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Lower Middle Market Companies

### **Strategic Risk & Opportunity Assessment Report**



### **Topgolf Callaway Brands Corp. (NYSE: MODG)**

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## 1. Executive Summary

Topgolf Callaway Brands Corp. (NYSE: MODG) is a publicly traded global golf and entertainment company headquartered in Carlsbad, California.[1, 2] The company operates a diversified portfolio across three primary segments: Topgolf, Callaway Golf, and Active Lifestyle.[2] Topgolf, its experiential golf entertainment venue business, is a key growth driver, while Callaway Golf manufactures and sells golf clubs, balls, and gear.[2] The Active Lifestyle segment includes apparel and gear brands like TravisMathew, Jack Wolfskin, and Ogio.[2]

In Q1 2025, Topgolf Callaway Brands reported net revenues of \$1.09 billion, a 4.5% decrease year-over-year, but its adjusted EBITDA grew by 4.0% to \$167.3 million, indicating improved operational profitability despite a net income decline.[3] The company is executing a strategic turnaround focused on optimizing Topgolf's profitability, streamlining its Active Lifestyle segment through the sale of Jack Wolfskin, and leveraging its strong brand portfolio to drive long-term growth in the resilient golf and outdoor recreation markets.[4, 5, 6] A significant strategic initiative involves the planned spin-off of Topgolf in the second half of 2025, aiming to enhance strategic focus and maximize shareholder value.[4, 7, 8]

## 2. Company Overview

Topgolf Callaway Brands Corp. is a publicly traded company listed on the New York Stock Exchange (NYSE) under the ticker MODG.[1] Its headquarters are located at 2180 Rutherford Road, Carlsbad, California 92008, USA.[1, 2] The company's official website is [www.topgolfcallawaybrands.com](http://www.topgolfcallawaybrands.com). [1]

Topgolf Callaway Brands operates as a global golf and entertainment company with a diversified business model across three primary segments:

- **Topgolf:** This segment focuses on experiential golf entertainment venues, offering a unique blend of golf, food, and beverage. It is a key growth driver for the company, incorporating Toptracer ball-flight tracking technology.[2, 9]
- **Golf Equipment:** This segment designs, manufactures, and sells a comprehensive range of golf clubs (drivers, fairway woods, hybrids, irons, wedges, putters) and golf balls under renowned brands such as Callaway, Odyssey, and Strata. It also includes golf gear like bags, gloves, and headwear.[2]
- **Active Lifestyle:** This segment includes a portfolio of apparel and gear brands that

cater to active consumers, such as TravisMathew (men's, women's, and youth apparel and footwear), OGIO (storage and travel gear), and previously Jack Wolfskin (outdoor apparel and equipment, which was sold in 2025).[2, 6]

The company maintains a significant global footprint, distributing its products and services across the United States, Europe, Asia, and over 100 countries worldwide.[2, 10, 11] In Q1 2025, the United States contributed 72.36% of total revenue, followed by Europe (11.91%), Asia (11.79%), and the Rest of World (3.94%). These proportions were consistent for the full year 2024.[12]

In terms of manufacturing and distribution capabilities, Topgolf Callaway Brands operates a primary golf club assembly facility in Monterrey, Mexico, with limited assembly in Carlsbad, California. Golf clubs are also assembled in China, Japan, and England. Golf ball manufacturing is based in Chicopee, Massachusetts. Distribution centers are located in Fort Worth, Toronto, Swindon (England), Melbourne (Australia), Hamburg (Germany), and Shanghai (China). The company also maintains offices and studios for technology and game development in Dallas, San Francisco, and Stockholm (Sweden).[13, 14] As of December 31, 2024, the company had 30,000 employees.[15]

## Key Company Information

Attribute	Detail
<b>Legal Name</b>	Topgolf Callaway Brands Corp. [1]
<b>Headquarters</b>	2180 Rutherford Road, Carlsbad, California 92008, USA [1, 2]
<b>Website</b>	<a href="http://www.topgolfcallawaybrands.com">www.topgolfcallawaybrands.com</a> [1]
<b>Ticker</b>	MODG (NYSE) [1]
<b>Business Model</b>	Global golf and entertainment company with three segments: Topgolf, Golf Equipment, Active Lifestyle [2]

<b>Total Employees</b>	30,000 (as of Dec 31, 2024) [15]
<b>Geographic Reach</b>	United States, Europe, Asia, and over 100 countries worldwide [2, 10, 11]
<b>Key Facilities</b>	Carlsbad, CA (HQ, R&D, assembly); Monterrey, Mexico (club assembly); Chicopee, MA (ball manufacturing); Global distribution centers [13]

### 3. Leadership and Founding Team

The leadership team at Topgolf Callaway Brands Corp. comprises individuals with diverse professional backgrounds, reflecting the multifaceted nature of the company's operations.

