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Hey Golfers —

Callaway had an incredibly strong year. **Nearly \$4 billion** in revenue — \$3.996 billion to be exact.

I reviewed Callaway's annual financial report, and earnings call transcript over the weekend.

Golf is in an incredible position right now — I'll dive into some trends and data that should have the industry excited about the future.

Let's get into it.

Callaway is a very diverse business that allows us to see key performance indicators in several markets within the industry.

As a friendly reminder — Callaway has the following brands under its umbrella.

- Topgolf
- TravisMathew
- Odyssey
- Ogio
- Jack Wolfskin

Stock returns were less than favorable across most industries in 2022 — but the stock market isn't necessarily an indicator of success or failure.

Callaway was down 28% on the year — here is how they stacked up.

But stock price doesn't tell the whole story with Callaway.

Callaway's 2022 revenue was up 27.5%. Let's unpeel the onion on this massive increase.

The Topgolf acquisition closed on March 8th of 2021 — so Callaway did not recognize two months of Topgolf revenue in 2021. January and February 2021 revenue from Topgolf resulted in \$143 million.

Callaway did \$3.133 billion in 2021. If we add the January and February Topgolf number it brings us to \$3.276 billion. An annual increase of 22% — a stellar performance.

Topgolf represented \$1.549 billion in revenue and \$235 million in EBITDA in 2022. It has proved to be a very good acquisition to this point.

Take out the Topgolf number, and Callaway did \$2.447 billion in revenue in 2022. An increase of nearly \$900 million over 2020 prior to the acquisition.

Sticking with the Topgolf theme.

Topgolf opened 11 owned and operated venues in 2022, and same venue sales were up 7% over the 2019 benchmark.

Topgolf financial metrics are impressive. The average venue revenue is \$17.5 million with a 32% adjusted EBITDAR margin. A Topgolf venue has around a 40% - 50% cash-on-cash return.

Topgolf pumps out cash.

Callaway now believes the total addressable market is **250 Topgolf venues** in the United States — they currently have 78 venues in the United States. They still have a huge opportunity in front of them.

Last year I wrote why I think Topgolf is one of the best businesses in golf. My thought still holds true today.

Here's why.

Topgolf introduces the game to non-golfers at a rapid pace. While some Topgolf customers may not convert to green grass golfers — a lot do.

Callaway conducted a study in 2022 on the conversion of Topgolf customers to green grass golfers. The results are a fascinating indicator for the industry.

Around 10% of green grass golfers credit Topgolf for getting them on the golf course.

And here is the best part. Topgolf thinks they can open more than 150 Topgolf venues. In theory — that translates to many more green grass golfers. A huge positive for the industry as a whole.

According to the [National Golf Foundation](#) — there are more than 40 million golfers in the United States. On-course golfers grew by 500,000 in 2022, while off-course golfers grew by 3.1 million in 2022. Topgolf should get a lot of credit for these results.

One more piece of encouraging information?

Off-course golf is more diverse than on-course golf.

- 41% of off-course golfers are female compared to 28% on-course.
- 40% of off-course golfers are non-white compared to 22% on-course.

Topgolf should get a lot of credit for these results.

Callaway gave us a couple of nuggets of information on the earnings call they don't typically provide in their financial reports.

- Callaway **golf ball sales were over \$300 million** in 2022 for the first time in history. They have around a 20% market share.
- TravisMathew is a huge apparel brand. They did **over \$300 million** in sales in 2022.

TravisMathew opened 11 brick-and-mortar stores in 2022 and will open nine more in 2023, bringing the total to 50 stores. And TravisMathew has solid EBITDA margins at 17%. In 2022 their EBITDA was \$50 million.

Golf equipment and Active Lifestyle had equally impressive years.

- Golf equipment was up 14.4%
- Active Lifestyle was up 27.4%

Here is a look at Callaway segment revenue in 2022.

Callaway has one of the most unique business models and flywheels in business. It will only continue to get stronger. Callaway expects revenue to be around \$4.45 billion in 2023, with Topgolf's revenue to be around \$1.9 billion in 2023.

The momentum in the golf industry remains strong. Add in Topgolf's ability to introduce new golfers to the game, and it feels like the industry has a huge opportunity to grow in 2023.