

ILLUSTRATIVE EXAMPLE

Owner Decision Report

Diversifying a golf club: what to build, when and on what conditions

ASSET

An 18-hole golf club with 650 members in southern Europe, 25 minutes from an urban area of around one million people. Owned by a family company, with its own management team. Restaurant leased to a third party on a fixed rent.

THE DECISION

Whether to diversify, how much and in what order, starting from a €3.2 million investment proposal prepared with club management.

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Illustrative example based on a fictional asset. Illustrative, internally consistent figures that do not represent any real club.

Summary for the owner

THE DECISION

The owner and club management are studying an investment of €3.2 million in 8 covered padel courts, a wellness centre and a new self-operated restaurant, financed with debt. Together they need to settle whether to diversify, how much and in what order. This report helps them phase it.

THE RECOMMENDATION

Diversify in phases, with golf at the centre. A first phase of €1.2 million: 6 padel courts, a family golf and padel membership category, renegotiation of the restaurant lease and golf management measures. The wellness centre and the self-operated restaurant to depend on results measured at 24 months.

€1.2M

First-phase investment

+€489,000Additional operating profit
in year 3**2.5 years**

Payback period

17%Revenue not dependent on
golf, up from 5%

	FULL PROJECT (A)	RECOMMENDATION (C WITH MEASURES FROM B)
Investment	€3,200,000	€1,200,000
Additional operating profit, year 3	€307,000	€489,000
Payback period	10.4 years	2.5 years
Adverse scenario	-€62,000 before interest	+€213,000 with padel at 35%

WHAT TO DECIDE TODAY

- Approve the first phase.
- Hold the full project in its current form.
- Set the conditions for approving the second phase.

01 The decision

Should the owner diversify the club, and how, to reduce its dependence on golf without committing capital the asset cannot return?

CRITERIA Recurring operating profit, risk to capital, the operating cost the investment leaves behind and the long-term value of the asset.

DEADLINE Before the budget for the next financial year is closed.

02 Current position: the asset in figures

REVENUE	€ THOUSANDS	COSTS	€ THOUSANDS
Membership fees (650 × €2,300)	1,495	Staff	1,380
Green fees (22,000 rounds × €62)	1,364	Course maintenance	720
Buggies and rentals	310	Water and energy	410
Tournaments and events	145	Insurance, taxes and administration	290
Restaurant rent	120	Sales and marketing	95
Shop and academy (rent)	60		
Total revenue	3,494	Total costs	2,895

Operating profit: €599,000 (17.1% margin)

THREE-YEAR TRENDS

- Members: from 720 to 650 (–10%), with an average age of 61.
- 62% of visitor rounds are played between November and March.
- 94.8% of revenue depends on golf.

03 Diagnosis

SYMPTOM	PROBABLE CAUSE	EVIDENCE	CONFIDENCE
Falling membership	An offer designed for a single profile; nothing for families or younger members	Joiners and leavers by age; exit surveys	High
Seasonal revenue	Visitor golf depends on winter; no activity fills the summer or the afternoons	Tee sheet by month	High
Restaurant with no life outside golf	Fixed rent: the tenant gains nothing from more traffic and closes at 18:00	Lease and opening hours	High
Rising water and energy costs	Exposure to irrigation restrictions and to prices	Invoices for three financial years	Medium

READING

The problem is structural, because the club depends on a single product, and commercial, in the restaurant lease and the membership categories. It is not a market problem: the area has the population and the demand for sport.

HOW MUCH IS MARKET, MANAGEMENT AND STRUCTURE

Market

Favourable: nearby population and demand for sport.

Management

Restaurant lease, membership categories, pricing.

Structure

A single product and a single strong season.

04 The interdependencies that most affect value

Padel and membership fee

Padel only retains members if it is included in their fee. Sold separately, it competes with golf.

Traffic and restaurant

More traffic brings the club no additional revenue while the rent is fixed.

Investment and staffing

Every new facility adds staff, energy and maintenance for its whole life.

Diversification and the course

New uses must bring members back to the course, not replace it.

