WESTPEAK RESEARCH ASSOCIATION

TWC Enterprises Limited (TSX: TWC)

Leisure – Golf, Rail, Port Operations

Drive for Show, Develop for Dough

April 6, 2018

TWC Enterprises Limited owns and operates golf courses, resort properties, ports, and the Yukon pass railway. Through ClubLink, a wholly owned subsidiary, TWC operates 54 and a half championship golf courses in Ontario, Quebec, and Florida making it the largest golf course operator in Canada. The company also owns and operates ports in Skagway, Alaska that service cruise ships on the Alaskan route. TWC offers the Yukon pass railway as an on-shore excursion at this port which sees almost all of its traffic from the cruise industry.

Thesis

TWC sees almost no sell side analyst coverage because of its small size and the low probability that it will need to raise money in the future. The company has a significant real estate portfolio with a book value of $311 million in land and $578 million total of property, plant, and equipment as of December 31, 2017. Some of the land is beginning to be redeveloped into residential property while other proposals for additional redevelopment are pending. The value of the real estate redevelopment sales, and the increased coverage that should come with it, will provide a significant increase in the market value of the company.

Drivers

TWC is working on redeveloping its Highland Gates project in Aurora, Ontario into residential housing units. In addition, the company also has a proposal to redevelop the Glen Abbey Golf Club in Oakville, Ontario into commercial and residential space.

Valuation

Given TWC's current share price and large asset base, we believe that the company is currently undervalued in the market. Using a discounted cash flow analysis and a comparable company analysis, weighted at 50% each, we determined an average 12-month target share price of S13.50, a 20.71% return. We have decided to put a buy rating on TWC Enterprises Limited.

Analyst: Alexander McGuigan, BCom. '21
contact@westpeakresearch.com

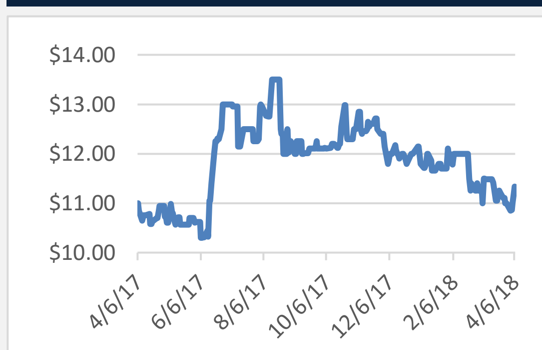
Equity Research	Canada
Price Target	**CAD $13.50**
Rating	Buy
Share Price (Apr. 20 Close)	CAD$ 11.25
Total Return	20.71%

Key Statistics	
52 Week H/L	$13.50/$10.16
Market Capitalization	$307M
Average Daily Trading Volume	2680
Net Debt	$300M
Enterprise Value	$609M
Net Debt/EBITDA	8.20x
Diluted Shares Outstanding	27.3M
Free Float	27%
Dividend Yield	0.7%

WestPeak's Forecast

	2018E	2019E	2020E
Revenue	$231M	$235M	$238M
EBITDA	$61M	$62M	$63M
Net Income	$21M	$20M	$20M
EPS	$0.75	$0.74	$0.75
P/E	15.0x	15.2x	15.0x
EV/EBITDA	9.9x	9.6x	9.7x

1-Year Price Performance



Business Overview/Fundamentals

Business Summary

TWC Enterprises is a leisure and real estate company that owns and operates various properties in Eastern Canada and Florida. Through their wholly owned subsidiary ClubLink, the company operates 54 and a half championship golf courses throughout Ontario, Quebec, and Florida. The locations of TWC golf courses are close to major metropolitan areas which allows ease of access and appeal to both the hard core and fair-weather golfer. Through their scale, as the largest owner-operator of golf clubs in Canada, ClubLink is able to streamline processes across their locations to minimize operating and customer acquisition expenses.

Both port and rail operations are based in Skagway, Alaska and serve the growing Alaskan cruise ship industry. The two business segments are complimentary of each other as the railway attracts cruise lines to dock in Skagway while about 50% of cruise passengers become paying customers for the railway. The rail and port operations have their own management team that run the day-to-day operations in Skagway.

