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PLANNED GOLF DEVELOPMENT AT

THE ABBEY GOLF CLUB

('TAGC')

Report For

THE ABBEY HOTEL GOLF & SPA

Hither Green Lane,

Dagnell End Road,

Redditch,

Worcestershire,

B98 9BE

October 2021

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Executive Summary

- After an extended period of decline in membership and volumes of play, golf has seen something of a renaissance due to the emergence of new technology, new forms of the game and latterly the impact of the pandemic.
- Because of its current business mix, The Abbey Hotel Golf & Spa (TAGC) is very well placed to take advantage of the growth in these categories of users going forward.
- It understands its positioning and local competition, is cohort leading in its use of on-line booking and has a strong retention rate for existing business.
- Its strong catchment and club demographic profile means that TAGC can increase its membership base at any time if it needs to change its business mix.
- It has a longstanding relationship with the main third party booking agents and a good track record in rebooking golf break business
- The proposed changes to the course and a commitment to improve the quality of the conditioning and presentation will allow the club to increase its share of the local greenfee business.
- The proposed changes to the course will address some H&S issues, align it to the desired resort positioning and produce a golf operation that will be sustainably profitable for the hotel and able to reinvest in its facilities on an ongoing basis.

The Changing Demand for Golf

England's golf venues have generally followed the natural stages of the industry lifecycle model (introduction, growth, maturity, decline, renewed growth):

England has three types of golf venue: 'not for profit' private members' clubs, commercial 'for profit' venues, and 'not for profit' council-run venues, most private members' clubs comprise 18 holes and were built between 1880 and 1935.

Representing fifty percent of the market, they have significant tax advantages over the commercial golf operators, they are not required to charge Vat on membership subscriptions or visitors green fees and some receive eighty percent business rates relief.

A large proportion of the commercial venues were built during a 1990s' golf construction boom.

The 1970s: the golf market, dominated by members clubs and municipals was relatively stable and low key - Maturity stage.

The mid to late 1980s: the UK experienced a significant spike in golfer demand fuelled in part by the success of European Tour professionals and Europe winning and retaining the Ryder Cup at The Belfry. During this time pent-up demand greatly exceeded course supply. This sparked new interest with strong financial trading performance - Introduction stage ignited.

In 1989 The R&A published 'The Demand for Golf' suggesting a need for 700 new courses by the year 2000. Volume of usage per course was exceptionally high and pricing for golf was not overly sensitive - Growth stage.

The 1990s: the UK had an extraordinary golf course construction boom. Over 800 venues were built between 1989 and 2003: a 30% plus increase in stock. This generally neutralised the 1980s' course supply v demand imbalance - Maturity stage.

Around 2003 to 2019: contrary to predictions in the 1990's exponential growth in digital technology and a change in the family dynamic meant busier lives for most, leading to less

disposable leisure time for many golfers.

The growth in popularity for other sports and pastimes (cycling, health & fitness etc) impacted upon golf, both in terms of volume of play and image. The general trend during this period was a gradual decline for the game's traditional format. Falls in the volume of play made it difficult to increase golf prices - Decline stage.

May 2020 to present: the Covid pandemic with lockdowns and restrictions. Golf was one of the first sports to re-open and this, allied to restrictions on travel and other leisure pastimes resulted in a strong boom in demand from various sources, such as lapsed golfers returning to the game, existing golfers reducing or eliminating their daily commutes, furloughed staff with time on their hands and a flow of new participants discovering golf via technology led driving ranges, pitch and putt or adventure golf. - Introduction / Growth stages return

Nationally: As a result of this surge in interest, golf is now the fifth largest participation sport in the Country, with an estimated 5.2M people (9.8% of the GB population) being interested in the game, this figure has grown from 3.0M in 2019 largely as a result of the pandemic, the average age of golfers fell to 41 with the majority of new golfers under 55.

The number of female golfers has also grown from 400k to 1.46M and from 14% of all golfers to 28%, 25% of these were new to golf.

Around 650,000 members belong to one of 1900 affiliated clubs and a further 2M people are estimated to be playing golf independently outside of club membership.

Until the impact of the pandemic and since 2002, participation and club membership had been falling demonstrated by a 37.4% decline in avid golfers (51 times plus per annum) and regular golfers (12 to 51 times) use and a 40.3% decline in infrequent golfers (less than 12 times) use of courses. There continues to be a fall in "avid" golfers but the number of "regulars" has seen a significant uplift in 2019 and 2020

Locally: Pre pandemic the local trends appears to have tracked those at a national level. Of the clubs within TAGC's catchment area, most had seen a decline in their membership numbers and almost all of the private members clubs had relaxed their terms for accepting visitors and the advertising of this is much more prevalent. As such the 'middle market' for golf is wider now than in the history of the game.

Roundage: From 2016 to 2020 the average annual roundage for golf clubs in the Midlands has remained broadly flat with a slight growth of 2% over this period. Despite lockdown, roundage for the second quarter of 2021 in the Midlands finished 104% YoY and the half year average finished 44% up.

The pandemic supported by technology has produced significant change for the game of golf in this country and the businesses that rely upon it.

It has flipped the underlying trend of slow decline into a period of strong growth, the lockdowns and restrictions have created extraordinary demand not seen since the growth periods of the 1980's, once again membership has represented access and there has been a shift in the demographic of people playing golf.

The extent to which this extraordinary demand lasts, depends on how quickly England permanently opens up for non-restricted trade, when overseas travel once again becomes easy and cost effective and a permanent pattern for commuting / home working is established.

Because The Abbey is well represented to those groups which have shown growth during the pandemic and have a good record of retaining booked business, all the signs are that they can be confident of maintaining a strong element of high margin golf income as part of the total earnings for the site.

Review of Local Golf Provision

In looking at the existing golf facility provision in the area we have reviewed all the facilities within a drive time of thirty minutes from TAGC. Of the sixty three facilities, twenty one are Proprietary, thirty one are Private Members and eleven are Daily Fee.

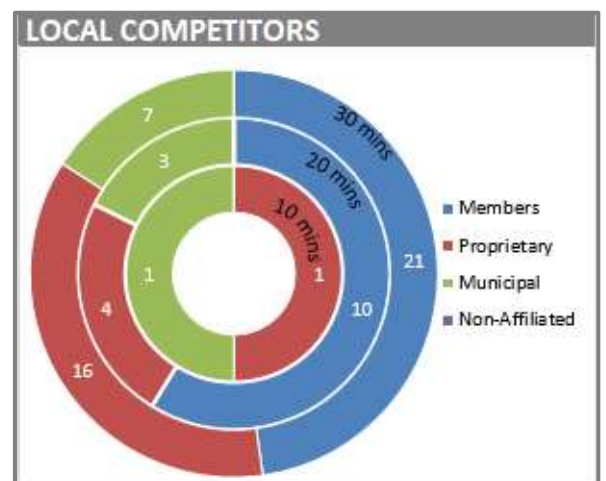
Looking at the market positioning of TAGC, one can further filter the clubs to produce a competitive group of more like twenty facilities. These compete with the club across the three main income streams, Membership, Greenfees and Golf Breaks.

