

TWC ENTERPRISES LIMITED

FOR IMMEDIATE RELEASE
KING CITY, ONTARIO
TSX: TWC

November 2, 2023

TWC ENTERPRISES LIMITED ANNOUNCES THIRD QUARTER 2023 RESULTS AND ELIGIBLE DIVIDEND

Consolidated Financial Highlights (unaudited)

(in thousands of dollars except per share amounts)	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net earnings	17,690	11,920	17,753	14,421
Basic and diluted earnings per share	0.72	0.49	0.72	0.59

Operating Data

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Canadian Full Privilege Golf Members			15,530	16,014
Championship rounds – Canada	567,000	583,000	958,000	1,027,000
18-hole equivalent championship golf courses – Canada			35.5	37.5
18-hole equivalent managed championship golf courses – Canada			2.0	2.0
Championship rounds – U.S.	33,000	32,000	202,000	199,000
18-hole equivalent championship golf courses – U.S.			6.5	8.0

The following is an analysis of net earnings:

(thousands of Canadian dollars)	For the three months ended	
	September 30, 2023	September 30, 2022
Operating revenue	\$ 67,635	\$ 65,009
Direct operating expenses ⁽¹⁾	47,264	42,687
Net operating income ⁽¹⁾	20,371	22,322
Amortization of membership fees	1,469	1,329
Depreciation and amortization	(3,607)	(4,493)
Interest, net and investment income	2,327	(1,510)
Other items	2,610	(1,517)
Income taxes	(5,480)	(4,211)
Net earnings	\$ 17,690	\$ 11,920

(thousands of Canadian dollars)	For the nine months ended	
	September 30, 2023	September 30, 2022
Operating revenue	\$ 158,798	\$ 155,677
Direct operating expenses ⁽¹⁾	122,237	115,210
Net operating income ⁽¹⁾	36,561	40,467
Amortization of membership fees	3,582	3,349
Depreciation and amortization	(10,561)	(13,375)
Interest, net and investment income	6,608	(812)
Other items	(10,962)	(7,669)
Income taxes	(7,475)	(7,539)
Net earnings	\$ 17,753	\$ 14,421

The following is a breakdown of net operating income (loss) by segment:

(thousands of Canadian dollars)	For the three months ended	
	September 30, 2023	September 30, 2022
Net operating income (loss) by segment		
Canadian golf club operations	\$ 21,173	\$ 23,626
US golf club operations (2023 - US \$259,000; 2022 - US loss \$375,000)	347	(493)
Corporate and other	(1,149)	(811)
Net operating income ⁽¹⁾	\$ 20,371	\$ 22,322

(thousands of Canadian dollars)	For the nine months ended	
	September 30, 2023	September 30, 2022
Net operating income (loss) by segment		
Canadian golf club operations	\$ 34,314	\$ 40,209
US golf club operations (2023 - US \$3,398,000; 2022 - US \$2,482,000)	4,585	3,120
Corporate and other	(2,338)	(2,862)
Net operating income ⁽¹⁾	\$ 36,561	\$ 40,467

Operating revenue is calculated as follows:

(thousands of Canadian dollars)	For the three months ended	
	September 30, 2023	September 30, 2022
Annual dues	\$ 17,230	\$ 16,967
Golf	18,570	17,965
Corporate events	4,322	4,855
Food and beverage	15,714	16,035
Merchandise	5,611	5,760
Real estate	3,291	-
Rooms and other	2,897	3,427
Operating revenue	\$ 67,635	\$ 65,009

(thousands of Canadian dollars)	For the nine months ended	
	September 30, 2023	September 30, 2022
Annual dues	\$ 51,906	\$ 51,055
Golf	38,343	37,645
Corporate events	6,939	7,452
Food and beverage	27,153	27,360
Merchandise	11,531	11,281
Real estate	18,821	15,811
Rooms and other	4,105	5,073
Operating revenue	\$ 158,798	\$ 155,677

Direct operating expenses are calculated as follows:

(thousands of Canadian dollars)	For the three months ended	
	September 30, 2023	September 30, 2022
Operating cost of sales	\$ 9,232	\$ 8,868
Real estate cost of sales	3,816	-
Labour and employee benefits	22,429	22,092
Utilities	2,193	2,506
Selling, general and administrative expenses	1,246	1,382
Property taxes	463	441
Insurance	1,099	924
Repairs and maintenance	1,623	1,252
Turf operating expenses	1,120	1,159
Fuel and oil	676	681
Other operating expenses	3,367	3,382
Direct Operating Expenses⁽¹⁾	\$ 47,264	\$ 42,687

(thousands of Canadian dollars)	For the nine months ended	
	September 30, 2023	September 30, 2022
Operating cost of sales	\$ 17,012	\$ 16,170
Real estate cost of sales	19,093	16,394
Labour and employee benefits	51,807	49,590
Utilities	5,771	6,146
Selling, general and administrative expenses	4,058	4,266
Property taxes	2,999	2,776
Insurance	3,298	2,705
Repairs and maintenance	4,456	3,878
Turf operating expenses	3,484	3,517
Fuel and oil	1,215	1,416
Other operating expenses	9,044	8,352
Direct Operating Expenses ⁽¹⁾	\$ 122,237	\$ 115,210

(1) Please see Non-IFRS Measures

Third Quarter 2023 Consolidated Operating Highlights

Operating revenue increased 4.0% to \$67,635,000 for the three month period ended September 30, 2023 from \$65,009,000 in 2022 due to the revenue from the two Highland Gate home sales in 2023 as compared to none in 2022.