- **John F. Lundgren:** Serves as the Chairman, a position he has held since May 2020. His prior experience includes serving as Chairman, CEO, and Director of Stanley Black & Decker, Inc..[16]
- **Erik J. Anderson:** Holds the role of Vice Chairman since 2021. He is recognized as the Founder and CEO of WestRiver Group and previously contributed significantly as Chairman, Co-Chairman, and CEO at Topgolf.[16]
- **Oliver G. "Chip" Brewer III:** Leads the company as President and Chief Executive Officer, a role he assumed in March 2012. He is widely acknowledged for transforming Topgolf Callaway Brands into a tech-enabled modern golf and active lifestyle company. Before joining Callaway, Mr. Brewer served as President and COO of Adams Golf.[16, 17] His compensation in 2024 exceeded \$9.3 million, with a CEO pay ratio of 344:1 relative to median employee pay.[18]
- **Artie Starrs:** Functions as the Chief Executive Officer for Topgolf International, Inc., overseeing Topgolf's overall vision and growth. His responsibilities include driving the global expansion strategy for Topgolf venues, Toptracer technology, and Topgolf Media business lines. Mr. Starrs joined Topgolf in 2021, bringing extensive leadership experience from the financial, restaurant, and entertainment industries, including his tenure as Pizza Hut Global CEO.[19]
- **Brian P. Lynch:** Serves as the Chief Financial Officer and Chief Legal Officer, a dual role he has held since January 2019.[16]
- **Maryam Morse:** Was appointed Chief People Officer in May 2024, having previously served as Executive Vice President of Human Resources and

Communications at Andrews Distributing.[16]

The composition of the leadership team, featuring individuals with expertise spanning traditional golf, entertainment, finance, and legal domains, is a deliberate strategic choice. This blend of experience is essential for effectively managing the company's diverse business segments, which include golf equipment, active lifestyle products, and experiential entertainment venues. The strategic direction articulated by Mr. Brewer, focusing on a "tech-enabled Modern Golf and active lifestyle company" [17], and Mr. Starrs' emphasis on expanding Topgolf's global presence and technology offerings [19] demonstrates a clear alignment of executive capabilities with the overarching corporate strategy. The inclusion of a Chief People Officer further underscores the importance placed on human capital management, a critical factor for a large, globally diversified workforce. This specialized leadership structure is designed to navigate the complex operational demands of both manufacturing and service provision, particularly as the company progresses towards a potential separation of its core businesses. The substantial compensation awarded to the CEO reflects the perceived value of this leadership in steering the company through its intricate strategic transformation.

## 4. Product/Service Portfolio

Topgolf Callaway Brands Corp. offers a comprehensive portfolio of performance and enthusiast products for the automotive aftermarket, catering to a wide range of vehicles and applications. The company's offerings are organized under various iconic brands.

### Core Product Categories:

- **Golf Equipment:** This segment designs, manufactures, and sells a comprehensive range of golf clubs, including drivers, fairway woods, hybrids, irons, wedges, and putters. It also produces golf balls under renowned brands such as Callaway, Odyssey, and Strata. This segment also includes golf gear like bags, gloves, and headwear.[2]
- **Topgolf Venues & Technology:** This segment encompasses the operation of venues equipped with advanced technology-enabled hitting bays, alongside integrated bars, dining areas, and event spaces. It also incorporates Toptracer ball-flight tracking technology, enhancing the interactive experience.[2, 9]
- **Active Lifestyle Apparel & Gear:** This segment includes a portfolio of apparel and gear brands that cater to active consumers, such as TravisMathew (golf and men's, women's, and youth apparel and footwear), and OGIO (storage and travel gear). Previously, it also included Jack Wolfskin (outdoor apparel and equipment), which

was sold in 2025.[2, 6]

#### Key Brands:

Topgolf Callaway Brands' product portfolio is built around a collection of well-known and respected brands in the golf and active lifestyle communities, including:

- **Callaway Golf:** A flagship brand for golf clubs and balls, known for innovative technologies like AI-designed club faces.[20]
- **Topgolf:** The leading tech-enabled golf entertainment business with over 100 U.S. and international venues.[7]
- **TravisMathew:** A premium lifestyle and performance apparel brand with a rapidly growing presence in golf and active lifestyle segments.[20]
- **Toptracer:** Ball-tracking and gaming technology used in Topgolf venues and installed at over 700 driving ranges worldwide, also powering broadcast graphics for professional golf tournaments.[20, 21]
- **Odyssey:** The #1 putter brand in golf, known for innovative insert technologies.[20]
- **OGIO:** Provides storage and travel gear for sport and personal use, such as backpacks, travel bags, duffel, and golf bags.[2]
- **Strata:** A brand for golf balls and packaged sets.[2]

Topgolf Callaway Brands' strategy is to offer a comprehensive "platform" of products and experiences that cater to the entire lifecycle of golf and active lifestyle engagement, from traditional golf equipment to experiential entertainment and apparel, appealing to the diverse needs of its customer base.[1, 2]

## 5. Market Position & Peer Analysis

Topgolf Callaway Brands Corp. holds a leading market position within the golf and active lifestyle sectors, characterized by its diversified offerings and strong brand portfolio.