Membership - the direct competitors for membership sales appear to be Redditch, Hollywood, Stratford, Stratford Oaks, The Welcome and Droitwich.

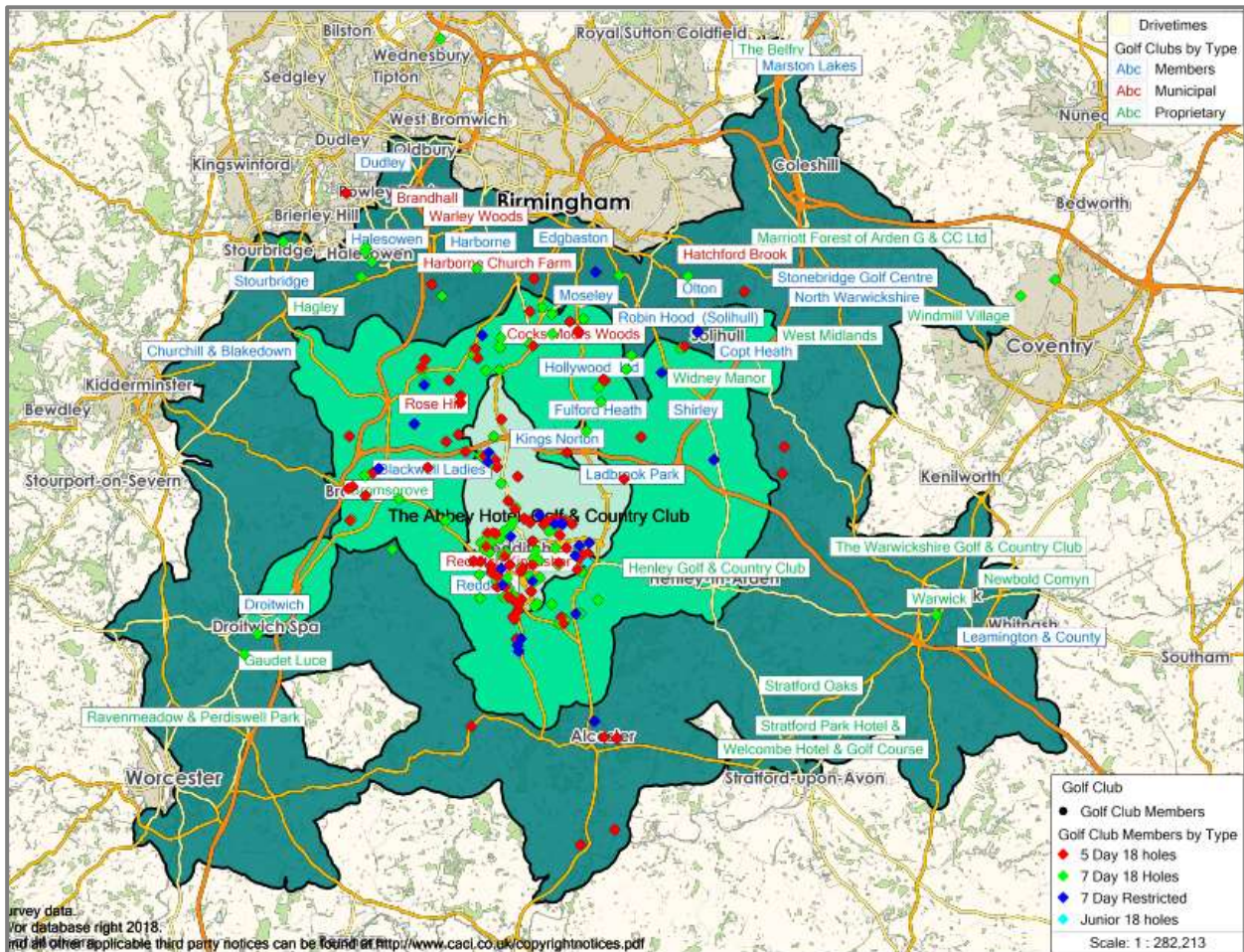
Like many clubs in its class, The Abbey acts as a feeder club for the likes of Kings Norton and The Warwickshire which is entirely usual. Whilst the surge of interest arising from the pandemic has filled membership categories at many clubs, it is likely that membership will be as transient as has been seen in the last decade. The ability remains for members to move away from a club for one or two years and then return with little penalty. This becomes important if a club goes through a period of poor course conditioning or is subject to redevelopment or periods of closure.

Green Fees - In the green fee market the competitor set retains Redditch and The Welcome and includes Bromsgrove, Guadet Luce and West Middlesex.

The pandemic also appears to have contributed to a rise in Green Fee Tourists, groups of up to twelve players who travel and play different courses on a Friday with price less of a consideration in their selection of venue.



Thirty minute drive time around NGOC showing the competing clubs by type and the location of all TAGC member types.



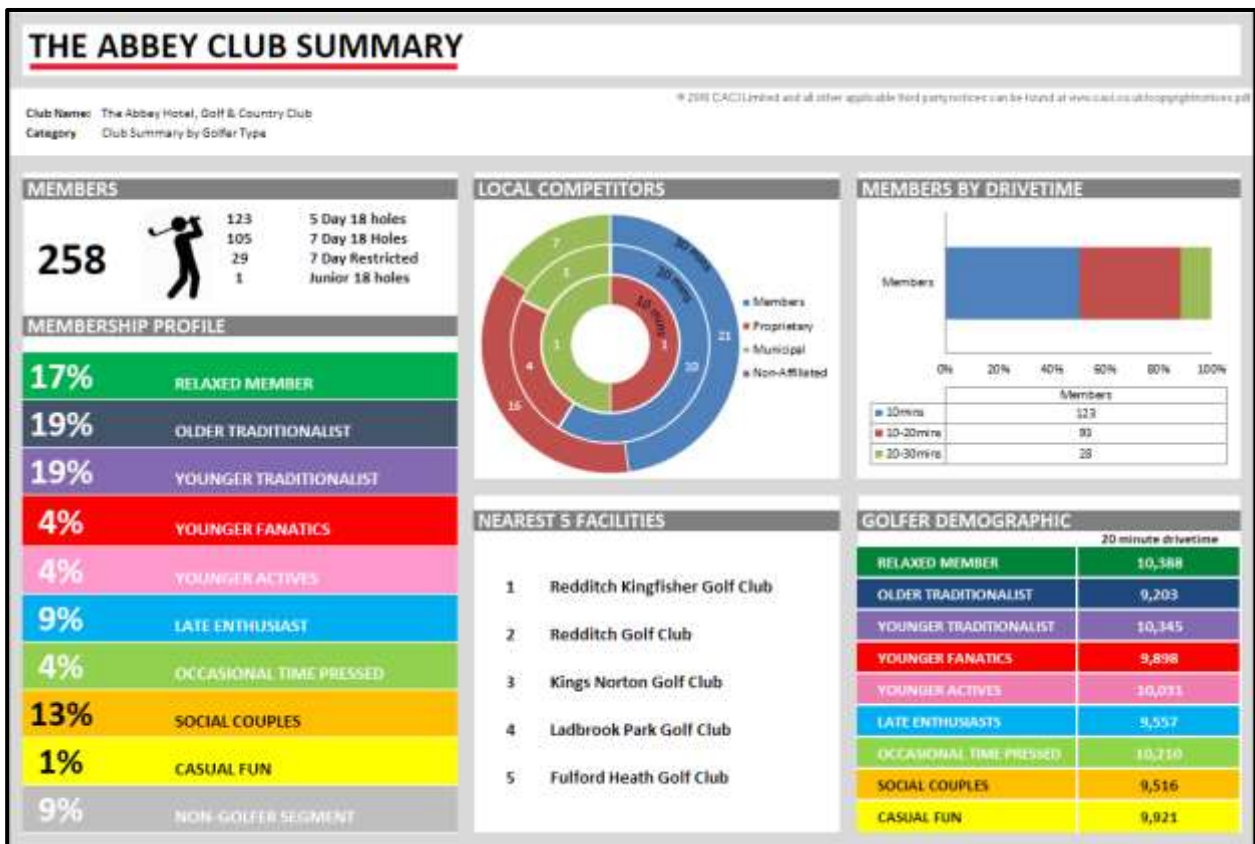
Golf Breaks - The larger catchment area for golf breaks only incorporates facilities with hotel rooms and as a result, The Warwickshire, Puckrup Hall, Tewksbury Park, Telford and The Welcome qualify as direct competitors for the club.

