



**TOPGOLF CALLAWAY BRANDS CORP.  
FOURTH QUARTER 2024 EARNINGS CALL PREPARED REMARKS**

**Katina Metzidakis, Vice President of Investor Relations and Corporate Communications**

Good afternoon, and welcome to Topgolf Callaway Brands' fourth quarter earnings conference call. I'm Katina Metzidakis, Vice President of Investor Relations and Corporate Communications. Joining me on today's call are Chip Brewer, our President and Chief Executive Officer, Brian Lynch, our Chief Financial Officer and Chief Legal Officer and Artie Starrs, Chief Executive Officer of Topgolf.

Earlier today, the Company issued a press release announcing its fourth quarter and full year 2024 financial results. Our earnings presentation, as well as earnings press release, are both available on our Investor Relations website under the "Financial Results" tab.

Aside from revenue, the financial numbers reported and discussed on today's call are non-GAAP measures. We identify these non-GAAP measures in the presentation and reconcile the measures to the corresponding GAAP measures 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. Please review the safe harbor statements contained in the presentation and the press release for a more complete description.

With that, I would now like to turn the call over to Mr. Brewer.

**Chip Brewer, President and Chief Executive Officer**

Good afternoon and thank you for joining our call today.

Starting on slide 4: Q4 was a strong quarter for our company as both our Golf Equipment business and Travis Mathew delivered year over year growth on the top and bottom line. And, Topgolf delivered better than expected same venue sales on improving traffic trends, as well as record Q4 Venue level margins.

For the full year: Golf Equipment delivered another year of excellent brand performance: maintaining its leadership position in US golf club market share and driving record share in golf ball. In Active Lifestyle, TravisMathew delivered another strong brand and financial year, while the team at Jack Wolfskin rightsized their business, so it is now positioned for profitability going forward. At Topgolf, despite topline pressure, they delivered \$337 million in EBITDA, and approximately 34% venue level EBITDAR margins - flat versus 2023 and up 500 bps vs. 2019. Topgolf also impressively delivered over \$100 million in Free Cash Flow. Additionally, our total company free cash flow of \$203 million was also above expectations, thus further strengthening our financial position, a point Brian will cover in more detail during his comments.

I view all of this as evidence of our enviable brand positions, as well as the dedication of our employees, whom I would like to publicly thank for their commitment to our company.

As we look forward to 2025 and our guidance: on the products side of our business, we remain confident in the health of the Golf Equipment category, our brand position in it, and our 2025 product lineup. We expect the TravisMathew brand to deliver year-over-year growth on both the top and bottom line, and Jack Wolfskin to return to profitability. At the same time, we are facing year-over-year headwinds from: foreign exchange, budgeting back to target incentive compensation levels, which were not paid in 2024, and to a lesser extent tariffs. As you will see on slide 5, these will negatively impact our Core business EBITDA by approximately \$75 million year-over-year; with foreign exchange alone impacting us by approximately \$60 million on the top line and \$40 million on the bottom. This will unfortunately impact our financial results this year; however, we expect to be able to mitigate a good portion of these headwinds via operational improvements. And, on an organic basis - thus normalizing for the foreign exchange, incentive comp and Tariff headwinds - we anticipate our EBITDA to be up approximately 6%, driven by gross margin improvements and cost savings.

Looking further forward, post separation with Topgolf, we see the opportunity for further cost savings as we anticipate scaling our corporate overhead back to a level more consistent with the size of the business without Topgolf. We anticipate being able to grow our golf equipment revenues slightly faster than the golf market overall, consistent with our long-term track record. And we anticipate gross margin improvements from both initiatives we already have underway, as well as from a potentially more stable foreign exchange environment. We remain very optimistic about the future of this business.

