

## Leisure

# Golf Industry Tracker: Topgolf traffic improves in 4Q

Industry Overview

## Golf club sales accelerated in November

Overall golf club sales increased 2.5% y/y in November (vs. -3.4% in Oct.) in the channels that report to Golf Datatech point-of-sale data given that a 2.6% increase in units helped offset a 0.1% decrease in average selling prices (ASP). On a 4 yr. stack club sales growth accelerated to +45.8% in Nov. vs. +42.3% in Oct.

## MODG club sales accelerated to +3.6% y/y in November

Topgolf Callaway Brands (MODG) golf club sales (89% correlated with MODG reported golf club revenue since 1Q19) increased 3.6% in November (vs. +0.7% in Oct.) as increases in woods (+2.5%), and putters (+45.6%) were only partially offset by declines in irons (-5.5%) and wedges (-0.9%). Callaway ASPs increased 2.6% y/y while units increased 1.0% y/y in Nov. On a y/y basis MODG market share is down 80bps given additional launches by competitors this year.

## Topgolf 4Q traffic improved on more favorable calendar

According to Foot Traffic data from Placer (for a cohort of clubs open since 2021) visits were down 13.7% y/y in 4Q, accelerating from -18.1% y/y in 3Q. Placer foot traffic data was ~13pts lower than reported Topgolf same-venue sales over the past three quarters on average, implying 4Q same-venue sales of -1%, ahead of guidance of -MSD (mid-single digit) to -HSD% (high-single digit). We believe Leisure entertainment concepts including Topgolf benefitted from a more favorable calendar with an extra non-holiday Saturday vs. last year (Saturday is typically highest volume day of the week). Topgolf also benefitted from more favorable warmer weather vs. last year in December (see Exhibit 18), especially as it lapped extreme weather in the week prior to Christmas last year (30 venues were shut down).

## Rounds played accelerated in Nov. on favorable weather

Golf Rounds played (79% correlation with golf club spending) were +8.2% y/y in November (accelerating significantly from -1.0% in October). On a 4 yr. stack rounds played decelerated to +26.4% in November (from +27.1% in Oct.). We believe the acceleration in rounds played was likely supported by warmer weather y/y throughout most of the country.

03 January 2024

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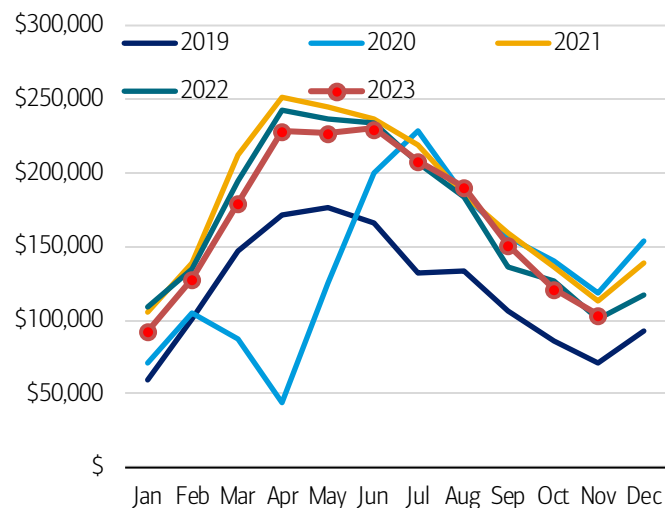
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### Exhibit 1: Overall U.S. Golf Club Sales (\$000s)

Golf club sales were up 3% in November according to point of sale data from Golf Datatech

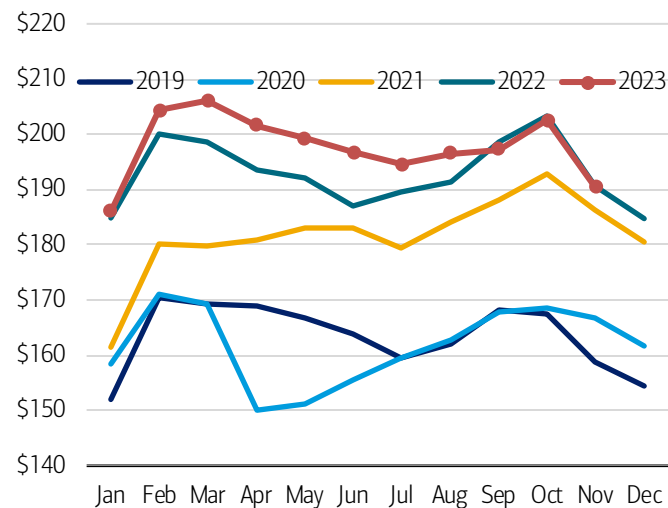


Source: Golf Datatech

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### Exhibit 2: Overall Golf Club Average Selling Prices

