

Leisure

Golf Industry Tracker: All key metrics accelerate in December

Industry Overview

Golf club sales accelerate in December

Overall golf club sales increased 6.0% y/y in December (vs. +2.5% in Nov.) in the channels that report to Golf Datatech point-of-sale data given a 6.4% increase in units helped offset a 0.7% decrease in average selling prices. On a 4 yr. stack, club sales decelerated to +35.1% in Dec. vs. +45.8% in Nov. We believe the strong increase was likely due to more favorable warmer weather and a more favorable calendar with an extra non-holiday Saturday vs. last year.

MODG club sales accelerate to +16% y/y in December

Topgolf Callaway Brands (MODG, \$14.42, C-1-9) golf club sales (89% correlated with MODG reported golf club revenue since 1Q19) increased 15.5% in December (vs. +3.6% in Nov.) as increases in woods (+20.5%), putters (+42.7%), and irons (+6.2%) were only partially offset by a decline in wedges (-5.6%). The acceleration in Callaway's woods sales were led by strong contribution from Paradym and Big Bertha brands. Callaway ASPs increased 1.5% y/y while units increased 13.7% y/y in Dec. On a y/y basis MODG market share is down 70bps given additional competitor launches this year. Total 4Q retail sales increased 6.5%, which was an acceleration from 1.6% in 3Q.

Topgolf recently launched new corporate/gameplay promo

According to Foot Traffic data from Placer (for a cohort of clubs open since 2021) visits were down 13.7% y/y in 4Q, which is an acceleration from -18.1% y/y in 3Q. Placer foot traffic data was ~13pts lower than reported Topgolf (MODG) same-venue sales over the past three quarters on average, implying 4Q same-venue sales of -1% ahead of guidance of -MSD to -HSD%. Topgolf also benefitted from more favorable warmer weather vs. last year in December especially as it lapped extreme weather in the week prior to Christmas last year (30 venues were shutdown). However, traffic has decelerated in January on much colder weather y/y. We believe Topgolf is looking to accelerate non-peak visitation through increased gameplay promos ([see our Year Ahead](#)) including recently launched half-off gameplay Monday-Wednesday when booked using app. We also believe Topgolf recently launched a new events promo, which includes 20% off gameplay when pre booking by Feb. 29th. We believe this could help accelerate Topgolf same-venue sales against easy comps in 2024.

Golf course spend improves significantly in December

Monthly spending at golf courses (92% correlated with Golf Rounds played since Jan. 2018) increased 13.2% y/y in December (vs. +5.7% y/y in November and -12.0% y/y last year) and spending on a 4 yr. basis decelerated slightly to +43.4% in November from +46.9% in October, according to BAC aggregated credit and debit card data. We believe rounds played should accelerate in December (92% correlated with Golf Course Spend).

Rounds played accelerate in Nov. on favorable weather

Golf Rounds played (79% correlation with golf club spend) were +8.2% y/y in November (a significant acceleration from -1.0% in October).

22 January 2024

Equity
United States
Leisure

Alexander Perry
Research Analyst
BofAS
+1 646 855 1365
aperry3@bofa.com

Robert F. Ohmes, CFA
Research Analyst
BofAS
+1 646 855 0078
robert.ohmes@bofa.com

Madeline Cech
Research Analyst
BofAS
+1 646 855 5219
madeline.cech@bofa.com

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Timestamp: 22 January 2024 04:37PM EST

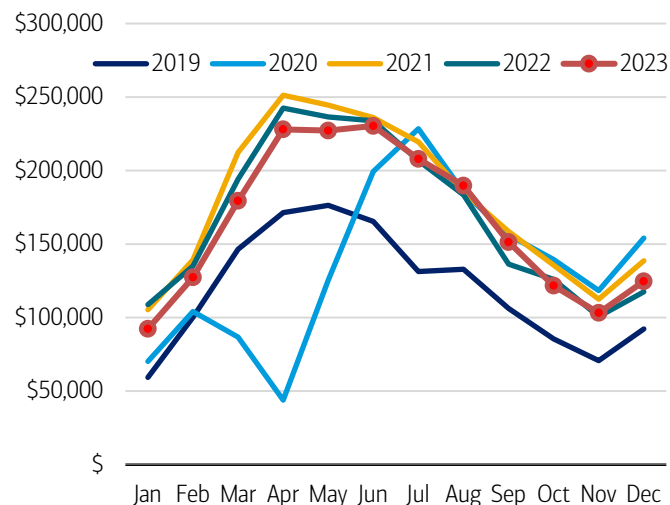


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Exhibit 1: Overall U.S. Golf Club Sales (\$000s)

Golf club sales were up 6% in December according to point of sale data from Golf Datatech

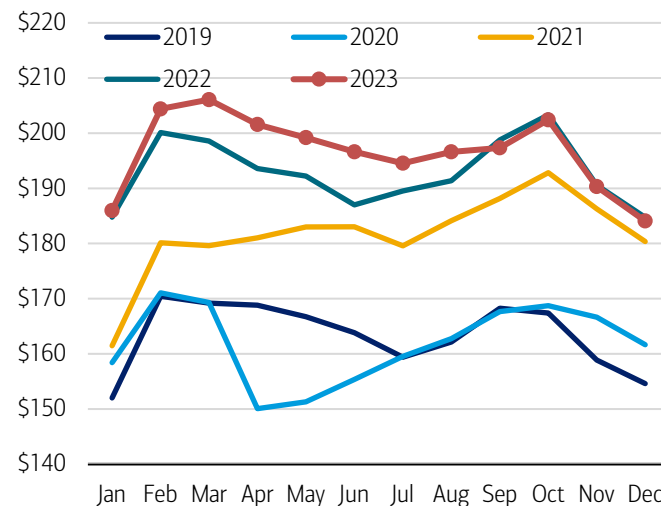


Source: Golf Datatech

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Exhibit 2: Overall Golf Club Average Selling Prices