Turning to slide 6 and our 2025 guidance for Topgolf: the mid-point of our guide is \$270 million in EBITDA, with same venue sales down mid-single digits for the full year and ten to thirteen percent in Q1. Venue level EBITDAR margins are anticipated to be approximately flat year over

year, driven by the team's strong operational execution. This contemplates headwinds of approximately \$45 million due to a change in the reporting structure from a Gregorian to a retail calendar, the sale of World Golf Tour that occurred in 2024, re-budgeting for full bonus, and a small impact from foreign exchange. After considering these headwinds, we expect full-year EBITDA to be down approximately \$22 million year-over-year, less than you would expect based on a normal flow through from same venue sales, due to cost savings and operational efficiencies that are being implemented across the business.

I am pleased with the action Topgolf has taken to navigate a difficult operating environment, particularly with its delivery of strong venue-level margins and free cash flow, but I also recognize the need to drive same venue sales growth. We believe the same venue sales performance is primarily a reflection of a macro consumer and category issue. Having said this, we are committed to improving same venue sales as quickly as possible, it is our # 1 focus for this business. Along those lines, and in anticipation of the separation of these businesses later this year, we have asked Artie Starrs, Topgolf's CEO, to join us on this call. Artie will give us more detail on Topgolf's performance and the initiatives in place to address same venue sales.

As you can see on slide 7, on a consolidated basis for 2025, we are guiding towards a mid-point of approximately \$460 million in EBITDA, and we once again expect to be free cash flow positive.

On the strategic front, we are productively working towards the separation of TopGolf, evaluating both a spin in the second half of this year and a potential sale. For this call, there is nothing new to report on this process, other than all options are still on the table and we are making steady progress.

Let's now turn to segment level performance. Artie will talk you through Topgolf and then I'll rejoin to speak to Golf Equipment and Active Lifestyle.

**Artie Starrs, Chief Executive Officer, Topgolf**

Thanks Chip.

As Chip mentioned, Topgolf generated over \$100 million of free cash flow, marking our second consecutive year of positive cash generation. While same venue sales growth isn't where we would like it to be, continued operational improvements and new venue development helped us deliver Adjusted EBITDA of \$337 million which represents growth of 11% vs. 2024.

I'd like to share our performance for each of our key focus areas along with what to expect for 2025 starting with same venue sales.

Same venue sales remained pressured in the fourth quarter, at down 8% with walk in (or 1- and 2-bay) down 10% and 3+ bay events down 5%. While sales were down, we saw sequential improvement driven by better traffic and better-than-expected holiday events with traffic up year-over-year for 3+ bay during November and December. A big thank you to our events team for delivering these results. While spend per visit drove most of the decline in same venue sales in Q4, this was driven by check management, including lower F&B spend from lower alcohol attachment.

Chip mentioned our Q1 2025 same venue sales trends have been softer than expected so far, in part due to the LA fires and unusually severe cold weather. Approximately half of the business quarter-to-date has experienced what we would characterize as "unfavorable" weather year-over-year, approximately a quarter has been neutral, and a quarter has been favorable. Year-to-date, same venue sales with favorable weather is up high-single digits, neutral weather are down low to mid-single digits, but those seeing unfavorable weather are down high teens. Winter weather always causes volatility, but this year has been particularly negative versus prior year and the historical averages in our markets. In total, our Q1 guide for down 10% - 13% incorporates an approximately 5-point impact from the severe winter and the LA fires, and 1 point from one less day in the quarter due to last year's leap year.

There is no doubt the macro environment for premium out of home entertainment is currently facing headwinds; however, I'm proud of how our teams are operating in this environment, with a focus on the player and the in-bay experience. Our key player experience metrics: Likelihood to Return, Fun, and Price/Value are improving. Year-over-year in the fourth quarter, Likelihood to Return scores improved 100 basis points, fun scores improved 160 basis points, and Value scores improved 240 basis points. This is a result of improvements we've made in the player experience with the launch of The Sure Thing Golf Club, continued game innovation to provide new news and more reasons to visit, simplification of our pricing and booking flow in our digital channels and continued focus of our teams on delivering fun and world class hospitality at Topgolf. In 2024, our traffic trends improved throughout the year with Q4 seeing the best performance of the year.

While we are encouraged by some of our leading indicators, it's clear we must make faster and bolder changes in how we go to market. And we are doing just that. Specifically: new and relevant experiences for our players, more compelling and accessible value, and a streamlined corporate structure that better serves our venues.