Golf Club ASPs are down y/y

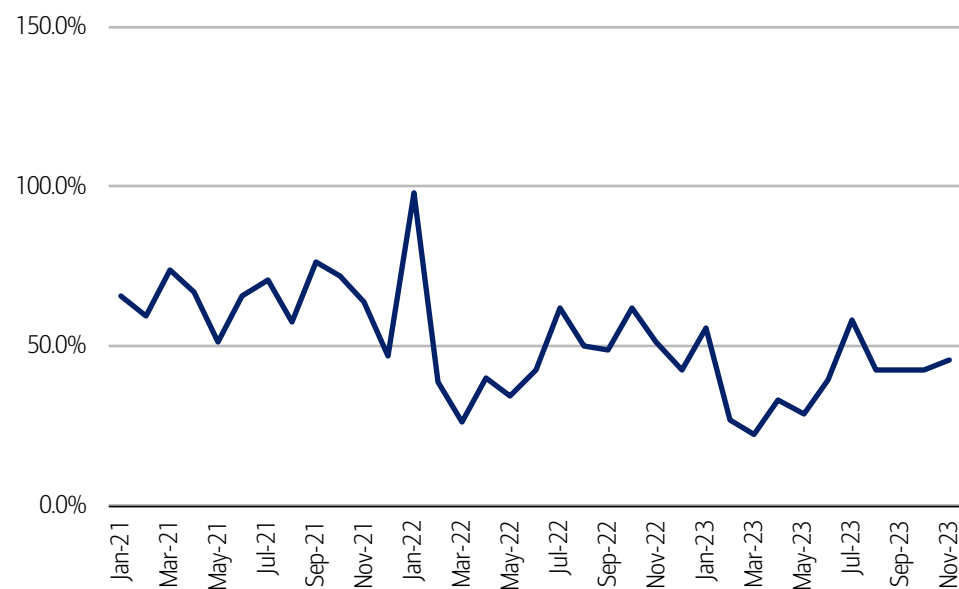


Source: Golf Datatech

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### Exhibit 3: Monthly Golf Club Sales (4 yr. geometric stack)

Golf Club Sales accelerate in Nov. on 4 yr. stack



Source: Golf Datatech

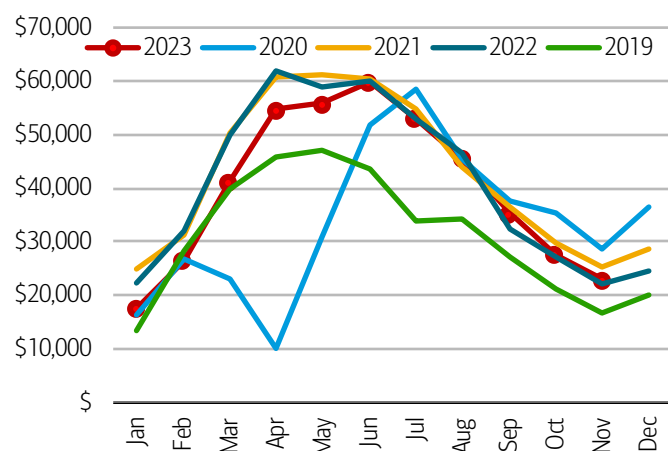
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Topgolf Callaway Brands (MODG) golf club sales (89% correlated with MODG reported golf club revenue since 1Q19) increased 3.6% in November (vs. +0.7% in Oct.) as increases in woods (+2.5%), and putters (+45.6%) were only partially offset by declines in irons (-5.5%) and wedges (-0.9%). Callaway ASPs increased 2.6% y/y while units increased 1.0% y/y in Nov. On a y/y basis MODG market share is down 80bps given additional launches by competitors this year.

### Exhibit 4: Callaway Golf Club Sales (\$000s)

Callaway golf club sales were up in November

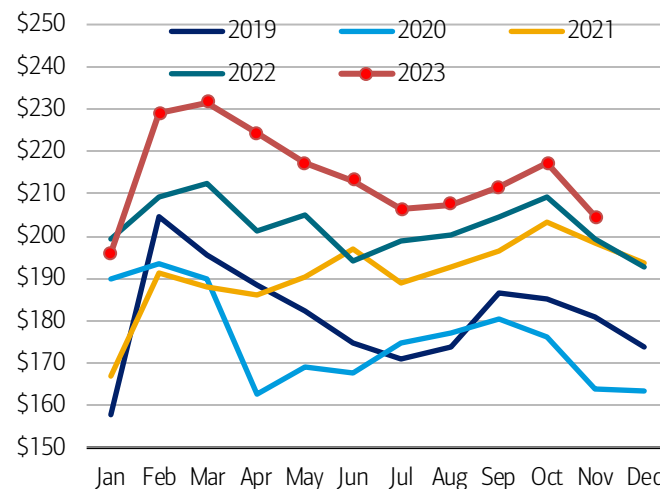


Source: Golf Datatech

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### Exhibit 5: Callaway Golf Club ASPs