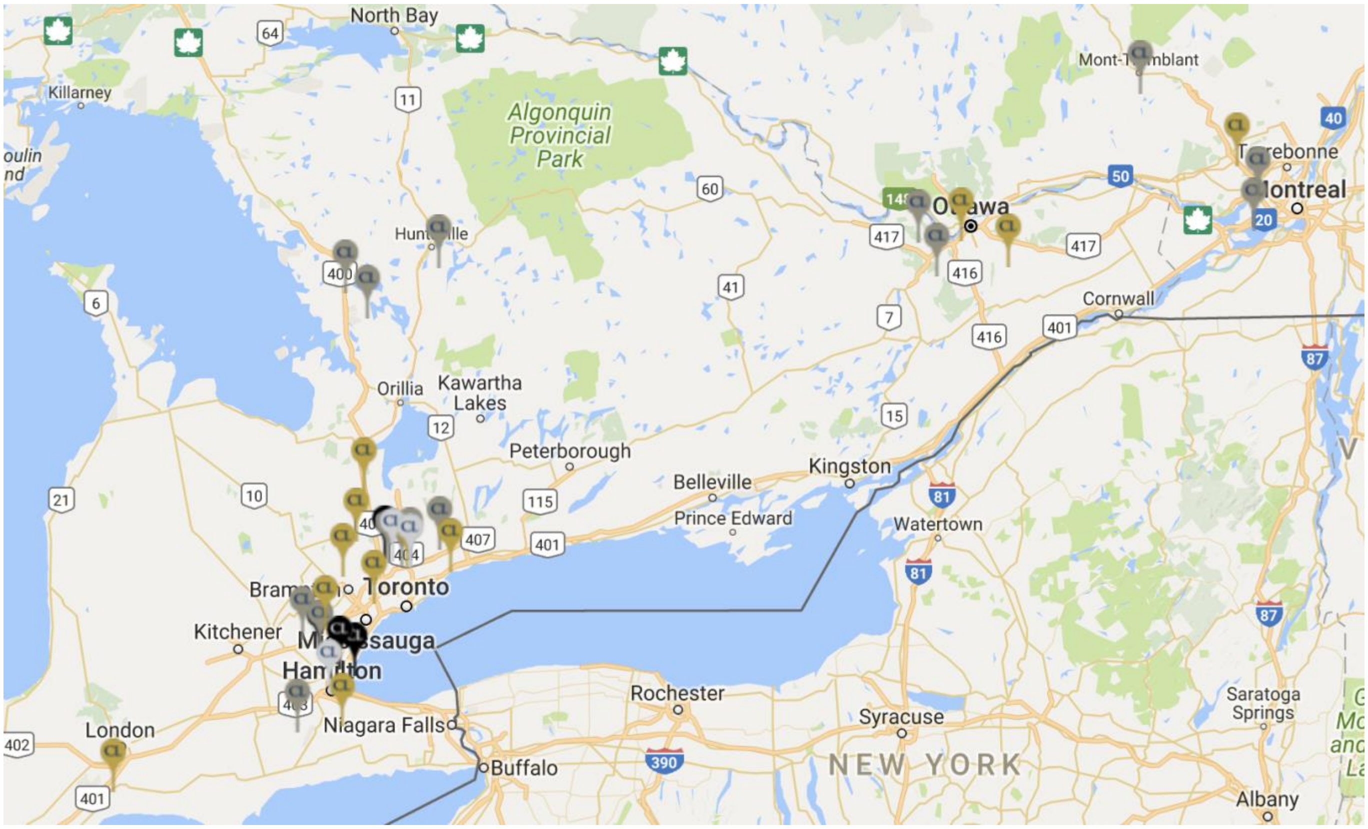
ClubLink Canada

The Canadian division of ClubLink (a wholly owned subsidiary) operates 27 golf courses in the Ontario and Quebec regions. They operate under the categories of Prestige, Platinum, and Gold. ClubLink also operated six hybrid golf clubs under the categories of Prestige, Gold, and Silver.

When an individual purchases a ClubLink membership, they select a home course that will fall into one of the aforementioned categories. Members are then entitled to play at any ClubLink club at the same or lower level of membership category (i.e. a member whose home club is rated Platinum can play at any Platinum or Gold rated club for no charge). Members are also permitted to play at certain higher-level clubs; however, there is usually an additional fee for each round of golf. The purpose of this program is to offer members more options to play golf at a lower price compared to joining a single private club or a public club that uses the typical pay-per-round system. TWC also owns a number of unique and highly regarded golf clubs such as RattleSnake Point and the Glen Abbey Golf Club which often hosts the RBC Canadian Open – an annual event on the PGA Tour.

ClubLink owns enough land to further develop an additional 18 holes at the Cherry Downs Golf Club (Pickering, Ontario), Grandview Golf Club, and Rocky Crest Golf Club (both in Muskoka). The development of these sites would be a substantial cost to the organizations; however, it would increase the appeal and revenue for the locations. The Muskoka properties, in particular, would increase the number of playable holes near the resort that TWC operates in the area which also may increase hotel revenue during the peak season.

Alexander McGuigan | contact@westpeakresearch.com



The map displays all of ClubLink's locations and their categories across Ontario and Quebec. Black represents Prestige clubs, silver represents Platinum clubs, and gold represents Gold clubs.

Sources: ClubLink Canada, Google Maps

ClubLink Florida

ClubLink's United States division, operating exclusively in Florida, operates eleven 18-hole championship golf courses. They operate under six categories: Hybrid-Prestige, Hybrid-Platinum, Gold, Hybrid-Gold, Hybrid-Silver and daily fee. All of the Florida clubs were acquired between 2010 and 2013. The Florida golf environment is extremely competitive and ClubLink is a still a relatively new and unrecognized brand in the marketplace. As a result, the company is taking steps to promote the TravelLink and Sport Club membership programs to create a differentiating factor in the market place.

As of July 1, 2016, ClubLink closed nine holes of the Falcon Watch Golf Club and combined the other nine holes with the Scepter Golf Club. The decision to close was made due to low demand at that particular location.




Source: [ClubLink Florida]

Rail and Port Operations

Rail and port operations in Skagway, Alaska operate under the name "White Pass & Yukon route." The railway, used primarily for tourism, stretches from Skagway, Alaska to Columbia Carcross, Yukon. White Pass has its own management team and has been steadily growing since its acquisition in 1997. The company also operates three docks with four berths that are used for cruise ships from May to September. TWC owns the largest dock with two berths (accounting for 65% of port operations revenue) and leases the other two from the city of Skagway.

Source: TWC 2018 Annual Report

The success of this segment relies heavily on strong partnerships with the cruise ship business and the city of Skagway; both relationships have made rail operations one of the best short excursions for Alaska-bound cruise ships.

The rail operation consists of a tourist route that spans 110 kilometers through Alaska, British Columbia, and the Yukon. Most passengers on the Yukon pass route do so as excursions offered through the cruise ship companies that dock in Skagway. The conversion rate between cruise ship passengers and the Yukon pass railroad is nearly 50%.

Carnival Cruises and its subsidiaries (Princess Cruises and Holland America) comprised 53.2% of port traffic in 2016 and 54.3% in 2015. TWC is forecasting, based on information from the Cruise Line Agencies of Alaska, that the number of cruise ship passengers will grow by 22% over the next two years.

TWC has announced that it intends to complete a strategic review of White Pass & Yukon Route and does not intend to disclose any further information at this time. The company has appointed Brookfield Financial Securities LP as a financial advisor on the review.

Source: Yukon White Pass and TWC Annual Report 2017

Industry Analysis

All of TWC's segments rely heavily on consumer discretionary spending and are therefore susceptible to macro-economic cycles. At the moment, macro-economic conditions are quite strong in both Canada and the United States. This means that TWC is benefiting from strong numbers across all of its segments.

Golf

Although the golf industry has been shrinking the past few years, revenue is expected to begin increasing in the next five years. Much of this increase can be accredited to the baby boomer generation as more of them are retiring and subsequently increasing their available leisure time. As the median age of the population continues to increase, this trend can expect to continue for the next few years. The golf industry, however, is struggling to attract millennials meaning that there is a decrease in new membership and players to replace the older members. For a super long-term trend, this is a concern for the golf industry; however, should not be too concerning in the short term.

According to data provided by IBISWorld, the golf industry is reliant on five factors: leisure time, consumer confidence, households earning over one hundred thousand dollars, disposable income, and age of the population. Currently the Canadian consumer confidence index is at 101.8; however, it is expected to trend downward by 0.3% annually over the next five years. The US consumer confidence index is at 126.9, but expected to trend downward by 2.5% over the next five years. Although the decline will have some impact on revenue, it will be offset by increases in leisure time and the median age of the population.

