- If your club has used the crisis as an opportunity – you should know what bucket you are in – Red, Yellow, Green
- You should be having strategic dialogue about how you move from Red to Yellow, Yellow to Green or remain in the Green
- There was a spurt of Innovation during the crisis in terms of Member Engagement – don't let it pass – DRIVE INNOVATION AND INNOVATION forward
- Use the crisis to get Boards to realize we need to plan forward! No matter which bucket our club lies
- The virus – to this point – remains a tactical issue, not a strategic issue

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The Things We Don't Know

- Where will the economy be in mid-summer?
- Where will the stock market be in mid-summer?
- Will golf remain the activity people flock to?
- Will clubs become a "safe-haven?"
- Will clubs use the crisis as an opportunity to begin Planning Forward and Acting Strategically to change their future?

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Back to The Main Points in the Paper

Use the crisis as an opportunity to….

1. Participate in the Strategic Monthly Dashboard to answer all questions on membership and financial impact as we emerge and return to normal – don't guess! Don't react. Be proactive and address it systematically.
2. Understand in which bucket your club lies
3. Embrace, Financial Best Practices, Planning Forward and Innovation to change the future of your club

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Thank You!

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Our mission is to foster healthier clubs, more strategic boards and more empowered managers by elevating fact over opinion.

May - June

- Evaluate the strength of your membership engine.
- Weak and Moderate clubs would be **<u>much better suited doing this strategic work</u>** over running doomsday scenarios.
- If it is doomsday, we will know it and we can respond in kind.
- Fifty percent of clubs made improper decisions around the Initiation Fee after last recession.

	25th Percentile	Median	75th Percentile
Full Member Equivalents	393	462	527	509
F&B Subsidy	-117,000	-233,000	-425,000	-670,000
Non-Golf Sports Expense	148,000	404,000	580,000	820,000
Member's Equity	3.7 Million	8.2 Million	13.5 Million	23.8 Million
Net to Gross PP&E	41%	47%	50%	50%

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- Understanding the pattern is critical.
- Higher Initiation Fees – More Members, Better Member Experience.
- Lower Initiation Fees – Less Members, Lackluster and/or Pedestrian Member Experience.
- Evaluate your membership engine strength – the virus didn't create it. Decisions in the Boardroom did.
- A "Poor" experience can't be fixed by price.

	25th Percentile	Median	75th Percentile
Full Member Equivalents	678	551	637	722
F&B Subsidy	-37,000	-77,000	-96,000	-581,000
Non-Golf Sports Expense	92,000	104,200	354,000	668,000
Member's Equity	3.3 Million	3.2 Million	8.7 Million	14.7 Million
Net to Gross PP&E	44%	44%	51%	56%

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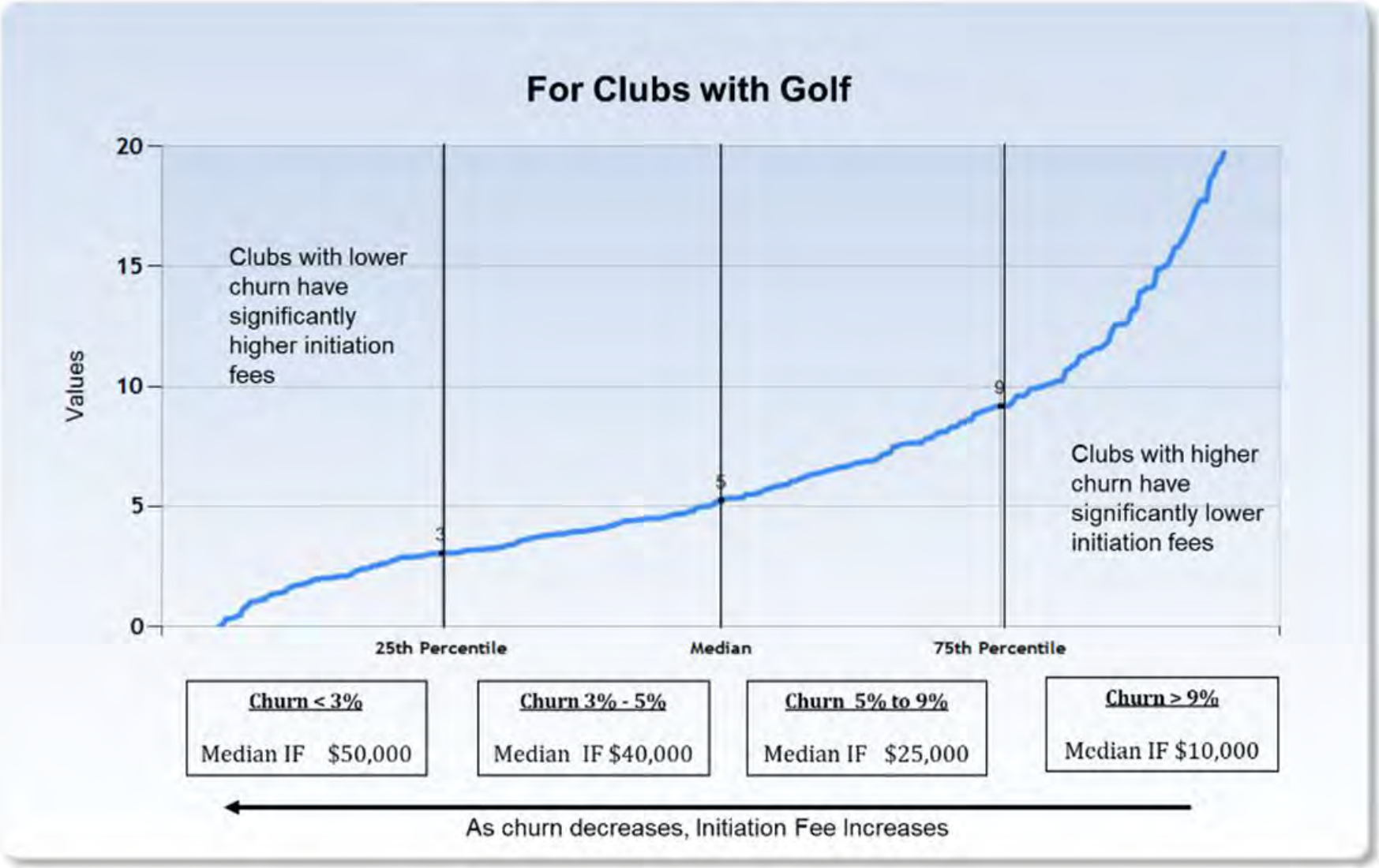
May - June

- Lower Initiation Fee will not yield more members, but it will cause increased churn.
- It will also attract people with “little skin in the game”
- People who think like customers….



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May - June

- …not like owners

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May - June

- **The Experience Drives the Outcome** – The More Our Club offers, the more members want to join. The Experience and the Footprint are linked.

