

“I’d Rather Be Driving a Titleist Investing in Callaway”

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**Investment Summary:**

Callaway Golf Company (“Callaway”, “the Company”) (NYSE:ELY) is a premium, golf sporting goods company in the midst of a turnaround with a huge hidden asset. Callaway designs, manufactures, markets, and sells golf equipment, golf accessories, and golf lifestyle-related products in more than 100 countries worldwide. Callaway’s products include: woods (32% of LTM revenue), irons (22% of LTM revenue), putters (10% of LTM revenue | Odyssey brand), golf balls (16% of LTM revenue), and accessories (21% of revenue). Finally, the Company owns a ~19% stake in TopGolf, a golf-oriented entertainment and event venue.

My investment in Callaway is predicated on a “hidden asset” thesis. Because Callaway owns less than 20% of TopGolf, it does not consolidate TopGolf’s EBITDA. Furthermore, TopGolf is a private, fast growing company with no publicly disclosed profitability, making it hard to value. Callaway also has substantial NOLs (\$253mm federal NOLs and \$176mm state NOLs). Finally, Callaway’s core golf business is in the middle of a turnaround engineered by Chip Brewer, a veteran golf executive who joined the Company in February of 2012. Though the industry remains challenged and the valuation seems rich at first blush<sup>1</sup>, Callaway’s current share price presents a compelling investment opportunity with significant margin of safety and upside ranging from 50% to 100%. Effectively, the market is assigning no value to TopGolf or no value to a turnaround of the core business or both.

Valuation as of 7/21/14<sup>2</sup>

Callaway's Value per Share	Market	Downside	Base	Sellside
Core Golf Business	6.40	\$4.54	\$8.08	\$17.41
(+) NOLs	0.50	0.60	1.00	1.18
(+) TopGolf	1.50	1.10	2.77	6.72
<b>Total Value / Share</b>	<b>\$8.40</b>	<b>\$6.24</b>	<b>\$11.85</b>	<b>\$25.32</b>
Current Share Price		\$8.40	\$8.40	\$8.40
<b>(Discount) / Premium</b>		<b>(25.7%)</b>	<b>41.0%</b>	<b>201.4%</b>
MOIC		0.7x	1.4x	3.0x

**Variant View:**

- The market is undervaluing Callaway’s hidden assets: Callaway’s 19% stake in TopGolf and Callaway’s NOLs (“the Hidden Assets”)
  - Assuming the market is assigning \$725mm to Callaway’s core golf business, which is consistent with private market transaction multiples, the market is valuing TopGolf and the NOLs at \$2/share
  - This valuation split is consistent with sellside estimates for the Hidden Assets:
    - Raymond James pegs the value of the Hidden Assets at \$3 (with upside to \$4), allocating \$0.85 to the NOLs and a range of \$2.15 to \$3.15 to TopGolf
    - Wedbush fails to mention that the Company has NOLs or a minority stake in TopGolf, valuing the Company on a straight EBITDA multiple basis
    - Only one write-up suggesting the name as a short even mentions the Hidden Assets, assigning a value \$1/share to the TopGolf investment

<sup>1</sup> The stock screens very poorly: it trades at a FV/LTM EBITDA multiple of 18.6x LTM EBITDA, but because of its hidden asset, Callaway’s EBITDA multiple does not reflect its true value.

<sup>2</sup> The sellside case represents Raymond James’ model for the core golf business. All other valuations and assumptions are my own.

- I value the Hidden Assets at between \$1.50/share and \$8/share
  - Using TopGolf press releases, presentations by TopGolf to municipal governments, local news coverage of the TopGolf store openings, and Yelp reviews, I have completed differentiated diligence and analysis on the value of TopGolf, providing me with a unique view of the asset
  - I am from Texas, and six of TopGolf's thirteen stores in operation are in Texas; I have been to TopGolf on several occasions, while most investors have not

#### A. Core Golf Business: Chip Brewer and the Beginnings of Callaway's Turnaround

"When a defining moment comes along, you define the moment, or the moment defines you." – Tin Cup

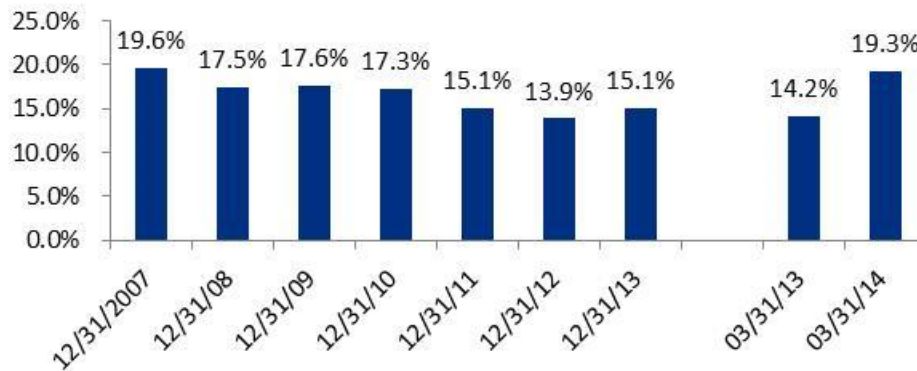
In February of 2012, after underperforming its competitors for the two years coming out of the recession, Callaway replaced its CEO, hiring veteran golf executive Chip Brewer. Prior to joining Callaway, Chip engineered a turn around at competitor Adams Golf. When Chip was promoted to CEO at Adams in 2002, Adams' clubs garnered last place in Golf Datatech's golf club brand rating; ten years later, however, a majority of the professional golfers on all three major American tours—the PGA, the Champions and the Nationwide Tour—were playing with hybrid clubs made by Adams Golf. Brewer also grew Adams' revenue 175% to \$104mm over that time and ultimately sold the company to TaylorMade for ~1x sales and 10x EBITDA.

Upon joining Callaway, Chip wasted no time in shaping the strategic direction of the Company. Chip decided that Callaway should be best-in-breed at what it did and thus needed to focus its efforts on golf clubs and golf balls (the Callaway and the Odyssey brands). To that end, Callaway sold the Top-Flite and Ben Hogan brands and licensed its U.S. apparel and footwear business (\$80mm in revenue total). Chip also completely reconfigured the team, hiring several new members and promoting others, as I describe below.

On the product side, Chip removed a layer of management and promoted long-time Callaway R&D scientist, Dr. Alan Hocknell or Doc Hock. Chip and Doc Hock reinvigorated their product team, eliminating distractions such as the Company's flailing efforts in electronics R&D and forcing team to return to its roots in innovation, particularly in club design. According to Doc Hock's [presentation](#) during the analyst day in May, the team is now innovating more, innovating faster, and innovating more frequently thanks to this renewed focus. They have innovated new products in fairway woods, reintroduced and improved classics such as the Big Bertha and its sister Big Bertha Alpha, and introduced golf balls that are customized for players' swing speeds. Their goal is to be category-leading in every category in which they compete, and they've already transformed their woods and drivers business from "also-rans" in the category to best-in-breed, growing fairway wood market share by 100% and fairway wood revenue by 28% year-over-year.

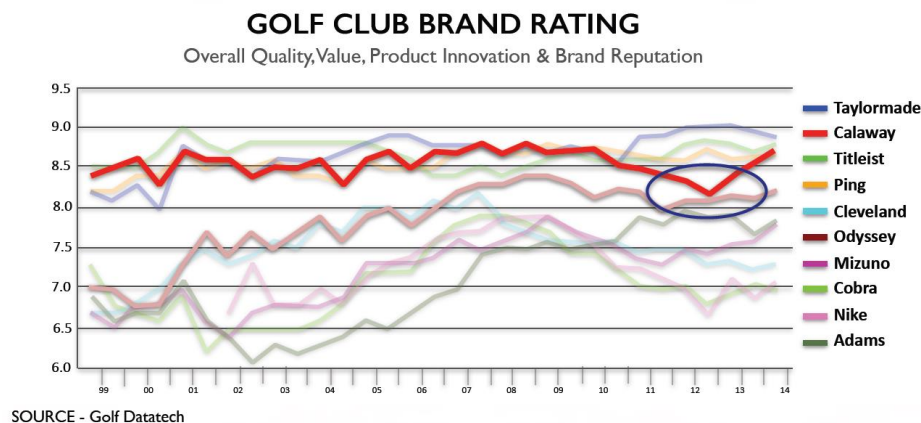
On the marketing side, Chip hired Harry Arnett away from TaylorMade, and Harry focused on signing young, energetic players while keeping stalwarts like Phil Mickelson, Henrik Stenson and Jim Furyk as brand leaders. Harry's efforts have resulted in Callaway signing five of the nine players who are under the age of 25 who have also won twice or more in the world: Harris English; Patrick Reed; Matteo Manassero, Matt Every, and Lydia Ko who turned 17 this year and is ranked third in the world. Harry also signed the Japanese superstar Ryo Ishikawa January 2013, and Japan accounted for 19% of revenues in 2013. The changes that Harry and his team have implemented on the product and marketing fronts reversed the Company's declining market share and brand rating. In 2013, Callaway gain 120 bps of share in the US (15.1% as of year-end 2013), 160 bps of share in the UK (14.6% as of year-end 2013) and 300 bps in Japan (13.9% as of year-end 2013).