Despite the difficult industry trend, the one big competitive advantage that ClubLink has over other entities is its scale. The average profit margin for Canadian and US Golf courses was close to 1% in 2017. ClubLink was able to achieve a much higher margin due to the decreased operational costs. According to IBIS World, it will also have the benefit of the consolidation and closure of golf courses that will occur in the coming years due to an oversupply in both the US and Canada.

The following table breaks down the forecast for golf revenue in the US and Canada over the next 6 years.

Year	Canadian Revenue (in millions)	Canadian % Change	US Revenue (in millions)	US % Change
2018	2,782.2	2.0	24,010.0	0.3
2019	2,831.2	1.8	24,136.3	0.5
2020	2,879.3	1.7	24,325.8	0.8
2021	2,927.6	1.7	24,531.2	0.8
2022	2,978.4	1.7	24,742.1	0.9
2023	3,030.2	1.7	25,010.7	1.1

Source: IBISWorld

The following table shows the membership breakdown, by age, of ClubLink Canada.

Age (years)	2017	2016	% Change

Under 30	1,422	1,340	6.1
31-40	851	826	3.0
41-50	2,175	2,413	-9.9
51-60	4,969	5,164	-3.8
61-70	3,553	3,449	3.0
71 and Over	1,437	1,275	12.7
Not Available	584	610	-0.6

Source: TWC Enterprises Limited's 2017 MD&A form.

Rail and Port

Rail and port operations have been a growing part of TWC's revenue and show no sign of stopping over the next few years. The cruise ship industry has faired well thanks to the increase in consumer discretionary spending that has been created due to the economic upturn. Personal and corporate tax cuts in the United States should only further this discretionary income and help the cruise ship industry continue to grow. TWC's primary partner, Carnival Cruises, has seen consistent growth over the last few years and is forecasting that growth will continue in the near future. Given that almost all of the Yukon pass railroad trips are taken as off-shore excursion, it is vital that the cruise business remains strong to keep the rail business growing. As a result, the port and rail operations look good for TWC for the next few years.

Based on information provided by the Cruise Lines International Alaska, 1.17 million passengers will cruise through Alaskan waters in 2018. Skagway, as an individual port, is expected to handle 411 ship dockings which translates into over 1 million passengers. The increase in passengers can be attributed to Windstar Cruises beginning service to Alaska along with Princess Cruises adding one additional vessel. Viking Cruises, Azamara Cruises, and Cunard Cruise Line are planning to enter the market in 2019 which should help to drive an even steeper year over year increase. 2019 will also see Princess Cruises celebrating their 50th year of service to Alaska; this will likely mean additional marketing campaigns, promotions, and events on board their vessels increasing passenger traffic.

Real Estate

The one trend that is adding immense value to TWC is the increase in land values in all of its operating regions. The greater Toronto area, where TWC has many land holdings, has seen a steep increase in the price and demand for both commercial and residential real estate transactions. Given TWC's existing plans to redevelop the Highland Gate golf course in Aurora and their proposal for the Glen Abbey Golf Club in Oakville, it is likely that the company will try to develop other properties into housing developments sometime in the future. TWC is also exploring options (including the possibility of entering into a joint venture) to redevelop the Woodlands Country Club in Florida. Real estate prices in the greater Montreal and Ottawa areas have also seen a steady rise and will likely push the scales for TWC to consider a redevelopment of some of their underperforming properties.

Catalysts

Sale or Separation of White Pass & Yukon Route

On June 16, 2017, TWC Enterprises announced its plans to commence a strategic review of its investment into the White Pass & Yukon Route. Two potential options that were discussed in the press release were selling off the business or creating a separate public entity. If either of these plans were executed, they have the potential to return immense value to shareholders.

The economic moats, being government regulation and start-up costs, protect this segment from any source of competition and help to increase its potential sale value. Building another railroad in this area, or in a similar area in any geographic location, would be difficult due to the strict environmental regulations imposed by the US and Canadian governments that apply to much of the area that a rival railroad would have to go through. In addition, building a new railroad requires a large amount of capital and years of construction before any revenue could be recognized. These two factors give TWC's railroad a monopoly of this type of experience for cruise ship passengers in North America.

Given the uniqueness of the rail and port operations, the sale of this business segment should be at a premium to other entertainment or experience oriented businesses. The segment saw a record $55.7 million of revenue in 2017, an increase of 6.1% from the previous year. It had an EBITDA of $21.6 million US, representing a 39% EBITDA margin. We think that, if this business were put up for sale, it would be an attractive target because most of the revenue is recurring and contracted a few years in advance to facilitate the marketing of cruise schedules.

Highland Gate Development

In 2014, ClubLink sold half of the Highland Gate property in Aurora, Ontario to Geranium homes with the intent to redevelop the property into residential housing. In return, TWC received $3,750,000 and fifty percent of all future revenue and costs from the property. In the one month following the sale of the property, the share price declined by three percent.

The group has reached an agreement with the Ontario Municipal Board, the town of Aurora, and the local taxpayers to redevelop the golf course into residential real estate. The plan contains 159 single family homes and a seven-story residential building with 114 units. The sales office opened on July 24, 2017 and phase 1a of sales for the first 45 lots began in October. The development, being branded as Allegro, has as starting home price of $2.2 million and goes up above $3 million according to the Globe and Mail.

Source: York Region

Potential Sale and/or Redevelopment of the Woodland's Country Club

ClubLink Florida is working with a local developer, 13th Floor Homes, to create a plan to convert the Woodland's Country Club property into residential homes. This plan could see TWC selling off half of the development, in a deal similar to the Highland Gate project, or the entire site. The proposal would see the 36-hole facility turned into a gated community with 525 single-family homes, a significant amount of park space, and the creation of new lakes to improve the aesthetic. ClubLink originally acquired the Woodland's property for $5,090,000 in April of 2011 when the golf course was in financial difficulty - this allowed for the acquisition of the property to be at a significant discount. The redevelopment process could begin as early as 2020 pending city, county, and state rulings.