- **The Goal is to PROPERLY FUND THE FOOTPRINT**

- The costs (Operating and Capital) of operating the Footprint are essentially fixed and should be precisely quantified

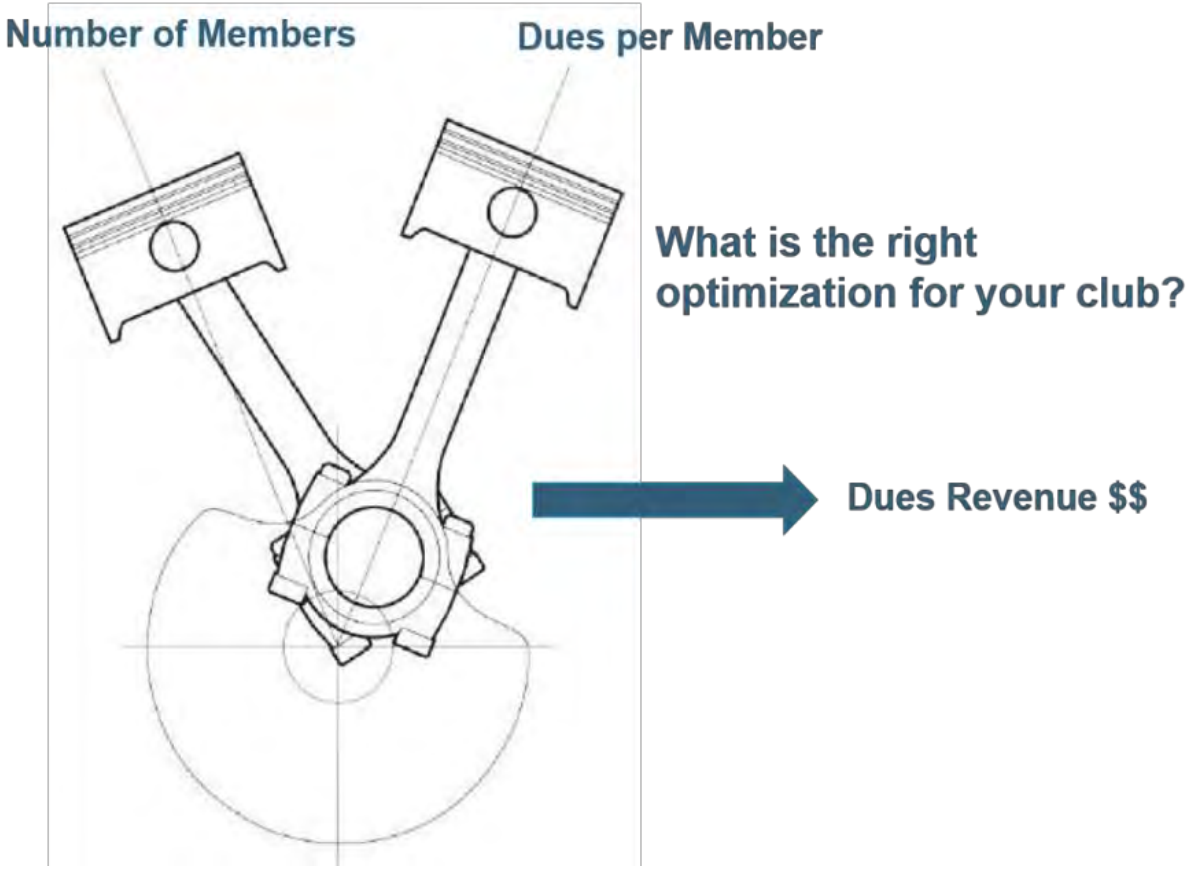
- Once costs are quantified, the rest is simple algebra
  - Costs/Member Count = Cost/Member → Operating Dues, Capital Dues

- **Strategic Governance is oriented towards educating members to properly fund the footprint**

- Operational Governance is oriented towards "cutting the costs" of funding the footprint

May - June

- Understand how the Dues Engine and The Footprint are related.
- What is the right number of members for our footprint?
- What is the right amount to charge those members to fund the footprint properly?
- How leveraged is our Operating Model? After all, we are a private club.



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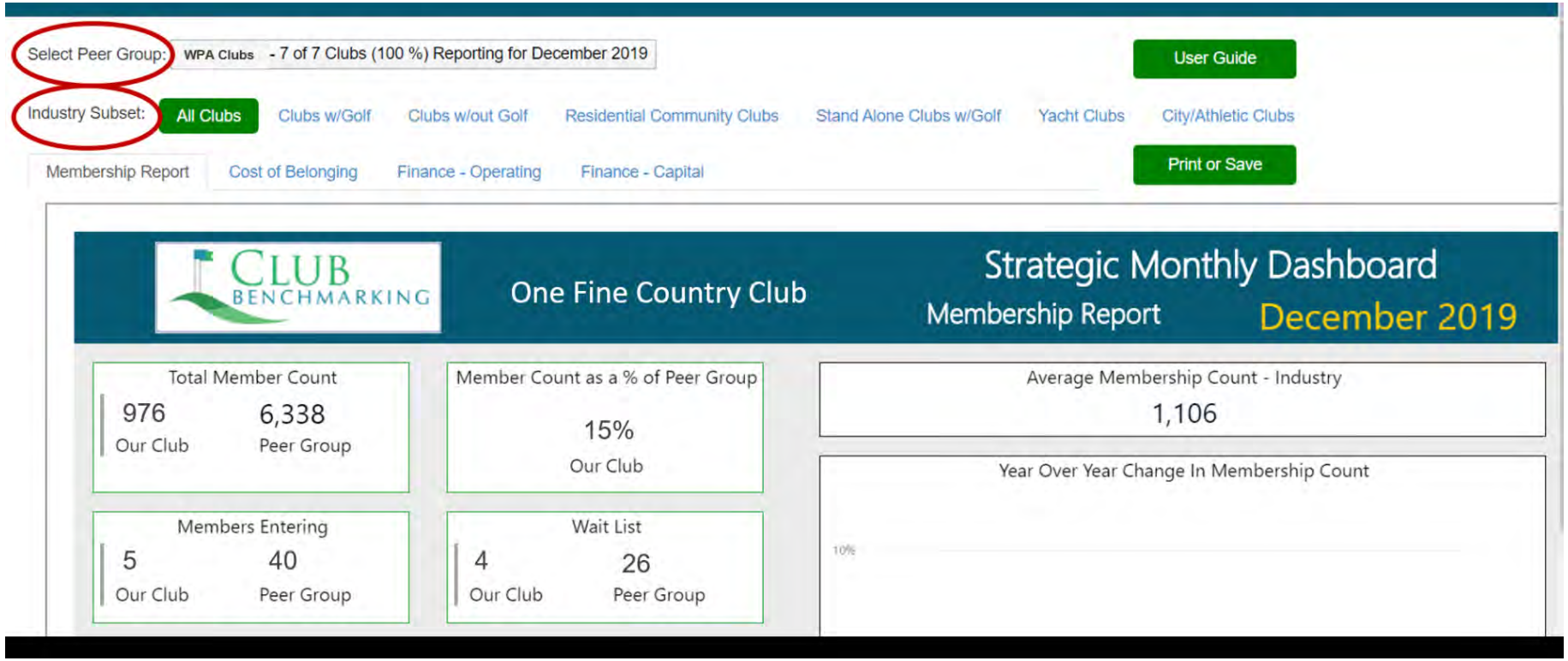
May - June

- The Strategic Monthly Dashboard allows evaluation of Membership, Cost of Belonging, Initiation Fee and High-Level financial trends on a monthly basis.
- We didn't envision a virus – but we did anticipate a market downturn. That is why we created the SMD.
- Our industry needs MARKET VISIBILITY – this delivers it.
- Please participate. The more clubs the more accurate our picture.



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May - June

- "Those who do not learn from history are doomed to repeat it" George Santayana

- Club Benchmarking exists to use data and fact-based insight to make better decisions.

- We were literally created out of the last recession. PLEASE don't repeat those mistakes!