Golf Club ASPs are down y/y

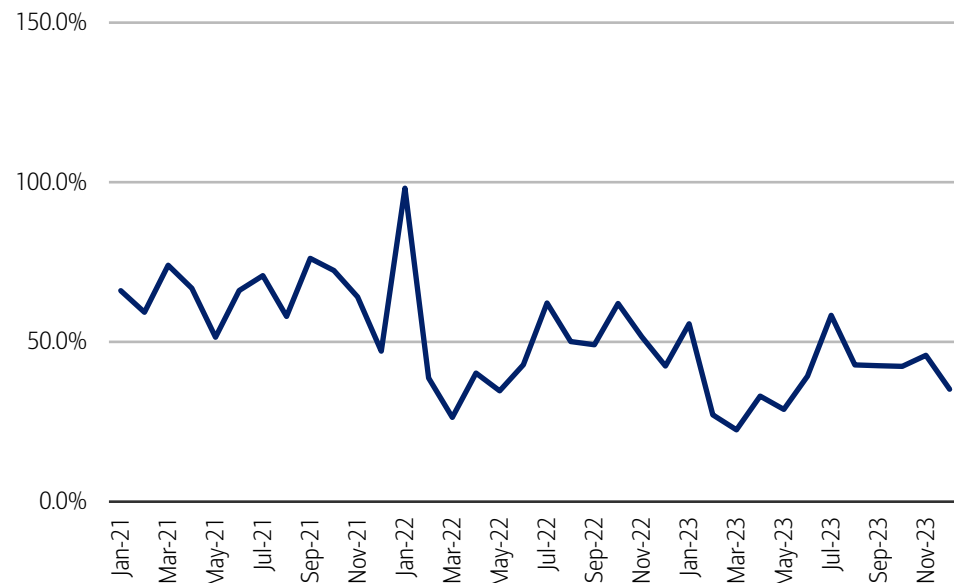


Source: Golf Datatech

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

Golf Club Sales decelerate in Dec. on 4 yr. stack



Source: Golf Datatech

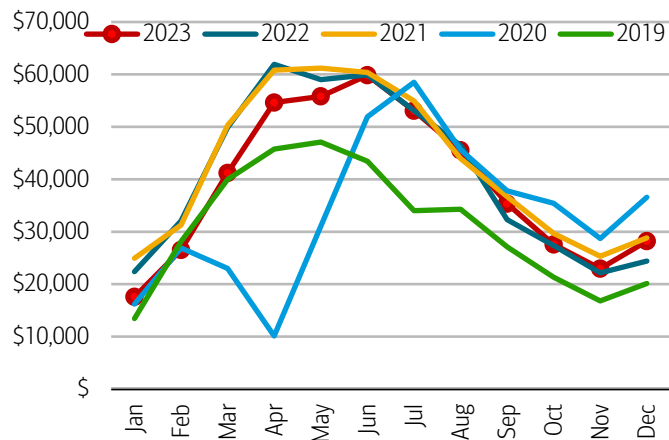
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MODG club sales accelerate to +16% y/y in December

Topgolf Callaway Brands (MODG) golf club sales (89% correlated with MODG reported golf club revenue since 1Q19) increased 15.5% in December (vs. +3.6% in Nov.) as increases in woods (+20.5%), putters (+42.7%), and irons (+6.2%) were only partially offset by a decline in wedges (-5.6%). The acceleration in Callaway's woods sales were led by strong contribution from Paradym and Big Bertha brands. Callaway ASPs increased 1.5% y/y while units increased 13.7% y/y in Dec. On a y/y basis MODG market share is down 70bps given additional competitor launches this year. Total 4Q retail sales increased 6.5%, which was an acceleration from 1.6% in 3Q.

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

Callaway golf club sales were up in December

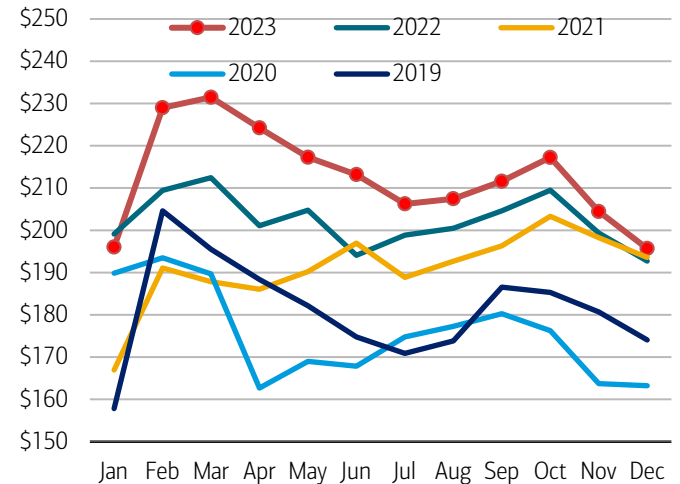


Source: Golf Datatech

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Exhibit 5: Callaway Golf Club ASPs (Average Selling Prices)