Source: [Tamarac Talk]

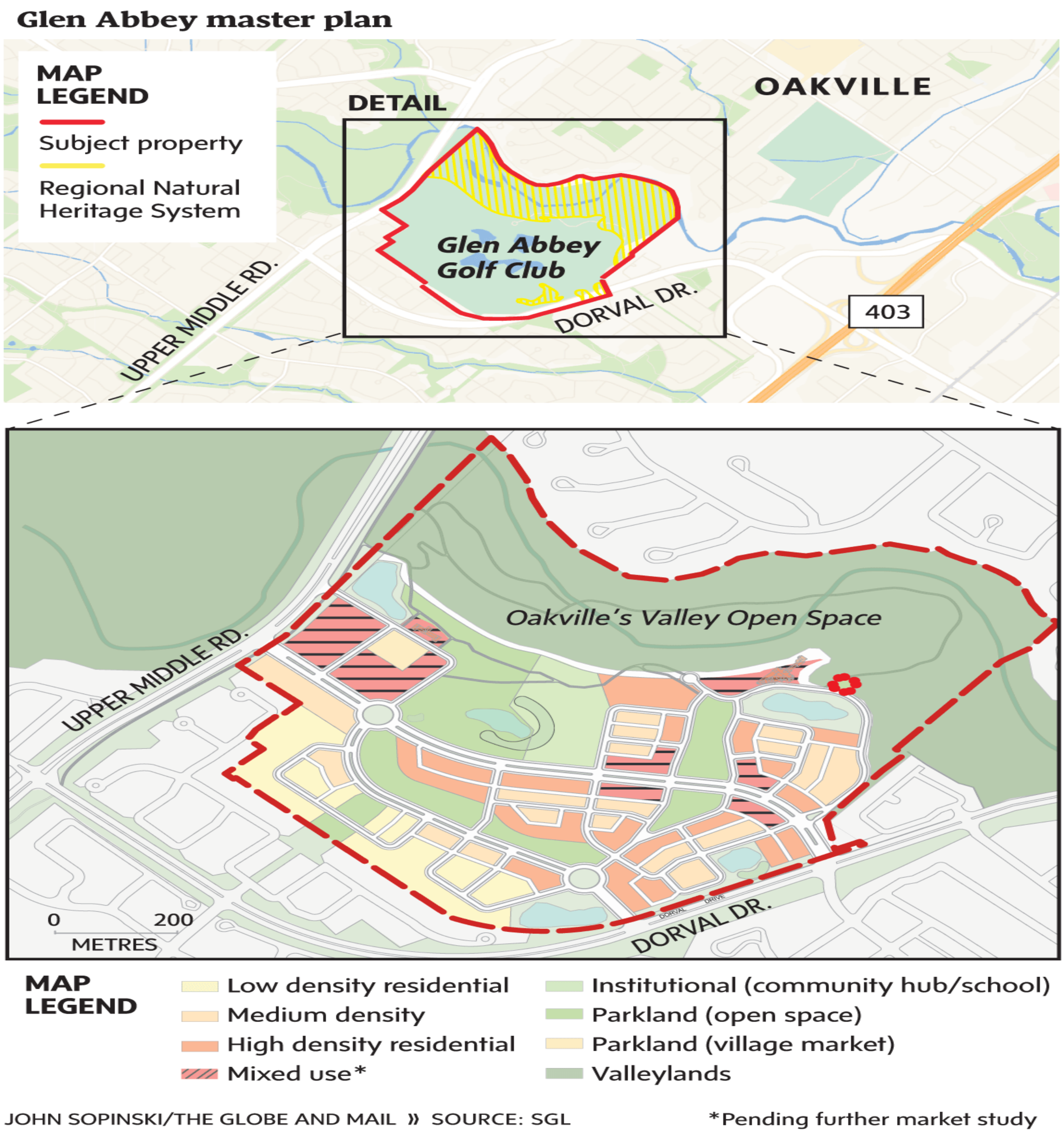
Potential Development of Glen Abbey Golf Club

TWC announced a long-term plan to develop the Glen Abbey Golf Club in Oakville, Ontario into a mixed-use real estate development. According to the FY2017 MD&A, the applications were filled in November 2016 and included 107,000 square feet of office space, 69,000 square feet of retail space, a 3,222-unit housing development, and 124 acres of public green space. If approved, the project would incur up to $1.2 billion in construction costs. City council rejected the proposal made by TWC in September of 2017 on the grounds that the golf club was a heritage; however, TWC has appealed the decision with hearings set to being on April 27, 2018. The company has filled a Section 34 application, which requires the city of Oakville to hold a pre-consultation meeting and has requested that the Ontario Superior Court verify the validity of this filing. The applications will be heard in Ontario Superior Court on July 16 and 17, 2018. At this point, the city is not on board with the approval process because they believe that the populous of Oakville support keeping the golf course in place. The process to get approval for the project may take several years and the golf course will continue with usual business operations for the foreseeable future.

18th Green at the Glen Abbey Golf Club.

Image source: ClubLink

If TWC were to secure rezoning and the adequate permits for redevelopment of the Glen Abbey site, it would be a major source of revenue for the organization. Oakville is one of the most sought after suburban communities in the greater Toronto area and has seen a large increase in the price and quantity of home sales. The average price of a single-family home was almost a million dollars in 2017, an increase of 16% from the previous year. It is likely that this project will be approved; however, it may be two to seven years before this gets approved. As a result, investors should be patient to see the full returns on this property.



Source: [Globe and Mail]

Management Team

K. Rai Sahi – President and Chief Executive Officer

Along with his role as President and CEO of TWC Enterprises, K. Rai Sahi also serves as President and CEO of Morguard, one of Canada's largest real estate companies. Between his two roles, Sahi oversees approximately $22 billion of real estate. Sahi is an accountant by background and built up CF Kingsway Inc. (Canada's third largest trucking business) before moving on to real estate and golf companies. He also serves as a director of a number of other public companies. Sahi was a director of TCT Logistics Inc., a supply chain management and transportation company, from 2000 to 2002 when it was placed into receivership. Forbes lists Mr. Sahi as the thirty-sixth wealthiest Canadian with a net worth of around 1.25 billion dollars. Sahi owns 18,592,788 shares of TWC Enterprises Limited making him the majority shareholder.

Andrew Tamlin – Chief Financial Officer

Andrew Tamlin has worked with TWC Enterprises (and formally ClubLink) for over 15 years in various positions with the company. He last worked as a controller before being promoted to CFO. Tamlin owns 2,000 shares of the company with an approximate value of $24,000.

Robert Visentin – Senior VP, Investments

Robert Visentin has worked with TWC Enterprises (and formally ClubLink) since 2000. He served as the CFO of the organization from 2000 until Andrew Tamlin's appointment in 2015. Visentin has an expansive background in real estate development that stems from working with the Brookfield group of companies for 18 years. During his time at Brookfield, Visentin became a Senior VP and the CFO until his departure for ClubLink. Visentin owns 224,884 shares of the company (as of March 2017), totalling a value of approximately $2,698,608.