It is imperative clubs make decisions within the context of the strength of their membership engine. Each club must recognize that the strength or weakness of their membership engine in the present moment is the outcome of decisions made since the last recession. Since the last recession we have seen clubs change the strength of their membership engine. Certain clubs that came out of the last recession with a moderate strength engine have entered this crisis with strong engines. Some clubs that had strong engines coming out of the last recession have sunk into moderate or weak engines. Those shifts are directly related to decisions that were made in the boardroom over the last decade. Decisions made in reaction to this crisis during the coming months will have a more lasting impact on your club's future than the crisis itself.

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Key Issues in this Time Period

- Do we have a compelling member experience driving a strong membership engine?
- Do we understand and embrace financial best practices?
- Are we increasing Net Worth Over Time and aggregating the capital necessary to meet the future?
- Have we embraced data-driven leadership or are we still steered by the loudest voice in the room?
- Do we have a membership culture of owners or customers?

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Key Issues in this Time Period

- "It is only when the tide goes out that you learn who has been swimming naked." Warren Buffet
- At Club Benchmarking we employ a variation on that observation… over time the market will always expose a weak business or financial model.
- As things begin to return to normal in the coming months, we should realize the crisis provided an opportunity to see our own club's business and financial model under stress conditions.
- Doing so is a STRATEGIC RESPONSE to a tactical issue.
- Use the crisis as an opportunity to change the future – Embrace Best Practices

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Financial Best Practices

1. Recognize the operating ledger as the vehicle for delivering services and amenities to members. It reflects the member experience. Financially, it is consumed every year by members enjoying the club. It is not the financial driver.
2. The financial driver is the capital ledger. Capital Income is the source of money a club uses to drive itself forward financially.
3. Every club, like every business and family, must increase NWOT. NWOT grows as a result of adequate capital income and decreases as a result of inadequate capital income.
4. The key to sustainable financial success is a comprehensive, forward-looking capital plan.
5. Clubs compete on value, not on price. In 2020 and beyond, clubs must offer a compelling member experience if they are to succeed. On the margin, clubs must lean toward funding the member experience and lean away from a focus on cutting expenses.

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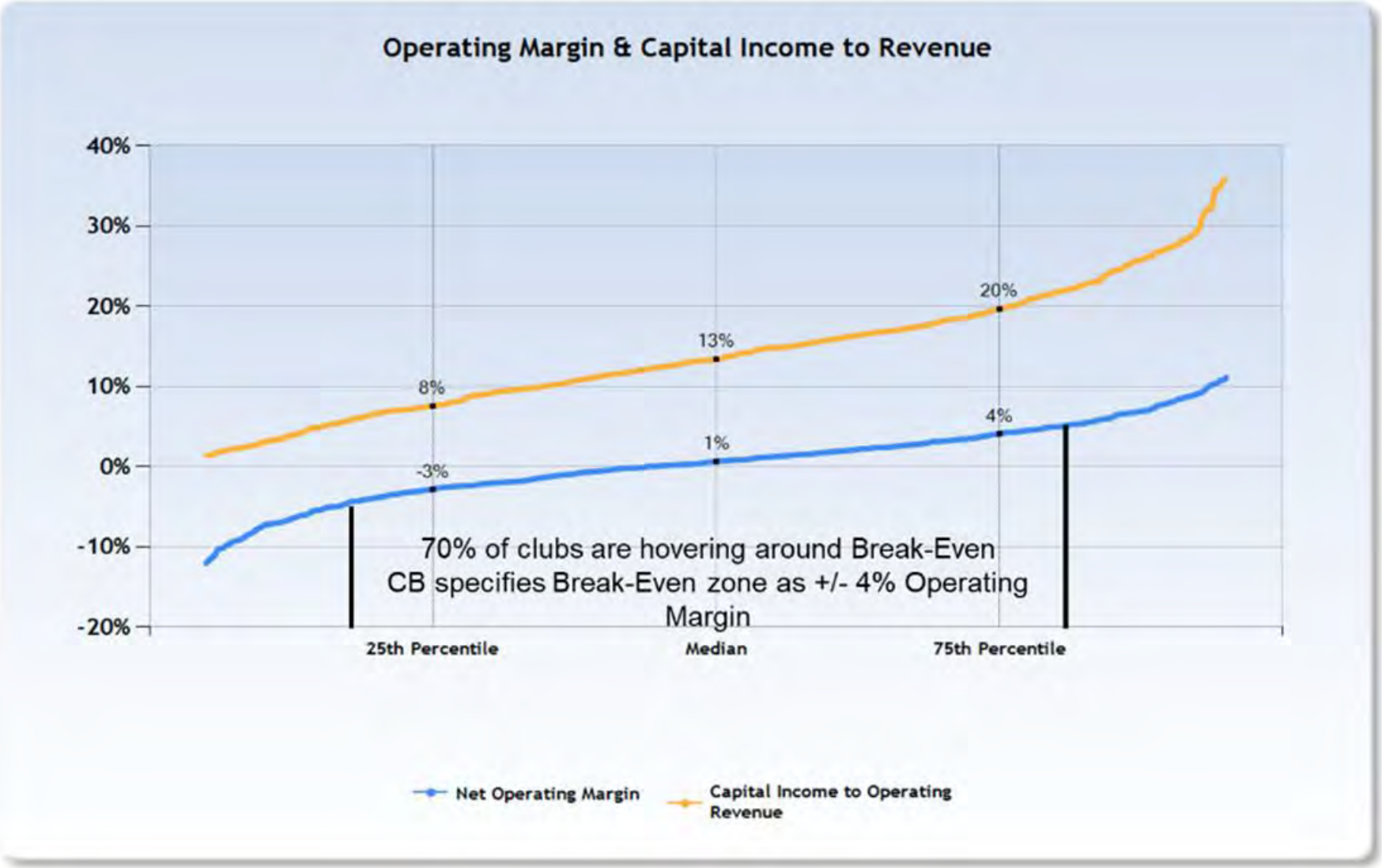
- Clubs set Operating Budget to break-even – excluding Depreciation.

- The Operating Ledger is the vehicle for delivering Services & Amenities to members, it is consumed every year by Members enjoying the club. It IS NOT A FINANCIAL DRIVER.

- Capital Income is the Financial Driver.