Callaway Market Share Gains as of Q1 2014 (Source: [Analyst Day Investor Presentation](#) | Page 80)



In Chip's view, brand rating is the most important non-financial metric. Callaway has always been one of the best brands in golf, but in 2009 to 2010, the brand rating declined. Since Chip joined, that decline in rating has reversed its trajectory and is showing significant momentum heading into 2014. According to Chip, the success of the brand is the keystone for future revenue and market share growth.

Callaway Golf Club Brand Rating as of Q1 2014 (Source: [Analyst Day Investor Presentation](#) | Page 11)



As Chip and his product and marketing teams brought the company back to its roots, Chip also focused on improving the Company's cost structure. In April 2012, two months after he joined, Chip hired Mark Leposky, who is an ex-Army infantry officer who had various roles at Coke, UPS, Fisher Scientific, and was head of TaylorMade's operations (1999-2004) and president of TaylorMade's accessory business (2005-2011) prior to joining Callaway. By July of 2012, Callaway announced a plan to save \$52mm of costs, \$15mm from cost of goods sold, and \$37mm from operating expenses. At the time, Chip and Mark projected that they would remove \$16mm in 2012 with the balance coming out of 2013 results. 50% of the cost savings were to come from a 12% reduction in Callaway's work force, and the balance of the cost savings were to come from divesting the Top-Flite and Ben Hogan businesses as well as licensing apparel. Ultimately, Mark and his team realized \$60mm of costs savings: from 2011 to 2013, SG&A came down from \$378.6mm in 2011 (42.3% of 2011 sales) to \$322.3mm in 2013 (38.2% of 2013 sales); at the same time, operating gross margins improved from 30.3% to 38.7%.

Chip and Mark achieved these cost savings with a several, key changes to the operations of the business. Mark and his team reconfigured Callaway's supply chain, running the business on a made-to-order model rather than a make-to-stock. They rationalized underperforming suppliers, whether it was for poor quality, poor cost, or poor serviceability. They also began co-locating the Company's engineers into the production processes at their

suppliers' business to better control the outcome. They insourced their manufacturing operation in Japan, as their competitors in that same operation were taking their capacity. They effected a sale leaseback transaction of the Chicopee campus, as they were only using 20% of that facility. They closed two distribution centers in Canada and now ship most of the Canada-bound equipment from a distribution center in Roanoke, Texas. They doubled productivity out of the Monterrey facility, reduced warranty claims by 27%, and made the golf ball business profitable. And the list goes on.

The result of all the changes described above is clear: for 2013, consolidated sales were \$84mm, an increase of 14% on a constant currency, continuing business basis; pre-tax income was \$74mm on a pro forma basis; and free cash flow was positive for the first time in several years. These financial achievements also allowed Chip to retire the perpetual preferred, improving the Company's cost of capital as well as make more investments in TopGolf.

#### Callaway Trading Comparables (Source: CapIQ)

Company Name	Ticker	Price	Equity Value	Firm Value	EBITDA			FV / EBITDA		
					CY13A	CY14E	CY15E	CY13A	CY14E	CY15E
Mizuno Corporation	TSE:8022	\$6.13	\$770	\$945	\$75	\$86	\$93	12.6x	11.0x	10.1x
Performance Sports Group Ltd.	TSX:PSG	\$16.07	\$706	\$829	\$52	\$77	\$109	16.0x	10.7x	7.6x
Dunlop Sports Co. Ltd.	TSE:7825	\$12.04	\$349	\$374	\$55	\$0	\$0	6.8x	NM	NM
Johnson Outdoors Inc.	NasdaqGS:JO	\$22.47	\$224	\$225	\$31	\$0	\$0	7.4x	NM	NM
Nautilus Inc.	NYSE:NLS	\$10.32	\$322	\$267	\$19	\$25	\$30	14.0x	10.7x	8.8x
<b>Median</b>			<b>\$349</b>	<b>\$374</b>	<b>\$52</b>	<b>\$25</b>	<b>\$30</b>	<b>12.6x</b>	<b>10.7x</b>	<b>8.8x</b>

#### Callaway Transaction Comparables

Date	Seller	Buyer	Total Purchase Price	LTM Revenue	LTM EBITDA	LTM EBIT	FV /		
							Revenue	EBITDA	EBIT
03/19/12	TaylorMade	Adams Golf	\$86.4	\$96.5	\$7.3	\$6.7	0.9x	11.8x	12.9x
05/20/11	Fila Korea	Acushnet	\$1,225.0	\$1,200.0	NA	\$80.0	1.0x	NA	15.3x
02/01/10	Puma	Cobra Golf	\$140.0	\$200.0	NA	NA	0.7x	NA	NA
11/30/07	SJ Strategic	Adams Golf	\$55.5	\$111.0	\$6.3	\$5.7	0.5x	8.8x	9.7x
10/30/07	SRI Sports	Cleveland Golf	\$132.5	\$147.2	NA	NA	0.9x	NA	NA
<b>Median</b>			<b>\$132.5</b>	<b>\$147.2</b>	<b>\$6.8</b>	<b>\$6.7</b>	<b>0.9x</b>	<b>10.3x</b>	<b>12.9x</b>

## B. TopGolf: Game-ifying The Greatest Game Ever Played

“Golf is a good walk spoiled” – Mark Twain

TopGolf is a golf-oriented entertainment and event venue in which customers hit golf balls containing RFID chips into several targets to score points. The facility is similar to a driving range but serves food and alcohol, has over 200 HD TVs, and allows customers to compete against their friends. Players aim at targets at various distances, and sensors read microchips embedded in each ball. Points are awarded depending on how close the balls come to the targets, and like bowling, scores are displayed on HDTVs in each driving bay. The newest locations are 65,000 square feet, have 102 driving bays, three floors, free wi-fi, and rooftop terraces.

TopGolf Photo (Source: [Golfweek](#))



TopGolf Locations, Opening Date, Cost to Open, and Amenities (Source: [Company Website](#))

TopGolf Store Overview	Open	Opening Date	Cost to Open	# of Bays	# of Floors	HDTvs	Wi-Fi	Rooftop Terrace	Beer Garden	Outdoor Patio
Chigwell	UK	1	10/01/00	10,000,000	55	2		0	0	0
Surrey	UK	1	04/01/04	6,000,000	56	2		1	1	0
Watford	UK	1	07/01/05	6,000,000	49	2		1	0	0
Alexandria	VA	1	08/01/05	6,000,000	76	2		1	0	0
Dallas	TX	1	09/01/07	9,000,000	74	2	190	1	0	1
Chicago	IL	1	10/01/07	9,000,000	74	3	36	1	1	0
Allen	TX	1	05/01/11	10,000,000	94	2	225	1	1	0
Houston – W.	TX	1	12/01/12	15,000,000	102	3	235	1	1	0
Austin	TX	1	05/01/13	15,000,000	102	3	200+	1	1	0
The Colony	TX	1	11/01/13	15,000,000	102	3	250	1	1	0
Houston – N.	TX	1	04/01/14	15,000,000	102	3	200+	1	1	0
Alpharetta	GA	1	05/01/14	15,000,000	100	3	200+	1	1	0
Riverwalk	AZ	1	06/09/14	15,000,000	100	3	200+	1	1	0
San Antonio	TX	0	Fall 2014	20,000,000	100+	3	200+	1	1	0
Tampa	FL	0	Fall 2014	20,000,000	100+	3	200+	1	1	0
Gilbert	AZ	0	Ealy 2015	20,000,000	100+	3	200+	1	1	0
Dulles	VA	0	April 2015	20,000,000	100+	3	200+	1	1	0
Roseville	CA	0	Spring 2015	20,000,000	100+	3	200+	1	1	0
Kansas City	KS	0	Spring 2015	20,000,000	100+	3	200+	1	1	0
OKC	OK	0	Spring 2015	20,000,000	100+	3	200+	1	1	0
Centennial	CO	0	Spring 2015	20,000,000	100+	3	200+	1	1	0
Houston – S.	TX	0	Late 2015	20,000,000	100+	3	200+	1	1	0
Naperville	IL	0	Late 2015	20,000,000	100+	3	200+	1	1	0

TopGolf was started by twin brothers in the UK in the late 1990s. In 2000, the Jolliffe brothers opened the first TopGolf location in Watford, just outside London, and by 2007, they had opened two more in England and three in the United States (Chicago, Dallas and Alexandria, Va.). The “Top” in TopGolf stands for “target oriented practice,”

and the company currently has thirteen locations with [plans to build nine more in the next twelve months](#)<sup>3</sup>. At the start of 2011, the Jolliffe brothers sold TopGolf International for more than [\\$28 million to a group of private investors](#), including Callaway, Tom Dundon, CEO of Santander Consumer USA Holdings.