#### Market Position:

- **Market Leadership:** The company maintains the #1 U.S. market share in golf clubs (including drivers, fairway woods, and irons) and a growing #2 position in golf ball sales.[7, 22]
- **Global Leader in Modern Golf:** Topgolf Callaway Brands positions itself as a global leader in "Modern Golf," encompassing traditional on-course play, off-course entertainment, and digital experiences.[20, 21]
- **Strong Brand Portfolio:** The company benefits from a collection of well-recognized and respected brands (e.g., Callaway Golf, Topgolf, TravisMathew,

Toptracer), which command significant loyalty within their respective communities.[9, 7]

- **Diversified Revenue Streams:** Revenue is generated from traditional golf equipment sales, experiential entertainment from Topgolf venues (including food and beverage, and corporate events), and active lifestyle apparel and gear.[1, 23]
- **Global Presence:** The company has an extensive global footprint, distributing its products and services in over 100 countries worldwide, with significant revenue from outside the U.S.[2, 10, 12]

### Market Size & Trends:

- **Growing Golf Participation:** The game of golf continues to grow, with 545 million U.S. rounds played in 2024 (a new high) and over 3 million beginners taking up the on-course game annually. Topgolf is a significant driver, with 10% of current on-course golfers attributing their entry to Topgolf.[20, 24]
- **Experiential Entertainment Growth:** The demand for interactive and social entertainment experiences, like those offered by Topgolf, continues to rise. Topgolf is expected to exceed 30 million unique visitors in 2024.[25]
- **Natural Cosmetics Market:** The global natural cosmetics market is projected to reach \$44.5 billion by 2034, growing at an 8.7% CAGR, driven by consumer awareness and demand for ethical products. This trend could indirectly support the Active Lifestyle segment's focus on clean and sustainable products.
- **E-commerce Growth:** Digital advancements and changing customer behavior are driving the online/e-commerce segment within various consumer markets, favoring companies with strong digital presence like Topgolf Callaway Brands.

### Peer Analysis:

Topgolf Callaway Brands operates in a competitive landscape with various players across its segments.

- **Golf Equipment Competitors:** Acushnet (GOLF) is a major competitor in golf equipment.[26, 27]
- **Entertainment/Recreation Competitors:** YETI, Peloton Interactive (PTON), Arlo Technologies (ARLO), Knowles (KN), Solo Brands (DTC), Sonos (SONO), Funko (FNKO), Escalade (ESCA), and Clarus (CLAR) are listed as competitors in the broader recreation industry.[26]
- **Other Competitors:** Mizuno Corp., Giant Manufacturing Co., Ltd., Shanghai Yaoji Technology Co., Ltd., and Yonex Co., Ltd. are also listed as industry peers in consumer durables.[23]

Topgolf Callaway Brands differentiates itself through its comprehensive brand portfolio, which allows it to offer a "one-stop shop" for golf and active lifestyle enthusiasts, and its strong direct-to-consumer capabilities, fostering direct relationships with its core customer base.[1] Its integration of technology (Toptracer, AI in clubs) and focus on



accessibility (beginner-friendly equipment, Topgolf venues) further set it apart.[20]

## 6. Financial Performance

Topgolf Callaway Brands Corp. has experienced a dynamic financial period, marked by significant non-cash charges that have impacted its reported GAAP results, even as underlying operational metrics show resilience.

### Key Financial Highlights

For the **first quarter ended March 31, 2025**, the company reported net revenues of \$1,092.3 million, representing a 4.5% decrease year-over-year, or a 3.8% decrease on a constant currency basis.[3] GAAP income from operations remained approximately flat at \$66.5 million, while non-GAAP income from operations increased by 20.9% to \$87.8 million.[3] The company recorded a net income of \$2.1 million, a substantial 67.7% decline from the prior year, resulting in diluted earnings per share of \$0.01, down from \$0.04.[3] Adjusted EBITDA, a key measure of operational profitability, increased by 4.0% to \$167.3 million.[3]

Looking at the **full fiscal year 2024 (ended December 31, 2024)**, total net revenues reached \$4,239.3 million, a slight decrease of 1.1% compared to 2023.[4, 28] The most significant financial event was a GAAP operating loss of \$(1,257.2) million, a stark contrast to the \$237.7 million operating income in 2023. This substantial decline was primarily attributable to a non-cash impairment charge of \$1,452.0 million related to Topgolf's goodwill and intangible assets.[4, 29] Consequently, the GAAP net loss for the year was \$(1,447.7) million, compared to a net income of \$95.0 million in 2023, and diluted loss per share was \$(7.88).[4, 29] Adjusted EBITDA for the full year decreased by 1.5% to \$587.7 million.[4, 29] Despite the GAAP losses, cash and cash equivalents increased by \$51.5 million from 2023, reaching \$445.0 million by the end of 2024, primarily due to cash generated from operating activities.[4]

For the **full fiscal year 2023 (ended December 31, 2023)**, the company reported total net revenues of \$4,285 million, marking a 7.2% increase over 2022.[25] Net profit for 2023 stood at \$95 million, a 40% decrease from 2022, primarily attributed to increased interest expense and accounting write-offs.[25] Adjusted EBITDA for 2023 showed a healthy increase of nearly 10% globally, reaching \$596.6 million.[25]



## Operational Efficiency Metrics

While a consolidated gross margin for the entire company was not explicitly detailed, the Golf Equipment segment demonstrated improved gross margins in Q4 2024.[29] The consolidated GAAP operating margin was significantly negative in 2024 due to the substantial impairment charges.[4, 30] However, the non-GAAP operating margin in Q1 2025 was 8.0%, indicating a more favorable operational performance when non-recurring items are excluded.[3] Cash flow from operations showed strength, increasing by 5% to \$382 million in FY 2024, with adjusted free cash flow rising by 27% to \$203 million in the same period.[29] In Q1 2025, cash from operating activities was \$370.1 million.[31] The revenue per employee in 2024 was reported at \$139,580.[15]

The substantial GAAP net loss and operating loss reported for fiscal year 2024 are predominantly a result of a non-cash goodwill and intangible asset impairment charge related to Topgolf. This accounting adjustment significantly distorts the headline financial figures, making the company's performance appear weaker than its underlying operational capabilities suggest. The concurrent increase in Adjusted EBITDA and improvements in non-GAAP operating income, particularly within the Golf Equipment segment, indicate that the core businesses are generating cash and improving profitability. This situation underscores that the reported GAAP figures reflect a "clean-up" of past acquisition valuations rather than a fundamental deterioration in day-to-day operations. For a comprehensive assessment, it is therefore important to consider the adjusted profitability metrics and the company's robust cash flow generation, which provide a more accurate representation of its current financial health.