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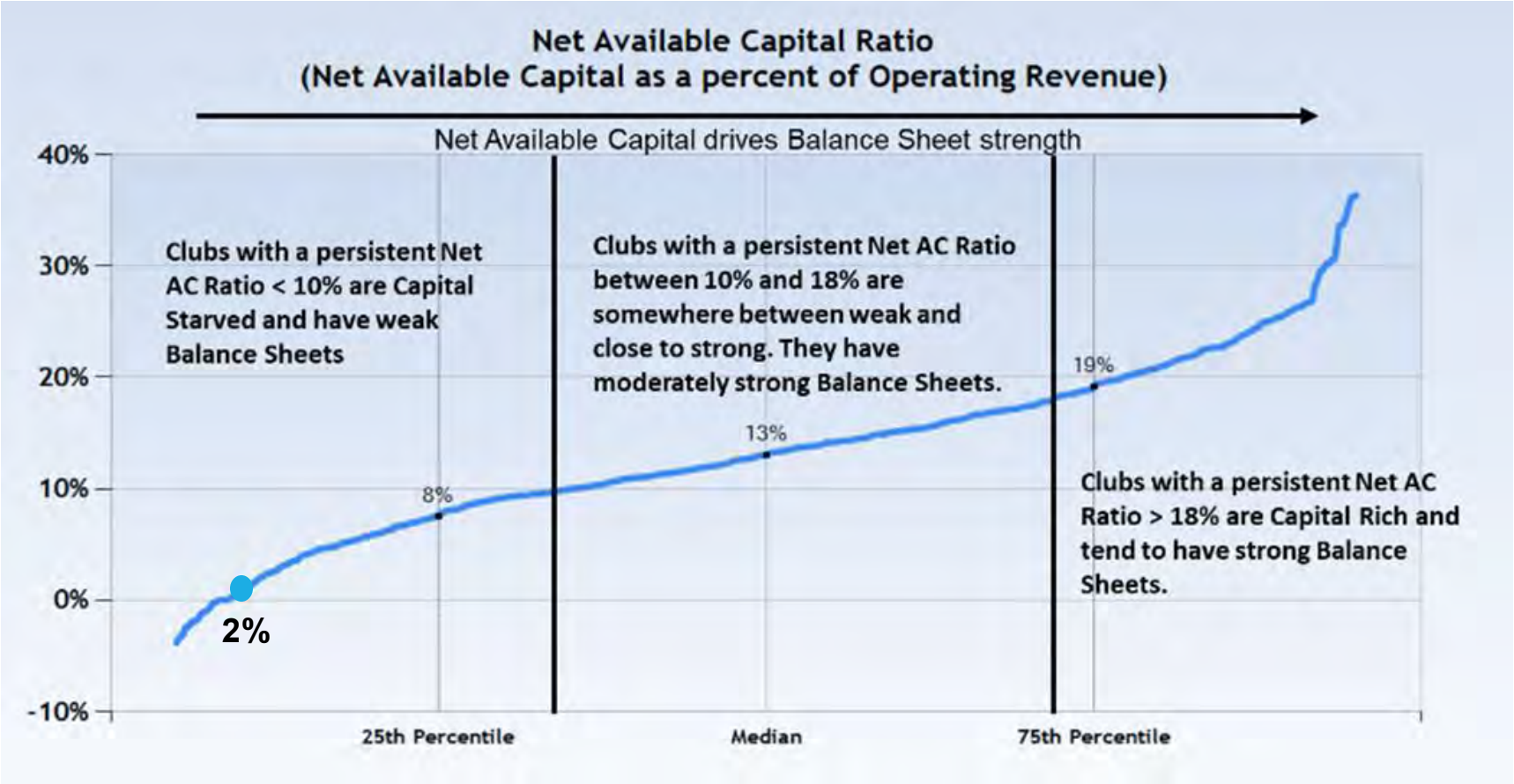
- Capital drives the financial engine of clubs.
- Clubs MUST generate the necessary Available Capital consistently over time.
- NHCC is Capital Starved



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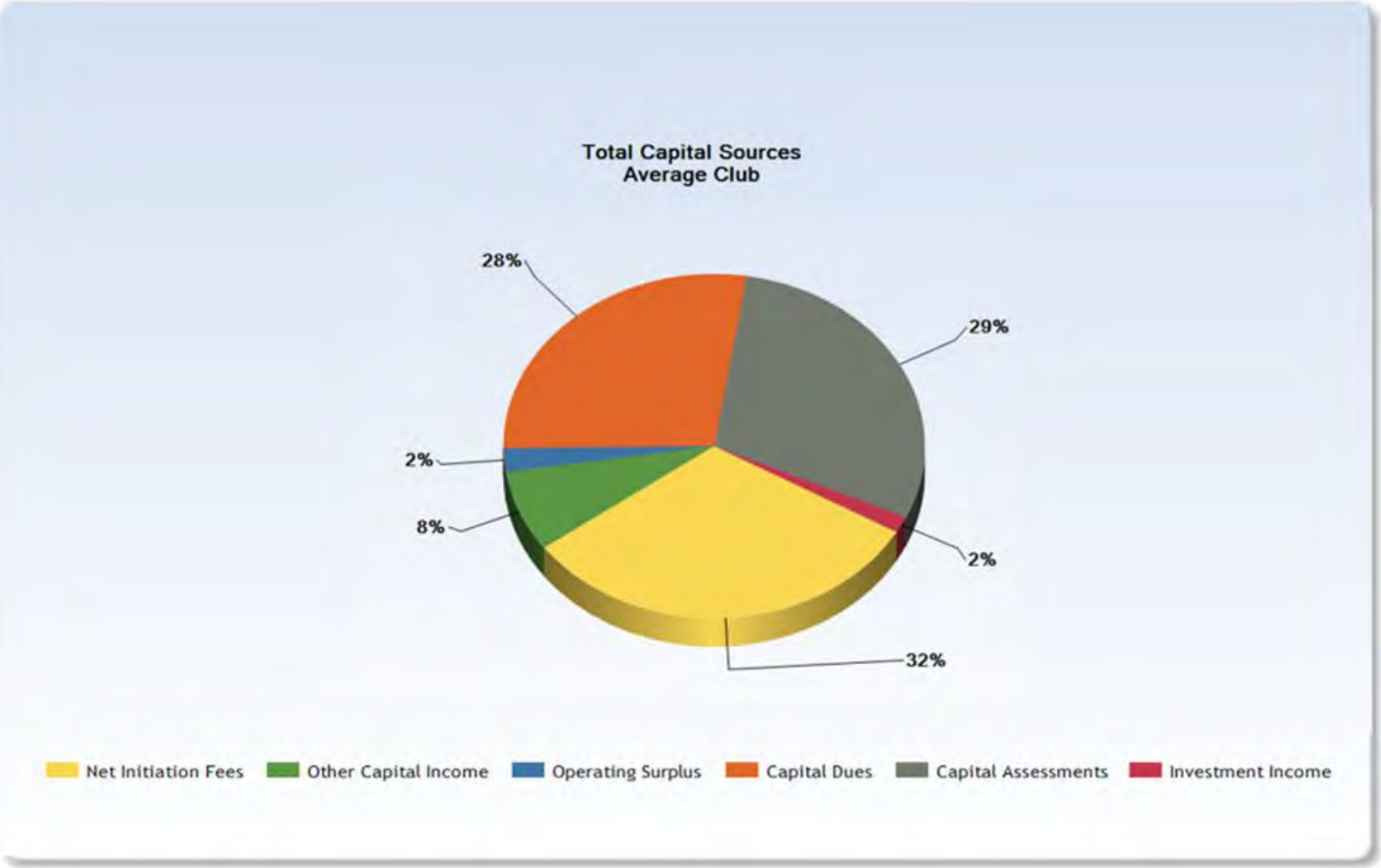
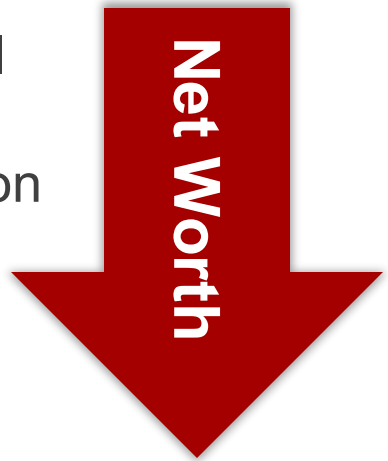
- The Operating Ledger isn't, and won't, be the engine for capital generation.
- If a club generates a substantial portion of capital from the Operating Ledger – it is a "head-fake."
- Certain strong-willed Board members may disagree – they have led clubs astray in the past and they will in the future.
- It is critical clubs embrace the separation of the Operating and Capital ledgers.

