TOPGOLF CALLAWAY BRANDS CORP.
THIRD QUARTER 2023 EARNINGS CALL PREPARED REMARKS

Katina Metzidakis, Vice President of Investor Relations and Corporate Communications

Thank you, operator and good afternoon, everyone. Welcome to Topgolf Callaway Brands' third quarter 2023 earnings conference call. I'm Katina Metzidakis, the Company's Vice President of Investor Relations and Corporate Communications. Joining me as speakers on today's call are Chip Brewer, our President and Chief Executive Officer, and Brian Lynch, our Chief Financial Officer and Chief Legal Officer.

Earlier today, the Company issued a press release announcing its third quarter 2023 financial results. In addition, there is an updated presentation with supplemental information that we have not shared in the past that may make it easier for you to follow the call. Because we are introducing some new concepts and metrics, we will plan to extend today's call to give additional time for our question and answer session. This earnings presentation, as well as the earnings press release, are both available on the Company's Investor Relations website under the "Financial Results" tab.

Most of the financial numbers reported and discussed on today's call are based on U.S. Generally Accepted Accounting Principles. In the instances where we report non-GAAP measures, we have reconciled the non-GAAP measures to the corresponding GAAP measures at the back of the presentation in accordance with Regulation G. Please note that this call will include forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from management's current expectations. We encourage you to review the safe harbor statements contained in the presentation and the press release for a more complete description.

And with that, I would now like to turn the call over to Chip Brewer.

Chip Brewer, President and Chief Executive Officer

Good afternoon to everyone and thank you for joining us today.

Despite some volatility in Topgolf's same venue sales, Q3 was a strong operating quarter. The team delivered solid results across all segments of our business and expects to deliver mid-single digit growth in revenues and EBITDA for the full year. We are confident we will be free cash flow positive this year and have now begun to reduce our financial leverage. As we look across our business, we are encouraged by the fact that the golf consumer remains strong, as does the Callaway equipment brand and product pipeline. Our Active Lifestyle segment continues to deliver growth in top line and operating margin. And at Topgolf our confidence on venue economic returns remains very strong, we are delivering a compelling unit growth plan with new venues opening well, and our venue margins continue to improve; an impressive and important proof point as this was delivered during a challenging same venue sales environment.

Unfortunately, lower near-term sales in our venues as well as current foreign exchange rates result in lower forward projections at this time. As you would expect, we do not take these changes lightly and we do not intend to make a habit of them. Excluding 2020, this will be the first full year earnings guide that we have missed in my 11 plus years of running this business.

The teams quickly recognized the change in conditions and are now taking swift and decisive action to reduce costs, capture further synergies and drive improved profitability. With these changes, we believe we have identified a clear path to de-risk our operating plans through a potentially softer consumer environment, while maintaining both strong growth and positive cash flow. Given our strong financial resources and businesses that are well positioned for long term success, we remain strongly confident in our growth algorithm and the direction of our business.

With that said, let me now walk you through our business segment performance in Q3.

I'll begin with Topgolf, starting with the three key performance drivers for our venue business: venue development, same venue sales growth, and venue margin expansion.

We successfully opened 4 new venues thus far in Q4 including St. Louis-Midtown, Memphis and our first two venues in New England, in Canton, Massachusetts, outside of Boston and Cranston, Rhode Island, outside of Providence. With 7 venues open year-to-date, Topgolf remains on track to open 11 new venues in 2023. As usual, the new venues are performing well.

While we are on this subject, I want to provide an update on our acquisition of Bigshots from Invited, the largest private golf and country club owner and operator in North America and a key strategic partner of Topgolf Callaway Brands.

As part of this strategic transaction, we acquired the largest active competitor to Topgolf including, one new owned and operated venue, two franchisee relationships covering three venues which we expect to convert to Toptracer accounts in the near future, an enhanced and de-risked future pipeline as we will now assume BigShots pipeline some of which overlapped with ours, along with a preferred vendor agreement in which Topgolf Callaway Brands' merchandise – including Callaway, Travis Mathew and Ogio product – will be prominently featured at Invited's more than 140 golf and country clubs. All for approximately the same price of building a single Topgolf venue.