All of these clubs have seen an upturn in business over the last two years in most cases as a result of overseas travel being heavily restricted and groups booked for Spain, Portugal and Turkey being re directed to UK facilities. The Abbey has a strong record of rebooking golf groups and as such are better placed than many of their competitors to retain a share of the domestic golf break travel going forward.

Jigsaw research have produced a market segmentation which is specific to golf. The research identified that 24% of adults in England are potential players. This is made up of 9% current players, 8% lapsed players and 7% latent players amounting to c.9.6 million people in total. It also produced 9 defined golfing profiles and clearly identified behaviours, motivations and barriers within each profile.

55% of TAGC’s membership is made up of the top three categories, Relaxed Members, Older and Younger Traditionalists.

With now 300 members across all categories the club has room for growth if at any time it decides to change the balance of its business. If this is the case then there is clear evidence of good potential to grow membership across all categories.

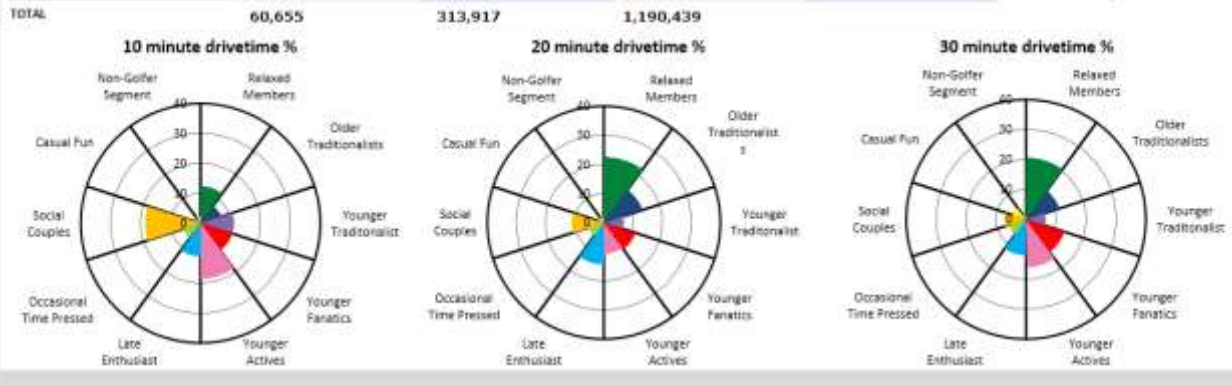


POPULATION PROFILE - 'LOOKALIKES'

Club Name: The Abbey Hotel, Golf & Country Club
 Base: Great Britain

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PROFILE	10min	%	20min	%	30min	%	Base%	Index	0	100	200
RELAXED MEMBER	7,497	12	70,802	23	245,347	21	14	153			
OLDER TRADITIONALIST	4,567	7	45,692	14	139,582	12	11	108			
YOUNGER TRADITIONALIST	6,770	11	21,178	7	77,480	7	11	82			
YOUNGER FANATICS	6,802	11	35,758	11	160,182	13	15	92			
YOUNGER ACTIVES	11,293	19	39,954	11	190,898	16	12	137			
LATE ENTHUSIASTS	6,726	11	45,096	14	143,603	12	9	128			
OCCASIONAL TIME PRESSED	3,612	6	17,136	5	72,484	6	9	71			
SOCIAL COUPLES	11,107	18	34,434	11	86,508	7	13	57			
CASUAL FUN	897	1	6,016	2	37,425	3	7	71			
NON-GOLFER	1,894	2	5,855	2	16,920	1	1	101			
TOTAL	60,655		313,917		1,190,439						



Background to the existing golf course

Designed by Donald Steel and opened in 1985 on a site that is predominately clay, the golf course formed part of the offerings of “Abbey Park”, a thirty two bed hotel and small conference room supporting a development of two hundred detached houses on Hither Green Lane and built amongst the golf holes.

The hotel changed hands in 1998 and over a number of years sixty eight rooms were added along with conferencing and banqueting facilities, a health club, spa and pool. Investment also went into the golf course with a significant drainage programme for the fairways and bunkers, some new tee complexes and extensive tree and shrub planting.

The hotel now caters for more than fifty weddings a year, the health club is very popular with over a thousand members and the conference facilities attracting a strong level of businesses due to the hotel’s central position and good transport links.

It is also a major local employer, with over one hundred and fifty full and part-time staff and retains a strong commitment to training and development.

The golf club has maintained an average membership of 292 members over the last ten years and it currently stands at 310, down from 500 in 2017. An eighteen hole golf course can sustain a membership of up to 750 but such a level of membership dictates the utilisation of the golf course and to a degree fixes the yield.

The clubs catchment area yields 1,046,505 people within a thirty minute drive time, 103,000 of which are potentially golfers. Profiling the clubs existing membership and comparing it to the clubs catchment shows that there are 89,000 matching golfer types available to the club should they wish to increase their membership levels.

However the most successful golf businesses look to balance membership with daily fee and golf break usage. This increases the yield per tee time, provides a pipeline of replacement members and stronger secondary spend. The Abbey do this very well by underpinning the quality of earnings with a stable membership base whilst processing good levels of Daily Fee activity and Golf Break business.