Callaway Golf Club ASPs are up y/y

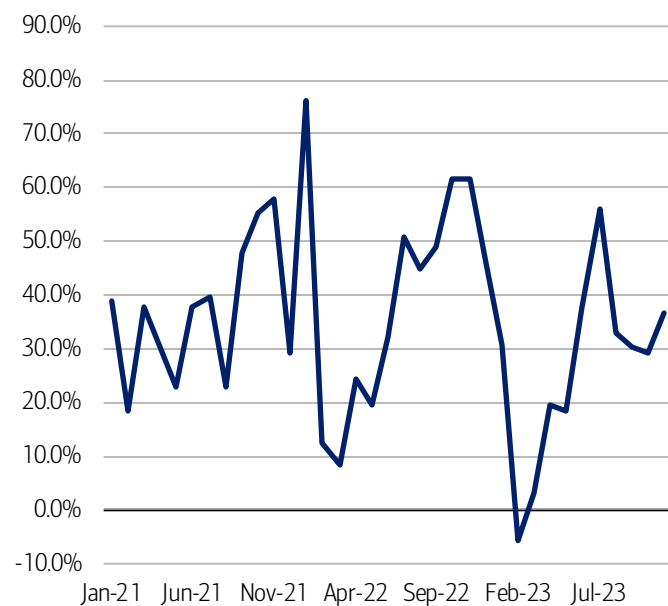


Source: Golf Datatech

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### Exhibit 6: MODG Club Sales 4 yr. stack

On a 4 yr. stack sales decelerated in Nov.

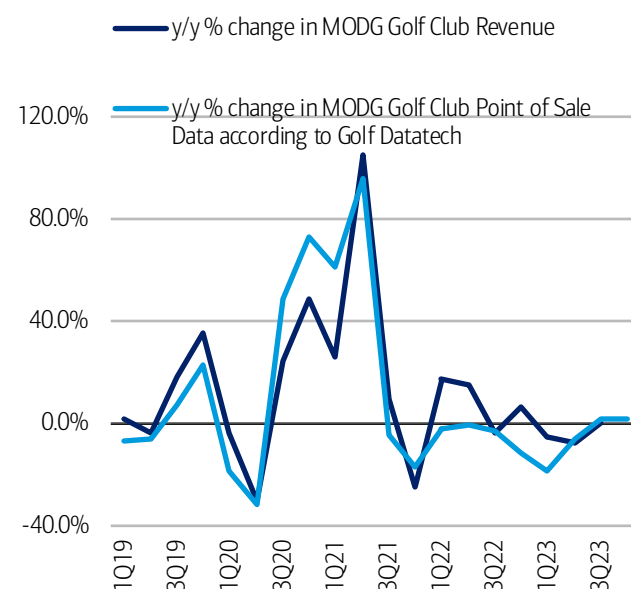


Source: Golf Datatech

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### Exhibit 7: Quarterly y/y % change in MODG Reported Club Revenue vs. Y/Y % change in Golf Datatech point-of-sale data

We see a slight acceleration in 4Q golf club revenue

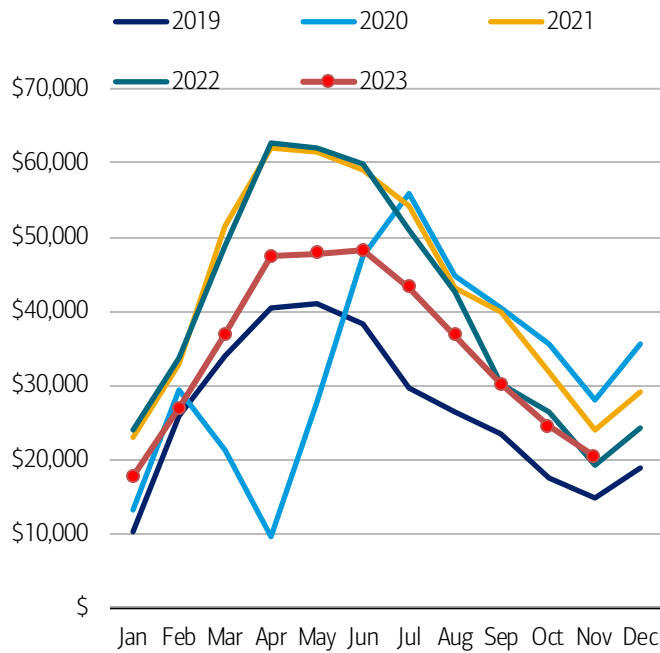


Source: Golf Datatech

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### Exhibit 8: TaylorMade Golf Club Sales (\$000s)