Shareholder Base, Liquidity, Market Depth

Shareholder Summary

As of September 30, 2017, there are 27,345,540 basic shares outstanding. The majority of the company is owned by K. Rai Sahi, the President and Chief Executive Officer. Sahi owns 68 percent of the basic shares outstanding.

The following table breaks down the ownership type of TWC shares.

Ownership Type	% of Shares Owned
Individual	92.98
Investment Advisor	4.95
Corporation	2.06

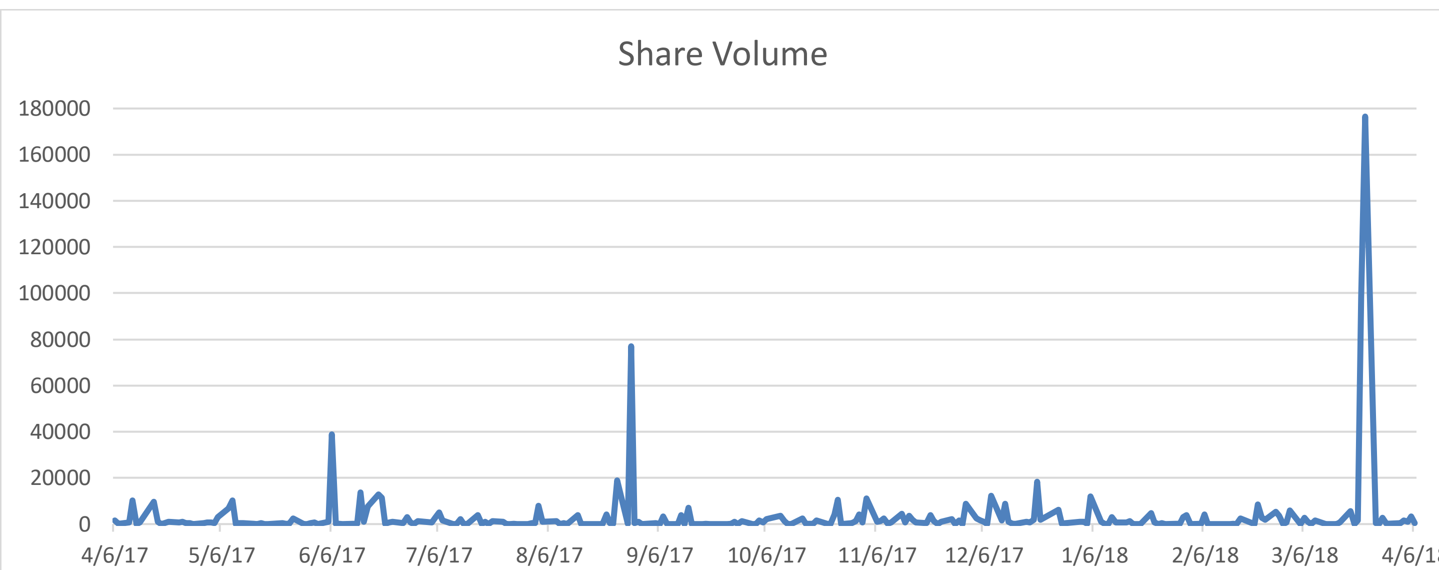
The table below provides a list of all shareholders who own at least 100,000 shares.

Shareholder	Shares Owned	% Shares Outstanding	Insider
K. Rai Sahi	18,592,788	67.99	Yes
Franklin Resources	443,335	1.62	No
Brandes Investment Partners LP	378,598	1.38	No
Patrick S. Brigham	304,059	1.11	Yes
Chou Associates Management Inc	201,944	0.77	No
Carwin Developments LTD	158,722	0.58	No
Alwin Developments LTD	158,722	0.58	No
Jack D. Winberg	130,281	0.48	Yes
Dustane Development LTD	107,089	0.39	No

Source: Bloomberg

Trading Volume and Liquidity

As of January 1, 2018, TWC has an average trading volume of 2,680 shares per day. With a current share price of $11.25, that represents a value of $30,150. This small volume can largely be contributed to the fact that one individual holds 68 percent of the company's shares and likely does not wish to divest below a 50 percent threshold to maintain controlling interest in the organization. In addition, management and the board of directors control 19,866,541 shares which totals 72.65 percent of outstanding basic shares. This means that only 7,478,999 shares are trading within the general public. As a result, liquidating shares is fairly difficult without creating some move in the share value.



Source: Yahoo Finance

Valuation

Discounted Cash Flow Analysis Assumptions

Revenue

The revenue assumptions were broken down into TWC's three operating segments: Canadian Golf Operations, US Golf Operations, and Rail and Port Operations. Based on historical records, the macroeconomic environment, existing contracts and memberships, as well as management's discussion and analysis, we assumed an average growth rate of 0.3% for Canadian Golf Operations in 2018, 0.1% in 2019, a -0.2% rate for 2020, -0.4% for 2021, and -0.5% for 2022. The decline in revenue for 2019-2022 represents the likelihood of a recession in which golf is likely to suffer in terms of revenue and rounds played. For US Golf operations, we forecasted a -5.4% growth rate for 2018, -4.0% for 2019, -2.0% for 2020, 0% for 2021, and 1% for 2022. We predicted the negative growth rate to continue for three years until TWC can streamline operations in Florida. This assumption also was made based on the fact that ClubLink holds golf properties that are in areas close to major population areas and will gain brand recognition in the next 5 years in the Florida marketplace. For Rail and Port operations, we forecasted an 11.9% increase for 2018, 8.5% for 2019, 6.5% for 2020 and then a 5% growth rate for the following two years. These numbers are consistent with contracts that management entered with Carnival Cruises and other cruise lines that will drive an increase in passenger traffic over the next three years.

Terminal Growth Rate

We believe that TWC will grow with GDP in perpetuity at a rate of 2.0% annually. Thus, we used that number as the terminal growth rate.

Cost of Goods Sold Margin

COGS as a percentage of revenue remained between 10-10.7% from 2009 to 2016. We believe that trend will continue and have forecasted a margin of 10.5-10.6% for the next five years. Unless significant new costs arise, we believe that this assumption to be quite likely to occur.