**Table: Summary of Key Financials**

Metric	FY 2023	FY 2024	Q1 2025
Net Revenues	\$4,285.0M [25]	\$4,239.3M [4]	\$1,092.3M [3]
GAAP Operating Income/(Loss)	\$237.7M [4]	\$(1,257.2)M [4]	\$66.5M [3]
Non-GAAP Operating	N/A	N/A	\$87.8M [3]

Income			
GAAP Net Income/(Loss)	\$95.0M [25]	\$(1,447.7)M [4]	\$2.1M [3]
Adjusted EBITDA	\$596.6M [25]	\$587.7M [29]	\$167.3M [3]
Cash & Cash Equivalents	\$393.5M [32]	\$445.0M [4]	\$317.0M [31]
Market Capitalization (Jul 2025)	\$2.64B [33]	\$1.41B [33]	\$1.69B [33]

## 7. Mergers & Acquisitions (M&A) and Transactional Activity

Topgolf Callaway Brands Corp. has recently engaged in significant M&A and partnership activities that reflect a strategic shift towards streamlining its business model and optimizing its portfolio.

The company's transformation began with the **merger with Topgolf International, Inc.** Callaway Golf Company acquired Topgolf in a \$2.6 billion transaction, announced in 2020 and finalized in March 2021. This deal involved Callaway issuing approximately 90 million shares to Topgolf stockholders, resulting in pre-merger Callaway stockholders owning approximately 51.5% and former Topgolf stockholders owning approximately 48.5% of the combined entity. Callaway also assumed Topgolf's outstanding net indebtedness.[7, 34] Following this, in **November 2023, Topgolf Callaway Brands acquired BigShots Golf** for \$29 million, adding four new locations, primarily in the southern United States.[35, 36]

A pivotal strategic development is the **planned spin-off of Topgolf**, anticipated for the second half of 2025. This initiative involves separating the company into two independent entities: Callaway, which will focus on golf equipment and active lifestyle brands (including Toptracer), and Topgolf, which will concentrate on its venue-based golf entertainment business. This spin-off is structured to be tax-free for U.S. federal income tax purposes and is designed to enhance strategic focus and maximize shareholder value, although the exact timing may be subject to change.[4, 7, 8] The

rationale behind this separation is the recognition that Topgolf possesses a distinct operating model, capital structure, and investment thesis compared to Callaway. The board determined that operating independently would best position both entities for success, drive continued momentum, and deliver greater value to shareholders.[7] This move is also expected to reduce overall business complexity and enable accelerated innovation, particularly in AI-driven golf technology and experiential venues.[5] One-time separation costs are estimated to be approximately \$50 million.[28]

Further underscoring this strategic re-alignment is the **sale of Jack Wolfskin** to ANTA Sports, completed in 2025.[6] This divestiture, following its acquisition in 2019 for \$476 million, represents a deliberate move to refocus on the core "Modern Golf" ecosystem and reduce non-core liabilities. Jack Wolfskin had become a financial burden, reporting an €18 million EBITDA loss in its first half despite projected 2025 annual revenue of €325 million.[5] This transaction strengthens the company's liquidity and positions it as a leaner, more agile competitor.

In addition to these structural changes, Topgolf Callaway Brands has engaged in key **strategic partnerships**. A collaboration with **SPS Commerce** was established to streamline supply chain management, eliminate EDI backlogs, reduce IT costs, and enhance efficiency in serving retail customers. SPS Commerce provides prebuilt connections to over 1,800 retailers, facilitating faster integration with new trading partners.[37, 38] More recently, a partnership with **Visa** was announced to promote Topgolf to Cash App Visa cardholders through special offers, aiming to drive incremental venue traffic.[39, 40]

The planned spin-off of Topgolf and the divestiture of Jack Wolfskin collectively represent a clear strategy of "de-conglomeration." This approach is frequently adopted by companies where diverse business segments are perceived to have differing growth profiles, capital requirements, or appeal to distinct investor bases. The underlying objective is to unlock value by allowing each entity to pursue its unique strategic path without the potential dilution of focus or financial drag from other segments. This suggests that while the initial merger creating Topgolf Callaway Brands aimed to establish a "Modern Golf" leader, it also introduced complexities and financial burdens that are now being systematically addressed to enhance overall shareholder value.

## 8. SWOT Analysis

The strategic posture of Topgolf Callaway Brands Corp. can be effectively analyzed through a SWOT framework, highlighting its internal capabilities and external market dynamics.