ASPs continue to track up y/y

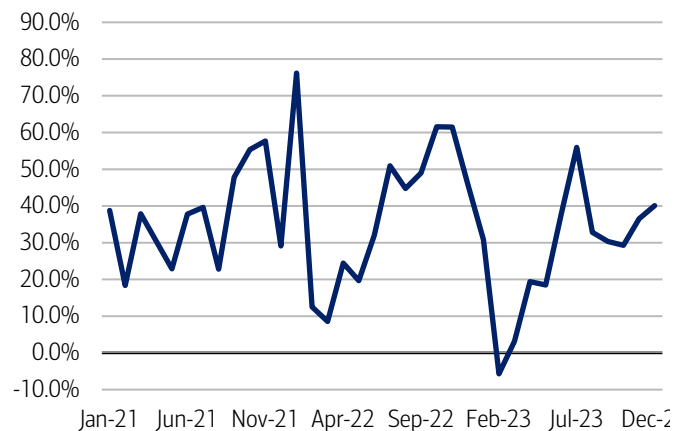


Source: Golf Datatech

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Exhibit 6: MODG Club Sales 4 yr. stack

On a 4 yr. stack sales accelerated in Dec.

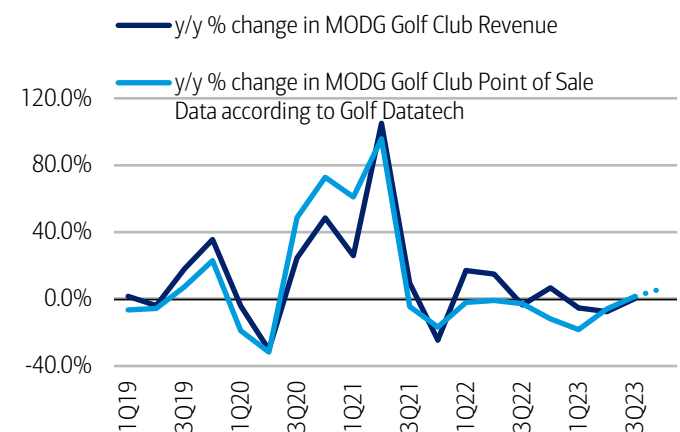


Source: Golf Datatech

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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

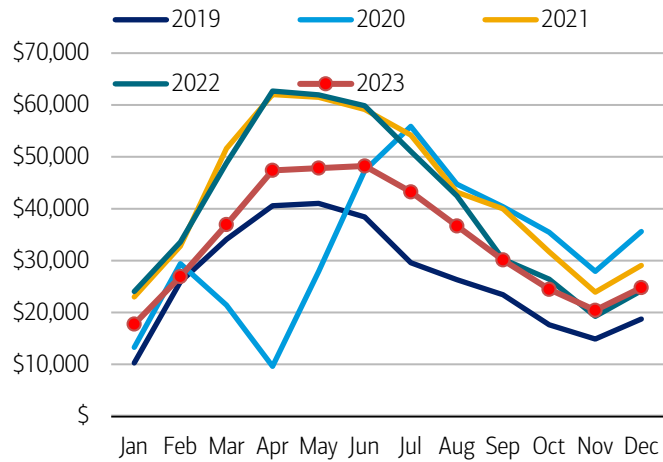


Source: Golf Datatech

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

Sales were positive in December

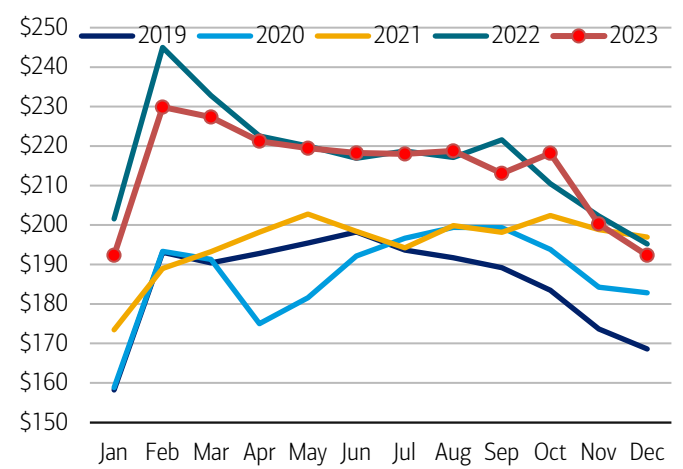


Source: Golf Datatech

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Exhibit 9: TaylorMade Average Selling Prices (ASPs)

ASPs are down vs. last year

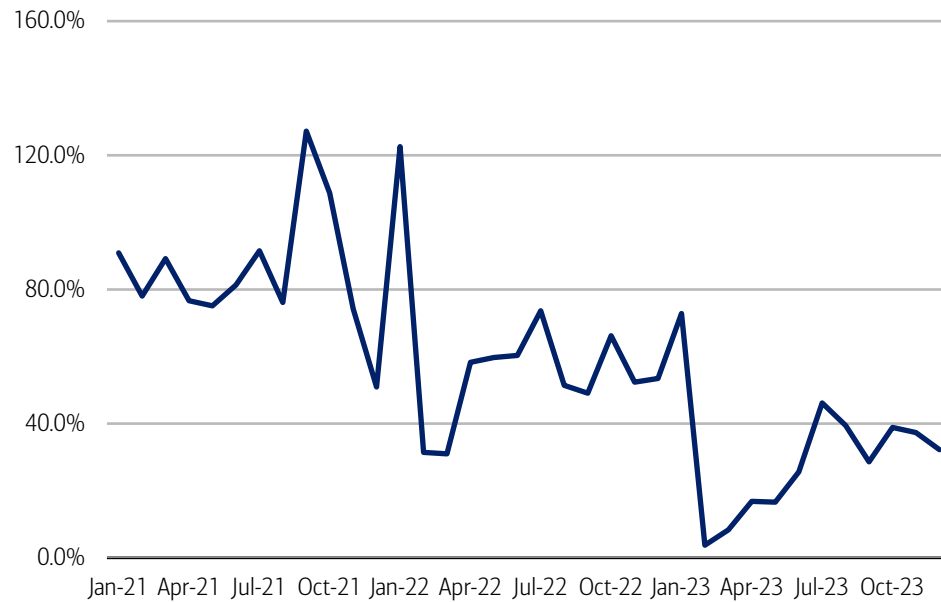


Source: Golf Datatech

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Exhibit 10: TaylorMade Golf Club Sales 4 yr. stack