The club appears to be well run with an experienced team that are commercially minded in their management of golf at the facility.

All of the principal sales lines appear to be growing and the club has taken advantage of the revitalisation of the game as a result of the pandemic. As an example Daily Fee business at the club has grown by over 30% over the last five years, with a recent spike from an increase in independent golfer use.

The growth in golf has been supported by the rise in technology and the increase in on-line booking of tee times. To their credit the club have stayed at the forefront of this and have retained their number one position in the County on the Golf Now platform for two years now.

The big growth in golf triggered by the pandemic has been in the Independent Golfer category. The Abbey is well positioned to service this need demand by continuing to offer an eighteen hole resort course and the planned improvements to the irrigation system will allow it to hold this position within its competitive peer group for greenfees going forward.

As mentioned, the exceptional increase in inbound Golf Break activity is unlikely to continue once international travel increases back towards pre pandemic levels but due to the current restrictions, The Abbey have a window of eighteen months in which to cement their current 80% retention rate and establish a pipeline of future golf break bookings.

Comments on Planned Revisions to the existing Golf Course

Whilst the planned changes to the golf course will result in a period of disruption for members, greenfees and golf breaks there is enough evidence to suggest that the remodelled facility will deliver a quality golf course, a good visitor experience in terms of operating standards and speed of play.

As such the facility will be in a position to continue the growth in the golf income lines to become sustainably profitable, this being defined as producing enough annual surpluses to service the clubs annual maintenance capex requirements.

Health & Safety: modern materials leading to lighter equipment, faster swing speeds and straighter golf ball flight means that the incidents of ball escape from golf courses is on the rise and properties alongside golf courses not previously at risk are now being struck. Incidents of ball escape at The Abbey have been increasing in number since 2017 and need to be addressed.

The proposed changes to the layout address the points in the south-west corner of the site where ball escape has historically occurred and should prevent new incidents arising going forward.

Architecture and design: the proposed changes retain many of the features characterised in the original Donald Steel design of 1983 but refined to reflect the improvements in equipment and the expectations of the modern golfer.

Conditioning and greens presentation: the construction of the new greens, associated complexes, tees and bunkers will reflect the original build but using modern construction methods to improve the quality of the course and provide a template for the future planned upgrade for the balance of the holes.

Consistency (of hole and course design): the new layout reorders some of the existing holes to balance the course as much as possible producing a more challenging front nine and a more comfortable finish in keeping with the proposed resort course positioning. With one exception the layout produces standard walks from green to tees and will lend itself to good speeds of play and the mixed usage one sees at facilities of this kind.

Scenery/surroundings/ambience: the revisions make good use of the aesthetic, mature setting. It reduces the impact of existing housing upon the course and provides an attractive finish in front of the clubhouse.

Playability: the changes align the course more closely with the intended resort positioning. At 6,064 yards from the white tees and a par 70, new tee complexes will allow the course to be set up for member competition play, large corporate days, golf break and greenfee traffic whilst maintaining acceptable speeds of play.

Ten holes of the existing layout will be available for play whilst the works are ongoing.

New golf course layout post revisions



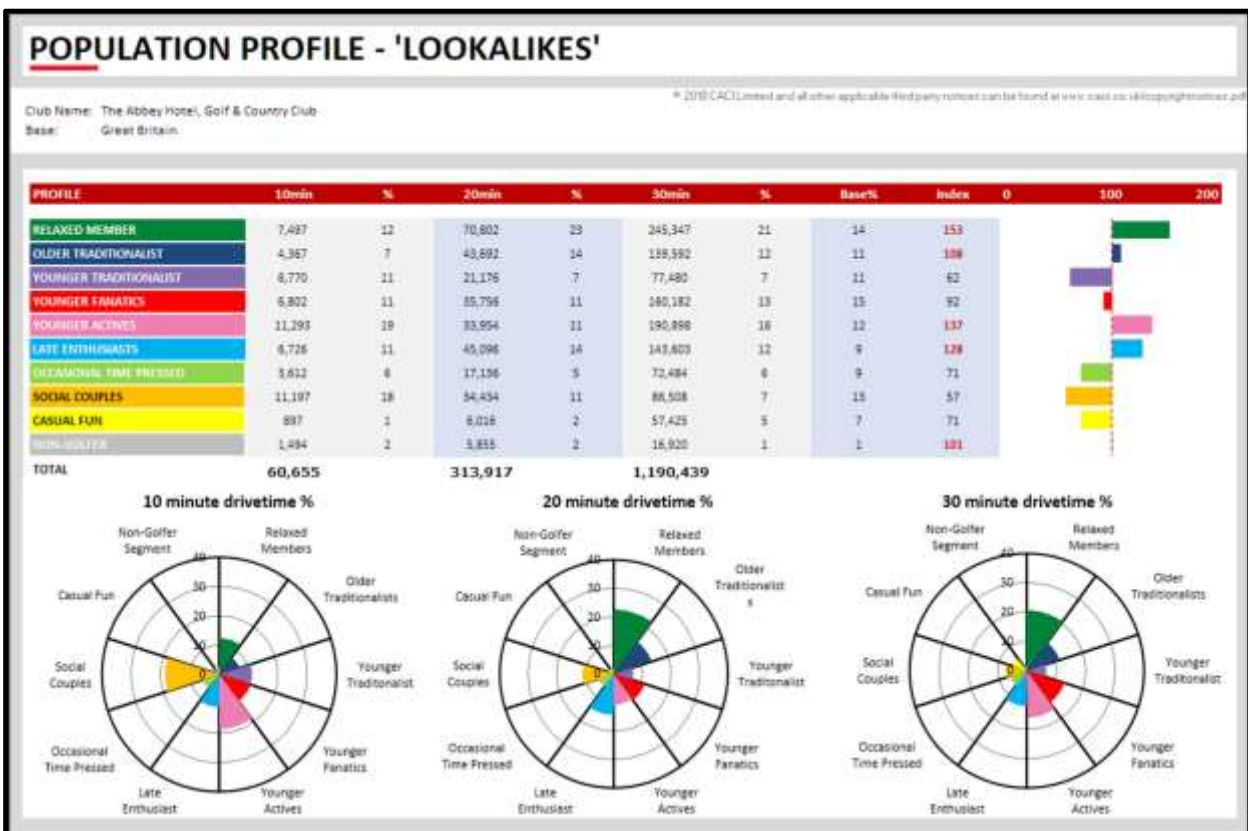
The catchment maps, demographic profiling and Acorn profiling of the markets serving TAGC as included in the appendices, provide enough evidence for the club to be confident that they can produce a sustainable golfing model following the changes to the course.