As it relates to new and relevant experiences, we've executed on our strategy to bring more consistent new news and partner with big brand names that have strong equity with our target demographics. We launched the Sonic the Hedgehog game in Q4 and we recently launched the Captain America: Brave New World Topgolf experience. Both are already amongst our most played. Going forward, you can expect large media and gaming properties to be a part of the Topgolf bay experience multiple times per year. Additionally, we now have a more disciplined and insight-based approach for marketing calendar planning.

On value, both actual price and price perception are an obstacle for many players. To tackle this, in the fourth quarter, we tested removing booking fees in approximately 30% of the portfolio and it drove higher website conversion. We removed booking fees system wide in January while taking modest gameplay price. On events, we have given our in-venue sales teams more tools and better processes to increase business development and that has resulted in increased lead conversion rates.

Combining our efforts on value and new experiences, we're actioning against two large player segments where we have existing equity and a clear right to win: family outings and late-night social occasions. We recently launched this with a more disruptive value offer in three multi-venue markets. The offer is simple: \$30 per hour of game play late night on Thursday, Friday and Saturday (we call it TG Nights where we bring DJs into the venue late night in addition to a late-night bites menu) as well as Sunday Funday (which primarily targets families). In addition to owned internal media assets and paid digital and social, we are testing linear television media in two of these markets. While only a couple weeks in, the sales and – specifically – traffic gains have exceeded our expectations and we are optimistic, although it is early. I'm encouraged by the larger group sizes and strong F&B spend per visit to date, areas where our pricing model and experience proposition have competitive advantages. In addition to our 120-minute standard reservation, these model markets are pioneering our new 60- and 90-minute reservation products, which we believe will further support improvement in conversion rates on the web and in-app. Our teams in these markets are extremely energized by the late night and Sunday traffic and we plan to roll out these changes across more venues in the coming weeks. More broadly, we will continue to test new ways to connect with our players and increase their engagement with Topgolf.

New and relevant experiences and improving our value perception will support traffic growth, but we also have initiatives that can drive growth in the bay. We are in the process of transitioning to a new point-of-sales system, which will not only be a win for our venue playmakers as it streamlines operations but will also enable a better experience with in-bay food and beverage ordering capabilities. Throughout the year we'll be rolling out mobile in-bay

capability, starting with payment at the end of Q1, re-ordering in the summer, and a full new menu alongside point of sale rollout in Q4. We will continue to use our consumer data platform to build frequency with our existing players and to inform design of seasonal passes and loyalty programs.

Moving on to our second key focus area: margin growth, we had a strong end of the year for venue level profitability. The venues generated EBITDAR margins of approximately 36%, a record for the fourth quarter, and we saw EBITDAR margins for the full year of 34%, despite seeing sales headwinds. This underscores the efficient operations our teams can deliver, with improving Player Experience scores, and the efforts we have made to improve our labor model, which delivered approximately 100 bps improvement year-over-year.

In 2025, we will continue to advance margin initiatives, particularly on the labor side, which we expect will improve venue-level profitability and allow for investment into profitable, traffic-driving value. While we are wholly committed to driving a return to growth in same venue sales, we also believe we have a long-term opportunity to grow our venue margins.

Moving to our third key focus area: venue development, we had another strong cohort in 2024 opening six new Topgolf venues and completing one Big Shots conversion. Our Q4 openings in Ridgeland, Mississippi and Burlingame, California (outside San Francisco) validate the brand is relevant across the country. Overall, we have a portfolio of building designs that meet local needs and drive strong unit economics. And while we are pleased with our track record in venue development, it's clear our team and resources need to be primarily focused on driving same venue sales and continuing to increase flow through at our existing venues. As previously communicated, we will have five venues slated to open in 2025 (four of which are planned for Q4). We continue to have high conviction in our whitespace opportunity but believe we are making the right prioritization in the near term.