Sales decelerated in December

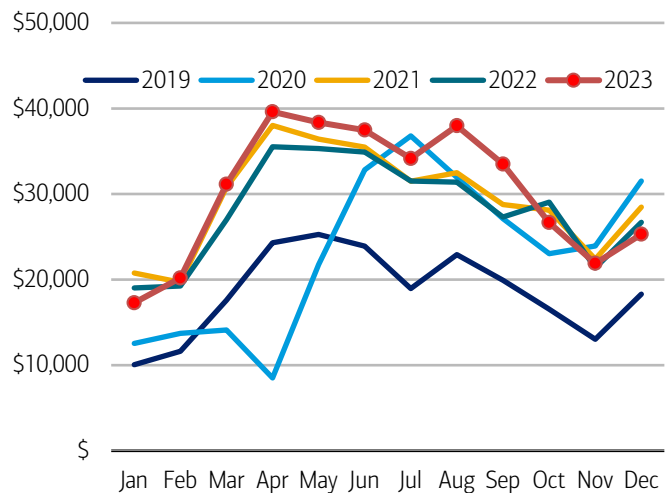


Source: Golf Datatech

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

Titleist sales were down in December

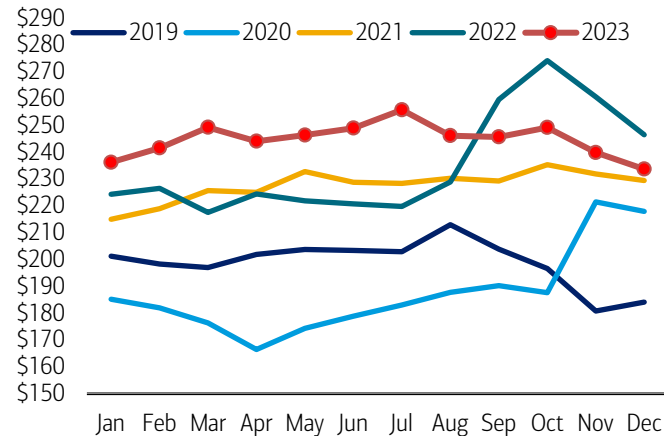


Source: Golf Datatech

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Exhibit 12: Titleist Golf Club ASPs

Titleist ASPs were down in December

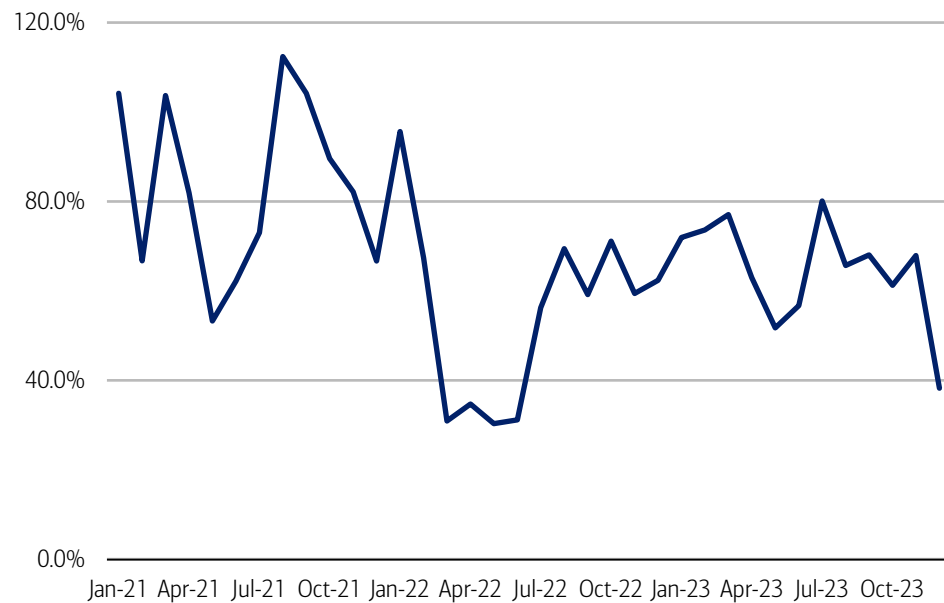


Source: Golf Datatech

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Exhibit 13: Titleist Club Sales 4 yr. stack