**TopGolf Traffic by Location (Variety of Sources and Projections)**

TopGolf Store Overview		12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/2014	12/31/15	12/31/2016
Chigwell	UK	N/A	N/A	200,000	220,796	294,167	294,167	294,167	294,167
Surrey	UK	N/A	N/A	200,000	255,748	294,167	294,167	294,167	294,167
Watford	UK	N/A	N/A	200,000	111,856	294,167	294,167	294,167	294,167
Alexandria	VA	N/A	N/A	173,000	203,477	294,167	294,167	294,167	294,167
Dallas	TX	N/A	N/A	200,000	229,628	294,167	294,167	294,167	294,167
Chicago	IL	60,000	N/A	0	177,372	294,167	294,167	294,167	294,167
Allen	TX	N/A	N/A	0	315,049	350,000	350,000	350,000	350,000
Houston – W.	TX	N/A	N/A	0	0	360,000	360,000	360,000	360,000
Austin	TX	N/A	N/A	0	0	175,000	350,000	350,000	350,000
The Colony	TX	N/A	N/A	0	0	50,000	400,000	400,000	400,000
Houston – N.	TX	N/A	N/A	0	0	0	400,000	400,000	400,000
Alpharetta	GA	N/A	N/A	0	0	0	450,000	450,000	450,000
Riverwalk	AZ	N/A	N/A	0	0	0	450,000	450,000	450,000
San Antonio	TX	N/A	N/A	0	0	0	0	225,000	450,000
Tampa	FL	N/A	N/A	0	0	0	0	225,000	450,000
Gilbert	AZ	N/A	N/A	0	0	0	0	225,000	450,000
Dulles	VA	N/A	N/A	0	0	0	0	225,000	450,000
Roseville	CA	N/A	N/A	0	0	0	0	225,000	450,000
Kansas City	KS	N/A	N/A	0	0	0	0	225,000	450,000
OKC	OK	N/A	N/A	0	0	0	0	225,000	450,000
Centennial	CO	N/A	N/A	0	0	0	0	225,000	450,000
Houston – S.	TX	N/A	N/A	0	0	0	0	225,000	450,000
Naperville	IL	N/A	N/A	0	0	0	0	225,000	450,000
<b>Total Visits</b>				<b>1,200,000</b>	<b>1,513,926</b>	<b>2,700,000</b>	<b>4,525,000</b>	<b>6,775,000</b>	<b>9,025,000</b>
Revenue		\$30,100,000		\$39,000,000	\$50,700,000	\$95,000,000			
Revenue / Visit				\$32.50	\$33.49	\$35.19			
Beginning Store Count				6	7	8	10	15	23
(+ )Stores Opened				1	1	2	5	8	0
(- )Stores Closed				0	0	0	0	0	0
<b>Ending Store Count</b>				<b>7</b>	<b>8</b>	<b>10</b>	<b>15</b>	<b>23</b>	<b>23</b>

From 2011 to today, current management opened seven more locations with ten more slated to open within the next twelve months. Management is projecting that [new locations will draw 450,000 visits per year](#), but as the legacy locations have fewer bays, they drive less traffic annually. As the TopGolf is private, they don't disclose foot traffic for each location, but anecdotal evidence suggests that foot traffic has grown organically at the older locations as well. [TopGolf plans to have over fifty locations in the U.S. by 2017](#) and [plan to open fifty locations in the next five years \(ten locations per year\)](#).

TopGolf has grown its revenue per visit from the low \$30s/visit to the high \$30s/visit by increasing volume per visit, through mix shift to higher priced, newer locations that have more foot traffic, and organic price increases. Early in the lives of the legacy locations, they generated ~\$30-\$32.50 per customer visit; according to a [Golf Business article](#), the Alexandria location did \$5mm in 2010 and was expecting sales between \$5.5mm and \$6mm in 2011, implying ~\$30/visit in 2011. That being said, legacy locations like Alexandria have also grown organically, increasing volumes: [the original TopGolf in Watford is set to generate revenues that are 45% higher than its first full year of operation](#)<sup>4</sup>. Newer locations, with more driving bays and amenities, have also driven higher revenue per visit with a number of sites generating [\\$35 per visit](#) in 2011. Finally, TopGolf has begun to increase its prices: at its newest location in Scottsdale, AZ, TopGolf is charging \$35/hour/bay and \$45/hour/bay, depending on the time, a significant increase from the \$20/hour/bay and \$40/hour/bay that it charges at its other locations.

<sup>3</sup> Scroll over the TopGolf location in the top left to reveal a dropdown menu of open locations and locations to come.

<sup>4</sup> Page 5.



[Food and beverage generate over 60% of TopGolf's business](#), and [60% of customers are new to the sport, up from 45% in 2011](#). [A vast majority of Top Golf customers, up to 90%, come back for a second visit](#). [Corporate events account for 30 percent of revenues](#); please see Appendix D for a list of corporate clients.

TopGolf Expansion Plan (Source: [TopGolf's Presentation to the City of El Segundo](#))



[Early locations cost around \\$5mm to \\$7mm to construct](#), but [newer locations cost ~\\$15mm to \\$20mm construct](#).

Kansas City-based EPR Properties is helping TopGolf finance its aggressive expansion, and according to ERP Properties CEO, David Brain, [EPR will have invested \\$200mm in TopGolf by the end of 2014](#). EPR provides property acquisition financing and then leases the facility back to TopGolf. Each TopGolf employs about 400 people, [100 of which are full-time positions](#)<sup>5</sup>. Each TopGolf site is also rumored to have a 40% operating margin<sup>6</sup> and a three- to four-year payback.

Using a blended approach to the legacy sites and the new sites, I value TopGolf on a revenue / visit basis as of a 2016 run-rate, assuming that management is able to end 2015 with between 18 and 28 total sites in operation. These numbers are conservative because, as I mention above, management is targeting to open 10 stores / year with 50 stores open by year-end 2017. I then multiply new stores and old stores by their respective visit / store to generate a total number of 2016 visits for the company. I then multiply the total number of visits by a range of revenue / visit numbers. The downside revenue / visit is the company's historical revenue / visit in 2011, and the upside revenue / visit is consistent with the data point that new stores are generating ~\$20mm AUV. Assuming

<sup>5</sup> The breakdown of those hires is: [20 percent golf services, including two to three golf pros; 20 percent culinary, including line cooks and dishwashers; and 60 percent front-of-house, including hosts, bar and support staff](#).

<sup>6</sup> I have discussed the 40% four-wall EBITDA margin with several investors, many of whom have spoken with the company internally. Furthermore, [this article](#) from 2009 reference 30% operating margins by year three for legacy stores. All of that being said, I have to believe that margins come down in the long-term; the moat around TopGolf is not wide enough to prevent competitors from taking share when 40% margins are on the line.



\$20mm of company-level SG&A, a range of EBITDA multiples with a floor of 10x and ceiling of 15x, and a 19% equity stake all yields a TopGolf valuation to Callaway of between ~\$1.75 and \$6.75.