Direct operating expenses increased 10.7% to \$47,264,000 for the three month period ended September 30, 2023 from \$42,687,000 in 2022 due to the cost of sales from the two Highland Gate home sales in 2023 as compared to none in 2022, as well as above normal increases in labour and certain operating expenses. It continues to be a challenging environment in being able to manage labour costs due to the above normal minimum wage increases and a competitive environment for hiring staff.

Net operating income for the Canadian golf club operations segment decreased to \$21,173,000 for the three month period ended September 30, 2023 from \$23,626,000 in 2022 due to the conclusion of ClubLink's lease of The Country Club which expired as of December 31, 2023, as well as above normal increases in labour and certain operating expenses. There has also been a noticeable decline in traffic in the Muskoka, Ontario tourist region this summer which has affected the results of the Company's resorts which operate in this area.

Depreciation and amortization decreased 19.7% to \$3,607,000 in 2023 from \$4,493,000 in 2022 due to the conclusion of The Country Club lease which has also resulted in a decline in depreciation of right-of-use assets.

Interest, net and investment income increased to \$2,327,000 for the three month period ended September 30, 2023 from an expense of \$1,510,000 in 2022 due to a decrease in borrowings and an increase in distributions from the Company's investment in Automotive Properties REIT. In 2022, the Company paid off several non-revolving mortgages in advance of their due dates. The payoff amounts totaled \$46,303,000 (US\$35,169,000) and resulted in prepayment penalties totaling \$2,604,000.

Other items consist of the following income (loss) items:

	For the three months ended	
	September 30, 2023	September 30, 2022
Foreign exchange loss	\$ (165)	\$ (440)
Unrealized loss on investment in marketable securities	(9,859)	(1,915)
Contingent contractual obligation	6,620	-
Gain on sale of investments in joint venture	6,521	-
Loss on real estate fund investments	(679)	-
Equity income from investments in joint ventures	97	623
Insurance proceeds	188	220
Other	(113)	(5)
Other items	\$ 2,610	\$ (1,517)

At September 30, 2023, the Company recorded unrealized losses of \$9,859,000 on its investment in marketable securities (September 30, 2022 - \$1,915,000). This loss is attributable to the fair market value adjustments of the Company's investment in Automotive Properties REIT.

The contingent contractual obligation of USD\$5,000,000 (CDN\$6,620,000) originating from the sale of White Pass in 2018 expired in July 2023 and as such has been reversed since it had not been expended.

On September 20, 2023, the Company completed the divestiture of its investment in the Geranium real estate management company along with other non-Highland Gate joint ventures in which it was a co-investor with the Geranium Group. These assets were purchased by the Company's co-investors with Geranium. Total proceeds for the transaction were \$12,500,000 including deferred proceeds of \$5,300,000. A gain of \$6,521,000 was recorded as a result of the transaction.

Net earnings increased to \$17,690,000 for the three month period ended September 30, 2023 from \$11,920,000 in 2022 due to the change in other items described above. Basic and diluted earnings per share increased to 72 cents per share in 2023, compared to basic and diluted earnings per share of 49 cents in 2022.

Non-IFRS Measures

TWC uses non-IFRS measures as a benchmark measurement of our own operating results and as a benchmark relative to our competitors. We consider these non-IFRS measures to be a meaningful supplement to net earnings. We also believe these non-IFRS measures are commonly used by securities analysts, investors and other interested parties to evaluate our financial performance. These measures, which included direct operating expenses and net operating income do not have standardized meaning under IFRS. While these non-IFRS measures have been disclosed herein to permit a more complete comparative analysis of the Company's operating performance and debt servicing ability relative to other companies, readers are cautioned that these non-IFRS measures as reported by TWC may not be comparable in all instances to non-IFRS measures as reported by other companies.

The glossary of financial terms is as follows:

Direct operating expenses = expenses that are directly attributable to company's business units and are used by management in the assessment of their performance. These exclude expenses which are attributable to major corporate decisions such as impairment.

Net operating income = operating revenue – direct operating expenses

Net operating income is an important metric used by management in evaluating the Company's operating performance as it represents the revenue and expense items that can be directly attributable to the specific business unit's ongoing operations. It is not a measure of financial performance under IFRS and should not be considered as an alternative to measures of performance under IFRS. The most directly comparable measure specified under IFRS is net earnings.

Eligible Dividend

Today, TWC Enterprises Limited announced an eligible cash dividend of 5 cents per common share to be paid on December 15, 2023 to shareholders of record as at November 30, 2023.

Corporate Profile

TWC is engaged in golf club operations under the trademark, "ClubLink One Membership More Golf." TWC is Canada's largest owner, operator and manager of golf clubs with 44 18-hole equivalent championship and 2 18-hole equivalent academy courses (including two managed properties) at 34 locations in Ontario, Quebec and Florida.

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Management's discussion and analysis, financial statements and other disclosure information relating to the Company is available through SEDAR and at www.sedar.com and on the Company website at www.twcenterprises.ca