Titleist club sales accelerate in December on a 4 yr. stack



Source: Golf Datatech

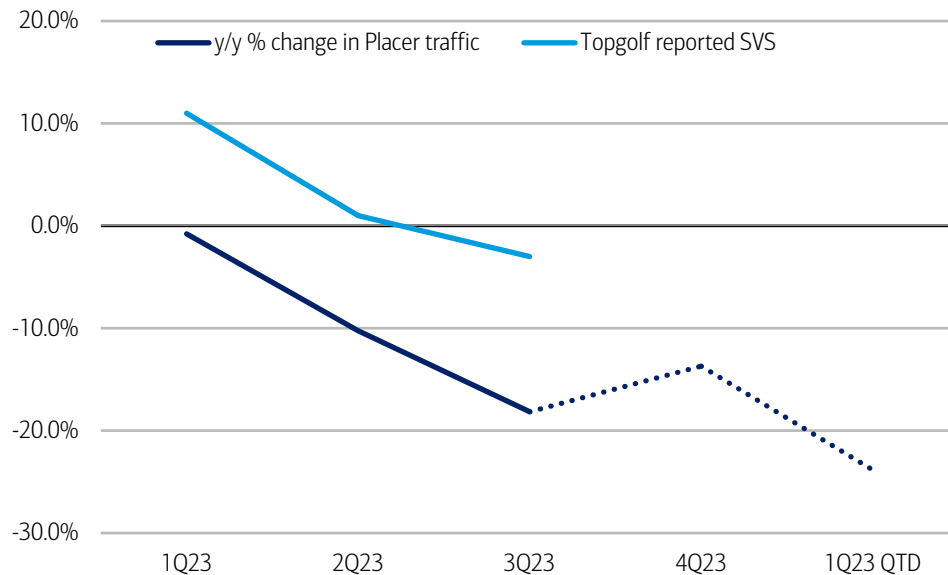
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Topgolf recently launched new corporate/gameplay promo

According to Foot Traffic data from Placer (for a cohort of clubs open since 2021) visits were down 13.7% y/y in 4Q, which is an acceleration from -18.1% y/y in 3Q. Placer foot traffic data was ~13pts lower than reported Topgolf (MODG) same-venue sales over the past three quarters on average, implying 4Q same-venue sales of -1% ahead of guidance of -MSD to -HSD%. Topgolf also benefitted from more favorable warmer weather vs. last year in December especially as it lapped extreme weather in the week prior to Christmas last year (30 venues were shutdown). However, traffic has decelerated in January on much colder weather y/y. We believe Topgolf is looking to accelerate non-peak visitation through increased gameplay promos ([see our Year Ahead](#)) including recently launched half-off gameplay Monday-Wednesday when booked using app. We also believe Topgolf recently launched a new events promo, which includes 20% off gameplay when pre booking by Feb. 29th. We believe this could help accelerate Topgolf same-venue sales against easy comps in 2024.

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 but deceleration in January as weather got colder

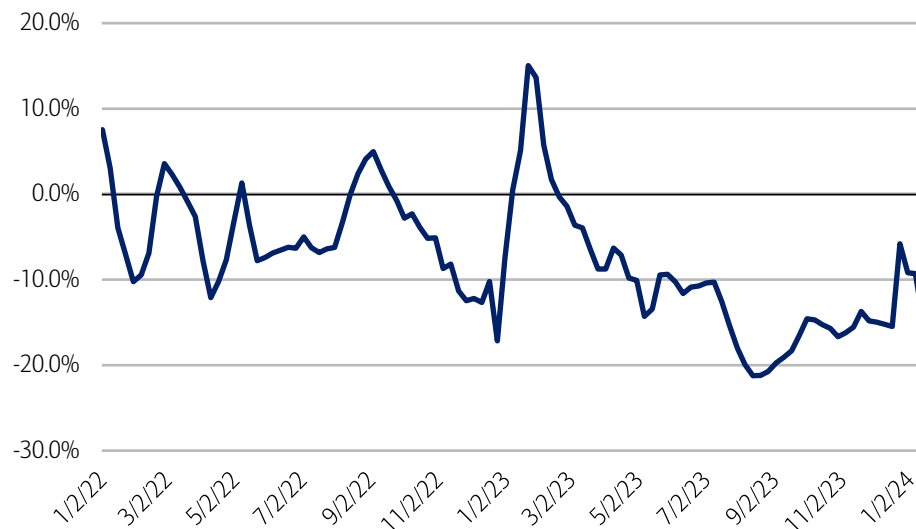


Source: Placer

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

Visits have decelerated recently



Source: Placer

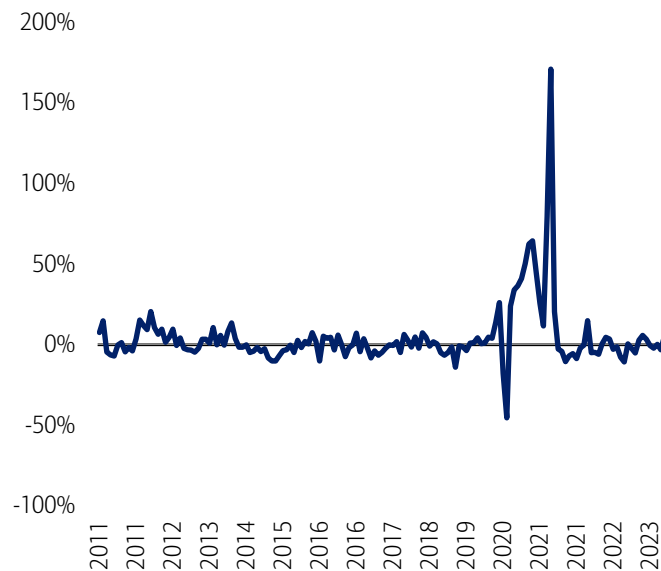
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Golf course spend improves significantly in December

Monthly spending at golf courses (92% correlated with Golf Rounds played since Jan. 2018) increased 13.2% y/y in December (vs. +5.7% y/y in November and -12.0% y/y last year) and spending on a 4 yr. basis decelerated slightly to +43.4% in November from +46.9% in October, according to BAC aggregated credit and debit card data. We believe rounds played should accelerate in December (92% correlated with Golf Course Spend).