Finally, I want to cover our home office support structure as we prepare for the separation, we are in the process of re-organizing with three clear intentions: 1) optimize leadership focus around driving same venue sales growth and 2) simplify work for our venue teams so they can focus on continued improvements in the in-bay experience and 3) further lower our cost base. This work is well underway with the recent onboarding of Erin Chamberlin, our Chief Operating Officer, and Josh Belkin, our Senior Vice President of Revenue Management and Player Engagement. Both Erin and Josh bring a wealth of experience in the casino and travel/hotel industries with a focus and track record of driving profitable growth. While I'm excited about the leadership team I get to work with side by side, we know that at the heart of the brand are our

venue playmakers and our venue Directors of Operations who lead them. We are streamlining our home office structure to better support our venues and run a more agile organization.

To summarize, we have a robust and targeted set of initiatives to improve same venue sales and are primarily focused against this. We expect same venue sales to improve throughout the year as laps get easier, as we bring new news to the Topgolf experience along with targeted value, and as we stabilize the events business. We have improved our talent and capability in key areas of focus in driving sales and continued margin expansion while improving the player experience.

I'm really excited about the future at Topgolf as our teams are driving action against our key focus areas. We believe these will drive both topline growth and free cash flow.

Back to you Chip.

### **Chip Brewer, President and Chief Executive Officer**

Thanks Artie. Now turning to Golf Equipment:

The sport of Golf remains strong. In 2024, rounds played grew 2% year-over-year, marking the fifth consecutive year where rounds played have exceeded 500 million. Furthermore, interest in the game and participation continued to increase with US on-course golf participation up 1.5 million to 28.1 million. Additionally, US sell-through and industry golf equipment shipments both grew low-single-digits as well.

Our golf equipment business performed exceptionally well from a brand perspective in 2024, and our global revenues were up slightly on a currency neutral basis. Our tour staff had multiple wins including one woman's and two men's majors. Our club brand continued to lead in the Technology and Innovation ratings, and our golf ball brand showed continued improvement in its overall brand rating and the number of people that rated it as "their favorite ball."

Our U.S. dollar market share placed us as the #1 club brand for the third consecutive year and the 9th out of the last ten years. We were #1 in Total Clubs, Drivers, Fairway Woods, and Hybrids; and, Ai Smoke was the #1 model in Drivers, Fairway Woods and Irons. We also had a very successful year in putters, driven by our Ai One product line.

In Golf ball we maintained our position as the #2 golf ball on the back of a successful launch of our Chrome Tour brand. As you can see on slide 8, we have a long-term track record of steadily growing our share in this category.

Looking forward, in January we announced some exciting new launches. In clubs, our new Elyte product line is our most complete lineup in memory; delivering new technology and outstanding performance from top to bottom. Turning to putters, during Q4 we launched our Square-to-Square product line featuring a “Zero Torque” design. This product has sold through extremely well and is creating excitement in the marketplace. On the ball side, we are launching new and improved versions of our SuperSoft and ERC product lines this year, as this is primarily an ionomer year for us. However, we are also adding a little energy to the Chrome Tour lineup, with the addition of our Triple Diamond offering, a model that, based on our testing, delivers the fastest ball speeds of any tour ball on the market.

We are forecasting our Golf Equipment revenues to be down slightly year-over-year, primarily due to foreign exchange but also because all of the big Four golf OEMs are launching full new wood lineups this year (something that doesn’t happen every year), and because we have less new product planned for the second half of the year. Operating Income will also be down, due to the lower revenues as well as the previously mentioned expense headwinds. On an organic basis (thus excluding the headwinds and FX) operating margin would have been forecast to be up slightly.

Switching gears, to our third and final segment: Active Lifestyle.

Market conditions in this segment were challenging during 2024 with continued softness in global apparel markets; but, TravisMathew had a strong Q4 and a good year overall. For the full year, sales were down a little, primarily due to the lapping of the before-mentioned 2023 Corporate channel sell in. Excluding this timing issue, sales were up approximately 7%, thus outperforming the market overall. Looking at categories: the brand continues to perform well in its core men’s category and is also gaining momentum in key new categories such as outerwear and women’s. For 2025 we are projecting operating conditions to be similar to 2024 but expecting the TravisMathew brand to outperform the market and deliver growth on both the top and bottom line. This is a profitable business with strong prospects.