Sales inflected positive in November

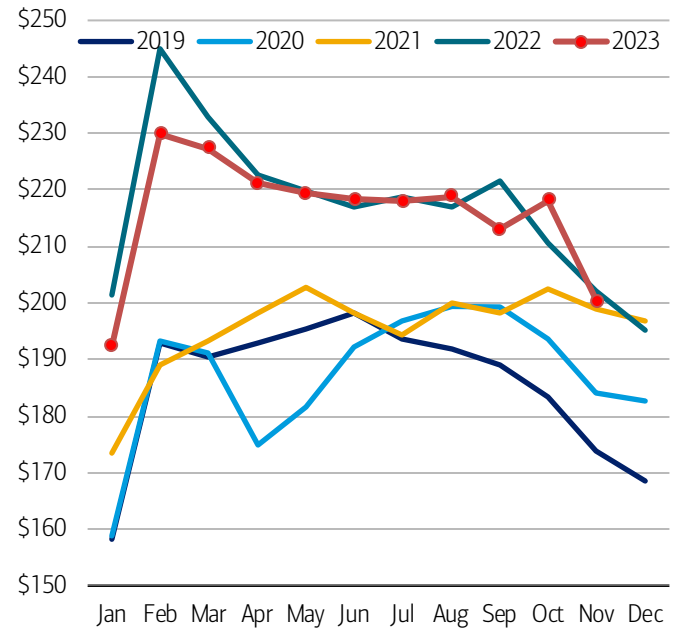


Source: Golf Datatech

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### Exhibit 9: TaylorMade Average Selling Prices (ASPs)

ASPs are down vs. last year

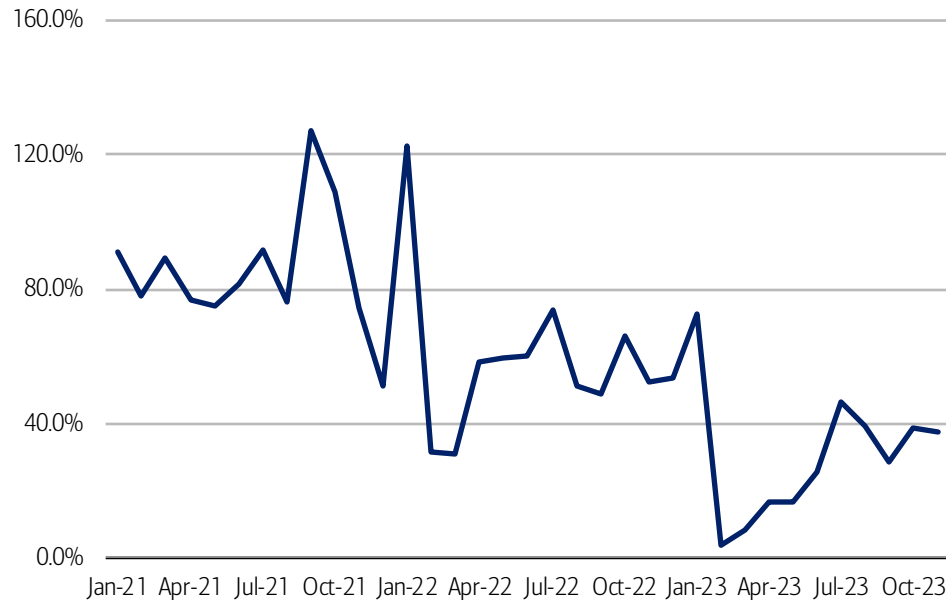


Source: Golf Datatech

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### Exhibit 10: TaylorMade Golf Club Sales 4 yr. stack

Sales decelerated in November

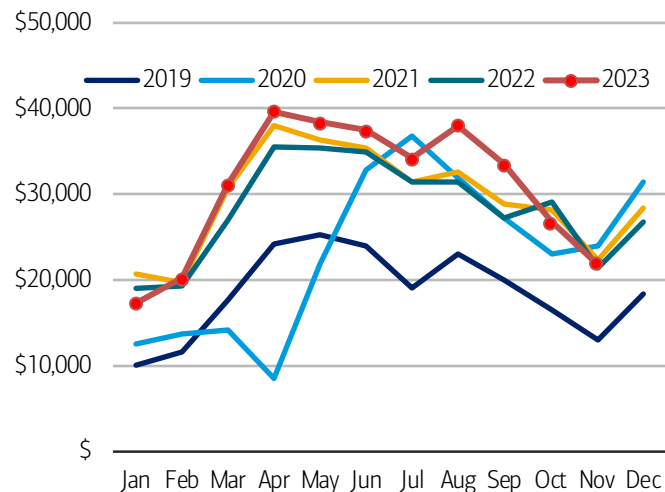


Source: Golf Datatech

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**Exhibit 11: Titleist Golf Club Sales (\$000s)**