Exhibit 1: Monthly Y/Y % change in BAC card spending at golf courses

Spending at golf courses accelerated in December

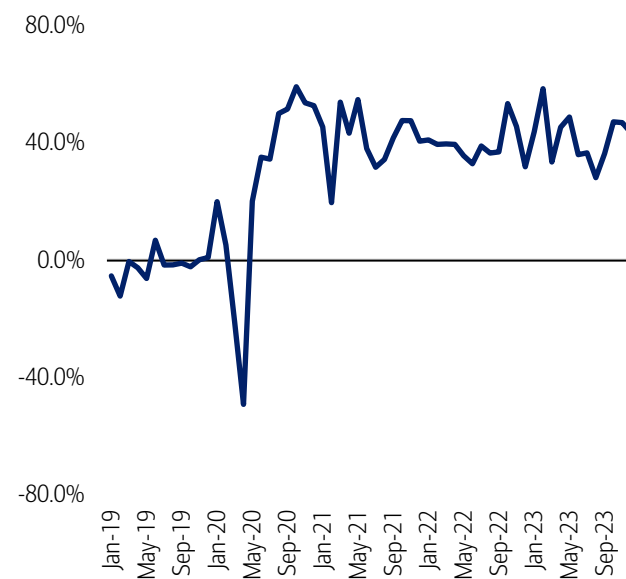


Source: BAC Internal Data

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Exhibit 2: Monthly 4 yr % change in BAC card spending at golf courses (vs. 2019)

Spending was up significantly on a 4 yr basis in December

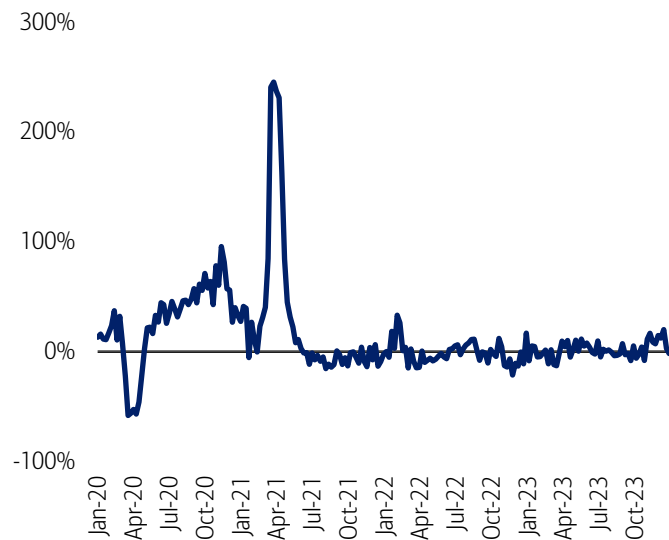


Source: BAC Internal Data

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Exhibit 3: Weekly BAC card spending at golf courses y/y % change

Golf course spend tracking positive through most of December

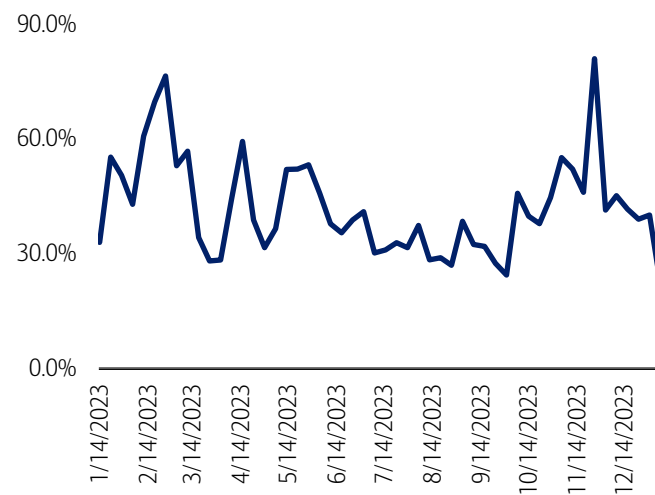


Source: BAC Internal Data

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Exhibit 4: Weekly BAC card spending at golf courses 4 yr. % change (vs. 2019)

Spending at golf courses up significantly vs. 2019 in November

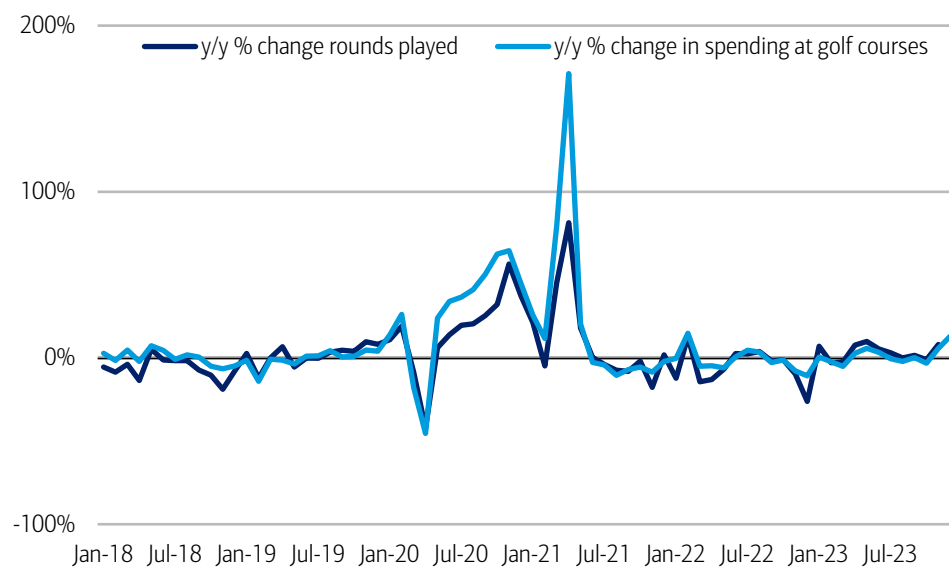


Source: BAC Internal Data

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Exhibit 20: Y/Y % change in golf rounds played vs. y/y % change in spending at golf courses according to BAC card data

