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Earlier this year, several colleagues and I spoke at the Golf Industry Show and offered solutions to a variety of challenges facing golf course owners and operators. One of the remedies we suggested was to develop an exit strategy. In this market, selling your golf course property—even if it means converting it to non-golf usage—should always be an option.

When developing an exit strategy, one of the first steps is to determine the property's actual value. This isn't as simple as it sounds. While some say that golf courses are worth a multiple of trailing cash flows, others argue that the value is best measured as a multiple of projected cash flows. Many further simplify the process by basing their analysis on a multiple of gross revenues. Then, of course, there are the courses that are better suited for an alternative (non-golf) use. In those cases, the valuation question becomes an entirely different exercise.

The point is, the rules of thumb we associate with course sales and valuation are not hard and fast. The metrics that might apply in one situation may not be relevant in another. That's why quality appraisals take time to prepare and are expensive. Regardless, it's vital that owners have an understanding of the true value of their course, as well as the property's highest and best use. Here are some other essential elements for exit strategy planning:

- **IDENTIFY POTENTIAL BUYERS.** This can change as operators go in and out of acquisition mode, as competitors disappear, or when other would-be sales in the immediate market are consummated—or fall apart.
- **RECOGNIZE AND UNDERSTAND** the club's strengths and weaknesses. Address the weaknesses.
- **KEEP CLEAN, EASY-TO-UNDERSTAND FINANCIAL STATEMENTS.** Report all revenues on the statements. Few buyers will pay for income they can't verify.
- **WORK WITH A BROKER** who has demonstrated the ability to reach potential buyers.
- **COMMUNICATE REGULARLY** with a lender to determine if any discounts are available. Perhaps more importantly, price the property realistically.
- **BE PROACTIVE.** In ideal cases, an exit strategy is a planned process designed to generate the greatest return for the property owner. In not-so-ideal cases, the owner may be selling in distress or avoiding some unpleasant fate, such as bankruptcy or foreclosure. Be prepared for either case and try to plan for a sale to ensure you're not selling from a position of weakness or desperation.
- **ADAPT TO CHANGE.** Markets evolve over time, so plans should be reviewed every few years to ensure they remain consistent with current conditions.

Regardless of how well your business is running, you should consider developing an exit strategy. It's the least you can do in the current market. GB