Sales, General, and Administration

We believe that SG&A as a percentage of revenue will be 3.0% in 2018 and 3.2% for the periods between 2019-2022. This is based off of historical data and the fairly fixed cost structure that the company operates with. This number may decrease if more operations are streamlined with Morguard offices and employees; however, this will also be subject to an increase due to Ontario's new minimum wage legislation.

Operating Expenses

OPEX, as a percentage of revenue, for TWC has remained between 58% and 61% over the past 5 years largely due to the consistency and repetitiveness of operations year to year. Unless new golf courses or other operational land are acquired, this should stay fairly constant.

Weighted Average Cost of Capital

To compute the cost of capital, we took a beta of 0.36 and a risk-free rate of 1.9%. We also added a 5% risk to the market risk premium due to the fact that there is a majority owner of the company who has controlling interest and the low level of liquidity for shares. We feel that this more accurately represents the risk that investors inherit when investing in the company.

Comparable Company Analysis

We used the following companies, all of which operate with similar business models, to determine multiples:

Canlan Ice Sports

Canlan is a leader in the operation of ice rink and multi-purpose recreational facilities across Canada and the United States. The company owns, leases, or manages 20 facilities that contain 77 surfaces. The company also owns the land for certain facilities which contains 1.4 million square feet of space across 157 acres. Canlan also operates two facilities on behalf of municipalities.

Six Flags

Six Flags is the largest regional theme park operation in the world based on number of parks. Seventeen of Six Flags' parks are located in the United States, two are located in Mexico, and one is located in Montreal, Canada. There are 100 and 175 million people that live within 50 and 100 miles of their twenty parks respectively. Six Flags parks occupy 4,600 acres of land with an additional 800 acres that could be further developed. The existing parks offer engaging and unique experiences including classic thrill rides, water attractions, themed areas, concerts, shows, restaurants, game venues, and retail outlets. During 2017, the company had 850 rides - including 140 roller coasters – which made it the leader in the "thrill rides" space. The company also holds licenses with Warner Bros. and DC Comics that can be used at all theme park locations.

Vail Resorts

Vail owns and operates mountains, lodges, and real estate in Australia, Canada, and the United States. Their mountain segment consists of eleven world-class resorts and three urban ski areas that include ski schools, dining, and retail/rental operations. These properties include Breckenridge (the most visited US mountain resort), Perisher (the most visited Australian mountain resort), and Whistler Blackcomb (host of the 2010 Winter Olympics and the most visited North American mountain resort). Vail's lodging segment owns and/or manages luxury hotels, located with close proximity to their resorts, under their RockResort brand and other strategic lodging properties. This segment also includes the Colorado resort ground transportation company and the Mountain resort golf course. Vail is considered to be a market leader in the recreation and leisure sector.

Recommendation

Based on our DCF, comparable company analysis, and qualitative analysis, we believe that TWC enterprises is undervalued in the market and has the potential to create a solid return. Even though the golf industry as a whole may face long term issues, we believe that the brand recognition and scale of the organization will allow it to thrive and grow into new markets in Canada and the United States. We also see a large upside with port and rail operations in Alaska given that it has improved substantially over the last few years. We believe that the infrastructure and quality management TWC has built up in their Skagway operation will continue to make it an attractive destination for the cruise ship industry for the foreseeable future.

Above and beyond regular business operations, the real estate portfolio of the company is impressive. Based on TWC's deal with Geranium on the Highland Gate Development, a potential partnership with 13th Floor in Florida, and a redevelopment of the Glen Abbey property, the company has many plausible big revenue items. This potential upside, even though not for certain, is not being accurately reflected in the current share value of the company.

Due to all of these factors, we have initiated a buy rating on TWC Enterprises Limited with a target share price of $13.50 which reflects a 20.7% upside.

Risks

Economic Downturn

All of TWC's segments rely on strong economic performance and macroeconomic trends given that revenue is largely from discretionary spending. The golf industry as a whole (both in Canada and the United States) has significantly higher revenue when the economy is performing well. The same principle applies for the other two sectors of the business, rail and port operations, given that they both rely on tourism. Tourism as a whole generally follows macroeconomic trends meaning that control over the number of passengers on cruise ships and the rail route is largely out of the control of TWC's management and marketing strategies. Considering the sustained strength of the Canadian and American economies over the last few years, it is likely that an economic downturn is imminent in the next few years. As a result, TWC takes on the risk of decreased revenues in all of its segments if the macroeconomic environment faces a downturn. We believe that this has been adequately priced into the model by the conservative and/or negative growth estimates made for certain segments.

In addition to regular business operations, revenue from real estate venture may also decrease if the housing market slows down. Although the market in Ontario has been extremely hot in recent years, this does not mean that the record setting prices and low days on market will continue. If the market does slow down, it may delay and/or decrease the cash flows that will come from the real estate portions of the business.

Even if a recession were to hit, it's important to note that TWC did not see a significant decrease in revenue during the 2008 financial crisis. The following table, with data from the 2011 annual report, displays TWC's key statistics from 2007-2011.

Category	2011	2010	2009	2008	2007
Total Operating Revenue (in millions)	$200.2	$190.4	$190.7	$196.8	$160.9
Net Earnings (in millions)	$16.4	$10.1	$11.2	$6.1	$8.9
Championship Rounds - Canada	1,018,000	1,064,000	1,020,000	975,000	1,004,000
Rail Passengers	382,000	368,000	396,000	438,000	461,000

Port Passengers	712,000	697,000	781,000	779,000	820,000

On the upside, an economic downturn would give TWC a chance to purchase other golf courses and/or land holdings as they did following the 2008 recession. Many of these acquisitions can be made at a discounted price that will provide value in the long run for shareholders. With this in mind, although an economic downturn would be a short-term harm to operations, it could allow for the increase in the book value of the company and land that could be redeveloped when the market rebounds.

Weather

Adverse weather conditions - including sustained drought, rain, cold, or heat – would have a large material impact on the condition of golf courses and the demand for golf. Given the diversity in geographical locations (courses in Ontario, Quebec, and Florida along with port and rail in Alaska), management believes that they have mitigated some of that risk; however, it could still hurt revenue and operating expenses for a few years after the event. Rail and port operations face a similar issue of adverse weather affecting the ability to operate either the port or the railroad.

Ontario Minimum Wage Legislation

Considering the majority of operations and employees for the company are based in Ontario, the new legislation that pushes the minimum wage to $15 will have an effect on the margins of the business. Management is still evaluating the extent of the impact that the new legislation will have on the business; however, it can be assumed that there will be come increase in the cost of SG&A and OPEX when the legislation is implemented.