#### TopGolf Valuation

	Downside	Base	Upside
Visitors per Store from Core Location	348,077	348,077	382,885
(x) Number of Open Locations	13	13	13
<b>Visitors from Open Locations</b>	<b>4.525</b>	<b>4.525</b>	<b>4.978</b>
Visitors per Store from New Location	425,000	450,000	450,000
(x) Number of New Stores	5	10	15
<b>Visitors from New Locations</b>	<b>2.125</b>	<b>4.500</b>	<b>6.750</b>
Number of Visitors	6.650	9.025	11.73
(x) Revenue/Visitor	\$37.50	\$40.00	\$47.50
<b>Total Revenue</b>	<b>\$249.4</b>	<b>\$361.0</b>	<b>\$557.1</b>
<i>Implied AUV</i>	<i>\$13.9</i>	<i>\$15.7</i>	<i>\$19.9</i>
(x) 4-Wall EBITDA Margin	30.0%	35.0%	40.0%
<b>4-Wall EBITDA</b>	<b>\$74.8</b>	<b>\$126.4</b>	<b>\$222.8</b>
(x) SG&A	(20)	(20)	(20)
<b>EBITDA</b>	<b>\$54.8</b>	<b>\$106.4</b>	<b>\$202.8</b>
(x) EBITDA Multiple	10.0x	12.5x	15.0x
<b>Firm Value</b>	<b>\$548</b>	<b>\$1,329</b>	<b>\$3,042</b>
(-) Net Debt	(100)	(200)	(300)
<b>Equity Value</b>	<b>\$448</b>	<b>\$1,129</b>	<b>\$2,742</b>
(x) ELY Ownership	19.0%	19.0%	19.0%
<b>ELY Equity Value</b>	<b>\$85</b>	<b>\$215</b>	<b>\$521</b>
(/) Share Count	77.529	77.529	77.529
<b>Value/Share</b>	<b>\$1.10</b>	<b>\$2.77</b>	<b>\$6.72</b>

Though TopGolf's CEO left last week to run Chuck E. Cheese, TopGolf's management is strong, led now by the former COO, [Ken May](#). Ken was formerly COO of Krispy Kreme Doughnuts from 2011 to 2012 before joining TopGolf, and before Krispy Kreme, he held various senior positions at FedEx, including leading the FedEx Kinko's division. [William Davenport](#) is the CFO and was CFO at Haggar Clothing prior to joining TopGolf. He has prior experience at Neiman Marcus, Brinker International and KPMG as well. [Randy Starr](#) is the Chief Development Officer with experience at Salomon Smith Barney as an investment banking analyst and experience at CB Richard Ellis before joining TopGolf.

#### TopGolf Comparables (Source: CapIQ)

			Equity	Firm	EBITDA			FV / EBITDA		
Company Name	Ticker	Price	Value	Value	CY13A	CY14E	CY15E	CY13A	CY14E	CY15E
<b><u>Golf Course Managers</u></b>										
TWC Enterprises Limited	TSX:TWC	\$11.55	\$301	\$614	\$59	NM	NM	10.4x	NM	NM
Resort Solution Co., Ltd.	TSE:S261	\$2.30	\$128	\$185	\$17	NM	NM	10.8x	NM	NM
<b>Median</b>			<b>\$215</b>	<b>\$400</b>	<b>\$38</b>	<b>NM</b>	<b>NM</b>	<b>10.6x</b>	<b>NM</b>	<b>NM</b>
<b><u>Other Sports Complex Managers</u></b>										
Goals Soccer Centres plc	AIM:GOAL	\$3.77	\$220	\$302	\$24	\$26	\$28	12.4x	11.6x	10.8x
Canlan Ice Sports Corp.	TSX:ICE	\$2.43	\$32	\$62	\$9	NM	NM	6.7x	NM	NM
<b>Median</b>			<b>\$126</b>	<b>\$182</b>	<b>\$17</b>	<b>\$26</b>	<b>\$28</b>	<b>9.5x</b>	<b>11.6x</b>	<b>10.8x</b>
<b><u>Food &amp; Entertainment</u></b>										
Six Flags Entertainment Corporation	NYSE:SIX	\$39.31	\$3,740	\$5,555	\$421	\$435	\$468	13.2x	12.8x	11.9x
Buffalo Wild Wings Inc.	NasdaqGS:BWLD	\$151.13	\$2,857	\$2,776	\$189	\$244	\$283	14.7x	11.4x	9.8x
Bowl America Incorporated	AMEX:BWLA	\$14.50	\$75	\$69	\$3	NM	NM	24.3x	NM	NM
<b>Median</b>			<b>\$2,857</b>	<b>\$2,776</b>	<b>\$189</b>	<b>\$340</b>	<b>\$375</b>	<b>14.7x</b>	<b>12.1x</b>	<b>10.8x</b>
<b>Median</b>			<b>\$220</b>	<b>\$302</b>	<b>\$24</b>	<b>\$244</b>	<b>\$283</b>	<b>12.4x</b>	<b>11.6x</b>	<b>10.8x</b>

### C. Full Valuation

#### Callaway Valuation Back-up

Firm Value		Current		
Price				\$8.40
(x) Share Count				77.529
Equity Value				\$651.2
(+) Debt				249.2
(-) Cash				(23.6)
Firm Value				\$876.8
FV /		Downside	Base	Sellside
LTM EBITDA		18.6x	18.6x	18.6x
2014E EBITDA		25.6x	17.5x	13.2x
2015E EBITDA		15.7x	13.3x	8.4x
2016E EBITDA		15.4x	11.1x	6.6x
		Downside	Base	Sellside
<u>Core Golf Business</u>				
2016E EBITDA		\$57.0	\$79.0	\$132.6
(x) EBITDA Multiple		9.0x	10.0x	11.0x
Firm Value		\$512.9	\$790.4	\$1,458.4
(-) Current Debt		(249.2)	(249.2)	(249.2)
(+) Current Cash		23.6	23.6	23.6
(+) Levered Free Cash Flow '14 – '16		62.5	61.9	117.2
Equity Value		\$349.7	\$626.7	\$1,349.9
(/) Share Count		77.529	77.529	77.529
Value / Share		\$4.51	\$8.08	\$17.41
<u>NOLs</u>				
Discounted Cash Flow from 2016 On		\$46.7	\$77.2	\$91.8
(/) Share Count		77.529	77.529	77.529
Value / Share		\$0.60	\$1.00	\$1.18
<u>TopGolf</u>				
2016 EBITDA		\$54.8	\$106.4	\$202.8
(x) EBITDA Multiple		10.0x	12.5x	15.0x
Firm Value		\$548.1	\$1,329.4	\$3,042.3
(-) Net Debt		(100.0)	(200.0)	(300.0)
Equity Value		\$448.1	\$1,129.4	\$2,742.3
(x) ELY Ownership		19.0%	19.0%	19.0%
ELY Equity Value		\$85.1	\$214.6	\$521.0
(/) Share Count		77.529	77.529	77.529
Value / Share		\$1.10	\$2.77	\$6.72
Callaway's Value per Share	Market	Downside	Base	Sellside
Core Golf Business	6.40	\$4.51	\$8.08	\$17.41
(+) NOLs	0.50	0.60	1.00	1.18
(+) TopGolf	1.50	1.10	2.77	6.72
Total Value / Share	\$8.40	\$6.21	\$11.85	\$25.32
Current Share Price		\$8.40	\$8.40	\$8.40
(Discount) / Premium		(26.1%)	41.0%	201.4%
MOIC		0.7x	1.4x	3.0x

#### D. The Short Thesis or How I Learned to Stop Worrying about the Secular Decline in U.S. Golf

As Callaway is the only pure-play golf equipment stock, shorting Callaway is one of the few ways that investors can bet against the golf equipment industry. Bears are likely betting against the golf equipment industry for two reasons: Golf as a sport has failed to attract new customers, and golf equipment sales performed horribly in Q1.

Golf has struggled as a sport and has been declining for the better part of the last decade. Starting in 2006, and every year since, more golf courses have closed than opened. Furthermore, the number of U.S. golfers has dropped 24 percent from its peak in 2002, to about 23 million players last year; in 2013 alone, the game lost 1.1 million players<sup>7</sup>.

Earlier this year, Dick's Sporting Goods missed earnings estimates and reduced guidance for the full year, mostly due to an 18% decline in golf sales. Short sellers took the opportunity to pounce on Callaway's stock, and since early April when Callaway peaked at \$10.34, the stock has traded off 25% down to \$8.22.

I view both the short-term risk presented by underperformance at Dick's and the long-term risk of a secular decline in golf to be significantly overstated. With respect to Dick's, they were "long and wrong" TaylorMade, which had to promote aggressively to clear its inventory. TaylorMade failed to introduce new clubs in Q1, which also explains why Callaway gained over 500 bps of market share in one quarter. Furthermore, the anomalously cold weather exacerbated TaylorMade's situation, which, now that we have entered summer, is behind them.

With respect to the long-term decline of golf in the U.S., the risk to Callaway from that trend is mitigated for a couple of reasons: half of Callaway's sales are international, and Callaway's position in TopGolf protects the downside from their core golf business. As the Golf Channel says [here](#):

"I just found the future of golf. **This is the alternative format that plugs all of the holes and addresses all of the issues that golf has, which is slow play, too expensive, too hard, and inaccessible.** This is the opposite of all those things . . . there are people who are walking in any here who don't own golf clubs, and [TopGolf] is introducing so many people who would never touch a golf club to the sport, and they're making them cool while they do it . . . I travel around a lot, and I do see a lot of courses making adjustments, a lot of smart ideas, none of which is as smart as this . . . for the last few years, I have not been to a golf facility that has more women and children than men until now."