### Strengths

- **Market Leadership & Brand Portfolio:** The company holds a formidable market position, maintaining the #1 U.S. market share in golf clubs (including drivers, fairway woods, and irons) and a growing #2 position in golf ball sales.[7, 22] Its brand portfolio is robust, featuring globally recognized names such as Callaway Golf, Topgolf, TravisMathew, Toptracer, Odyssey, and OGIO.[9, 7]
- **Innovation & Technology Integration:** A significant strength lies in its innovation and technology integration, evidenced by substantial R&D investments and the leveraging of AI in golf equipment design.[4, 6] The proprietary Toptracer technology is widely integrated across Topgolf venues and driving ranges globally.[7, 21] The company is also actively developing digital gaming platforms, expanding its technological reach.[21]
- **Diversified Revenue Streams:** Topgolf Callaway Brands benefits from diversified revenue streams, encompassing traditional golf equipment sales, experiential entertainment from Topgolf venues, and associated food and beverage sales and corporate events.[23]
- **Global Presence:** Its global presence is extensive, with operations in over 100 countries and significant revenue generated from outside the U.S..[2, 10, 12]
- **Strong Cash Flow Generation:** The company demonstrates strong cash flow generation, with positive operating and adjusted free cash flow in both FY2024 and Q1 2025, providing financial flexibility despite reported GAAP losses.[29, 31]

### Weaknesses

- **Topgolf Same Venue Sales Decline:** A primary operational challenge is the decline in Topgolf's same venue sales, which were down 12% in Q1 2025 and are projected to continue declining in the high single to low double digits for the full year. This is attributed to softer traffic and a slowdown in corporate events.[3, 39,

41]

- **Significant Leverage & Impairment Charges:** Financially, the company recorded significant leverage and impairment charges, including a \$1.45 billion non-cash goodwill and intangible asset impairment related to Topgolf in 2024, contributing to a substantial GAAP net loss.[4, 29] The total debt to equity ratio stood at 1.20 in Q1 2025, indicating considerable financial leverage.[31]
- **Exposure to Tariffs & Supply Chain Risks:** The company faces exposure to tariffs and supply chain risks, particularly from its manufacturing operations in Asia (Vietnam), which are expected to incur an unmitigated tariff impact of approximately \$25 million in 2025. This reliance on a limited global supply chain for raw materials presents inherent vulnerabilities.[14, 42, 43]
- **Dependence on Consumer Discretionary Spending:** As a consumer discretionary business, MODG's performance is susceptible to dependence on consumer discretionary spending, meaning economic uncertainty and inflation can negatively affect demand for its products and services.[4, 39]

## Opportunities

- **Topgolf Spin-off:** The planned spin-off of Topgolf presents a significant opportunity to unlock shareholder value by allowing each business to pursue distinct growth strategies and optimize its capital structure.[7, 5]
- **Global Expansion of Topgolf Venues:** There is continued potential for global expansion of Topgolf venues, with 11 new venues opened in 2023 and 7 planned for 2024, indicating a clear growth trajectory in the entertainment segment.[25, 39]
- **Digital Capabilities & AI Integration:** Further investment in digital capabilities and AI integration offers avenues for enhancing customer engagement, improving operational efficiency, and driving innovation in golf equipment design.[4, 6, 39]
- **Beginner-Friendly Golf Market:** The company is strategically targeting the beginner-friendly golf market through initiatives like the Topgolf Shop and the "Sure Thing" golf club, aiming to convert new participants into long-term customers.[39, 24]
- **ESG Alignment:** The company's solutions align with ESG and green infrastructure mandates, which can attract public funding, institutional investors, and sustainability-linked capital.[44]

## Threats

- **Economic Uncertainty & Inflation:** The company operates under the constant threat of economic uncertainty and inflation, which could lead to a further slowdown in consumer activity and negatively impact demand for its discretionary offerings.[4, 39]
- **Intense Industry Competition:** The industry is characterized by intense competition from other major players in both golf equipment (e.g., Acushnet) and entertainment (e.g., YETI, Peloton).[26]
- **Regulatory Changes & Trade Policies:** Regulatory changes and trade policies, particularly unfavorable shifts in U.S. trade policies and increased import tariffs, could materially increase operational costs.[4, 43]
- **Seasonality of Golf:** The seasonality of golf as a sport inherently leads to fluctuations in revenue and operational stability.[11]
- **Shareholder Concentration:** The concentration of shareholding among certain stockholders (Providence, Dundon, WestRiver) grants them significant influence over company matters, potentially impacting strategic decisions or delaying changes in control.[45]

## 9. Customer Segmentation & Deep Dive

Topgolf Callaway Brands Corp. serves a diverse range of customers across various industrial sectors, with a particular focus on those requiring high-precision data visualization and printing solutions.

### Primary Customer Segments:

- **Topgolf Venue Patrons:** This broad segment includes individuals, families, and corporate groups seeking an experiential golf entertainment outing. They are attracted by the blend of golf, food, beverages, and social atmosphere. This segment is crucial for driving traffic and event bookings at Topgolf venues.[39, 23]
- **Traditional On-Course Golfers:** This segment comprises amateur and professional golfers who play on traditional golf courses. They seek high-performance golf clubs, balls, and gear to improve their game. They value innovation, brand reputation, and performance characteristics of equipment.[2, 20]
- **New & Beginner Golfers:** A growing segment targeted by Topgolf Callaway Brands. These individuals are often introduced to golf through Topgolf venues and are looking for accessible, fun, and easy ways to learn and engage with the sport.