Jack Wolfskin performed roughly consistent with expectations in Q4. For the full year, the business was challenged due to lower sales in Europe which were partially offset by continued strong performance in China. During 2024 we rescaled the cost base of this business, while at the same time working on our European product market fit, by re-focusing on the brand’s core products and positioning. We are expecting revenues for 2025 to be down because of our right-sizing efforts, but profitability to be up. This business remains a small part of our overall company, but we believe we have it well positioned for profitability in 2025 and beyond.

Overall, for 2025 we are expecting our Active Lifestyle category revenues to be down year-over-year, due to foreign exchange, as well as the lower revenue projections for Jack Wolfskin, but for operating income to be higher.

In conclusion: We closed 2024 on a strong note, and as we enter 2025, we remain focused on executing our strategic initiatives, bringing exciting new products and programs to market, and driving continued operating efficiencies. In the near term, we are also navigating some short-term headwinds, which are impacting this year's outlook. Given the strength of our brands and their market positions, our operational capabilities, and our strong financial position; we are confident we will get past these short-term headwinds and return to growth. And, as we execute on our strategy, we believe we will be able to deliver significant shareholder value, especially vis a vis the current market value of our equity.

Brian, over to you.

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

Thank you, Chip, and good afternoon, everyone.

Before jumping into our financial results for the quarter, I want to note that our GAAP results were impacted by the \$1.45 billion noncash accounting charge related to the impairment of the Topgolf goodwill and intangible assets. You may recall that the implied negotiated price for the Topgolf merger was \$1.987 billion dollars payable in common stock but the purchase price for accounting purposes was impacted by the stock price increase between signing and closing and as a result we recorded a \$3.1 billion dollar purchase price even though no additional shares were issued. Following the impairment, the remaining carrying value of the Topgolf assets on our books is \$1.6 billion. Importantly, this noncash charge does not impact our liquidity or operational flexibility.

Now turning to Q4 financial results. Q4 consolidated revenues of \$924 million increased 3% year-over-year. This increase was largely driven by increased revenue in Golf Equipment, with the Active Lifestyle segment up slightly and Topgolf revenue consistent with the prior year.

Q4 Adjusted EBITDA of \$101 million increased 45% driven by improved operating results across each segment.

Moving to segment performance. At Topgolf, Q4 revenue was approximately flat at \$439 million dollars. Revenue from new venues opened since Q4 last year offset an 8% decrease in same

venue sales. The same venue sales results included better than expected performance in both the 3+ bay events business and the walk-in 1- and 2-bay business.

Topgolf Q4 operating income was \$27 million, up \$4 million compared to the prior year, while Adjusted EBITDA increased 14% year-over-year to \$84 million. The adjusted EBITDA growth was driven primarily by improved venue-level margins. EBITDAR margins for the quarter exceeded expectations and represented a record high Q4.

Moving to the Golf Equipment segment, revenue was up 13% to \$225 million year-over-year. This result was driven by the continued success of both our golf clubs business and Chrome family of golf balls as well as the successful launch of our new Ai-One Square 2 Square putters in Q4.

The seasonal Golf Equipment operating loss of (\$3) million was a \$17 million improvement compared to the prior year, primarily due to increased sales volume.

In our Active Lifestyle segment, Q4 revenue increased 1% year-over-year. This increase was due to an increase in apparel sales, primarily TravisMathew. Jack Wolfskin reported approx. flat year-over-year revenue and continues to perform well in China.

Operating income increased to \$24 million compared to \$20 million in the prior year, primarily driven by the increased revenue and cost savings initiatives at Jack Wolfskin resulting from the recent right-sizing of that business.

Moving to balance sheet and liquidity on slide 16. Our available liquidity, which is comprised of cash on hand and incremental borrowing capacity under our credit facilities, continued to strengthen. As of December 31, 2024, our available liquidity increased \$54 million to \$797 million due to better cash flow generation and as the company continues to manage working capital and capital expenditures.