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<sup>7</sup> <http://www.businessweek.com/articles/2014-06-19/golf-loses-players-as-millennials-find-it-expensive-time-consuming>

E. **Risks and Mitigants**

1. **"It's a (Value) Trap!"**

**Risk:** I have found no indication that the owners of TopGolf have plans to monetize their stakes in the near future, and the valuation gap from the Hidden Assets could persist over a long a period of time.

**Mitigant:** I think that risk is mitigated for two reasons: if TopGolf achieves the level of growth that they are projecting, far more people will hear about it in the next three years; right now TopGolf is subscale with only ten US locations: five of them have opened in the last year, and six of the ten are located in Texas. As TopGolf raises its profile and expands its geographical footprint, more investors will understand the value of Callaway's stake. Furthermore, Callaway projects that it will be profitable this year, which means it will begin to apply its NOLs, saving the Company cash taxes this year and forcing investors to realize that these NOLs are valuable.

2. **"Greatness Courts Failure, Romeo"**

**Risk:** Management's turnaround strategy clearly could be a bust, and operating leverage cuts both ways.

**Mitigant:** I think this risk is mitigated by the quality of the team and their proven track records. Though I have not yet met with management, Chip Brewer is a lifelong golf veteran with an excellent track record from Adams. Mark Leposky has already effected enormous change on the supply chain side of the business in a short period of time. Doc Hock's product team clearly has been reinvigorated based on the reviews I've read and customers with whom I've discussed Callaway.

3. TopGolf's growth could fail to materialize

**Risk:** TopGolf only has 13 sites in operation today, and much of the company's value comes from future growth

**Mitigant:** I've personally used TopGolf on a number of occasions, and the Yelp reviews ([Alexandria](#), [Allen](#), [Alpharetta](#), [Austin](#), [Chicago](#), [The Colony](#), [Dallas](#), [Houston](#), [Scottsdale](#)) are overwhelmingly positive. Managers at newer TopGolf sites are reporting 2-3 hour delays on Saturday nights.

Appendix A: Financial Models: Sellside Case | Annuals

Income Statement

	Historical Financials FYE 12/31								Projected Financials FYE 12/31			LTM	CAGR
	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	03/31/14	
Drivers and Fairway Woods	\$266.5	\$305.9	\$268.3	\$223.2	\$225.2	\$211.2	\$200.6	\$256.4	\$295.7	\$326.8	\$352.8	\$288.2	31.8%
(+) Irons	288.0	309.6	308.6	232.7	223.9	206.8	170.8	181.8	204.3	225.8	243.7	198.4	21.9%
(+) Putters	102.7	109.1	101.7	98.3	106.2	88.2	93.3	89.6	92.0	101.7	109.8	89.3	9.8%
(+) Golf Balls	214.8	213.1	223.1	178.7	176.6	160.4	139.6	132.1	146.6	162.0	174.9	142.4	15.7%
(+) Accessories and Other	146.0	187.0	215.6	217.9	235.7	220.0	229.8	182.8	194.3	214.7	231.8	188.5	20.8%
<b>Revenue</b>	<b>\$1,017.9</b>	<b>\$1,124.6</b>	<b>\$1,117.2</b>	<b>\$950.8</b>	<b>\$967.7</b>	<b>\$886.5</b>	<b>\$834.1</b>	<b>\$842.8</b>	<b>\$932.9</b>	<b>\$1,031.0</b>	<b>\$1,113.0</b>	<b>\$906.9</b>	<b>9.7%</b>
Revenue Growth	10.5%		(0.7%)	(14.9%)	1.8%	(8.4%)	(5.9%)	1.0%	10.7%	10.5%	8.0%		
(-) COGS	(581.9)	(587.1)	(579.7)	(560.1)	(561.2)	(535.3)	(546.7)	(491.4)	(516.7)	(571.1)	(610.9)	(524.5)	
<b>Gross Profit</b>	<b>\$436.0</b>	<b>\$537.4</b>	<b>\$537.5</b>	<b>\$390.7</b>	<b>\$406.4</b>	<b>\$351.2</b>	<b>\$287.4</b>	<b>\$351.5</b>	<b>\$416.2</b>	<b>\$459.9</b>	<b>\$502.1</b>	<b>\$382.4</b>	<b>12.6%</b>
Gross Margin	42.8%	47.8%	48.1%	41.1%	42.0%	39.6%	34.5%	41.7%	44.6%	44.6%	45.1%	42.2%	
(-) Selling & Marketing Expense	(254.5)	(282.0)	(287.8)	(260.6)	(257.3)	(265.3)	(268.1)	(226.5)	(243.0)	(255.6)	(262.0)	(235.5)	
(-) R & D Exp.	(26.8)	(32.0)	(29.4)	(32.2)	(36.4)	(34.3)	(29.5)	(30.9)	(32.6)	(36.0)	(38.9)	(31.4)	
(-) General and Administrative Exp.	(79.7)	(89.1)	(85.5)	(80.3)	(86.4)	(79.0)	(55.2)	(64.9)	(74.2)	(64.1)	(68.6)	(68.3)	
<b>EBITDA</b>	<b>\$75.0</b>	<b>\$134.4</b>	<b>\$134.9</b>	<b>\$17.5</b>	<b>\$26.4</b>	<b>(\$27.4)</b>	<b>(\$65.4)</b>	<b>\$29.1</b>	<b>\$66.4</b>	<b>\$104.3</b>	<b>\$132.6</b>	<b>\$47.1</b>	<b>65.7%</b>
EBITDA Margin	7.4%	12.0%	12.1%	1.8%	2.7%	(3.1%)	(7.8%)	3.5%	7.1%	10.1%	11.9%	5.2%	
(-) D&A	(29.0)	(32.0)	(34.8)	(36.5)	(36.8)	(34.7)	(31.2)	(25.3)	(24.8)	(24.9)	(26.8)	(24.2)	
(-) Amortization of Intangibles	(3.3)	(3.3)	(3.2)	(4.3)	(4.2)	(4.0)	(3.2)	(0.3)	(0.0)	0.0	0.0	(0.1)	
<b>EBIT</b>	<b>\$42.8</b>	<b>\$99.1</b>	<b>\$96.9</b>	<b>(\$23.2)</b>	<b>(\$14.6)</b>	<b>(\$66.0)</b>	<b>(\$99.8)</b>	<b>\$3.6</b>	<b>\$41.6</b>	<b>\$79.4</b>	<b>\$105.7</b>	<b>\$22.8</b>	<b>209.3%</b>
EBIT Margin	4.2%	8.8%	8.7%	(2.4%)	(1.5%)	(7.4%)	(12.0%)	0.4%	4.5%	7.7%	9.5%	2.5%	
(-) Interest Expense	(4.1)	(3.2)	(2.4)	0.1	2.0	(1.1)	(5.0)	(8.6)	(8.5)	(8.5)	(8.5)	(8.5)	
(-) Currency Exchange Gains (Loss)	0.3	0.2	0.5	(0.5)	(11.7)	(8.2)	3.2	5.9	(2.9)	0.0	0.0	(4.8)	
(-) Other Non-Operating Inc. (Exp.)	1.5	1.1	(1.0)	1.4	0.7	0.1	(0.1)	0.8	(0.7)	0.0	0.0	2.7	
<b>EBT Before Unusual Items</b>	<b>\$40.4</b>	<b>\$97.1</b>	<b>\$94.0</b>	<b>(\$22.3)</b>	<b>(\$23.6)</b>	<b>(\$75.3)</b>	<b>(\$101.7)</b>	<b>\$1.7</b>	<b>\$29.5</b>	<b>\$70.9</b>	<b>\$97.2</b>	<b>\$36.5</b>	<b>287.7%</b>
(-) Restructuring Charges	(5.7)	(8.9)	(12.7)	(7.3)	(4.5)	(8.5)	(11.8)	(15.0)	0.0	0.0	0.0	(12.8)	
(-) Impairment of Goodwill	0.0	0.0	0.0	0.0	0.0	(1.1)	0.0	0.0	0.0	0.0	0.0	0.0	
(-) Asset Writedown	0.0	0.0	0.0	0.0	(7.5)	(5.4)	(4.6)	0.0	0.0	0.0	0.0	0.0	
(-) Other Unusual Items	0.0	0.0	(19.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>EBT</b>	<b>\$34.7</b>	<b>\$88.2</b>	<b>\$61.4</b>	<b>(\$29.6)</b>	<b>(\$35.6)</b>	<b>(\$90.3)</b>	<b>(\$118.1)</b>	<b>(\$13.3)</b>	<b>\$29.5</b>	<b>\$70.9</b>	<b>\$97.2</b>	<b>\$23.7</b>	
(-) Income Tax Expense	(11.7)	(33.7)	(35.1)	14.3	16.8	(81.6)	(4.9)	(5.6)	(5.7)	(13.6)	(18.7)	0.0	
<b>Net Income</b>	<b>\$23.0</b>	<b>\$54.5</b>	<b>\$26.3</b>	<b>(\$15.3)</b>	<b>(\$18.8)</b>	<b>(\$171.8)</b>	<b>(\$123.0)</b>	<b>(\$18.9)</b>	<b>\$23.8</b>	<b>\$57.2</b>	<b>\$78.5</b>	<b>\$23.7</b>	
Shares Outstanding								72.800	77.529	77.529	77.529	77.529	
<b>Diluted EPS</b>								<b>(\$0.26)</b>	<b>\$0.31</b>	<b>\$0.74</b>	<b>\$1.01</b>	<b>\$0.31</b>	