With the venue acquired through this transaction and the potential to add one additional venue in the first half of next year, we plan to build only 8 to 9 additional new venues in 2024. This change, along with a strategic assessment and resulting tightening of our other capital expenditure plans, will save us approx. $100 million in planned capital over the next two years. This will improve our already positive cash flow and accelerate our expected debt paydown schedule. It will therefore de-risk our business over the near to medium term, something we believe some investors will appreciate.

Consistent with previous communication, we maintain high confidence in the venue returns which remain at an 18 to 22% ROGI and a 50 to 60% cash on cash return based on targeted year 5 results, and thus we expect to resume building approximately 11 venues per year again in 2025.

Our projections support this new capital allocation plan as the best way to drive shareholder value and we believe we have more than enough capital available to support this growth plan. However, if business conditions necessitate it, we can pull back on these investments, and all stakeholders should be confident we would do so.

Moving to same venue sales, these were down 3% in Q3 due to weaker than expected demand along with extreme heat that impacted our venues located in southern markets, including Texas, during a portion of the quarter. Our consumer, or 1 to 2 bay business, which as a reminder represents approximately 80% of our business on an annual basis, was flat vs. last year and remains up nicely vs. 2019 levels. Our Corporate events business declined approx. 17% year-over-year in Q3 as we continue to lap the post-Covid surge in demand we saw last year. That said, the corporate events business appears to have stabilized during the quarter and the two-year stack, using 2022 and 2019, was still up 4%. This two-year stack chart is included in our investor presentation on page 4. I believe it provides a helpful way to look at performance year to date as it shows the laps we are anniversarying and that the business remains up nicely versus pre-covid on a two year stack basis.

Looking forward on Same Venue Sales: after improving in September, our October results softened overall, but interestingly we see a consistent trend of sales remaining strong on the weekends as well as Tuesday's, where we offer half off game play. The lower same venue sales we are seeing is largely confined to our events business as well as Monday, Wednesday and

Thursday where we are not providing either value or a special occasion. As you will hear in a moment, this difference by day of week is instructive for our action plan and the fact that the events business is stabilizing is important for forward projections. But before I go there let me unpack the Q4 forecast:

- For Q4, we are now forecasting corporate event demand down low teens year-over-year which is consistent with actual current booking trends and would result in a two-year stack of approx. flat for this portion of our business. This decline is less than corporate was down in Q2 and Q3, as we continue to see the business stabilizing; however, corporate is a higher percent of the sales mix this quarter so it is more impactful to the total.
- We are forecasting the consumer portion, our 1- and 2- bay business down low single digits vs. last year for Q4, thus reflecting the results we saw in October. With this forecast our two-year stack for consumer would be up high single digits versus 2019 as the consumer portion of our business, although slowing some, remains healthy versus historical levels.
- As a result, we are now guiding to down mid to high single digits for Q4 and slightly down for the full year but please note that both of these are up nicely on a stacked basis.
- Moving to what we are going to do about it. Given the day of the week trends, and also believing that in the current environment consumers are being offered and are probably looking for greater value to tempt them out during the week; we are immediately doubling down on communicating our Tuesday value offering, and in test markets we will be trialing additional value offerings aimed specifically at Wednesday and Thursdays.
- We are also going to ramp up our cross-brand synergies by promoting Topgolf offers to both Callaway and TravisMathew loyalists.

In this clearly choppy environment, one of our relative strengths is that with expanding venue margins and minimal current promotional activity, we have room to implement new promotions and still deliver strong four wall returns at our venues. Furthermore, our recent digital efforts enable us to effectively target specific segments and days of the week.

Speaking of digital, I'd like to thank and recognize the Topgolf team for the significant progress they are making here; and, at the same time, I'm energized by the large runway for growth and improvement in front of us. The Venue business ended Q3 with a total digital sales mix of nearly 36%, up from 34% in Q2 and only 5% pre-merger. We believe our long-term digital mix will be 60% or higher, and we set a strong foundation for this, with the implementation of PIE, our bay inventory management system, which is now in all our venues except Las Vegas. The next chapter for PIE involves more efficient stacking of our reservations, to maximize utilization, and offering more options on length of the reservation vs. the standard 2-hour option we offer today. This will effectively create more available inventory during peak hours, provide more value to the consumer and more profit opportunity. And, as more of our business is sold through reservations, we are working on further product innovation to offer add ons and upsell things like food and beverage packages, better bay or floor location, potentially some services like introductory lessons and maybe even upgraded equipment.