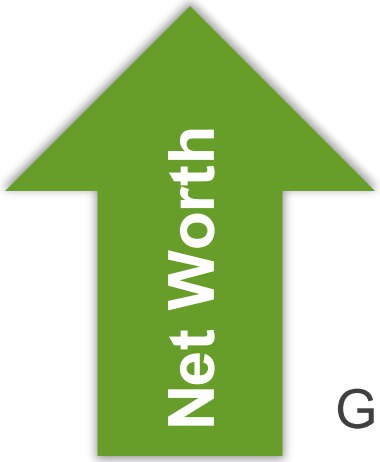


CLUB BENCHMARKING

- Unrestricted Net Assets = Net Worth or Book Value of the Club
- Club operating ledgers are typically set to break-even. In that scenario, Net Available Capital (EBDTA) must be greater than depreciation in order for net worth to increase

Net Available Capital
(EBTDA)
Less Than Depreciation





Net Available Capital
(EBTDA)
Greater Than Depreciation

Net Worth growth requires incoming members <u>AND</u> existing members to contribute to capital

CLUB BENCHMARKING

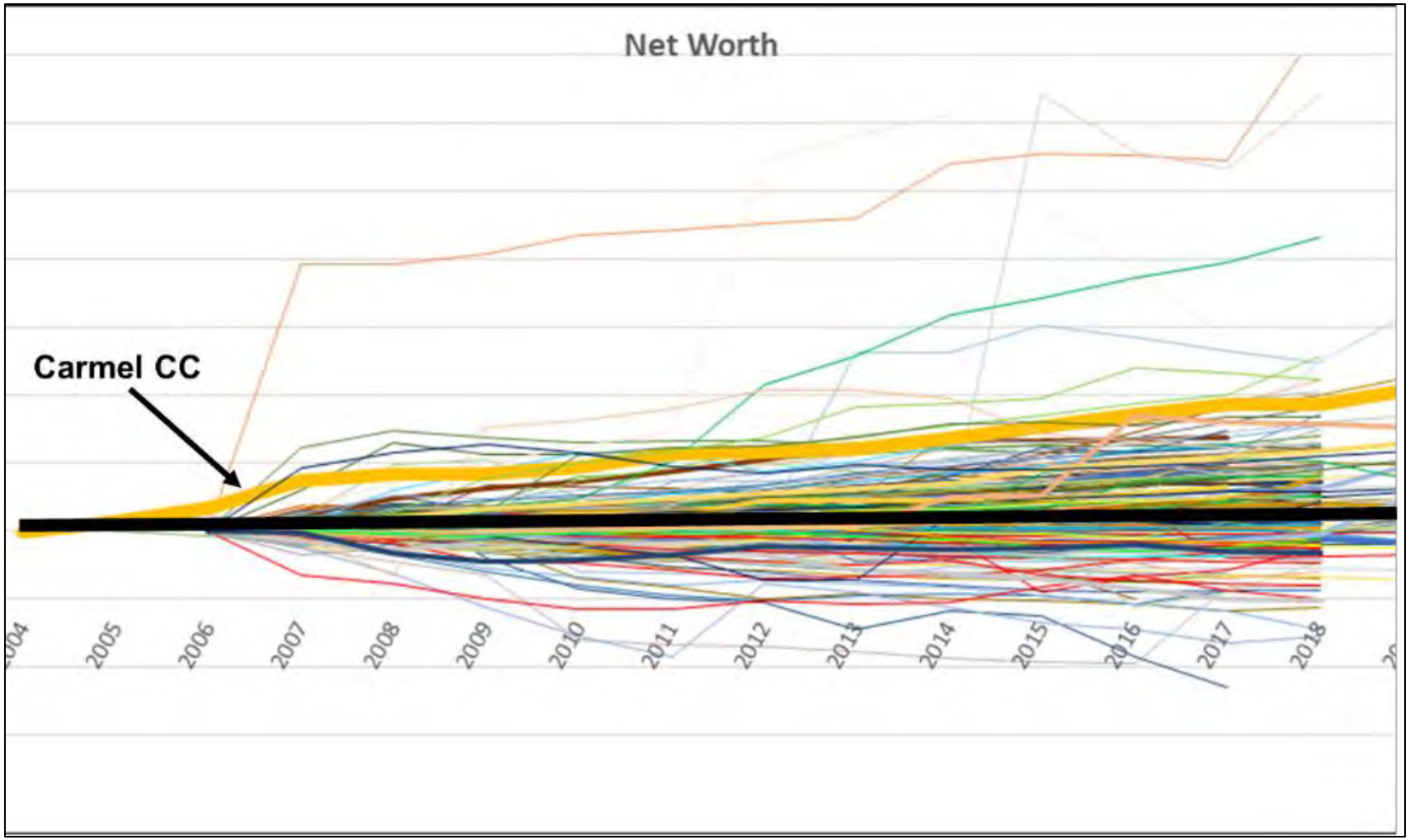
CAGR

25th Percentile = -1%
Industry Median = 2%
75th Percentile = 5%

30% of clubs have net worth shrinking in absolute terms

50% of clubs have net worth growing less than inflation

38% of clubs meet our recommended minimum net worth growth of 3.5% per year



CLUB BENCHMARKING

Net Worth Over Time

Is a leading indicator of a club's ability to meet its future capital needs.

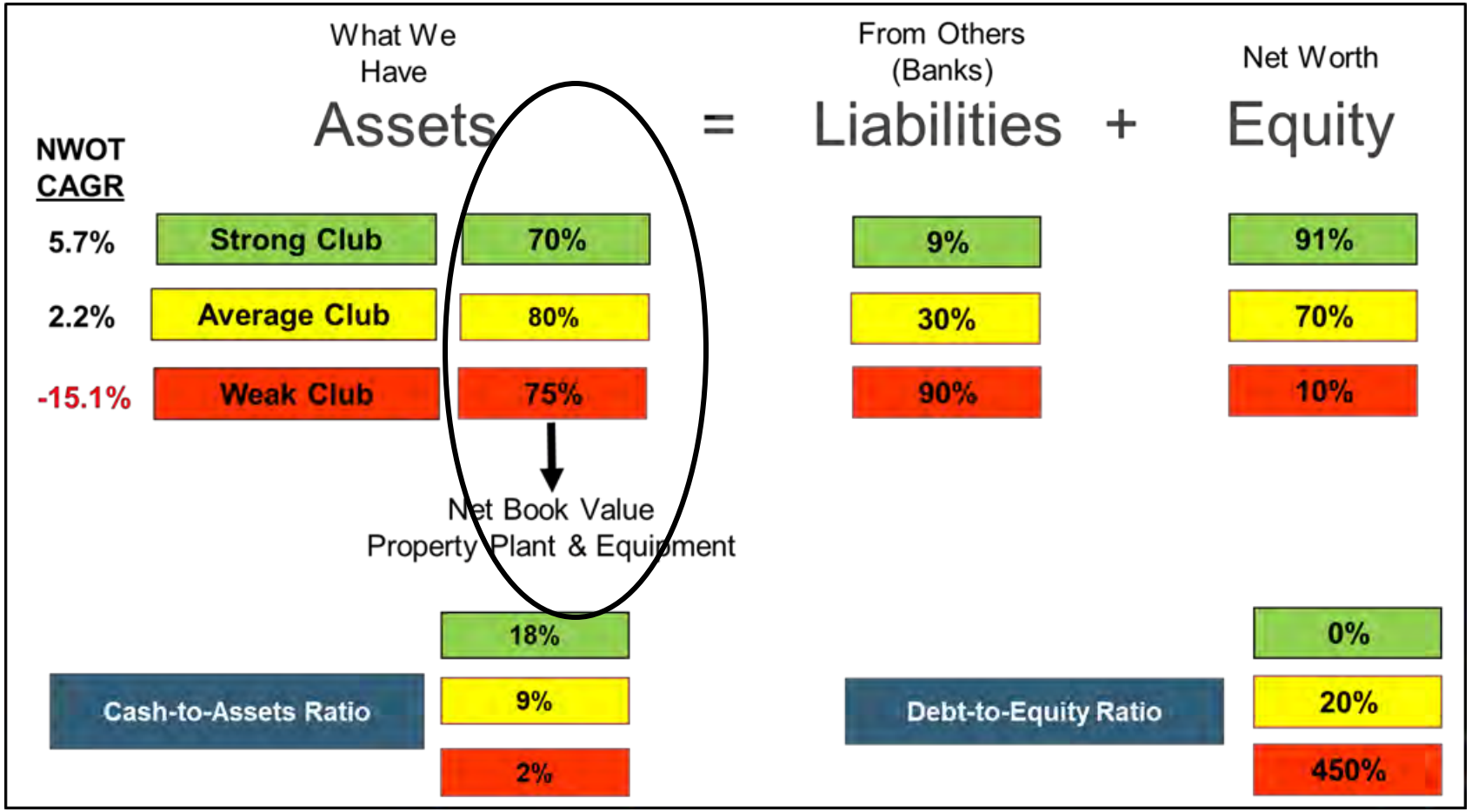
Each club must have a Forward-Looking Capital Plan. **It is the only way** to increase NWOT.