Foreign Currency and Exchange Rate

Since the ClubLink Florida and rail and port segments operate in the United States, they are prone to the changes in exchange rates between Canada and the United States. In the past few years, the exchange rate has been relatively low allowing for revenue (in Canadian currency) to perform well. According to Bloomberg, the exchange rate is supposed to rise slightly over the next few years which will have a minimal effect on the overall revenue for the segments.

Appendix 1: Operating Model

Operating Model

	Dec-13	Dec-14	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
	FY2013	**FY2014**	**FY2015**	**QI-2016**	**Q2-2016**	**Q3-2016**	**Q4-2016**	**FY2016**	**QI-2017**	**Q2-2017**	**Q3-2017**	**Q4-2017**	**FY2017**	**Q1-2018**	**Q2-2018**	**Q3-2018**	**Q4-2018**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**
Income Statement																						
Revenue	213.7	213.1	227.3	27.4	72.8	97.4	31.5	229.0	26.0	71.4	99.5	30.2	227.2	25.2	72.3	104.2	29.7	231.5	235.1	238.5	241.4	244.6
COGS	21.5	21.4	23.1	1.1	8.1	11.4	3.2	23.8	1.3	7.8	11.8	3.0	23.8	1.1	7.9	12.4	3.0	24.5	24.7	25.0	25.6	25.9
Gross profit	192.2	191.7	204.2	26.2	64.7	86.0	28.3	205.3	24.8	63.7	87.8	27.2	203.4	24.1	64.3	91.8	26.8	207.0	210.4	213.5	215.8	218.6
EBITDA	68.2	61.9	58.6	3.8	21.9	39.9	3.7	69.3	4.8	20.7	41.3	-30.3	36.6	3.9	21.0	37.6	-1.1	61.4	63.5	64.4	64.9	65.8
Net income	**13.2**	**3.5**	**4.3**	**-5.7**	**5.9**	**17.9**	**-1.5**	**16.6**	**-3.6**	**5.8**	**19.5**	**-19.6**	**2.0**	**-2.6**	**8.0**	**19.4**	**-2.9**	**21.8**	**23.0**	**23.3**	**23.3**	**23.4**
Earnings per share	**0.5**	**0.1**	**0.2**	**-0.2**	**0.2**	**0.7**	**-0.1**	**0.6**	**-0.1**	**0.2**	**0.7**	**-0.7**	**0.1**	**-0.1**	**0.3**	**0.7**	**-0.1**	**0.8**	**0.8**	**0.9**	**0.9**	**0.9**
Cash Flow Statement																						
Cash flow from operating activities	32.7	26.6	47.2	11.5	3.7	24.2	(2.5)	36.9	17.1	1.5	23.5	(8.3)	33.8	27.0	7.7	12.5	(1.2)	46.0	39.4	40.8	41.5	42.2
Cash used in investing activities	(18.7)	(23.9)	(15.8)	(2.7)	(4.9)	(7.8)	(4.7)	(19.9)	0.8	(9.1)	(6.5)	(5.7)	(20.6)	(5.1)	(5.1)	(5.1)	(5.1)	(20.3)	(31.3)	(36.8)	(42.8)	(46.2)
Cash from financing activities	(14.1)	(1.7)	(32.9)	(8.4)	3.8	(17.8)	5.9	(16.6)	(18.3)	8.6	(16.9)	12.6	(13.9)	(0.5)	(0.5)	(0.5)	(0.5)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)
Net change in cash	**0.3**	**0.8**	**0.5**	**(0.5)**	**1.5**	**(1.1)**	**0.2**	**0.1**	**(0.5)**	**1.0**	**(0.7)**	**(1.4)**	**(1.5)**	**21.4**	**2.1**	**6.9**	**(6.9)**	**23.6**	**6.0**	**1.8**	**(3.5)**	**(6.2)**
Balance Sheet																						
Assets																						
Current assets	9.7	12.1	33.4	25.9	40.1	26.9	12.9	12.9	26.4	45.9	31.2	13.7	13.7	45.0	61.7	57.6	34.7	34.7	41.7	43.7	40.3	34.3
Non-current assets	649.0	661.2	678.6	661.9	659.4	663.6	666.2	666.2	659.1	656.9	649.8	616.3	616.3	617.2	618.2	619.1	620.0	620.0	634.7	654.5	679.7	707.5
Total assets	**658.7**	**673.3**	**712.1**	**687.9**	**699.5**	**690.5**	**679.1**	**679.1**	**685.6**	**702.9**	**681.0**	**630.1**	**630.1**	**662.3**	**679.8**	**676.7**	**654.7**	**654.7**	**676.4**	**698.1**	**720.0**	**741.8**
Liabilities																						
Current liabilities	49.2	103.0	108.5	94.6	95.8	74.0	108.1	108.1	130.7	128.3	91.2	68.4	68.4	103.8	113.9	91.9	73.4	73.4	74.3	74.9	75.7	76.2
Non-current liabilities	416.2	369.7	378.4	378.8	385.3	379.8	333.3	333.3	322.1	338.5	338.0	329.7	329.7	329.7	329.7	329.7	329.7	329.7	329.7	329.7	329.7	329.7
Total liabilities	**465.4**	**472.8**	**486.9**	**473.4**	**481.1**	**453.7**	**441.4**	**441.4**	**452.8**	**466.8**	**429.2**	**398.1**	**398.1**	**433.5**	**443.5**	**421.6**	**403.1**	**403.1**	**404.0**	**404.6**	**405.3**	**405.9**
Shareholders' equity																						
Total shareholders' equity	193.3	200.6	225.2	214.5	218.4	236.7	237.8	237.8	232.8	236.1	251.8	232.0	232.0	228.8	236.3	255.1	251.6	251.6	272.4	293.5	314.7	335.9