Moving on to our third performance driver, venue margin expansion, the team just did an outstanding job here during Q3. The initiatives the team have been working on such as PIE, as well as labor and COGS optimization, paid big dividends this quarter and as a result, even with same venue sales below expectations, and clearly a challenging operating environment, we were able to deliver EBITDAR margins, in the mid 30's and approximately 200 basis points above last year. This should provide confidence both in our ability to deliver margins in tough environments, and in our ability to hit our 35% full year venue EBITDAR margin target by 2025, if not sooner.

Shifting gears to Toptracer, golf's #1 range technology is on pace to open just over 7,000 new bays this year, consistent with expectations. Market feedback and demand remain positive.

Moving to our Golf Equipment segment, we are pleased with our results, which were largely in-line with our expectations. We are also pleased to report that the U.S. golf consumer remains strong and engaged. As evidence of this, US rounds played are up approximately 4% year-to-date through September.

The Callaway brand continues to deliver excellent performance in both brand rating and market share. In the US, Callaway is the #1 market share brand year-to-date in Total Woods, Irons, Fairways, Drivers and Hybrids and maintains its brand leadership position in Technology and Innovation. Our Paradym driver has also had the most wins across worldwide Tours and we continue to grow our position in Ball with market share sustaining approx. 20%, sales up 7% year to date, and an exciting new premium ball launch coming early next year.

Turning to Asia, we have seen some softening in those markets during the second half of the year but our business there is up for the full year on a currency neutral basis and our brand position and market share remain strong. That said, in reaction to the change in market conditions, we are lowering our sales and margin estimates for Q4 for this region. At this point we do not see this as a significant concern for 2024, just something that bears mentioning and watching.

In the US, field inventories in golf equipment remain in line with expectations as does the promotional environment. Overall, a healthy market.

Just last week we launched a new putter, Odyssey Ai-One, featuring a revolutionary new insert that our testing shows delivers up to 21% better distance control on putting. It has already made its way into the bags of players like Jon Rahm and Sam Burns. We are excited about this new product and invite you to visit our website to see it for yourself.

Looking further ahead, enthusiasm for and feedback from our recently completed 2024 product sales meetings, and pre-lines with key customers, have been very promising and I look forward to providing you with updates on our upcoming product launches next quarter.

Lastly, as you think about our golf equipment business going forward, I would like to remind everyone of two important points. First, the golf equipment business has not historically been sensitive to mild recessions. And secondly, our brand and management team have a nice track record of performance that meets or beats the overall market; something we expect to do again this year. You can see evidence of both these points on slides 8 and 9 in the investor deck.

Moving to Active Lifestyle, TravisMathew continued to grow its topline by double digits, driven by continued brand momentum and new store openings. The growth here is bolstered by progress we are making on our new womens' line including a small but successful introduction of the line at Nordstrom. Jack Wolfskin also posted encouraging results in the quarter, with solid growth despite a choppy macro environment in Europe and the brand remains on track for growth in both revenue and profits in 2023.

Now looking forward, let me briefly unpack the change in guidance. We are revising the midpoints of our 2023 Revenue and EBITDA guidance to $4.25 billion and $580 million respectively. The revision is primarily due to the lower same venue sales at Topgolf. The slowing business conditions in Asia and the foreign exchange rate movement since last quarter had contributing but smaller impacts. As mentioned, we continue to expect to be cash flow positive this year both at the corporate level and at Topgolf.

With the above revisions, we have also done a thorough business review and refocused spend on our biggest strategic priorities as well as accelerating synergies, lowering operating expense, including headcount, reducing capital expenditures, and developing more growth initiatives. Across opex and gross margin we expect to realize savings of approximately $45 million per year.

And, as previously mentioned, we are reducing our planned capex spend by approximately $100 million over the next two years. These actions are aimed at de-risking our forward forecasts.

Looking further forward, we are moving our target of at least $800 million in EBITDA from 2025 to 2026. The primary driver of this move is FX rates, as there is now a $165 million revenue headwind and close to a $100 million EBITDA headwind versus the rates we used in early 2022 and this, along with the economic trends we are currently experiencing, make this move appropriate at this time.