Titleist sales were up in November

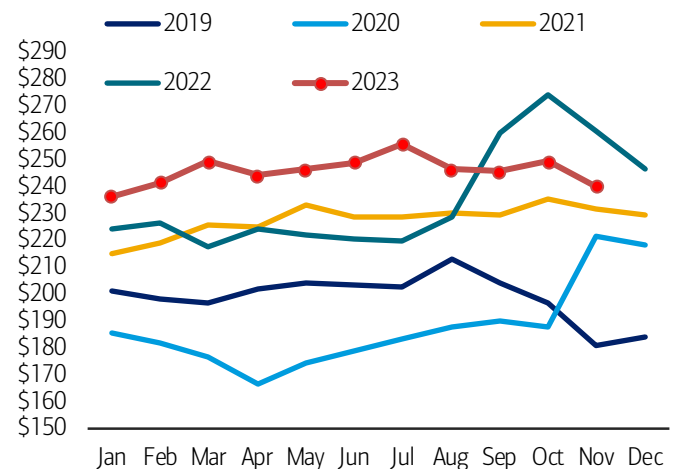


Source: Golf Datatech

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**Exhibit 12: Titleist Golf Club ASPs**

Titleist ASPs were down in November

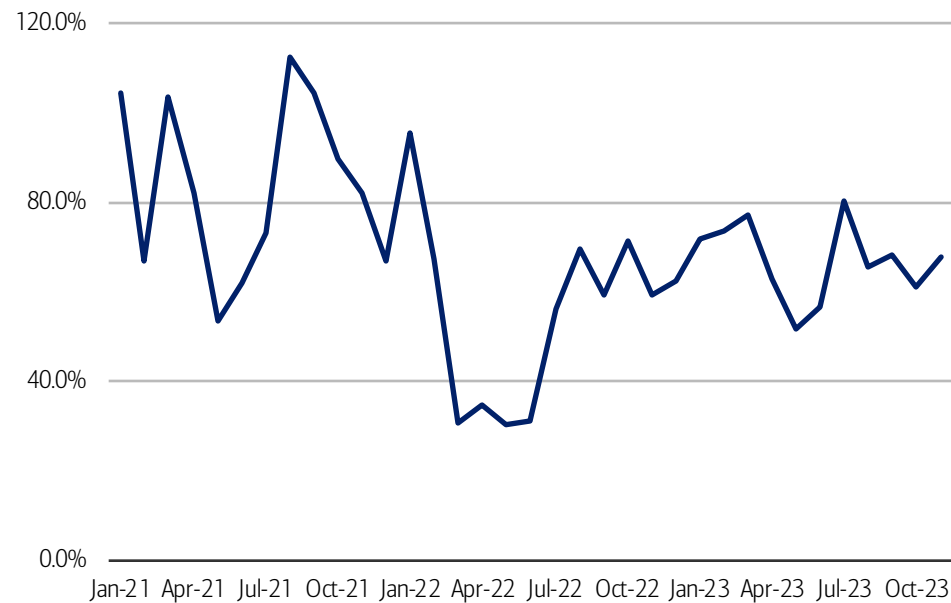


Source: Golf Datatech

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**Exhibit 13: Titleist Club Sales 4 yr. stack**

Titleist club sales accelerate in November



Source: Golf Datatech

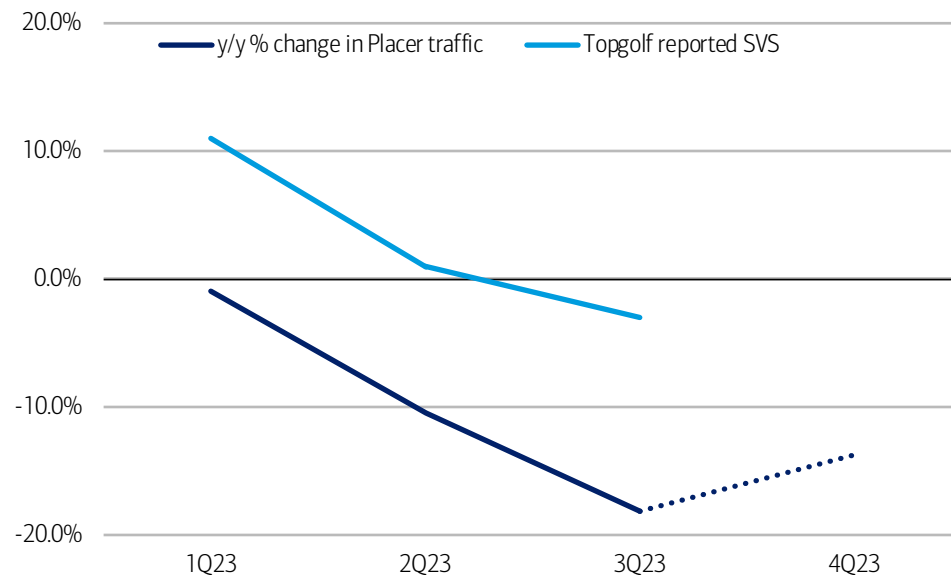
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### Exhibit 14: y/y % change in Topgolf Placer Traffic vs. Topgolf reported same-venue sales