APPENDICES:

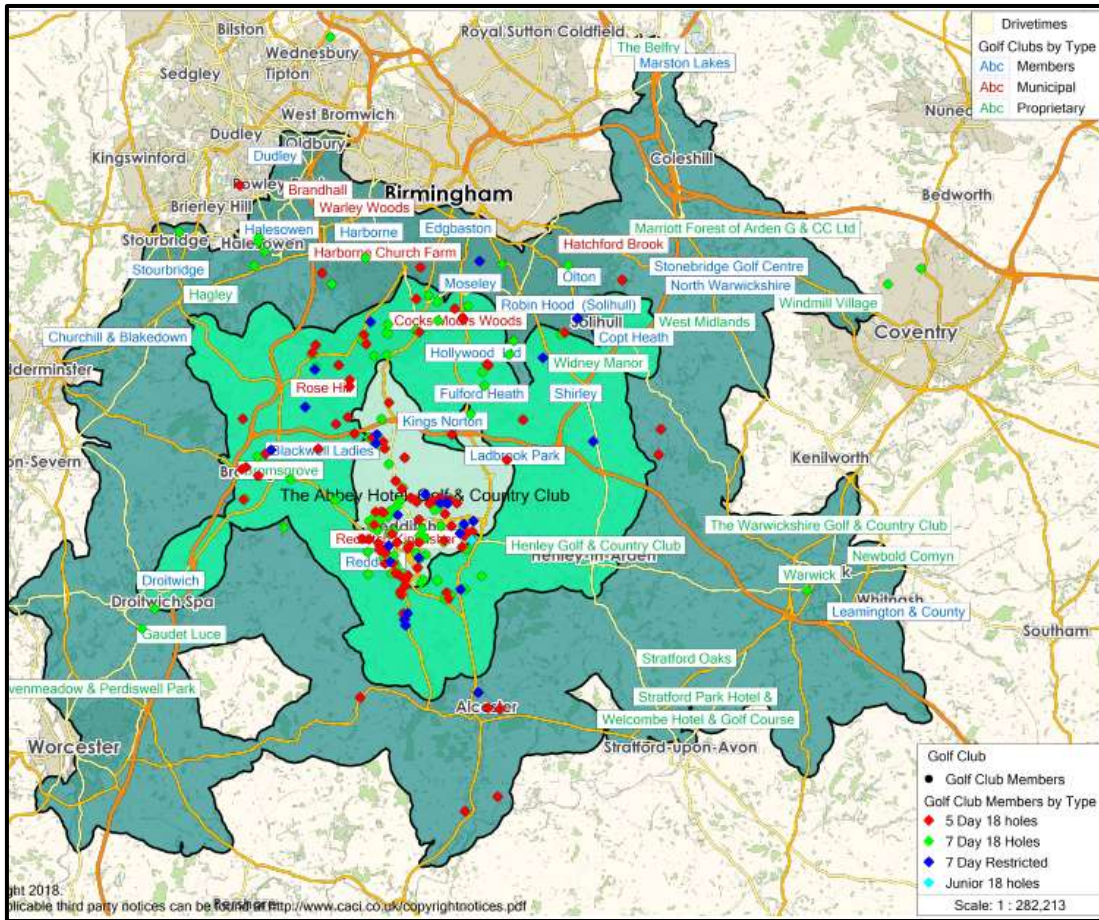
Core TAGC membership versus the golfer demographic within 20 minute drive time and the percentage of the membership and number of competitors within 30 minute drive time.



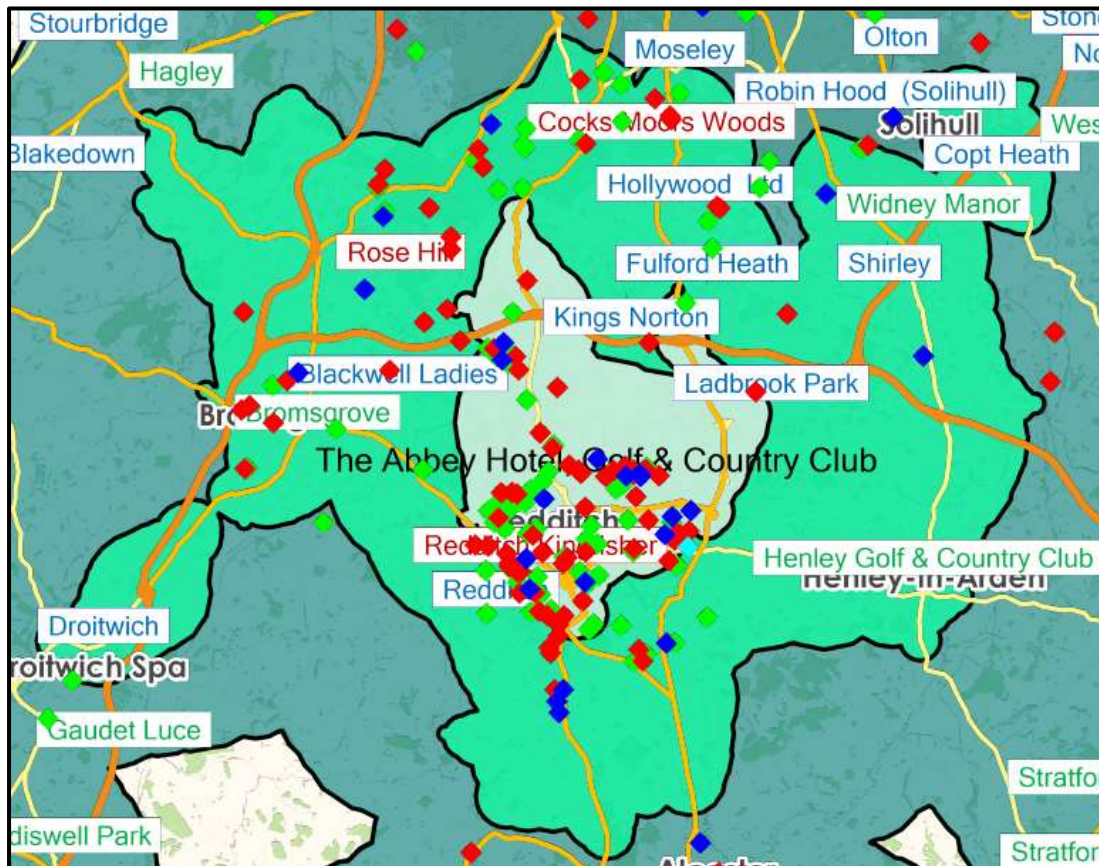
Population profile versus the golfer demographic within 30 minutes' drive time of the club.