To help better forecast our growth in cash flow, we are also introducing two concepts that were suggested to us by investors. The first of these is EBITDA less Cash Venue Financing Interest. This calculation avoids the complication of us having both operating and finance leases by reducing EBITDA by the cost of both. It essentially captures all cash payments that resemble rent, which is a reasonable way to look at the business both from an EBITDA and a leverage perspective. The second is Embedded Cash Flow, which is Free Cash Flow before growth capex, or what our cash flow would be if we didn't continue to add new venues or retail stores. Embedded Cash Flow is what is available to either re-invest in future growth or to return to shareholders.

In conclusion and looking ahead, Topgolf Callaway Brands has strong underlying fundamentals, robust financial resources and premium brands that have clear defensive moats both individually and collectively. We operate primarily in the arena of Modern Golf, an attractive and growing market that benefits from positive long-term trends and structural growth.

We are now making the important transition to the cash generation period of our economic journey; and, although we are experiencing some short-term volatility, we are also taking steps to make sure we both stay cash flow positive and deliver strong growth going forward. As I look forward, I remain confident in our outlook; and, that our structure provides us both synergies and a long-term competitive advantage.

I'll now turn the call over to Brian to provide detail on the financial side of our business.

Brian Lynch, Executive Vice President, Chief Financial Officer & Chief Legal Officer

Thank you, Chip, and good afternoon, everyone.

Overall, we are pleased with our third quarter results, including our ability to deliver higher than expected EBITDA on softer than expected revenue. This is in part attributable to Topgolf's continued improvements in venue profitability as well as its management of labor costs. In preparation for potentially softer market conditions, we have taken action to reduce planned capital and operating expenditures while maintaining our long-term growth plans.

Our financial position remains strong. Our available liquidity, which is comprised of cash and borrowing capacity under our credit facilities, has increased this year from $415 million at December 31, 2022 to $734 million at September 30, 2023. This is in large part due to the refinancing and additional borrowings we completed earlier this year. We remain focused on generating cash flow and managing leverage and have the flexibility to further reduce costs and cash outlays if necessary.

Now moving to Q3 results.

In the third quarter, revenue increased 5.3% year-over-year to $1.04 billion, which is about $9 million, or a little less than 1%, below the low-end of our guidance range. The revenue increase versus Q3 2022 was driven primarily by growth at Topgolf as well as TravisMathew and Jack Wolfskin. The majority of the shortfall versus our Q3 guidance is attributable to an approximate 3% decrease in same venue sales at Topgolf, below our guidance of 1% to 3% growth.

Q3 non-GAAP operating income increased 5.1% to $85 million, consistent with our revenue growth.

Q3 non-GAAP net income decreased $6.4 million year-over-year, primarily due to a $17 million increase in interest expense related to higher interest rates, additional term loan debt and increased venue financing interest.

Adjusted EBITDA of $163 million increased 13% compared to last year and exceeded the high-end of our guidance range by approximately $9 million due primarily to continued venue margin expansion and reduction in planned operating expenses.

Turning to segment performance:

In Q3, Topgolf revenue increased 8% to $448 million, driven by the addition of 9 new venues since Q3 2022, and partially offset by a decline of approximately 3% in same venue sales during the quarter.

Topgolf's segment operating income increased 65% year-over-year to $39 million and Adjusted EBITDA increased 42% to $91 million due to the increased revenue and continued venue margin expansion.

The recently announced BigShots acquisition is expected to be slightly accretive to Topgolf in 2024 and growing thereafter. This was both a strategic transaction and attractive from a financial point of view but small on a relative scale basis.

Our Golf Equipment segment results exceeded our revenue and operating income forecast.

Golf Equipment revenue declined 1% to $293 million primarily due to an expected shift in equipment launch timing from Q3 to Q4 this year and softness in Asia, as well as a 5% decline in golf ball sales due to the retail channel inventory catch up in golf balls in Q3 2022.

Golf Equipment operating income was $35 million, a decrease of $14 million compared to the prior year. This is due to less launch product in Q3 this year versus last year, a return to normal promotional levels and lower production volumes this year versus 2022 and thus less fixed cost absorption.

The Active Lifestyle segment revenue grew 8% to $300 million driven by continued strong double-digit growth at TravisMathew and solid growth at Jack Wolfskin. Operating income increased approximately 42% year-over-year to $40 million driven by a higher mix of margin-accretive direct-to-consumer sales, as well as tailwinds from lower freight costs.