We see an acceleration in rounds played in December



Source: NGF, BAC Internal Data

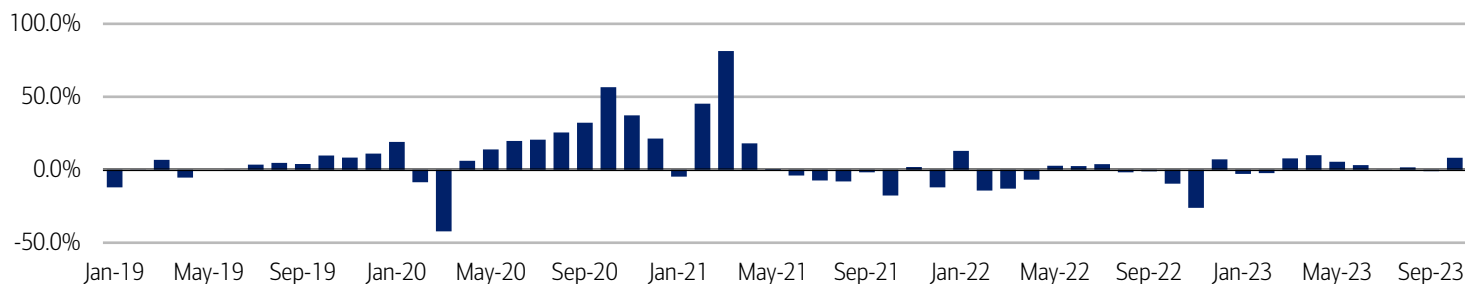
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Rounds played accelerate in Nov. on favorable weather

Golf Rounds played (79% correlation with golf club spend) were +8.2% y/y in November (a significant acceleration 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.

Exhibit 21: y/y % change in rounds played

Rounds played accelerated in November

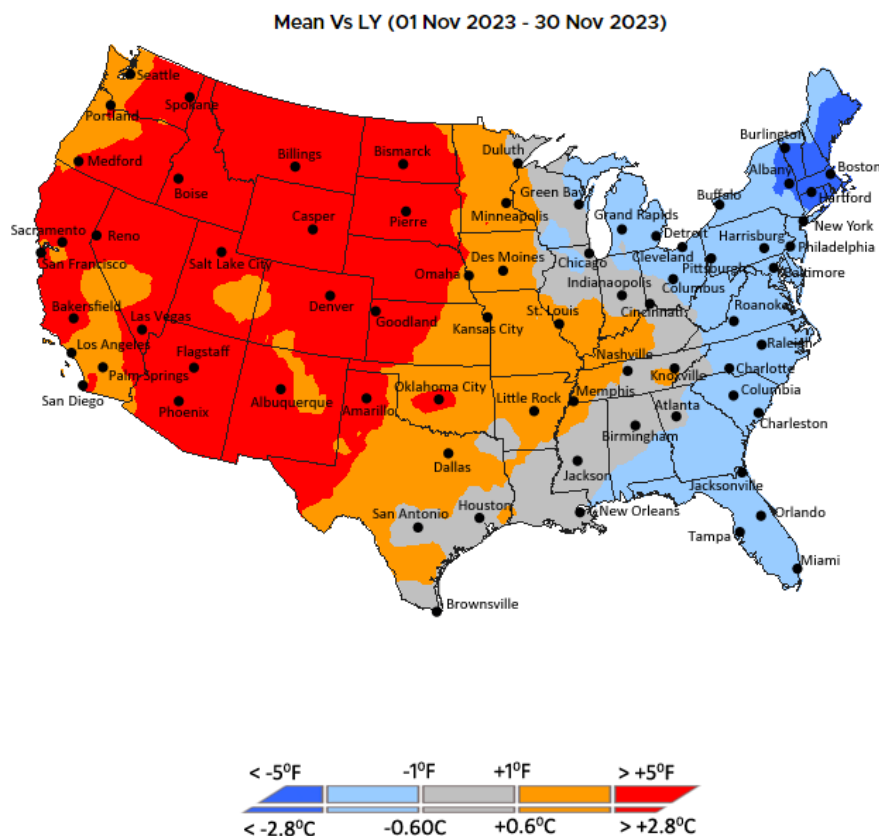


Source: NGF

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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