Cash Flow Statement

	Historical Financials FYE 12/31								Projected Financials FYE 12/31			LTM	CAGR
	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	03/31/14	
Net Income	\$23.0	\$54.5	\$26.3	(\$15.3)	(\$18.8)	(\$171.8)	(\$123.0)	(\$18.9)	\$23.8	\$57.2	\$78.5	\$23.7	
(+) D&A	29.0	32.0	34.8	36.5	36.8	34.7	31.2	25.3	24.8	24.9	26.8	24.2	
<b>Funds from Operations</b>	<b>\$52.0</b>	<b>\$86.5</b>	<b>\$61.0</b>	<b>\$21.2</b>	<b>\$18.0</b>	<b>(\$137.2)</b>	<b>(\$91.8)</b>	<b>\$6.3</b>	<b>\$48.6</b>	<b>\$82.1</b>	<b>\$105.4</b>	<b>\$47.9</b>	<b>155.4%</b>
(-) Change in Net Working Capital		32.3	(50.6)	(1.3)	(56.2)	141.2	17.7	(12.8)	(26.8)	(23.8)	(18.8)	(53.7)	
<b>Cash Flow from Operations</b>	<b>\$52.0</b>	<b>\$118.8</b>	<b>\$10.4</b>	<b>\$19.9</b>	<b>(\$38.1)</b>	<b>\$4.0</b>	<b>(\$74.1)</b>	<b>(\$6.5)</b>	<b>\$21.8</b>	<b>\$58.3</b>	<b>\$86.5</b>	<b>(\$5.9)</b>	
Capital Expenditures	(\$32.5)	(\$32.9)	(\$51.0)	(\$38.8)	(\$22.2)	(\$28.9)	(\$18.4)	(\$13.0)	(\$15.0)	(\$16.6)	(\$17.9)	(13.9)	
<b>Cash Flow from Investing</b>	<b>(\$32.5)</b>	<b>(\$32.9)</b>	<b>(\$51.0)</b>	<b>(\$38.8)</b>	<b>(\$22.2)</b>	<b>(\$28.9)</b>	<b>(\$18.4)</b>	<b>(\$13.0)</b>	<b>(\$15.0)</b>	<b>(\$16.6)</b>	<b>(\$17.9)</b>	<b>(\$13.9)</b>	<b>11.2%</b>
<b>Levered Free Cash Flow</b>	<b>\$19.5</b>	<b>\$85.9</b>	<b>(\$40.6)</b>	<b>(\$18.9)</b>	<b>(\$60.3)</b>	<b>(\$24.9)</b>	<b>(\$92.5)</b>	<b>(\$19.5)</b>	<b>\$6.8</b>	<b>\$41.7</b>	<b>\$68.6</b>	<b>(\$19.8)</b>	
Capex as a % of Revenue	3.2%	2.9%	4.6%	4.1%	2.3%	3.3%	2.2%	1.5%	1.6%	1.6%	1.6%	1.5%	

Sellside Case | Quarterlies

Income Statement										
	Historical Financials FYE 12/31							Projected Financials FYE 12/31		
	09/30/12	12/31/12	03/31/13	06/30/13	09/30/13	12/31/13	03/31/14	06/30/14	09/30/14	12/31/14
Drivers and Fairway Woods			\$97.9	\$71.9	\$56.5	\$30.1	\$129.7	\$74.6	\$59.9	\$31.5
(+) Irons			56.7	55.5	39.5	30.1	73.3	57.6	41.9	31.5
(+) Putters			32.1	22.9	20.4	14.2	31.8	23.8	21.6	14.8
(+) Golf Balls			42.4	43.4	25.6	20.7	52.7	45.0	27.1	21.7
(+) Accessories and Other			58.7	55.9	36.2	32.0	64.4	58.0	38.4	33.4
<b>Revenue</b>	<b>\$147.9</b>	<b>\$119.9</b>	<b>\$287.8</b>	<b>\$249.6</b>	<b>\$178.2</b>	<b>\$127.2</b>	<b>\$351.9</b>	<b>\$259.0</b>	<b>\$189.0</b>	<b>\$133.0</b>
<i>Revenue Growth</i>						6.0%	22.3%	3.7%	6.0%	4.6%
(-) COGS	(108.5)	(126.2)	(148.1)	(143.4)	(111.6)	(88.3)	(181.3)	(145.8)	(109.2)	(80.5)
<b>Gross Profit</b>	<b>\$39.4</b>	<b>(\$6.3)</b>	<b>\$139.7</b>	<b>\$106.2</b>	<b>\$66.7</b>	<b>\$38.9</b>	<b>\$170.6</b>	<b>\$113.2</b>	<b>\$79.8</b>	<b>\$52.6</b>
<i>Gross Margin</i>	26.7%	(5.2%)	48.5%	42.5%	37.4%	30.6%	48.5%	43.7%	42.2%	39.5%
(-) Selling & Marketing Expense			(68.3)	(61.7)	(49.9)	(46.6)	(77.3)	(64.0)	(52.9)	(48.8)
(-) R & D Exp.			(7.4)	(7.3)	(7.7)	(8.5)	(7.9)	(7.6)	(8.2)	(8.9)
(-) General and Administrative Exp.			(14.6)	(15.2)	(18.9)	(16.3)	(18.0)	(19.6)	(17.6)	(19.1)
<b>EBITDA</b>			<b>\$49.4</b>	<b>\$22.0</b>	<b>(\$9.8)</b>	<b>(\$32.5)</b>	<b>\$67.4</b>	<b>\$22.0</b>	<b>\$1.2</b>	<b>(\$24.2)</b>
<i>EBITDA Margin</i>			17.2%	8.8%	(5.5%)	(25.6%)	19.1%	8.5%	0.6%	(18.2%)
(-) D&A			(6.7)	(6.5)	(6.2)	(5.8)	(5.7)	(7.0)	(6.1)	(6.0)
(-) Amortization of Intangibles			(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0
<b>EBIT</b>			<b>\$42.4</b>	<b>\$15.6</b>	<b>(\$16.0)</b>	<b>(\$38.4)</b>	<b>\$61.7</b>	<b>\$15.0</b>	<b>(\$4.9)</b>	<b>(\$30.2)</b>
<i>EBIT Margin</i>			14.7%	6.2%	(9.0%)	(30.2%)	17.5%	5.8%	(2.6%)	(22.7%)
(-) Interest Expense			(1.2)	(1.2)	(1.2)	(4.9)	(1.2)	(1.2)	(1.2)	(4.9)
(-) Currency Exchange Gains (Loss)			7.8	5.0	(5.6)	(1.3)	(2.9)	0.0	0.0	0.0
(-) Other Non-Operating Inc. (Exp.)			(2.6)	(3.7)	3.7	3.4	(0.7)	0.0	0.0	0.0
<b>EBT Before Unusual Items</b>			<b>\$46.5</b>	<b>\$22.1</b>	<b>(\$12.8)</b>	<b>(\$35.4)</b>	<b>\$62.6</b>	<b>\$20.8</b>	<b>\$0.0</b>	<b>(\$29.1)</b>
(-) Restructuring Charges			(2.3)	(4.1)	(1.0)	(7.7)	0.0	0.0	0.0	0.0
(-) Impairment of Goodwill			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(-) Asset Writedown			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(-) Other Unusual Items			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBT</b>			<b>\$44.2</b>	<b>\$18.0</b>	<b>(\$13.8)</b>	<b>(\$43.1)</b>	<b>\$62.6</b>	<b>\$20.8</b>	<b>\$0.0</b>	<b>(\$29.1)</b>
(-) Income Tax Expense			(2.5)	(1.4)	(1.0)	(0.7)	(1.5)	(8.0)	(0.0)	3.8
<b>Net Income</b>			<b>\$41.7</b>	<b>\$16.6</b>	<b>(\$14.9)</b>	<b>(\$43.7)</b>	<b>\$61.1</b>	<b>\$12.8</b>	<b>\$0.0</b>	<b>(\$25.3)</b>
Shares Outstanding								77.529	77.529	77.529
<b>Diluted EPS</b>								<b>\$0.17</b>	<b>\$0.00</b>	<b>(\$0.33)</b>