Foot traffic data implies acceleration in 4Q same-venue sales

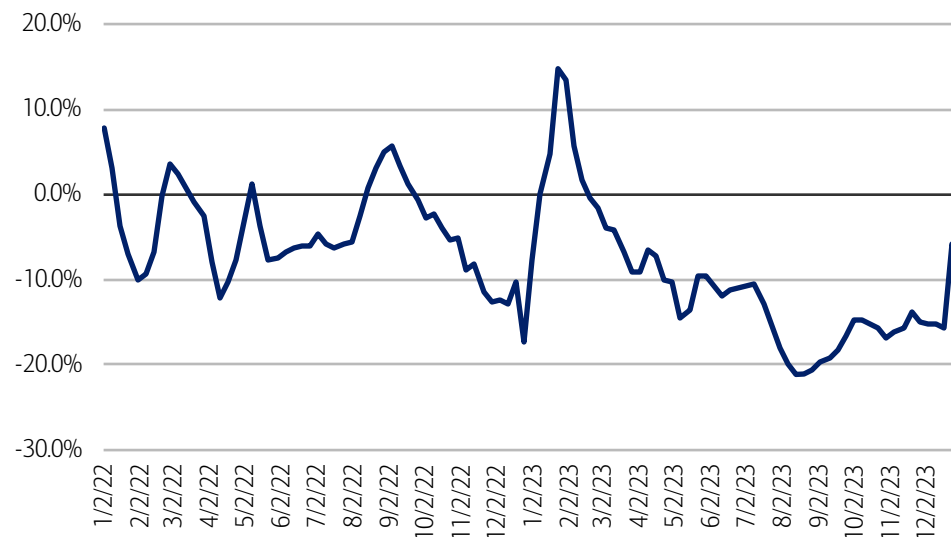


Source: Placer

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### Exhibit 15: Trailing 4 week y/y % change in foot traffic visits to Topgolf according to Placer

Visits have accelerated recently



Source: Placer

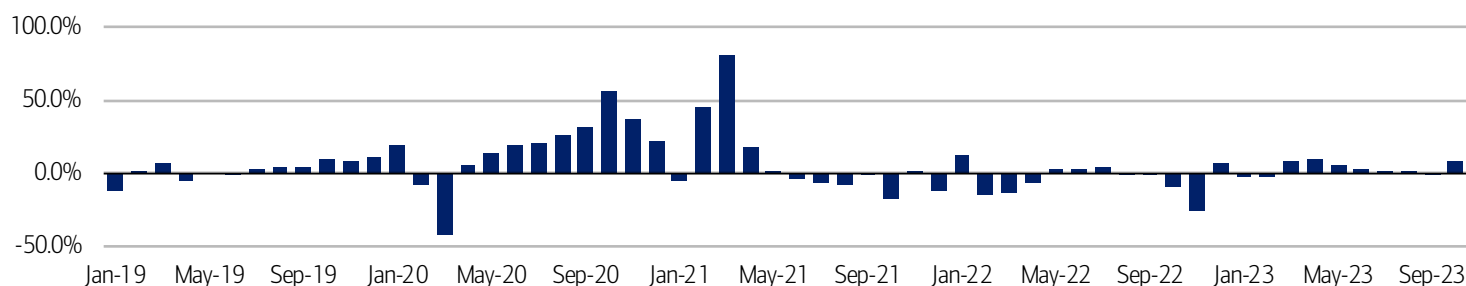
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### Exhibit 16: y/y % change in rounds played