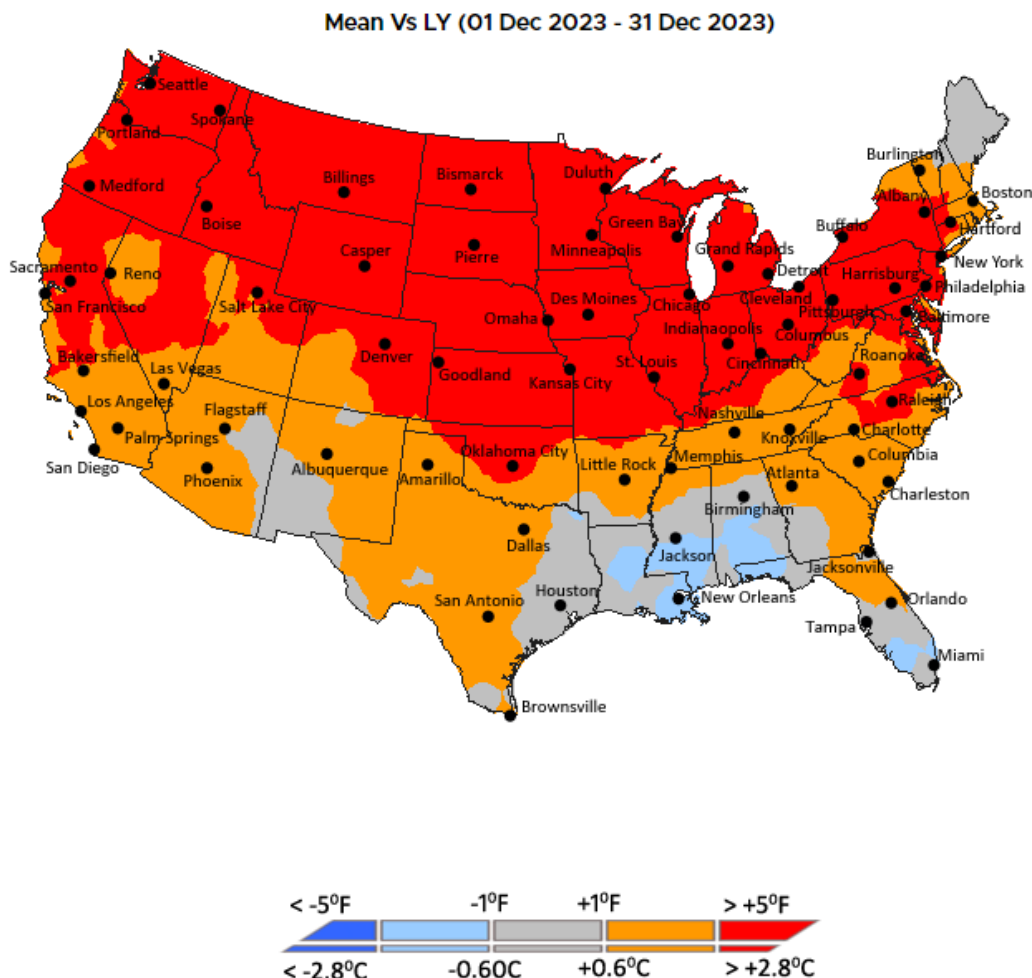


Source: WeatherTrends360

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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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Disclaimer and Methodology regarding BAC card data

Selected Bank of America ("BAC") transaction data are used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used are not comprehensive; they are based on aggregated and anonymized selections of BAC data and may reflect a degree of selection bias and limitations on the data available.

Methodology explained

Readers should be aware that although the BAC datasets utilized in our analysis represent a significant number of data points, they nevertheless present a degree of selection bias, including but not limited to income levels and geographies. In addition, the data is limited to debit and credit cards and does not include other payment methods such as cash or checks.

Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry

Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

Please note we calculate % change (both y/y & 4 yr.) by matching the corresponding day of the week.

The monthly subsector data are adjusted to control for seasonality and other factors.

Additional information about the methodology used to aggregate the data is available upon request.

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)

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

I, Alexander Perry, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

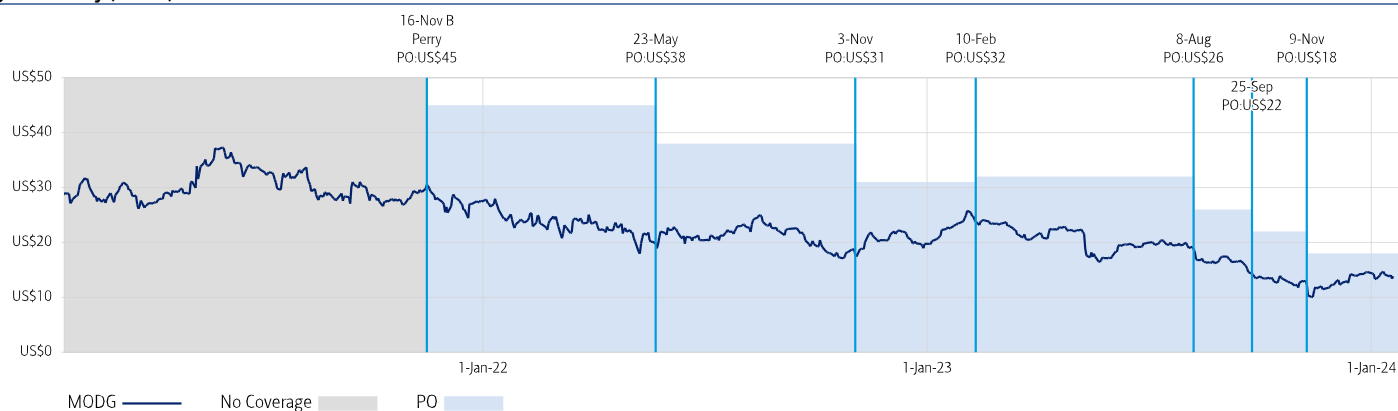
US - Broadlines, Hardlines, Food Retailers & Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	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
NEUTRAL				
	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
UNDERPERFORM				
	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 ^{R1}	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 ^{R1}	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%

^{R1} 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.

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

^{R2} 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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