Moving to our balance sheet. As mentioned earlier, as of September 30, 2023 we have available liquidity of $734 million. Based on our modeling, we believe this liquidity position is more than sufficient to execute our business plan even if the market softens further.

At quarter-end, we had total net debt of $2.1 billion which excludes convertible debt of approximately $258 million, compared to $1.5 billion at the end of Q3 2022. This increase relates primarily to incremental new venue financing and the additional $300 million of term loan debt.

Excluding the venue financing REIT debt, net debt is $1.06 billion dollars at the end of Q3 2023 versus $0.74 billion dollars at the end of Q3 2022.

Our Net Debt leverage, which excludes the convertible debt, was 3.8x at September 30, 2023 compared to 4.1x at June 30, 2023. The quarter-over-quarter improvement was driven by the increase in EBITDA and improved cash position.

Internally, we find it helpful to look at our net leverage by excluding the venue financing REIT debt. This debt is essentially an interest-only loan with no principal repayment required. The interest payments are akin to rent but accounting rules classify them as interest. When the venue financing REIT debt is excluded from debt and the corresponding REIT payments burden EBITDA as rent payments, our net debt leverage ratio is 2.1x.

We continue to view REITs as a capital efficient way to finance our venues. Interest among REITs to partner with Topgolf remains strong and we have signed leases or have letters of intent in place for the venues in our 2024 pipeline that are intended to be REIT financed with cap rates holding steady and in line with our expectations. There will be instances in the future where we choose to finance a venue here or there using our term loan debt and there is generally no difference in cash flow or the resulting net debt at the enterprise level.

Switching gears to working capital, consolidated Net Accounts Receivable was $305 million at the end of Q3 2023, compared to $275 million at the end of Q3 2022. Non-Topgolf days sales outstanding increased slightly from 52 to 54 days.

Our inventory balance decreased $222 million from $959 million at year-end 2022 to $737M in Q3 of this year. This is in part due to seasonality but also the team's concerted efforts to reduce inventory following the post-covid surge last year. Inventory is expected to increase in Q4 due to normal seasonality as we prepare for new golf equipment product launches in 2024 but it will still be significantly lower than at the end of 2022. We expect inventory to decrease further in 2024 as our apparel businesses normalize their inventory. We are pleased with the overall reduction in inventory and the quality of our inventory remains good.

Capital expenditures for the first nine months were $389 million dollars and we received reimbursements of $188 million for net capital expenditures of $201 million, of which $152 million is related to Topgolf. For the full year, we expect total capex of approximately $240 million, net of expected REIT reimbursements, including $175 million for Topgolf, a $30 million reduction from our previous 2023 guidance. We have included on slide 16 of our presentation today an estimated detailed breakout of the capex for 2023 and capex assumptions going forward.

Now moving to our outlook.

As I mentioned earlier, given the trends we are seeing at Topgolf, in Asia and with foreign currency exchange rates, we are lowering our full year 2023 revenue guidance range to $4.24 to $4.26 billion, which, at the midpoint would still represent 6% year-over-year revenue growth versus 2022. We are lowering our current Adjusted EBITDA guidance range to $575 to $585 million, which at the midpoint represents 4% year-over-year growth. Most of the reduction from prior forecast is related to Topgolf.

At the Topgolf segment level, we are lowering our full year revenue guide to approximately $1.75 billion for the year or 13% growth versus 2022. Same venue sales is now expected to be down slightly versus prior year. Topgolf EBITDA guidance is also being lowered to a range of $280 to $290 million, which at midpoint represents 21% growth versus 2022. This reduction is attributable to the current trend in same venue sales.

Regarding Q4, we still expect to grow revenue and Adjusted EBITDA in the fourth quarter.

For Q4, we are estimating revenue of $847 to $872 million, which at the mid-point represents 1% growth versus the prior year. For Topgolf, we are estimating Q4 revenue to be approximately $423 million, which would represent 4% growth versus 2022. The Topgolf increase is expected to be driven by new venues, partially offset by a mid to high single digit decline in same venue sales compared to 2022.

We are estimating consolidated Q4 Adjusted EBITDA in the range of $48 to $58 million, which at the midpoint of guidance would represent 45% year-over-year growth. For Topgolf, we are estimating Q4 Adjusted EBITDA of approximately $49-$59 million compared to $43 million last year, a 25% increase.

An important takeaway from our Q3 performance and Q4 forecast is that we are able to grow Adjusted EBITDA even in challenging conditions.