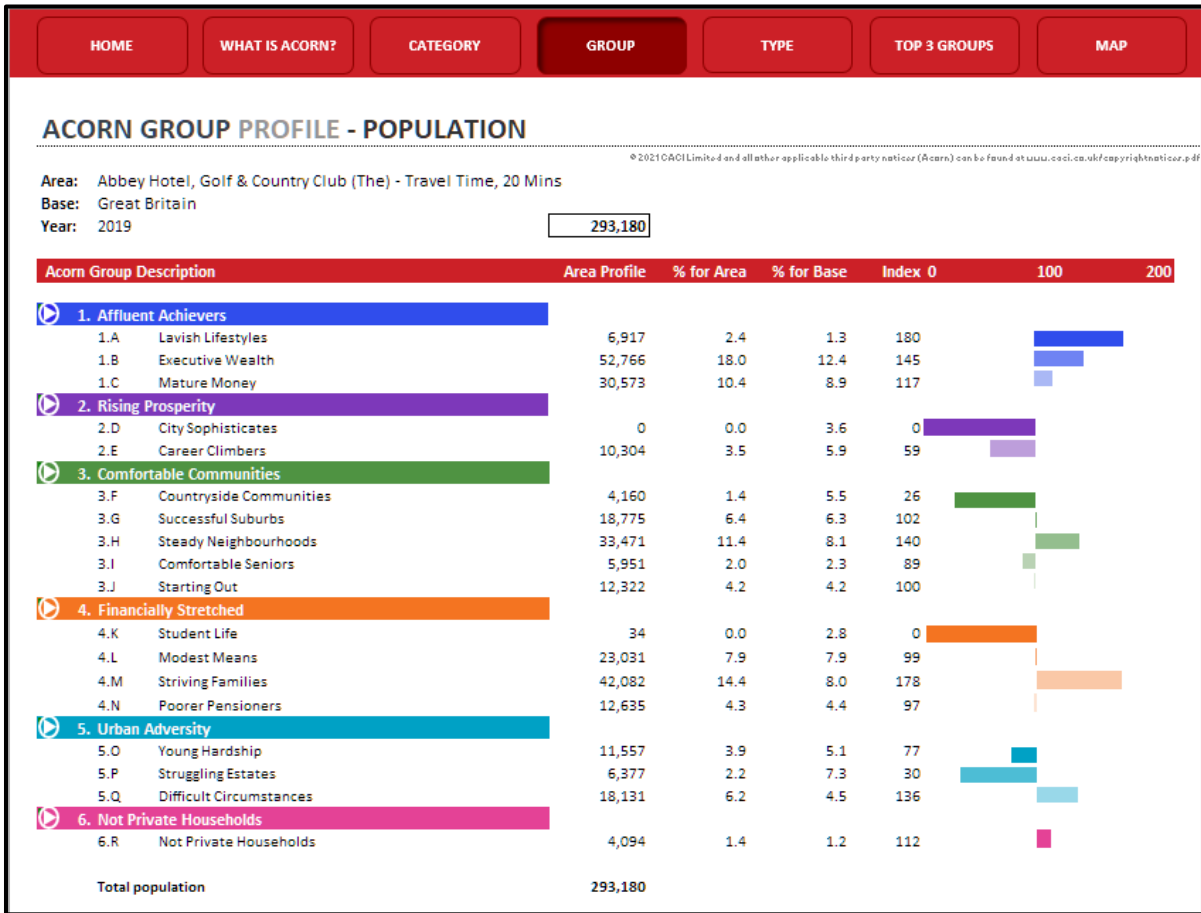
30 minute drive time showing the clustering of existing members and competition



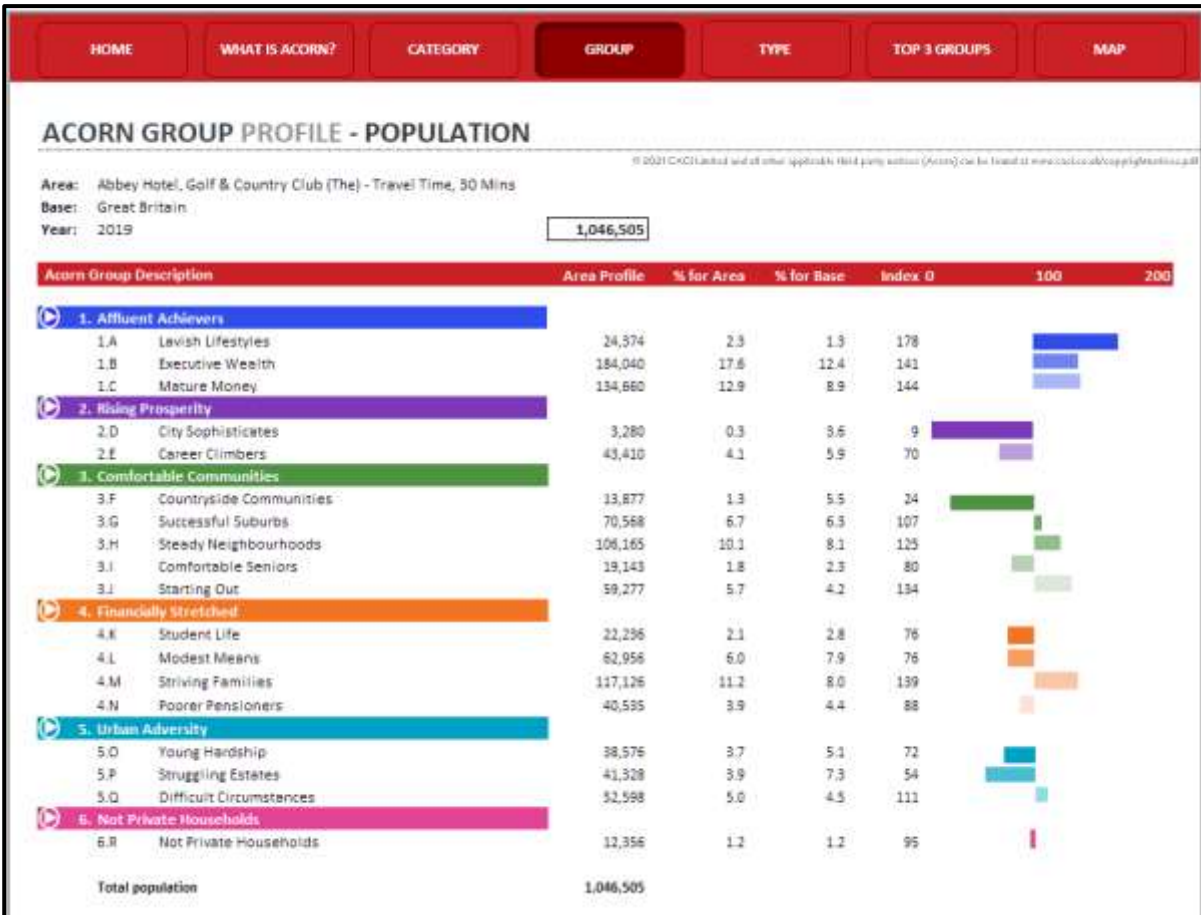
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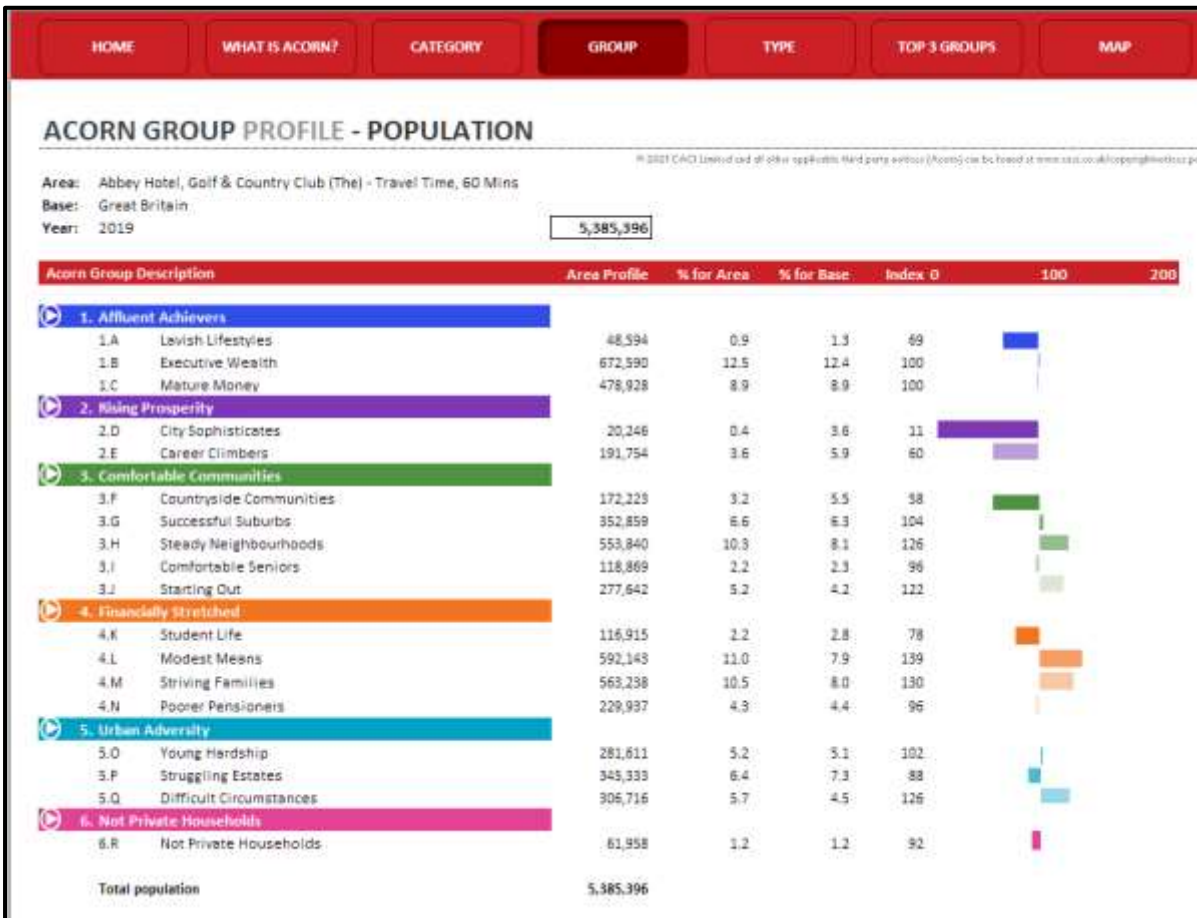
20 minute drive time showing the total population and Acorn profile