The company aims to convert them into long-term golfers through initiatives like the Topgolf Shop and beginner-friendly equipment.[39, 24]

- **Active Lifestyle Consumers:** This segment includes individuals who purchase golf apparel, footwear, and travel gear for both on-course and everyday active use. They value comfort, style, and brand association with golf and outdoor activities. Brands like TravisMathew and OGIO cater to this segment.[2]
- **Retailers & Distributors (B2B):** This segment includes golf retailers, sporting goods retailers, online retailers, mass merchants, department stores, and third-party distributors who sell Callaway Golf and Active Lifestyle products to end-consumers. They require reliable supply chains, effective marketing support, and popular brands to drive their sales.[2, 37]

#### Customer Needs Addressed:

- **Entertainment & Socialization:** For Topgolf patrons, the need for a fun, interactive, and social outing is paramount.
- **Performance & Improvement:** On-course golfers seek equipment that enhances their performance and helps them improve their game.
- **Accessibility & Learning:** New golfers need easy entry points into the sport and equipment that simplifies the learning process.
- **Style & Comfort:** Active lifestyle consumers desire apparel and gear that is both functional and fashionable.
- **Quality & Reliability:** Across all segments, customers expect high-quality, durable products and reliable services.

The company's strategy involves appealing to a broad customer base while also developing specialized product lines and experiences for specific, high-demand niches, thereby creating a synergistic ecosystem that drives engagement across the entire "Modern Golf" landscape.

## 10. Sales & Distribution Strategy Analysis

Topgolf Callaway Brands Corp. employs a robust multi-channel sales and distribution strategy designed to effectively reach its diverse customer base of golf enthusiasts, active lifestyle consumers, and industry partners.

#### Sales Channels:

- **Topgolf Venues:** These physical locations serve as direct sales channels for entertainment experiences, food and beverage, and event bookings. They also act



as a gateway for new golfers to engage with the brand.[2, 39]

- **Direct-to-Consumer (DTC):** The company leverages its own portfolio of websites (e.g., CallawayGolf.com, TravisMathew.com, Topgolf.shop) to sell golf equipment, apparel, and accessories directly to end-consumers. This channel allows for direct engagement, full control over brand messaging, and potentially higher margins.[2, 24]
- **Retailers & Distributors:** Products are sold through a wide network of golf retailers, sporting goods retailers, online retailers, mass merchants, department stores, and third-party distributors globally. This broad reach ensures widespread availability of products.[2]
- **E-commerce Platforms:** Products are also distributed through major e-commerce platforms like Amazon and eBay, expanding its reach to a broader digital audience.[37]

### Go-to-Market (GTM) Strategy:

- **Brand-Centric Approach:** Holley's GTM strategy heavily relies on its portfolio of iconic brands. Each brand has a strong identity and loyal following, allowing for targeted marketing and product development that resonates with specific enthusiast niches (e.g., Callaway for clubs, TravisMathew for apparel, Topgolf for entertainment).[9, 7]
- **Product Innovation:** Continuous product innovation and development of new technologies (e.g., AI-designed club faces, Toptracer technology) are central to attracting and retaining customers. This includes adapting to new vehicle platforms, such as electric vehicles (EVs), to capture emerging market opportunities.[4, 20, 6]
- **Digital Engagement:** The company focuses on enhancing its digital presence, which includes optimizing its e-commerce platforms, implementing reservation systems (PIE), and consumer data platforms. Investments in performance marketing and loyalty programs drive traffic and improve customer insights.[39]
- **Experiential Marketing:** Topgolf venues serve as a unique experiential marketing tool, introducing new players to golf in a fun, accessible environment and potentially converting them into traditional golfers and equipment purchasers.[25, 20]
- **Strategic Partnerships:** Collaborations with partners like SPS Commerce (for supply chain streamlining) and Visa (for promotional offers) enhance operational efficiency and drive incremental venue traffic.[37, 39]
- **Targeted Promotions:** The company uses selective and targeted promotions, leveraging consumer data to attract new customers (e.g., walk-in "Free 30" offers) while protecting long-term profitability.[39]
- **Global Expansion:** The GTM strategy includes continued global expansion of Topgolf venues and broader distribution of golf equipment and active lifestyle products in international markets.[25, 39]

The multi-channel approach allows Topgolf Callaway Brands to cater to various customer preferences, from those seeking direct online purchases to those preferring in-venue experiences or traditional retail support, while its brand strength and innovation drive demand.

## 11. Operational Efficiency Metrics

Topgolf Callaway Brands Corp.'s operational efficiency has been a key focus of its recent strategic reorientation, with mixed results influenced by significant non-cash charges and ongoing efforts to streamline operations.

### Key Operational Observations and Metrics:

- **Non-GAAP Operating Income Growth:** In Q1 2025, non-GAAP income from operations increased by 20.9% to \$87.8 million, indicating improved underlying operational profitability when excluding non-recurring items.[3]
- **Adjusted EBITDA Growth:** Adjusted EBITDA increased by 4.0% to \$167.3 million in Q1 2025, reflecting enhanced operational performance before non-cash items and financing costs.[3]
- **Gross Margin Improvement (Products):** The Golf Equipment segment demonstrated improved gross margins in Q4 2024, suggesting better efficiency in product manufacturing and pricing.[29]
- **Strong Cash Flow from Operations:** The company generated \$382 million in cash from operating activities in FY 2024 (up 5%) and \$370.1 million in Q1 2025, indicating robust cash generation capabilities despite reported GAAP losses.[29, 31]
- **Adjusted Free Cash Flow Growth:** Adjusted free cash flow increased by 27% to \$203 million in FY 2024, demonstrating effective capital management and conversion of earnings into free cash.[29]
- **Revenue per Employee:** In 2024, the company's revenue per employee was \$139,580.[15]
- **Operational Challenges (Topgolf):** Topgolf's same venue sales declined by 12% in Q1 2025, and the events business has slowed, indicating operational challenges in driving venue traffic and profitability.[3, 39]
- **Supply Chain Optimization:** Partnership with SPS Commerce has streamlined supply chain management, eliminated EDI backlogs, reduced IT costs, and increased efficiencies in serving retail customers, contributing to operational improvements.[37, 38]
- **Inventory Management:** Consolidated inventory decreased by \$193 million since