Rounds played accelerated in November

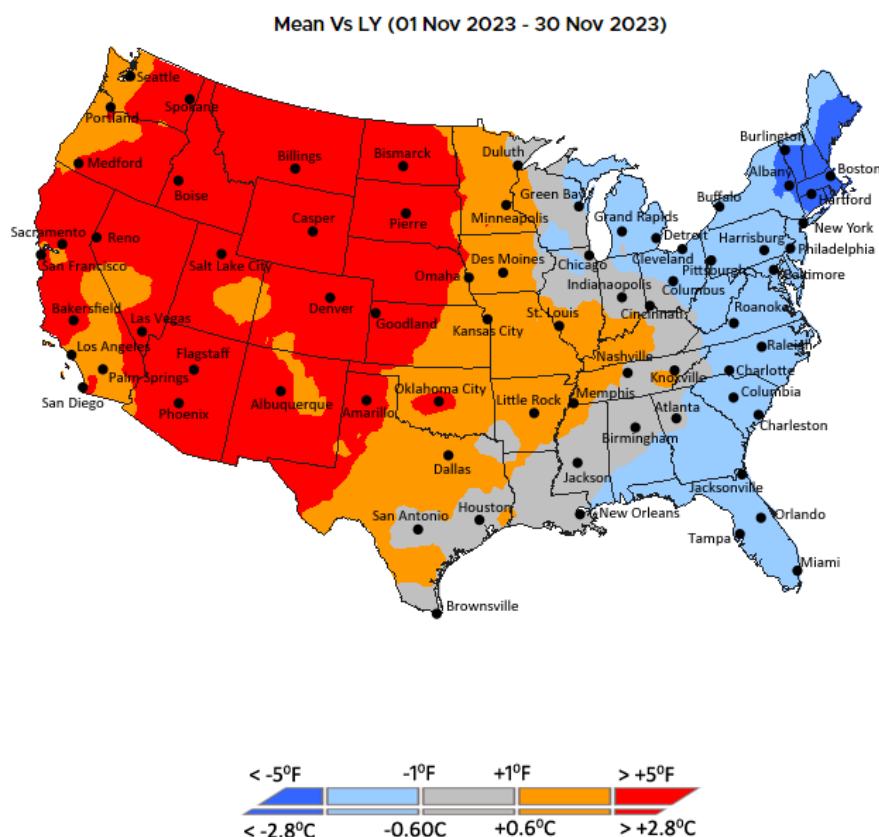


Source: NGF

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### Exhibit 17: Average Temperature vs. last year in November

It was warmer in most of the country vs. last year in November

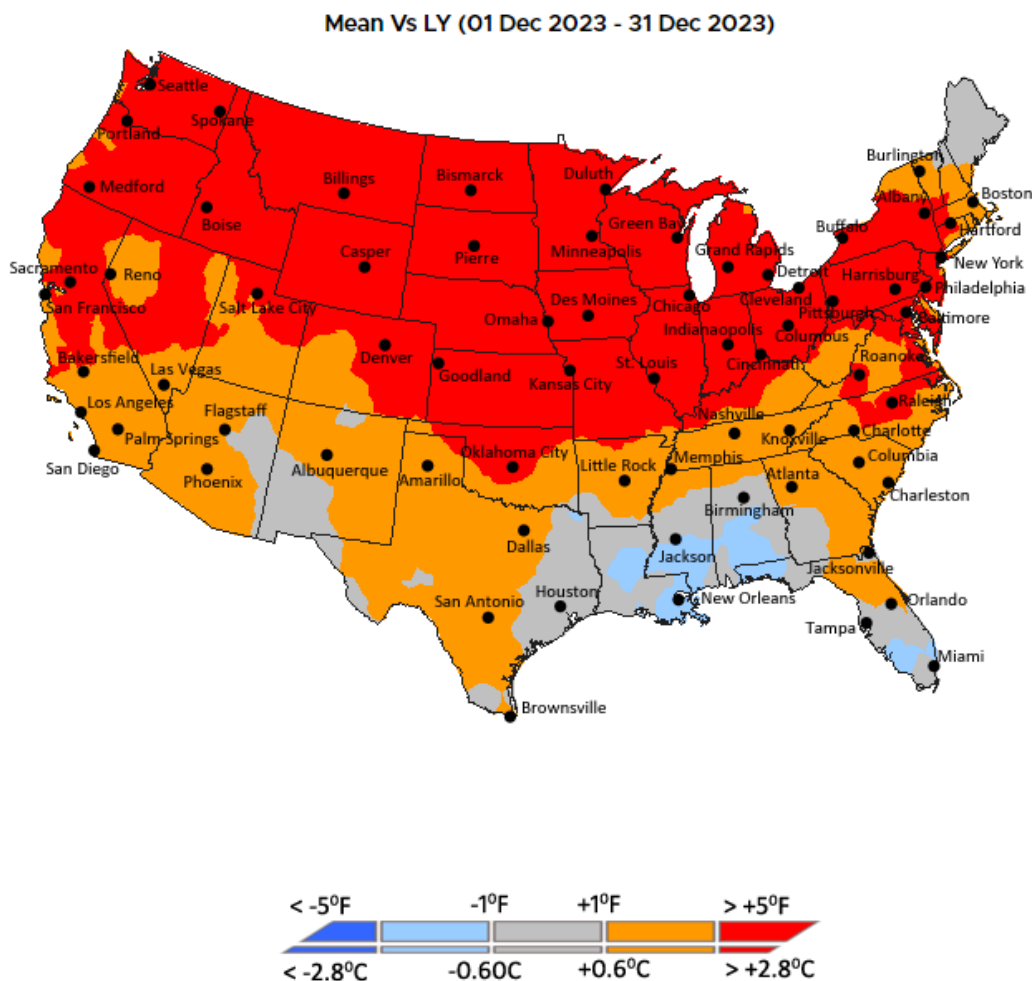


Source: WeatherTrends360

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**Exhibit 18: Average Temperature vs. last year in December**

It was warmer in most of the country vs. last year in December



Source: WeatherTrends 360

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## Investment Rationale

### Topgolf Callaway Brands Corp

We rate MODG shares Buy as we expect continued long-term tailwinds amid the Solitary Leisure demand surge.

## Price objective basis & risk

### Topgolf Callaway Brands Corp (MODG, \$14.23, C-1-9)

Our \$18 price objective is based on an enterprise value of 8-9x our C2024 adj. EBITDA estimate of \$620MM, a premium to other Leisure Brands & Experience models (trading at 7x) reflecting stickiness in new customer acquisition and pricing opportunity across



both golf equipment and Topgolf.