Quartile	CAGR Breakpoint (Since 2006)	Effect
Lower Quartile	-1% and Below	Clubs are shrinking. If not decline is not arrested, they are out of business. Situation is critical.
25th Percentile to Median	-1% to 2.2%	A slower shrinking – but still shrinking. Slow motion crisis.
Median to 75th Percentile	2.2% to 4.9%	Can nearly keep up with Obligatory Capital.
Upper Quartile	5% and Greater	Can meet both Obligatory and Aspirational Capital Needs.

CLUB BENCHMARKING

May - June

- Net Worth – Equity is the anchor of every Balance Sheet.
- NWOT quantifies a club's relevance and its growth.
- Relevance = Growth
- Lack of Relevance = Shrinking
- Amazon CAGR since 2006 is 47%, Macy's CAGR since 2006 is -6%



CLUB BENCHMARKING

Club Built 50 Years Ago

Total Cost to Build = $3 Million
Zero Reinvestment Over Time

Gross PPE = $3M (ex. Land)
Accumulated Depreciation = $3M
Net PPE = $0
Net-to-Gross-PPE Ratio = 0%

Condition: Worn and Depleted

Property, Plant & Equipment

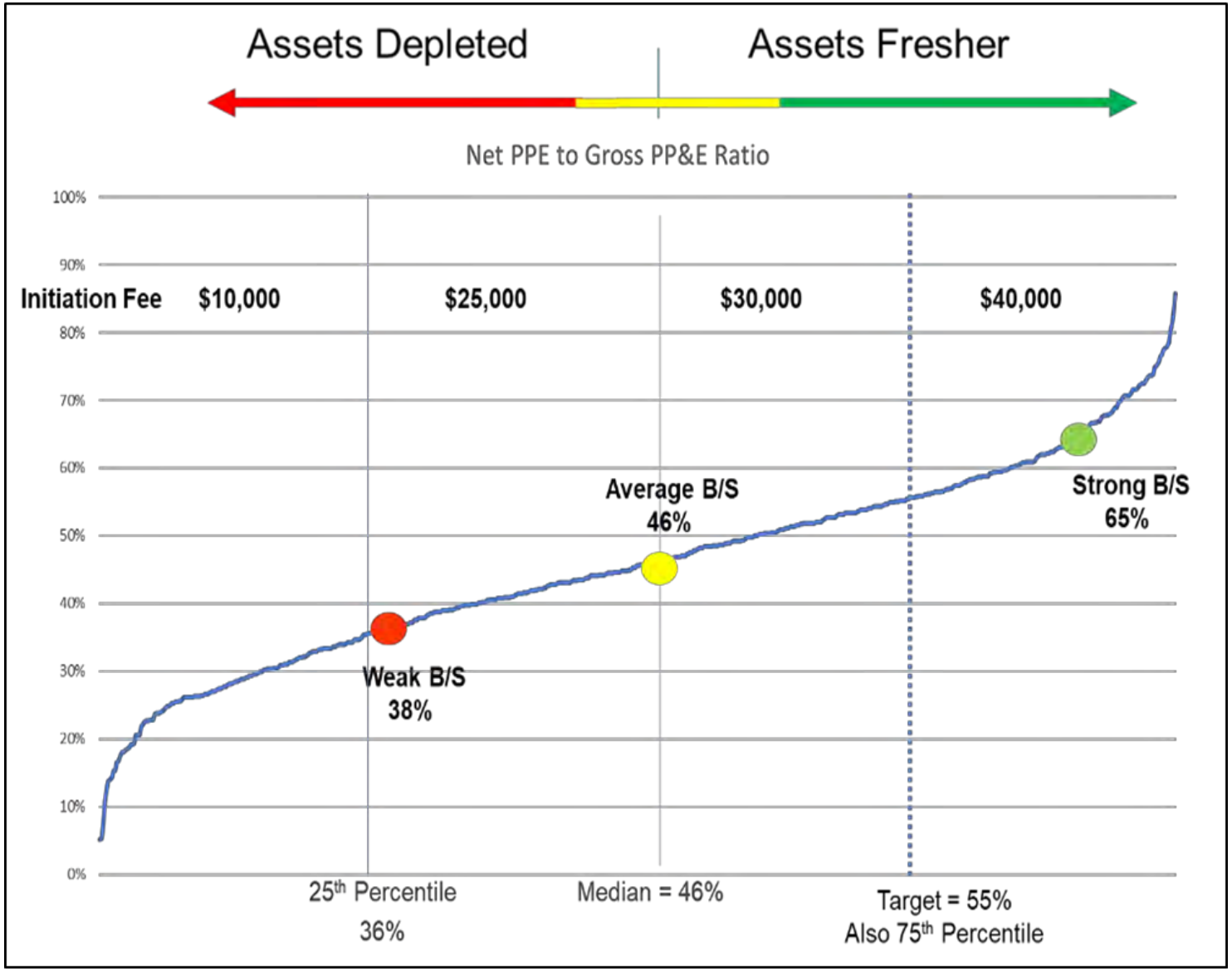
Net to Gross PPE Ratio

Club Built Yesterday

Total Cost to Build = $30 Million

Gross PPE = $30M (ex. Land)
Accumulated Depreciation = $0
Net PPE = $30M
Net to Gross PPE Ratio = 100%

Condition: Brand New



Net to Gross PPE Ratio

- Net PPE is where a club's money ends up
- Very accurate and simple test of physical plant condition
- Ratio above median indicates physical assets fresher & more up to date
- Ratio below median indicates physical assets are older and more worn
- The most important and precise assessment of your club's physical plant available is a capital reserve study which should be conducted by an objective 3rd party professional well-versed in clubs

CLUB BENCHMARKING

Capital

May - June

Obligatory

- Repair and Replacement of existing assets
- Depreciation = past cost – "matching depreciation" is not enough
  - Assets cost more to replace than when originally acquired
  - Fully depreciated assets in use that will need to be replaced
- Past and Existing Members are Obligated – not future Members
- **The Source of Obligatory Capital → Recurring Capital Dues**