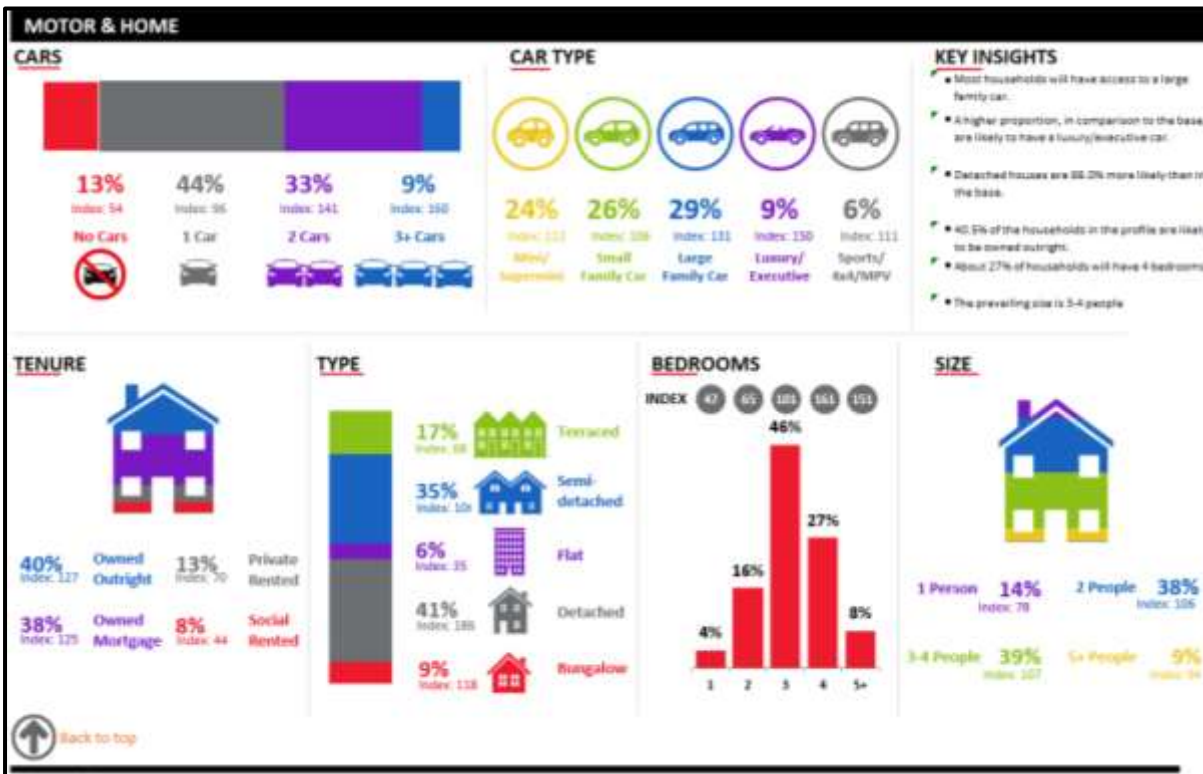
30 minute drive time showing the total population and Acorn profile