05 Options and consequences

	A. FULL PROJECT	B. OPTIMISE GOLF ONLY	C. DIVERSIFY IN PHASES	D. LEASE LAND TO A PADEL OPERATOR
INVESTMENT	€3,200,000	€250,000	€950,000	€0
ADDITIONAL OPERATING PROFIT, YEAR 3	€307,000	€185,000	€349,000	€70,000 (rent)
PAYBACK	10.4 years	1.4 years	2.7 years	Immediate
REVENUE NOT DEPENDENT ON GOLF	High	No change	17%, up from 5%	Low
RISK	High: debt and three new businesses at once	Low, but does not correct the dependence	Medium and limited by phasing	Low, with loss of control for the term of the contract
REVERSIBILITY	Low	High	High	Low: 10 to 15 year contract

THE THREE QUESTIONS FOR ANY INVESTMENT

What problem does it solve?

Dependence on a single product and a single season.

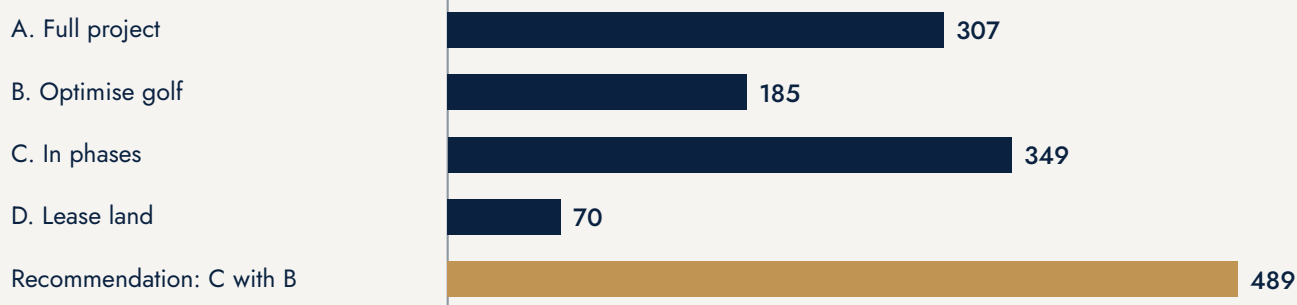
What value does it create?

Recurring revenue from members and usage, and a club that is more attractive to new generations.

What operating cost does it leave behind?

This is where the full project struggles: in year 3 the self-operated restaurant contributes less than the current rent.

ADDITIONAL OPERATING PROFIT IN YEAR 3, € THOUSANDS



06 Sensitivity

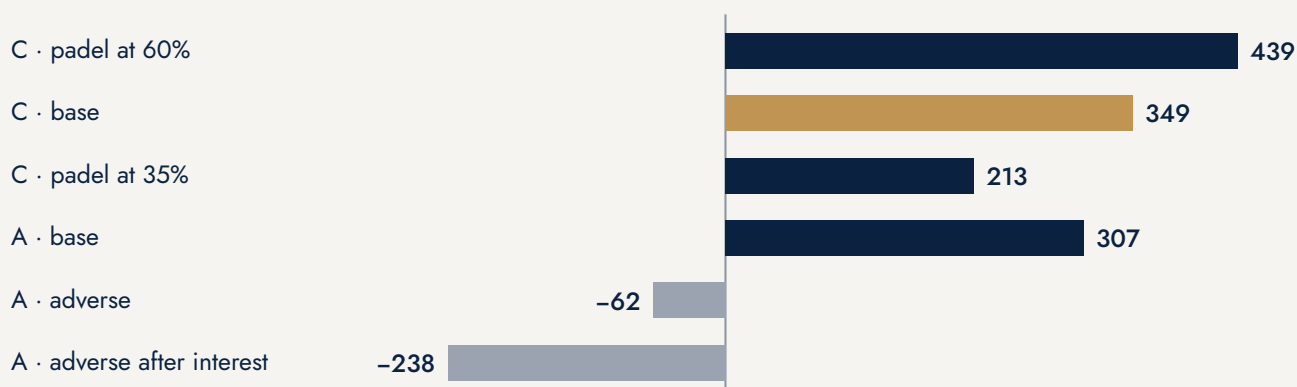
OPTION C BY PADEL COURT OCCUPANCY

OCCUPANCY	35%	50% (BASE)	60%
Padel revenue	€318,000	€454,000	€544,000
Additional operating profit	€213,000	€349,000	€439,000
Payback	4.5 years	2.7 years	2.2 years

OPTION A IN AN ADVERSE SCENARIO

Padel at 30% occupancy, 250 wellness subscribers and a restaurant with no margin: –€62,000 of operating profit, and –€238,000 after €176,000 of annual interest.