Cash Flow Statement										
	Historical Financials FYE 12/31						Projected Financials FYE 12/31			
	12/31/12	03/31/13	06/30/13	09/30/13	12/31/13	03/31/14	06/30/14	09/30/14	12/31/14	
Net Income		\$41.7	\$16.6	(\$14.9)	(\$43.7)	\$61.1	\$12.8	\$0.0	(\$25.3)	
(+) D&A		6.7	6.5	6.2	5.8	5.7	7.0	6.1	6.0	
<b>Funds from Operations</b>		<b>\$48.4</b>	<b>\$23.0</b>	<b>(\$8.6)</b>	<b>(\$37.9)</b>	<b>\$66.8</b>	<b>\$19.8</b>	<b>\$6.1</b>	<b>(\$19.3)</b>	
(-) Change in Net Working Capital		(143.3)	38.4	72.1	20.0	(184.2)	51.7	87.3	18.5	
<b>Cash Flow from Operations</b>		<b>(\$94.9)</b>	<b>\$61.4</b>	<b>\$63.5</b>	<b>(\$17.9)</b>	<b>(\$117.4)</b>	<b>\$71.5</b>	<b>\$93.4</b>	<b>(\$0.8)</b>	
Capital Expenditures		(\$3.1)	(\$2.9)	(\$2.9)	(\$4.1)	(\$4.0)	(\$3.5)	(\$3.5)	(\$4.0)	
<b>Cash Flow from Investing</b>		<b>(\$3.1)</b>	<b>(\$2.9)</b>	<b>(\$2.9)</b>	<b>(\$4.1)</b>	<b>(\$4.0)</b>	<b>(\$3.5)</b>	<b>(\$3.5)</b>	<b>(\$4.0)</b>	
<b>Levered Free Cash Flow</b>		<b>(\$98.0)</b>	<b>\$58.5</b>	<b>\$60.6</b>	<b>(\$22.0)</b>	<b>(\$121.4)</b>	<b>\$68.0</b>	<b>\$89.9</b>	<b>(\$4.8)</b>	
<i>Capex as a % of Revenue</i>		1.1%	1.2%	1.6%	3.2%	1.1%	1.4%	1.9%	3.0%	

Base Case | Annuals:

Income Statement

	Historical Financials FYE 12/31								Projected Financials FYE 12/31			LTM	CAGR
	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	03/31/14	
Drivers and Fairway Woods	\$266.5	\$305.9	\$268.3	\$223.2	\$225.2	\$211.2	\$200.6	\$256.4	\$284.6	\$298.9	\$313.8	\$288.2	31.8%
(+) Irons	288.0	309.6	308.6	232.7	223.9	206.8	170.8	181.8	195.7	205.5	215.7	198.4	21.9%
(+) Putters	102.7	109.1	101.7	98.3	106.2	88.2	93.3	89.6	88.1	92.5	97.1	89.3	9.8%
(+) Golf Balls	214.8	213.1	223.1	178.7	176.6	160.4	139.6	132.1	140.3	147.3	154.7	142.4	15.7%
(+) Accessories and Other	146.0	187.0	215.6	217.9	235.7	220.0	229.8	182.8	185.7	195.0	204.8	188.5	20.8%
<b>Revenue</b>	<b>\$1,017.9</b>	<b>\$1,124.6</b>	<b>\$1,117.2</b>	<b>\$950.8</b>	<b>\$967.7</b>	<b>\$886.5</b>	<b>\$834.1</b>	<b>\$842.8</b>	<b>\$894.4</b>	<b>\$939.2</b>	<b>\$986.1</b>	<b>\$906.9</b>	<b>5.4%</b>
<i>Revenue Growth</i>		10.5%	(0.7%)	(14.9%)	1.8%	(8.4%)	(5.9%)	1.0%	6.1%	5.0%	5.0%		
(-) COGS	(581.9)	(587.1)	(579.7)	(560.1)	(561.2)	(535.3)	(546.7)	(491.4)	(501.9)	(521.1)	(542.2)	(524.5)	
<b>Gross Profit</b>	<b>\$436.0</b>	<b>\$537.4</b>	<b>\$537.5</b>	<b>\$390.7</b>	<b>\$406.4</b>	<b>\$351.2</b>	<b>\$287.4</b>	<b>\$351.5</b>	<b>\$392.5</b>	<b>\$418.1</b>	<b>\$443.9</b>	<b>\$382.4</b>	<b>8.1%</b>
<i>Gross Margin</i>	42.8%	47.8%	48.1%	41.1%	42.0%	39.6%	34.5%	41.7%	43.9%	44.5%	45.0%	42.2%	
(-) Selling & Marketing Expense	(254.5)	(282.0)	(287.8)	(260.6)	(257.3)	(265.3)	(268.1)	(226.5)	(237.8)	(244.2)	(253.9)	(235.5)	
(-) R & D Exp.	(26.8)	(32.0)	(29.4)	(32.2)	(36.4)	(34.3)	(29.5)	(30.9)	(36.5)	(38.3)	(40.2)	(31.4)	
(-) General and Administrative Exp.	(79.7)	(89.1)	(85.5)	(80.3)	(86.4)	(79.0)	(55.2)	(64.9)	(68.0)	(69.7)	(70.7)	(68.3)	
<b>EBITDA</b>	<b>\$75.0</b>	<b>\$134.4</b>	<b>\$134.9</b>	<b>\$17.5</b>	<b>\$26.4</b>	<b>(\$27.4)</b>	<b>(\$65.4)</b>	<b>\$29.1</b>	<b>\$50.1</b>	<b>\$65.9</b>	<b>\$79.0</b>	<b>\$47.1</b>	<b>39.5%</b>
<i>EBITDA Margin</i>	7.4%	12.0%	12.1%	1.8%	2.7%	(3.1%)	(7.8%)	3.5%	5.6%	7.0%	8.0%	5.2%	
(-) D&A	(29.0)	(32.0)	(34.8)	(36.5)	(36.8)	(34.7)	(31.2)	(25.3)	(24.8)	(23.6)	(24.8)	(24.2)	
(-) Amortization of Intangibles	(3.3)	(3.3)	(3.2)	(4.3)	(4.2)	(4.0)	(3.2)	(0.3)	(0.0)	0.0	0.0	(0.1)	
<b>EBIT</b>	<b>\$42.8</b>	<b>\$99.1</b>	<b>\$96.9</b>	<b>(\$23.2)</b>	<b>(\$14.6)</b>	<b>(\$66.0)</b>	<b>(\$99.8)</b>	<b>\$3.6</b>	<b>\$25.3</b>	<b>\$42.3</b>	<b>\$54.2</b>	<b>\$22.8</b>	<b>147.6%</b>
<i>EBIT Margin</i>	4.2%	8.8%	8.7%	(2.4%)	(1.5%)	(7.4%)	(12.0%)	0.4%	2.8%	4.5%	5.5%	2.5%	
(-) Interest Expense	(4.1)	(3.2)	(2.4)	0.1	2.0	(1.1)	(5.0)	(8.6)	(8.5)	(8.5)	(8.5)	(8.5)	
(-) Currency Exchange Gains (Loss)	0.3	0.2	0.5	(0.5)	(11.7)	(8.2)	3.2	5.9	(2.9)	0.0	0.0	(4.8)	
(-) Other Non-Operating Inc. (Exp.)	1.5	1.1	(1.0)	1.4	0.7	0.1	(0.1)	0.8	(0.7)	0.0	0.0	2.7	
<b>EBT Before Unusual Items</b>	<b>\$40.4</b>	<b>\$97.1</b>	<b>\$94.0</b>	<b>(\$22.3)</b>	<b>(\$23.6)</b>	<b>(\$75.3)</b>	<b>(\$101.7)</b>	<b>\$1.7</b>	<b>\$13.2</b>	<b>\$33.8</b>	<b>\$45.7</b>	<b>\$36.5</b>	<b>201.5%</b>
(-) Restructuring Charges	(5.7)	(8.9)	(12.7)	(7.3)	(4.5)	(8.5)	(11.8)	(15.0)	0.0	0.0	0.0	(12.8)	
(-) Impairment of Goodwill	0.0	0.0	0.0	0.0	0.0	(1.1)	0.0	0.0	0.0	0.0	0.0	0.0	
(-) Asset Writedown	0.0	0.0	0.0	0.0	(7.5)	(5.4)	(4.6)	0.0	0.0	0.0	0.0	0.0	
(-) Other Unusual Items	0.0	0.0	(19.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>EBT</b>	<b>\$34.7</b>	<b>\$88.2</b>	<b>\$61.4</b>	<b>(\$29.6)</b>	<b>(\$35.6)</b>	<b>(\$90.3)</b>	<b>(\$118.1)</b>	<b>(\$13.3)</b>	<b>\$13.2</b>	<b>\$33.8</b>	<b>\$45.7</b>	<b>\$23.7</b>	
(-) Income Tax Expense	(11.7)	(33.7)	(35.1)	14.3	16.8	(81.6)	(4.9)	(5.6)	(2.5)	(6.5)	(8.8)	0.0	
<b>Net Income</b>	<b>\$23.0</b>	<b>\$54.5</b>	<b>\$26.3</b>	<b>(\$15.3)</b>	<b>(\$18.8)</b>	<b>(\$171.8)</b>	<b>(\$123.0)</b>	<b>(\$18.9)</b>	<b>\$10.7</b>	<b>\$27.3</b>	<b>\$36.9</b>	<b>\$23.7</b>	
Shares Outstanding							72.800		77.529	77.529	77.529	77.529	
<b>Diluted EPS</b>							<b>(\$0.26)</b>		<b>\$0.14</b>	<b>\$0.35</b>	<b>\$0.48</b>	<b>\$0.31</b>	