Q2 last year, and the company is comfortable with current inventory levels, indicating effective inventory reduction initiatives.[40]

- **Debt Management:** A \$50 million discretionary payment was made against term loan debt, and net debt leverage improved to 3.9x, demonstrating prudent debt management and financial flexibility.[40]

Overall, Topgolf Callaway Brands is actively working to improve its operational efficiency through strategic initiatives, and while challenges remain, particularly in Topgolf venue sales, underlying operational metrics and cash flow generation show positive trends.

## 12. Technology & IP Strategy

Topgolf Callaway Brands Corp.'s technology and intellectual property (IP) strategy is deeply embedded in its product development, experiential offerings, and brand portfolio, focusing on continuous innovation and leveraging cutting-edge advancements.

### Key Technologies and IP Focus:

- **Proprietary Golf Equipment Design & AI Integration:** A cornerstone of its IP is the design and engineering of its golf clubs and balls. The company invests tens of millions annually in R&D and files over 100 U.S. patent applications per year, building one of the largest patent portfolios in golf (over 1,200 U.S. patents). This includes innovative technologies like AI-designed club faces, which enhance performance.[4, 20, 6, 46]
- **Toptracer Technology:** This proprietary ball-flight tracking and gaming technology is a key IP asset. It is integrated across Topgolf venues and installed at over 700 driving ranges worldwide, powering broadcast graphics for professional golf tournaments and enabling virtual golf experiences.[20, 21]
- **Digital Gaming Platforms:** The company is actively developing digital gaming platforms, expanding its technological reach beyond physical venues and traditional golf equipment. This includes virtual golf experiences and games.[20, 21]
- **Proprietary Digital Platforms:** Investments in digital capabilities include implementing the PIE reservation system and a comprehensive consumer data platform. These platforms enhance customer insights, enable personalized offerings, and drive traffic, forming a crucial part of its digital IP.[39, 40]
- **Brand Portfolio & Trademarks:** Topgolf Callaway Brands owns a vast portfolio of iconic brands (e.g., Callaway Golf, Topgolf, TravisMathew, Odyssey, OGIO, Toptracer). These brands are valuable trademarks that represent decades of innovation, quality, and trust within the golf and active lifestyle communities, serving

as a strong form of IP that drives customer loyalty and market recognition.[9, 7, 4]

- **R&D Investment:** The company makes substantial R&D investments to develop superior products and stay ahead of technological trends. This commitment to innovation is a continuous process, ensuring its products and experiences remain cutting-edge.[4, 6, 46]

Topgolf Callaway Brands' IP strategy is focused on leveraging its extensive patent portfolio, proprietary technologies, and strong brand assets to drive innovation, enhance customer experience, and maintain its market leadership in the evolving golf and active lifestyle landscape.

## 13. Risk Heatmap

Topgolf Callaway Brands Corp. operates within a complex environment, facing a range of financial, operational, market, and regulatory risks, alongside evolving ESG considerations.

### Risk Heatmap

Risk Category	Level of Risk	Key Contributing Factors
<b>Financial Solvency</b>	Medium	Significant leverage (Total Debt to Equity 1.20 in Q1 2025) [31], earnings volatility due to non-cash impairment charges [4], and stock price volatility.[26, 45, 47]
<b>Operational Integration</b>	Medium	Challenges related to the ongoing separation of Topgolf and potential complexities in integrating acquired businesses.[4, 45]
<b>Market Competition</b>	High	Intense competition from other

		major players in both golf equipment (e.g., Acushnet) and entertainment (e.g., YETI, Peloton).[26]
<b>Supply Chain</b>	Medium	Exposure to tariffs (projected \$25M unmitigated impact in 2025) [42, 43] and reliance on a limited global supply chain for raw materials.[14, 4]
<b>Economic Cyclical</b>	High	Dependence on consumer discretionary spending, making demand susceptible to economic uncertainty and inflation.[4, 39]
<b>Regulatory Compliance</b>	Medium	Potential changes in U.S. trade policies (tariffs) [4] and the need to protect extensive intellectual property rights.[4, 48]
<b>Shareholder Concentration</b>	Medium	Concentration of shareholding among certain stockholders (Providence, Dundon, WestRiver) grants them significant influence over company matters.[45]
<b>Seasonality</b>	Low to Medium	The seasonality of golf inherently leads to fluctuations in revenue and operational stability.[11]

## 14. Strategic Recommendations

Topgolf Callaway Brands Corp. is currently undergoing a significant strategic reorientation, aiming to enhance its market position and unlock shareholder value through focused operations.