Aspirational

- Expand existing Assets (Clubhouse expansion)
- Add new Assets (entire new Clubhouse, adding a pool or fitness when none existed)
- Adding new Amenities – Croquet, Pickle Ball
- Current and Future Members are on the hook. Future members more so
- Aspirational Capital should have a Return on Investment – Capital Income is the Return
- **The Source of Aspirational Capital → Initiation Fee Income and Debt**

Club Benchmarking recommends a minimum growth in Net Worth of 3.5% per year **to meet Obligatory Capital Needs**

The Capital Income for Aspirational Capital will grow Net Worth on top of the 3.5%

The Forward-Looking Capital Plan

1. The Capital Reserve Study forms the basis of forward-looking Obligatory Capital Needs

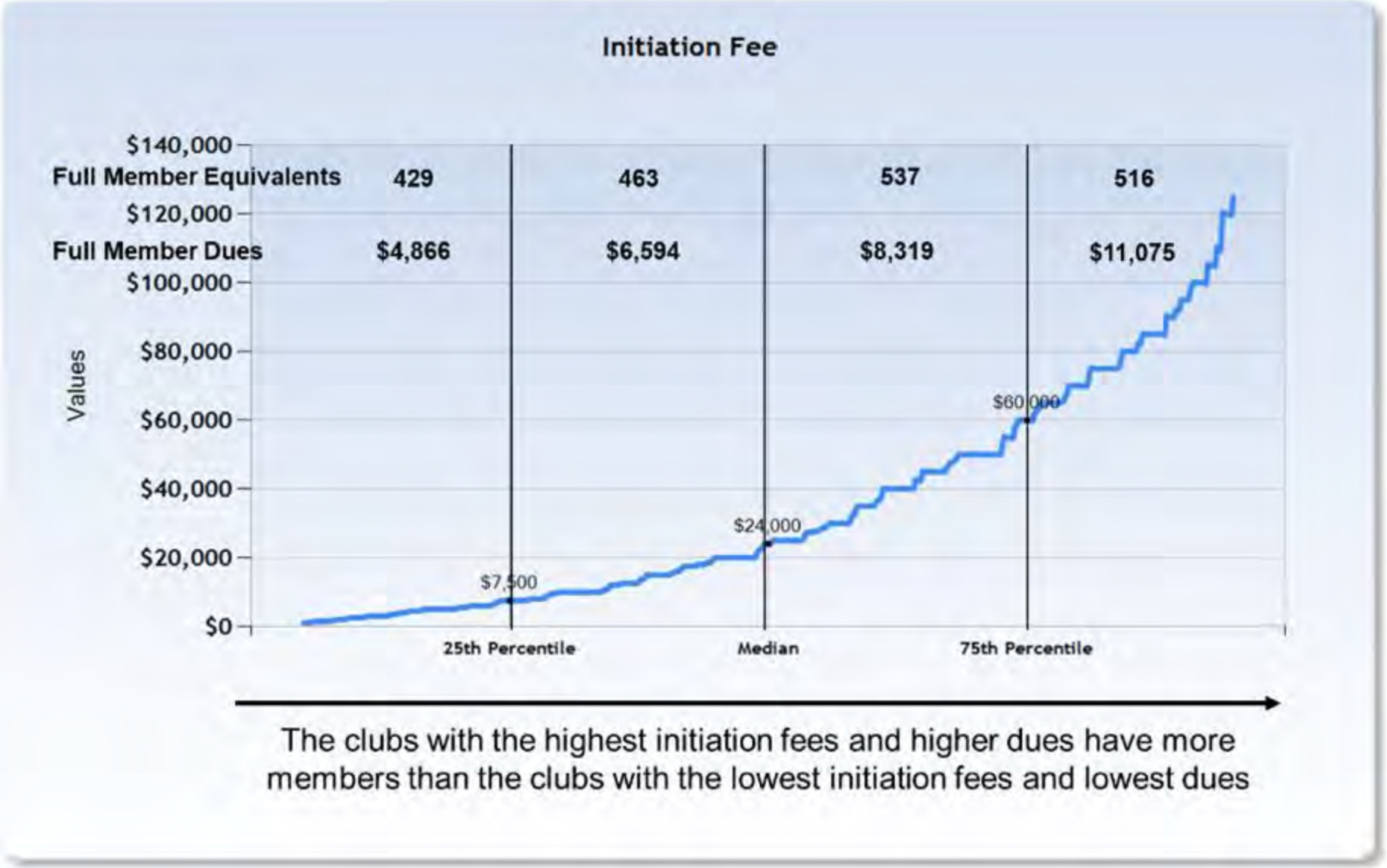
2. The Strategic Plan (Strategic Thinking) and Vision form the basis of forward-looking Aspirational Needs

3. The complete, bottoms-up, plan regarding member churn form the basis of projected initiation fee income

4. The forward-looking Capital Plan (Capital Strategies Model) is the detailed planning surrounding items 1 – 3. The objective is to proactively determine Capital Needs and Resources and close the gap.

CLUB BENCHMARKING

May - June



Clubs Compete on Value, Not Price

CLUB BENCHMARKING

CLUB BENCHMARKING

Clubs Compete on Value, Not Price

Operating Money

Most of the money over time – doesn't drive Finances, drives the Day to Day Experience

Consumed Year-In and Year-Out by Members enjoying the club. This money FUNDS THE EXPERIENCE.

Keeps the Grass Green and Cut, Keeps the Beer and Wine Cold and The Food Hot and Nice….

If too little Operating Money is being garnered…the Member Experience declines.

Capital Money (Initiation, Cap Dues/Assessments)

Lesser of the Money – but the Money that drives Finances

Capital Contributions flow into the club first….

As an Increase in Member Equity

Then into Property, Plant & Equipment as Capital Investment

If too little Capital Money is being garnered…Net Worth declines first followed by stagnating footprint and assets becoming depleted and irrelevant over time.

CLUB BENCHMARKING

90% Oriented Towards

OPERATIONAL GOVERNANCE

1. **Focus on costs and expenses** – goal is to reduce costs or manage the increase of expenses.
2. **Focus on last month's budget vs. actual** (income statement). Discussion centers on the line items over budget. F&B is a lightening rod.
3. Discussion of issues that occurred in the operation – unhappy members, complaints, etc.
4. Little discussion of the future.