Appendix 2: Comparable Company Analysis

Comparable Company Analysis

Company	Ticker	Equity Value	Enterprise Value	NTM EV/EBITDA	2018E EV/EBITDA	2019E EV/EBITDA	NTM P/E	2018E P/E	2019E P/E
				EV/EBITDA Multiple			P/E Multiple		
Canlan Ice Sports	TSE: ICE	52.9	90.3	6.9 x	6.9 x	6.8 x	18.1 x	18.1 x	17.3 x
Six Flags Entertainment Corporation	NYSE: SIX	5,205.5	7,149.2	12.4 x	12.4 x	11.6 x	22.2 x	22.2 x	20.2 x
Vail Resorts	NYSE: MTN	9,439.0	10,424.3	16.0 x	17.0 x	14.9 x	34.5 x	25.2 x	29.1 x
TWC Enterprises Limited		**307.1**	**607.1**	**9.9 x**	**9.9 x**	**9.6 x**	**15.0 x**	**15.0 x**	**15.2 x**
Median				**12.4 x**	**12.4 x**	**11.6 x**	**22.2 x**	**22.2 x**	**20.2 x**
Mean				**11.8 x**	**12.1 x**	**11.1 x**	**25.0 x**	**21.9 x**	**22.2 x**
High				**16.0 x**	**17.0 x**	**14.9 x**	**34.5 x**	**25.2 x**	**29.1 x**
Low				**6.9 x**	**6.9 x**	**6.8 x**	**18.1 x**	**18.1 x**	**17.3 x**

	EV/EBITDA Implied Price			P/E Implied Price		
Median	$ 17.00	$ 17.00	$ 15.96	$ 16.67	$ 16.67	$ 14.92
Mean	**$ 15.53**	**$ 16.31**	**$ 14.89**	**$ 18.71**	**$ 16.39**	**$ 16.41**
High	$ 24.94	$ 27.30	$ 23.77	$ 25.90	$ 18.93	$ 21.50
Low	$ 4.64	$ 4.64	$ 4.93	$ 13.57	$ 13.57	$ 12.81

Alexander McGuigan | contact@westpeakresearch.com

Appendix 3: Discounted Cash Flow Analysis

Discounted Cash Flow Analysis

WACC Calculations

Cost of Equity	
Risk-free rate	1.9%
Expected market return	9.0%
Market risk premium	7.1%
Beta	0.36
Added Risk	5.0%
Cost of equity	**9.4%**

Cost of Debt	
Pre-tax cost of debt	4.2%
Effective tax rate	25.0%
Cost of debt	**3.2%**

WACC	
Total shareholders' equity	232.0
Total outstanding debt	300.8
Total capitalization	532.8
Cost of equity	9.4%
Cost of debt	3.2%
WACC	**5.9%**

Free Cash Flow

	Dec-13 FY2013	Dec-14 FY2014	Dec-15 FY2015	Dec-16 FY2016	Mar-17 QI-2017	Jun-17 Q2-2017	Sep-17 Q3-2017	Dec-17 Q4-2017	Dec-17 FY2017	Dec-18 FY2018	Dec-19 FY2019	Dec-20 FY2020	Dec-21 FY2021	Dec-22 FY2022
EBIT	44.4	37.0	32.2	42.9	(1.7)	14.2	34.9	(36.9)	10.6	44.8	46.9	47.4	47.3	47.5
Less: Tax expense	(11.1)	(9.2)	(8.0)	(10.7)	0.4	(3.6)	(8.7)	9.2	(2.6)	(11.2)	(11.7)	(11.8)	(11.8)	(11.9)
Add: Depreciation and amortization	23.8	24.9	26.4	26.4	6.5	6.5	6.4	6.6	26.0	16.5	16.6	17.0	17.6	18.3
Less: Capital expenditures	(15.6)	(12.0)	(12.1)	(19.7)	(2.3)	(6.6)	(3.7)	(5.2)	(17.8)	(20.3)	(23.3)	(26.8)	(30.8)	(32.1)
Less: Change in net working capital	(1.8)	(0.2)	11.1	(0.9)	22.0	(11.9)	(12.1)	(4.7)	(6.6)	7.7	(0.1)	0.4	0.6	0.4
Unlevered free cash flow	**39.6**	**40.4**	**49.5**	**38.0**	**24.9**	**(1.2)**	**16.7**	**(30.9)**	**9.5**	**37.6**	**28.4**	**26.2**	**22.9**	**22.3**
Discount factor					-	-	-	-	-	1.00	2.00	3.00	4.00	5.00
Present value of unlevered free cash flow					-	-	-	-	-	**36.9**	**25.3**	**22.0**	**18.2**	**16.7**

Discounted Cash Flow Valuations

Perpetuity Growth Method	
Perpetuity growth rate	2.0%
PV sum of unlevered FCF	119.2
PV of terminal value	430.9
Enterprise value	**550.1**
Add: Cash	0.8
Less: Debt	300.8
Less: Other EV adjustments	-
Equity value	**250.1**
Shares outstanding	27.3
Implied share price	**$ 9.15**
Current price	$ 11.33
Implied price	**$ 9.15**
Total return	**-19.3%**

Exit Multiple Method	
Terminal EV/EBITDA multiple	11.0 x
PV sum of unlevered FCF	119.2
PV of terminal value	543.7
Enterprise value	**662.9**
Add: Cash	0.8
Less: Debt	300.8
Less: Other EV adjustments	-
Equity value	**362.9**
Shares outstanding	27.3
Implied share price	**$ 13.27**
Current price	$ 11.33
Implied price	**$ 13.27**
Total return	**17.1%**

Perpetuity Growth Rate \ WACC	6.88%	6.38%	5.88%	5.38%	4.88%
1.00%	$ 3.23	$ 4.45	$ 5.93	$ 7.75	$ 10.03
1.50%	$ 4.15	$ 5.59	$ 7.37	$ 9.60	$ 12.48
2.00%	$ 5.26	$ 6.99	$ 9.17	$ 11.99	$ 15.78
2.50%	$ 6.63	$ 8.75	$ 11.50	$ 15.21	$ 20.46
3.00%	$ 8.35	$ 11.03	$ 14.65	$ 19.78	$ 27.64

Terminal EV/EBITDA Multiple \ WACC	6.88%	6.38%	5.88%	5.38%	4.88%
9.0 x	$ 8.82	$ 9.23	$ 9.66	$ 10.10	$ 10.55
10.0 x	$ 10.54	$ 11.00	$ 11.47	$ 11.95	$ 12.45
11.0 x	$ 12.27	$ 12.76	$ 13.27	$ 13.80	$ 14.34
12.0 x	$ 13.99	$ 14.53	$ 15.08	$ 15.65	$ 16.24
13.0 x	$ 15.72	$ 16.29	$ 16.89	$ 17.50	$ 18.13

Alexander McGuigan | contact@westpeakresearch.com

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Alexander McGuigan
Analyst

WestPeak Research Association
contact@westpeakresearch.com