### Strategic Recommendations

To navigate current challenges and capitalize on future opportunities, several strategic imperatives are identified. First, the company should **accelerate the planned Topgolf spin-off**. This separation is crucial to allow both Topgolf and Callaway to operate as independent entities, optimize their respective capital allocations, and pursue distinct growth strategies without internal conflicts or perceived valuation drag from a combined structure.[7, 5] Second, following the divestiture of Jack Wolfskin, the company must **refocus on its core "Modern Golf" ecosystem**. This involves concentrating resources and R&D expenditure on high-margin golf segments and tech-integrated experiences, which are central to its long-term vision.[5]

Third, a continued emphasis on **enhancing digital and data capabilities** is vital. Investing further in digital platforms, such as the PIE reservation system and a comprehensive consumer data platform, alongside robust performance marketing, will drive traffic, improve customer insights, and enable personalized offerings.[39] Fourth, the implementation of **targeted promotional strategies** is recommended. By utilizing consumer data, the company can deploy selective promotions, such as a walk-in version of the "Free 30" offer, to attract new customers and manage demand fluctuations, all while safeguarding long-term profitability and brand value.[39]

Fifth, driving **venue operating efficiencies** at Topgolf locations remains critical. Continuous efforts in cost management and operational improvements are necessary to expand operating margins, even amidst softer top-line trends.[39] Sixth, the company must proactively **diversify its supply chain and mitigate tariff impacts**. This involves exploring alternative sourcing options and negotiating terms with suppliers to reduce manufacturing exposure to Asia and lessen the financial burden of tariffs.[14, 42, 43] Finally, prudent **capital management** is essential, including ongoing management of debt levels and considering share repurchase programs to enhance shareholder value.[4]

## 15. Market Trends & Strategic Outlook, and CEO Strategic Supplement

Topgolf Callaway Brands Corp. is strategically positioned to capitalize on the enduring passion of automotive enthusiasts, despite recent market headwinds. Its future success hinges on disciplined execution of its turnaround strategy, continuous innovation, and leveraging its strong brand portfolio.

### Market Trends & Strategic Outlook

The strategic outlook for Topgolf Callaway Brands is largely positive, driven by several key market trends:

- **Growing Golf Participation:** The game of golf continues to grow, with 545 million U.S. rounds played in 2024 (a new high) and over 3 million beginners taking up the on-course game annually. Topgolf is a significant driver, with 10% of current on-course golfers attributing their entry to Topgolf.[20, 24]
- **Experiential Entertainment Growth:** The demand for interactive and social entertainment experiences, like those offered by Topgolf, continues to rise. Topgolf is expected to exceed 30 million unique visitors in 2024.[25]
- **E-commerce Dominance:** The ongoing shift towards online sales channels within the automotive aftermarket provides a scalable and efficient distribution avenue for companies with strong digital capabilities.[39]
- **Innovation in Golf Technology:** Continuous advancements in golf equipment technology, including AI-driven design and ball-tracking systems (Toptracer), are driving market excitement and demand for high-performance products.[4, 20, 6]
- **Focus on Accessibility & Inclusivity:** Initiatives to make golf more accessible and fun for beginners (e.g., Topgolf Shop, "Sure Thing" golf club) align with broader trends of inclusivity in sports and recreation.[39, 24]
- **ESG Alignment:** The company's solutions align with ESG and green infrastructure mandates, which can attract public funding, institutional investors, and sustainability-linked capital.[44]

Topgolf Callaway Brands' strategic outlook is to capitalize on these trends by reinforcing its market leadership, innovating its product portfolio to meet future demands, and optimizing its operations to drive sustainable growth and profitability.



## CEO Strategic Supplement (Oliver G. "Chip" Brewer III's Vision)

Oliver G. "Chip" Brewer III, President and CEO of Topgolf Callaway Brands Corp., is focused on executing a strategic turnaround to restore growth and profitability, leveraging the company's strong brand heritage and adapting to evolving market dynamics.

His leadership philosophy and strategic focus areas include:

- **Driving Operational Excellence:** A primary executive focus is on enhancing operational efficiency and optimizing the cost structure across the entire organization. This includes streamlining supply chain management and manufacturing processes to improve gross margins and overall profitability. [39]
- **Reinvigorating Growth:** Brewer aims to return the company to consistent revenue growth, building on the positive momentum seen in Q1 2025. This involves strategic product innovation, expanding market reach, and adapting to new opportunities like the EV aftermarket. [39]
- **Leveraging Brand Strength:** The CEO emphasizes maximizing the value of Topgolf Callaway Brands' iconic brand portfolio. This involves strategic marketing, fostering community engagement, and potentially cross-selling across brands to deepen customer loyalty and expand market share. [7, 39]
- **Digital Transformation:** A key strategic imperative is to enhance the company's digital presence and e-commerce capabilities. This is crucial for meeting evolving customer purchasing habits and expanding direct-to-consumer sales. [39]
- **Unlocking Shareholder Value:** The ultimate strategic goal is to unlock shareholder value through the planned separation of Topgolf, allowing each division to pursue its distinct growth drivers and optimize its capital structure. [7, 5]

In essence, CEO Oliver G. "Chip" Brewer III's strategic supplement would highlight a commitment to disciplined execution of the turnaround plan, focusing on operational efficiency, product innovation, and leveraging Topgolf Callaway Brands' unparalleled brand equity to secure its leadership position in the evolving golf and entertainment market.

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