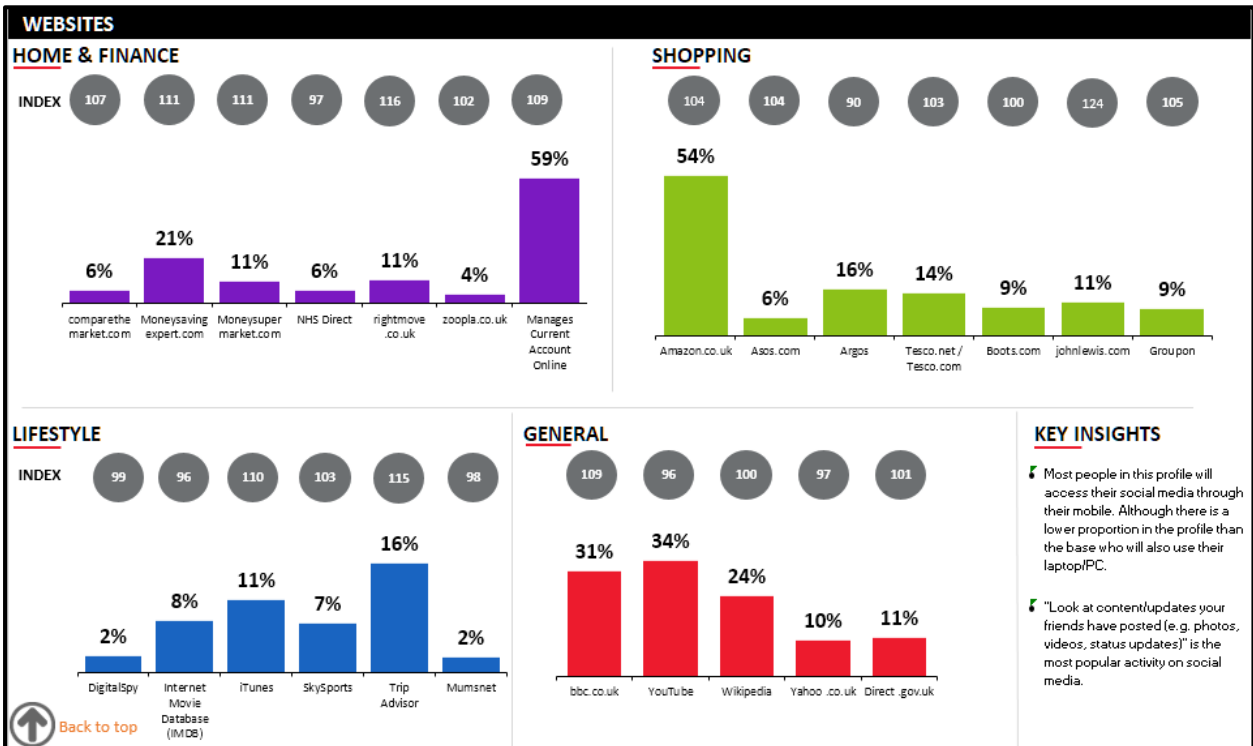
60 minute drive time showing the total population and Acorn profile



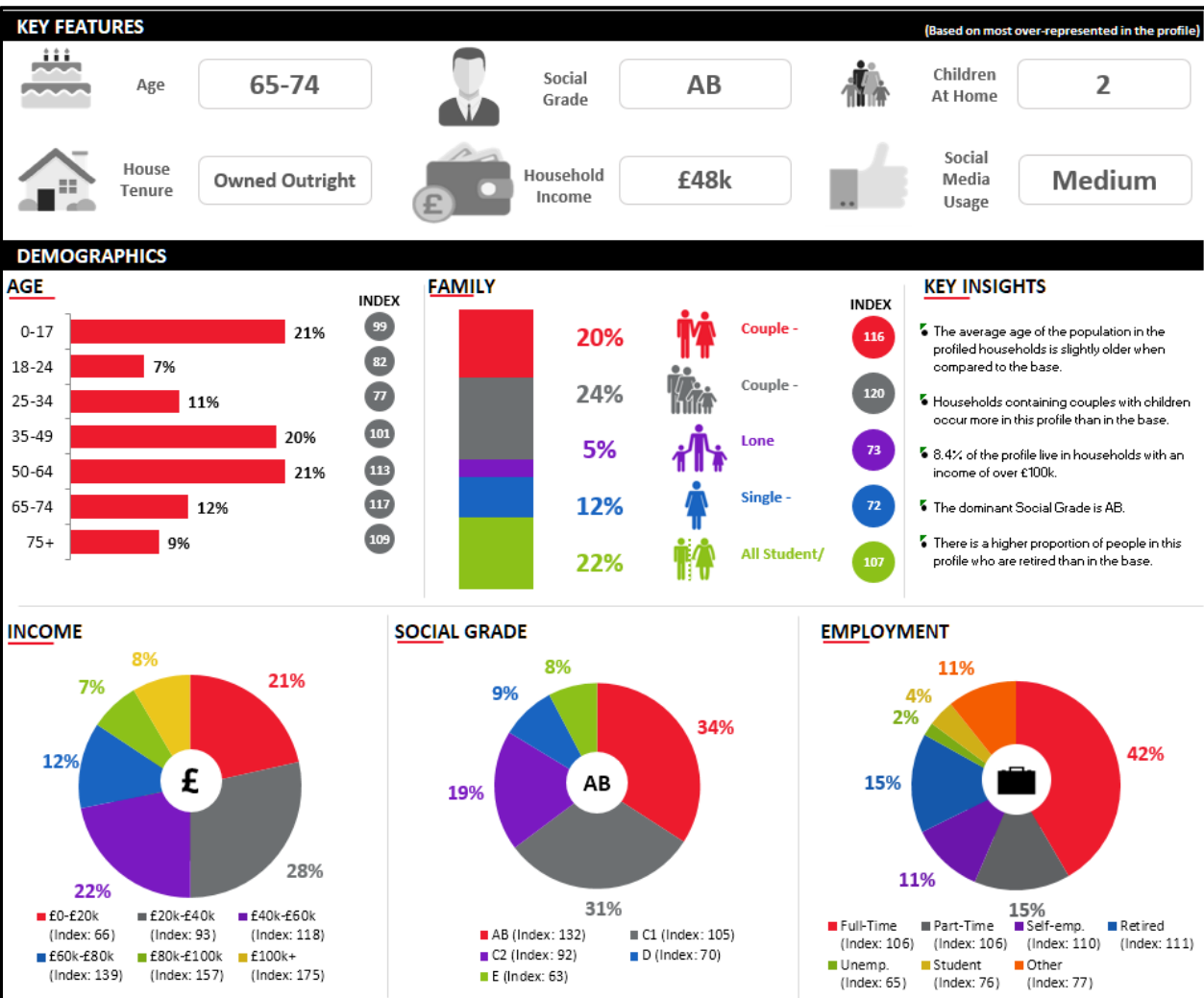
Acorn profile of the 30 minute drive time showing Home and Car ownership



Acorn profile over view of the 30 minute drive time showing Home, Shopping and Lifestyle



Acorn profile of the 30 minute drive time showing Age, Family and Social Grade



Acorn profile of the 30 minute drive time showing Spending, Planning, Finance and Digital preferences