10% Oriented Towards

STRATEGIC GOVERNANCE

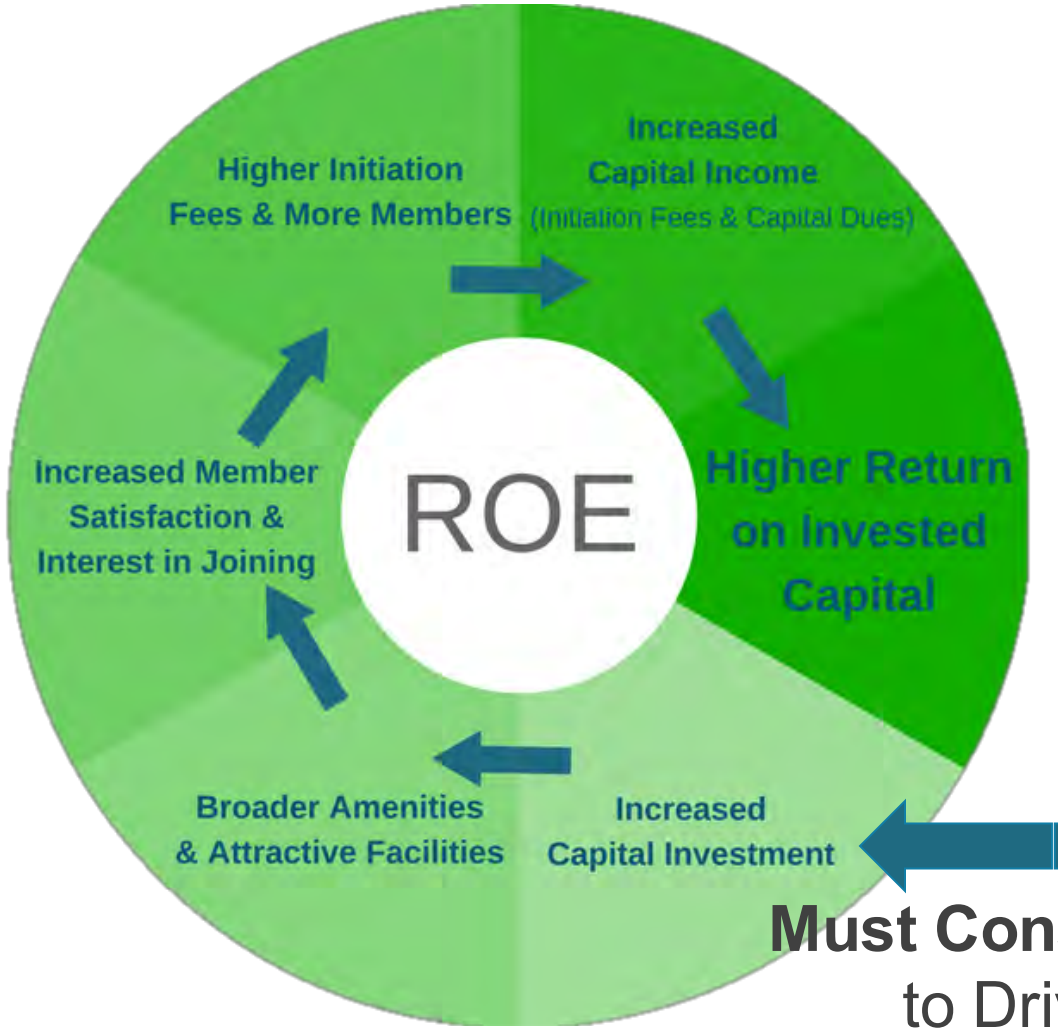
1. In terms of Income Statement – "Are we on track to meet the bottom line"? – DONE.
2. **Focus is on our Forward-Looking Strategy, the Value Proposition (Experience). F&B is viewed as an Amenity.**
3. **Financial Focus on Forward-Looking Capital Needs and Resources – which is what drives Growth. Income Statement is recognized as the engine to drive the Experience (Programming and Staff).**
4. Dialogue is centered on the Future, not last month.

CLUB BENCHMARKING

The Investment Return Cycle

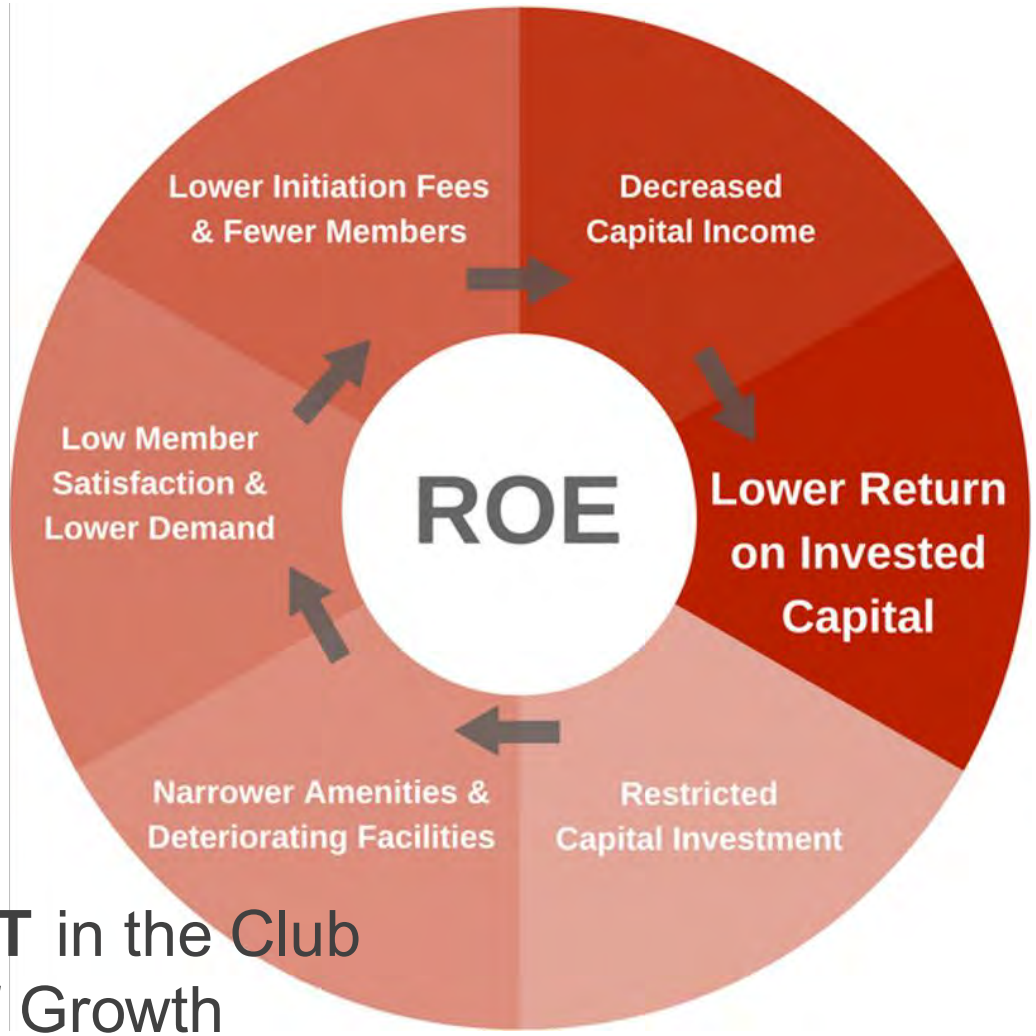
Increasing Net Worth & Relevance

If you build the right things, they will come



Decreasing Net Worth & Relevance

If you don't build it, they will never come



MEMBERS

Must Constantly INVEST in the Club

to Drive the Cycle of Growth

Conclusions and Takeaways

- Don’t make decisions that have long-term consequences with short-term information and under stress
- Through April is tactical – focused on short term shutdown
- May – June – all about tracking membership changes versus the local market and industry
- July through Year-End
  - Embrace Best Practices
  - Create the Future by Creating a Forward-Looking Capital Plan (a real one)
- Don’t let the Board get dragged into Operational Governance as a result of crisis – use the crisis to move into Strategic Governance

CLUB BENCHMARKING

Thank You!

www.clubbenchmarking.com

Our mission is to foster healthier clubs, more strategic boards and more empowered managers by elevating fact over opinion.

Update on Framework for a Strategic Response to the Coronavirus Crisis

Visit nationalclub.org/coronavirus for more information

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Engage

Clubs HELP
UNITE NATIONALLY. CARE LOCALLY.

"I need to do my part in supporting NCA the way you are supporting everyone else."

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Tell Us What You Want

Survey: What are your top club concerns going forward?

In order to help you navigate the next phase of the COVID-19 crisis, please let NCA know what issues are top of mind.

Take the 4-question survey here and it will be emailed.

"I need to do my part in supporting NCA the way you are supporting everyone else."

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