We have pushed our Investor Day goal of at least $800 *plus* million dollars in Adjusted EBITDA by one year to 2026. Foreign currency exchange rates have moved dramatically since that time. The change in rates had over a $165 million negative impact on revenue and close to $100 million impact on EBITDA since then. While our overperformance had been covering the foreign exchange negative impact, the foreign exchange impact combined with softer market conditions is causing us to push that goal out a year.

As Chip mentioned earlier, we are also providing today additional information about cash flow, including a new term we call embedded cash flow. Embedded cash flow is free cash flow less growth capex. For these purposes, growth capex is limited to new venues and new retail stores. We think it is important because it reflects the cash flow generation power of the current business. Investors can then separately evaluate whether our investment of the cash flow in growth capex is a good investment. We believe this is a better way to evaluate the company as to date the significant investment in growth capex may have overshadowed the cash generation power of the current business. It also has the benefit of eliminating some of the noise related to the timing of REIT reimbursements that can affect free cash flow on a quarterly basis. On slide 17 we provide a detailed breakdown of estimated cash flow for 2023 and assumptions for future cash flows. The short answer, however, is that we would expect to have approximately $150 million in embedded cash flow this year and growing to approximately $325 million in 2026 when we expect to have over $800 million in Adjusted EBITDA. Thereafter, we would expect the embedded free cash flows to grow impressively, at least 25% per year.

Furthermore, as Topgolf's EBITDA less cash venue financing interest starts to meaningfully outpace its capital requirements in 2026, we would expect to see meaningful growth in EPS at that time, especially as the incremental cash flows are used to pay down debt and reduce interest expense and the relative pace of increase in depreciation and amortization expense slows. In 2024, however, given the current phase of the Topgolf growth cycle, EPS is forecast to decline because Topgolf's growth in D&A and venue financing interest will be a $85 million headwind in 2024. In addition, at current rates we expect to have a $30 million dollar headwind from foreign currency translation and hedge gains in 2023 that are not assumed to repeat in 2024. EPS should grow in 2025 off the 2024 base and then ramp from there. We are providing greater detail on all this in our investor presentation on slides 17-19.

For those interested, we have also provided in the appendix to the presentation today an illustrative walk of venue 4-wall EBITDAR margin to total Topgolf segment level Adjusted EBITDA.

I know we covered a lot today and thank you for your patience.

As you all well know, companies go through varying economic cycles over time. The favorable conditions are certainly more enjoyable but the strong companies that remain flexible can prosper in challenging conditions as well. I believe we are in the process of proving that as we are demonstrating revenue and EBITDA growth during softening conditions. We are taking action to manage costs and we have sufficient liquidity not only to endure softer market conditions but also to continue our growth plan. While we will continue to monitor market conditions and adjust as necessary, our fundamental growth algorithm remains intact.

We are also at an important inflection point in our Topgolf journey. The first phase after we merged was an investment phase that required us to provide funding to accelerate growth through additional venue development. This phase resulted in rapid EBITDA growth but with a negative impact on earnings per share and leverage due to the increased interest and depreciation and amortization expense associated with such investment. This phase was very successful. We significantly increased the number of new venues developed and at the same time increased the profitability of the venues, resulting in rapid EBITDA growth. We are now in Phase 2 and expect to be in it through 2024. During this Phase 2, Topgolf's cash flows increase, earnings per share stabilizes, and leverage begins to gradually decrease. Thereafter, in Phase 3, Topgolf's cash flows accelerate as its cash flow begins to meaningfully exceed its capital requirements allowing the Company to pay down debt and increase its earnings per share as well.

To conclude by way of a brief summary:

First, we are demonstrating our ability to grow EBITDA under current conditions; Second, we have a solid financial position and sufficient liquidity to execute our growth plans and as Chip mentioned we are taking action to reduce costs in preparation for potentially softer market conditions, including approximately $45 million in cost savings across COGS and opex and close to a $100 million reduction in planned capital expenditures; and third, our long-term growth algorithm remains intact and we are more than one year ahead of plan at the time of the merger. As a result, the total Company will be free cash flow positive this year and Topgolf is expected to be free cash flow positive this year assuming receipt of all the REIT reimbursements that are expected by December 31. We have made great progress and have a clear path to further growth.

With that said, Operator we can now open the call for questions.