At year-end we had total net debt of \$2.3 billion, which per our usual practice excludes convertible debt of approximately \$258 million, compared to \$2.2 billion for the same time last year. This increase is attributable to increased venue financing debt related to new venues, partially offset by a reduction in term loan debt, including our second quarter discretionary \$50 million principal paydown of our term loan B.

It is helpful to evaluate our net leverage position by excluding the venue financing debt associated with our Topgolf venues which is akin to capitalized rent with no additional principal or bullet repayment. In Q4 our REIT adjusted net debt was \$818 million, over \$150 million lower vs last year.

Our net debt leverage, which excludes convertible debt, was 3.9x as of December 31, 2024, compared to 3.8x in the prior year. This increase was primarily due to increased venue financing debt. Importantly, our venue financing adjusted net debt leverage ratio, which burdens adjusted EBITDA with the venue financing interest payments— which are akin to rent — declined to 1.7x from 1.9x in the prior year. We remain comfortable with these leverage levels.

Our inventory balance decreased \$37 million, or 5%, to approximately \$757 million at the end of Q4 2024. We are comfortable with the quality of our inventory.

Shifting gears, full year consolidated adjusted free cash flow was \$203 million, which was ahead of our previous guidance. This performance reflects better than expected earnings as well as cash generation during the fourth quarter, the timing of the receipt and payment of inventory, and continued management of capital expenditures and working capital.

Gross capital expenditures for 2024 were \$295 million and we received reimbursements of approximately \$115 million from our financing partners for net capital expenditures of approximately \$180 million with approximately \$55 million relating to the non-Topgolf business and \$125 million coming from Topgolf.

Looking specifically at guidance for 2025 on presentation slides 5 through 7, you can see that there will be some significant headwinds, as Chip previously described.

For 2025, we expect revenue to be in the range of \$4 to \$4.185 billion dollars, representing an approximate 3% decline year-over-year at the midpoint of guidance. When excluding the F/X and other headwinds previously mentioned, we expect full year 2025 organic revenue growth to be down slightly year-over-year.

For the Core business, we are projecting revenue to be in the range of \$2.275 - \$2.35 billion, representing a 5% decline year-over-year at the midpoint. Excluding the F/X and other headwinds, organic revenue is projected to be down 2%.

For Topgolf specifically, we expect 2025 revenue to be in the range of \$1.725 billion to \$1.835 billion, representing a decline of -2% year-over-year at the midpoint. Excluding the headwinds, the guidance would represent full year organic revenue growth of approximately 1%, driven by new venues, partially offset by our same venue sales forecast of down mid-single digits.

Turning to profitability, we anticipate adjusted EBITDA for 2025 to be in the range of \$415 million to \$505 million, representing a \$128 million decline year-over-year at the midpoint. Excluding F/X and the other headwinds, the guidance represents full year organic adjusted EBITDA growth of minus 1%.

We are projecting core business adjusted EBITDA in the range of \$175 million to \$205 million. Excluding the F/X and other headwinds, core business adjusted EBITDA is expected to grow by \$14 million or 6%.

We are projecting Topgolf adjusted EBITDA in the range of \$240 million to \$300 million. Excluding the headwinds, Topgolf adjusted EBITDA is expected to decline by approximately \$22 million on an organic basis.

Now turning to Q1 specifically.

For Q1, we are forecasting consolidated revenue of \$1.045 billion to \$1.085 billion and adjusted EBITDA of \$125 million to \$145 million.

Overall, we had a strong finish to 2024 but face some short-term headwinds in 2025 as discussed earlier. This will be a reset year as we navigate these headwinds and pursue the separation of Topgolf. The important part is that our Callaway Golf and TravisMathew brands remain strong; the Jack Wolfskin business has successfully right-sized its business; and our liquidity position remains solid. We believe this will position us well to navigate the 2025 headwinds, return to sustainable growth, execute on our strategic initiatives and create shareholder value.

With that said, I would now like to turn the call back over to the Operator for Q&A.