ADDITIONAL OPERATING PROFIT BY SCENARIO, € THOUSANDS



READING

In its worst reasonable scenario, option C still creates value. Option A only works if everything goes right at the same time, and with debt.

07 Recommendation

Option C, with the management measures from option B. Total investment: €1,200,000.

WHAT TO DO	Six covered courts; family golf and padel membership; variable restaurant rent with a guaranteed minimum; dynamic pricing on visitor green fees; irrigation efficiency.
WHAT TO HOLD BACK	The full project and the self-operated restaurant, until the first phase shows results.
WHAT TO PRIORITISE	Member retention ahead of visitors.
WHAT TO MONITOR	Court occupancy, net members, food and beverage spend per visit, share of revenue not dependent on golf and water cost per round.

WHAT CHANGES FOR THE OWNER IN YEAR 3

	TODAY	YEAR 3
Operating profit	€599,000	€1,088,000
Operating margin	17.1%	26.1%
Revenue not dependent on golf	5%	17%
Members	Declining	Target: stable or growing

CONDITIONS FOR APPROVING THE SECOND PHASE AT MONTH 24

Wellness centre, €700,000. Approved only if all three conditions are met:

- 1. Padel occupancy above 45%.
- 2. More than 120 family members.
- 3. Net members stable or growing.

08 Roadmap

TIMING	ACTION	RESPONSIBLE
Months 0 to 3	Approval; renegotiation of the restaurant lease; new membership categories; pricing	Owner and club management
Months 3 to 9	Design and construction of the courts, reviewed by whoever will operate them	Management, architect and EROLA Sports & Hospitality
Months 9 to 24	Operation, monthly measurement and quarterly report to the owner	Club management, with EROLA Sports & Hospitality
Month 24	Decision on the second phase against the agreed conditions	Owner

09 Risks and how to mitigate them

RISK	MITIGATION
Padel demand lower than forecast	Six courts rather than eight; pre-sale of memberships before construction
Golf members who perceive a loss of identity	Separate schedules and spaces; golf remains the core of the membership fee
Construction cost overrun	Fixed-price budget and a 10% contingency
Restaurant tenant does not accept variable rent	Guaranteed minimum equal to the current rent; a tender at expiry as the alternative
Irrigation restrictions	Efficiency plan and audit of the irrigation system

10 Outstanding information

Padel demand study within a 20-minute radius

Existing supply, prices and occupancy

Restaurant lease

Expiry date and review clauses

Member survey

Interest in family and sport

Fixed-price construction budget for six courts

Three comparable quotes

Annex: assumptions and classification of information

DATA POINT	CLASSIFICATION	SOURCE IN A REAL ENGAGEMENT
Profit and loss account and membership	Documented fact	Year-end accounts and membership register
Padel occupancy of 50%	Hypothesis	Demand study outstanding
Price of €28 per court hour	Reasonable inference	Local prices
Effect of variable rent	Hypothesis	Negotiation outstanding

Padel assumptions: 15 hours a day and 360 days a year. Padel costs: €210,000 a year with six courts and €270,000 with eight. Option A interest: 5.5% on €3.2 million.

FINAL CHECK: THE FIVE TESTS OF THE EROLA STANDARD

- ✓ It improves the quality of the owner's decision.
- ✓ It increases coherence between investment, design, operation and experience.
- ✓ It protects and increases long-term value.
- ✓ It is grounded in operational reality.
- ✓ It is independent, transparent and aligned with the owner.

This document is an example of how EROLA Sports & Hospitality works. A real Owner Decision Report starts from the asset's own information and is written for whoever has to decide.

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