Risks to the downside are: 1) tough comparisons as MODG laps surge in demand for golf equipment, (2) slowdown in golf participation as consumers return to other forms of entertainment in a post-COVID environment, (3) resurgence in COVID-19 cases could pressure recovery trends for Topgolf, and (4) risk from increasing supply chain headwinds including from Vietnam Factory shutdowns, elevated freight costs, & rising raw material input costs.

### **Analyst Certification**

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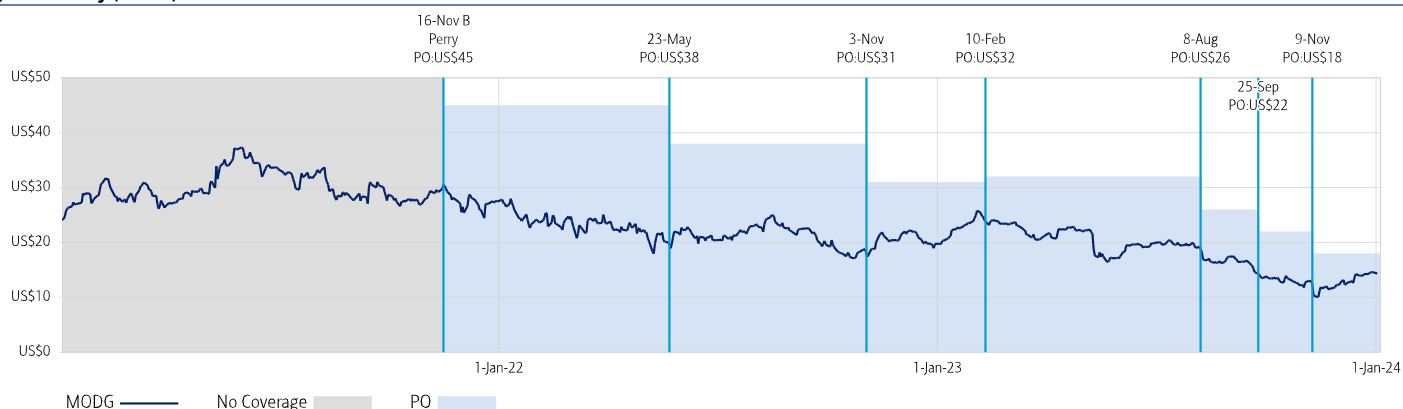
## US - Food Retailers &amp; Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Academy Sports + Outdoors	ASO	ASO US	Robert F. Ohmes, CFA
	BJ's Wholesale Club Holdings	BJ	BJ US	Robert F. Ohmes, CFA
	Costco Wholesale Corporation	COST	COST US	Robert F. Ohmes, CFA
	Fox Factory Holding Corp	FOXF	FOXF US	Alexander Perry
	Grocery Outlet Holding Corp.	GO	GO US	Robert F. Ohmes, CFA
	Harley-Davidson	HOG	HOG US	Alexander Perry
	Life Time	LTH	LTH US	Alexander Perry
	Planet Fitness, Inc.	PLNT	PLNT US	Alexander Perry
	Sysco Corporation	SY	SY US	Kendall Toscano
	Target Corp.	TGT	TGT US	Robert F. Ohmes, CFA
	The Kroger Co.	KR	KR US	Robert F. Ohmes, CFA
	Topgolf Callaway Brands Corp	MODG	MODG US	Alexander Perry
	Walmart Inc	WMT	WMT US	Robert F. Ohmes, CFA
<b>NEUTRAL</b>				
	Dick's Sporting Goods	DKS	DKS US	Robert F. Ohmes, CFA
	Xponential Fitness	XPOF	XPOF US	Alexander Perry
	YETI Holdings, Inc.	YETI	YETI US	Robert F. Ohmes, CFA
<b>UNDERPERFORM</b>				
	Canada Goose Holdings Inc	YGOOS	GOOS CN	Alexander Perry
	Canada Goose Holdings Inc	GOOS	GOOS US	Alexander Perry
	Columbia Sportswear	COLM	COLM US	Alexander Perry
	Dollar General Corporation	DG	DG US	Robert F. Ohmes, CFA
	Dollar Tree, Inc.	DLTR	DLTR US	Robert F. Ohmes, CFA
	Hibbett Sports, Inc.	HIBB	HIBB US	Alexander Perry
	National Vision	EYE	EYE US	Robert F. Ohmes, CFA
	Sprouts Farmers Market, Inc.	SFM	SFM US	Robert F. Ohmes, CFA

## Disclosures

## Important Disclosures

## Topgolf Callaway (MODG) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**Equity Investment Rating Distribution: Leisure Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	16	55.17%	Buy	9	56.25%
Hold	7	24.14%	Hold	5	71.43%
Sell	6	20.69%	Sell	4	66.67%

**Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. VOLATILITY RISK RATINGS, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. INVESTMENT RATINGS reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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