

<https://www.macrotrends.net/stocks/charts/GOLF/acushnet/ebitda>

<https://www.topgolfcallawaybrands.com/financial-information/quarterly-results>

<https://www.acushnetholdingscorp.com/investors/financials/default.aspx>

<https://seekingalpha.com/news/3623777-drive-shack-soars-after-selling-golf-course-in-california>

<https://clubandresortbusiness.com/drive-shack-sells-11-clubs-for-82-5m/>

Hey Golfers —

Two things before we get started:

- I do not have a financial stake in Acushnet or Drive Shack, and this is not financial advice.
- My daughter spent the week in the hospital with RSV (she's home now!). This newsletter is powered by no sleep and eight cups of coffee. This may not be my best piece, but one thing I have learned about writing Perfect Putt is we have to keep showing up. **Thanks for hanging with me.**

Acushnet reported third-quarter results last week — here are some of the highlights.

- Third quarter net sales of \$558.2 million — **up 13.5%**
- Year-to-date net sales of \$1.822 billion — **up 10.5%**
- Year-to-date EBITDA of \$313 million — **down 6.1%**

The overall tone of the Acushnet earnings call was good. The Acushnet team is happy with their momentum, supply chain improvements, and the general golf participation rate and industry.

A reminder that Acushnet has several brands rolled up underneath them.

- Titleist
- Footjoy
- Vokey Design
- Scotty Cameron
- Pinnacle
- KJUS

Here is a look at Acushnet's revenue and adjusted EBITDA from 2017 to 2021. Acushnet grew **revenues 37% from 2021 versus 2017** — even better is adjusted **EBITDA growth outpaced revenue at 43% over the same period.**

Acushnet breaks its revenue into four primary segments.

- Titleist Golf Balls
- Titleist Golf Clubs
- Titleist Golf Gear
- Footjoy Golf Wear

Here is a look at the revenue splits from 2021

Here is why I think Acushnet should acquire Drive Shack.

Drive Shack has three business units.

- Puttery
- Drive Shack
- American Golf

American Golf is the primary revenue driver for Drive Shack. The American Golf segment is an owner-operator of 55 golf courses. **American Golf brought in \$236 million in 2021 — about 85% of their total revenue.**

But I don't think Acushnet should acquire Drive Shack because of the American Golf segment — it is the other two segments that are intriguing.

Here is the revenue from the other two segments in 2021.

- Puttery — \$3.6 million
- Drive Shack — \$41.5 million

It appears that Drive Shack has shifted its strategy away from American Golf and the Drive Shack segments — **placing a focus on Puttery.**

A few years ago — **Drive Shack sold eleven golf courses for \$82.5 million.** Since then, Drive Shack has sold several more golf courses including a golf course in California for \$34.5 million.

Drive Shack was presumably selling the golf courses to raise capital for its Drive Shack segment — a Topgolf competitor. But venue development and growth in the Drive Shack segment has stalled. They exited their plans to build a venue in New Orleans and recently terminated its lease at a loss.

The Drive Shack segment is stated to deliver decent EBITDA margins — **between \$4 - \$6 million per venue.** So it isn't a losing segment, but a segment without as much focus as Puttery.

In my opinion — the most impactful business segment for Acushnet is Puttery.

Golf entertainment — specifically mini-golf entertainment might be the hottest vertical in the golf space right now. Puttshack recently received \$150 million from BlackRock. Popstroke has several venues planned as well.

An interesting point about the three mini-golf entertainment organizations.

- Puttery — Rory McIlroy is an investor
- Puttshack — Original Topgolf founders are Puttshack's founders
- Popstroke — Tiger Woods is an investor

Puttery currently has five locations — and has plans for 50 venues by the end of 2024.

The venue economics for Puttery are attractive.

But Drive Shack has a problem: **cash**.

As of the end of the second quarter — **they only had \$22 million on hand**; a decrease from the \$58 million they had on hand at the end of 2021.

Drive Shack is currently trading at \$.59 per share and has a market cap of \$54.2 million. If Acushnet was to acquire Drive Shack for double the current trading price it would cost them a little over \$100 million.

With the acquisition Acushnet would get into the golf entertainment space — something that Callaway has excelled at with its Topgolf acquisition.

Acushnet owning Puttery would be an interesting opportunity. The ability to **cross-sell Scotty Cameron** products in Puttery facilities and turn them into high-tech putting studios.

A customer could get putting lessons, custom-fit for putters, and Puttery could ultimately sell Acushnet brand putters.

You might be argue that what I am describing is a stretch — and maybe it is. **But Callaway sold more golf equipment than Acushnet in 2020 and 2021.** While the Topgolf impact on Callaway's golf equipment sales is unknown — we cannot deny their equipment growth.

Acushnet breaks their equipment into two segments — golf balls and golf equipment. Callaway wraps both of those into one segment. Here is a look at the last four years of sales. **Acushnet has grown 26% since 2018, and Callaway has grown 35% since 2018.**