Cash Flow Statement

	Historical Financials FYE 12/31								Projected Financials FYE 12/31			LTM	CAGR
	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	03/31/14	
Net Income	\$23.0	\$54.5	\$26.3	(\$15.3)	(\$18.8)	(\$171.8)	(\$123.0)	(\$18.9)	\$10.7	\$27.3	\$36.9	\$23.7	
(+) D&A	29.0	32.0	34.8	36.5	36.8	34.7	31.2	25.3	24.8	23.6	24.8	24.2	
<b>Funds from Operations</b>	<b>\$52.0</b>	<b>\$86.5</b>	<b>\$61.0</b>	<b>\$21.2</b>	<b>\$18.0</b>	<b>(\$137.2)</b>	<b>(\$91.8)</b>	<b>\$6.3</b>	<b>\$35.5</b>	<b>\$50.9</b>	<b>\$61.7</b>	<b>\$47.9</b>	<b>113.7%</b>
(-) Change in Net Working Capital		32.3	(50.6)	(1.3)	(56.2)	141.2	17.7	(12.8)	(18.7)	(9.8)	(10.5)	(53.7)	
<b>Cash Flow from Operations</b>	<b>\$52.0</b>	<b>\$118.8</b>	<b>\$10.4</b>	<b>\$19.9</b>	<b>(\$38.1)</b>	<b>\$4.0</b>	<b>(\$74.1)</b>	<b>(\$6.5)</b>	<b>\$16.8</b>	<b>\$41.1</b>	<b>\$51.3</b>	<b>(\$5.9)</b>	
Capital Expenditures	(\$32.5)	(\$32.9)	(\$51.0)	(\$38.8)	(\$22.2)	(\$28.9)	(\$18.4)	(\$13.0)	(\$15.0)	(\$15.8)	(\$16.5)	(13.9)	
<b>Cash Flow from Investing</b>	<b>(\$32.5)</b>	<b>(\$32.9)</b>	<b>(\$51.0)</b>	<b>(\$38.8)</b>	<b>(\$22.2)</b>	<b>(\$28.9)</b>	<b>(\$18.4)</b>	<b>(\$13.0)</b>	<b>(\$15.0)</b>	<b>(\$15.8)</b>	<b>(\$16.5)</b>	<b>(\$13.9)</b>	<b>8.4%</b>
<b>Levered Free Cash Flow</b>	<b>\$19.5</b>	<b>\$85.9</b>	<b>(\$40.6)</b>	<b>(\$18.9)</b>	<b>(\$60.3)</b>	<b>(\$24.9)</b>	<b>(\$92.5)</b>	<b>(\$19.5)</b>	<b>\$1.8</b>	<b>\$25.4</b>	<b>\$34.7</b>	<b>(\$19.8)</b>	
<i>Capex as a % of Revenue</i>	3.2%	2.9%	4.6%	4.1%	2.3%	3.3%	2.2%	1.5%	1.7%	1.7%	1.7%	1.5%	



Base Case | Quarterlies:

Income Statement										
	Historical Financials FYE 12/31							Projected Financials FYE 12/31		
	09/30/12	12/31/12	03/31/13	06/30/13	09/30/13	12/31/13	03/31/14	06/30/14	09/30/14	12/31/14
Drivers and Fairway Woods			\$97.9	\$71.9	\$56.5	\$30.1	\$129.7	\$68.3	\$56.5	\$30.1
(+) Irons			56.7	55.5	39.5	30.1	73.3	52.7	39.5	30.1
(+) Putters			32.1	22.9	20.4	14.2	31.8	21.8	20.4	14.2
(+) Golf Balls			42.4	43.4	25.6	20.7	52.7	41.2	25.6	20.7
(+) Accessories and Other			58.7	55.9	36.2	32.0	64.4	53.1	36.2	32.0
<b>Revenue</b>	<b>\$147.9</b>	<b>\$119.9</b>	<b>\$287.8</b>	<b>\$249.6</b>	<b>\$178.2</b>	<b>\$127.2</b>	<b>\$351.9</b>	<b>\$237.2</b>	<b>\$178.2</b>	<b>\$127.2</b>
Revenue Growth						6.0%	22.3%	(5.0%)	0.0%	0.0%
(-) COGS	(108.5)	(126.2)	(148.1)	(143.4)	(111.6)	(88.3)	(181.3)	(135.3)	(106.2)	(79.2)
<b>Gross Profit</b>	<b>\$39.4</b>	<b>(\$6.3)</b>	<b>\$139.7</b>	<b>\$106.2</b>	<b>\$66.7</b>	<b>\$38.9</b>	<b>\$170.6</b>	<b>\$101.9</b>	<b>\$72.1</b>	<b>\$48.0</b>
Gross Margin	26.7%	(5.2%)	48.5%	42.5%	37.4%	30.6%	48.5%	43.0%	40.4%	37.7%
(-) Selling & Marketing Expense			(68.3)	(61.7)	(49.9)	(46.6)	(77.3)	(61.0)	(51.7)	(47.9)
(-) R & D Exp.			(7.4)	(7.3)	(7.7)	(8.5)	(7.9)	(9.3)	(9.5)	(9.8)
(-) General and Administrative Exp.			(14.6)	(15.2)	(18.9)	(16.3)	(18.0)	(16.7)	(15.7)	(17.6)
<b>EBITDA</b>	<b>\$49.4</b>	<b>\$22.0</b>	<b>(\$9.8)</b>	<b>(\$32.5)</b>	<b>\$67.4</b>	<b>\$14.8</b>	<b>(\$4.7)</b>	<b>\$14.8</b>	<b>(\$4.7)</b>	<b>(\$27.3)</b>
EBITDA Margin			17.2%	8.8%	(5.5%)	(25.6%)	19.1%	6.3%	(2.7%)	(21.5%)
(-) D&A			(6.7)	(6.5)	(6.2)	(5.8)	(5.7)	(7.0)	(6.1)	(6.0)
(-) Amortization of Intangibles			(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0
<b>EBIT</b>	<b>\$42.4</b>	<b>\$15.6</b>	<b>(\$16.0)</b>	<b>(\$38.4)</b>	<b>\$61.7</b>	<b>\$7.8</b>	<b>(\$10.9)</b>	<b>\$7.8</b>	<b>(\$10.9)</b>	<b>(\$33.3)</b>
EBIT Margin			14.7%	6.2%	(9.0%)	(30.2%)	17.5%	3.3%	(6.1%)	(26.2%)
(-) Interest Expense			(1.2)	(1.2)	(1.2)	(4.9)	(1.2)	(1.2)	(1.2)	(4.9)
(-) Currency Exchange Gains (Loss)			7.8	5.0	(5.6)	(1.3)	(2.9)	0.0	0.0	0.0
(-) Other Non-Operating Inc. (Exp.)			(2.6)	(3.7)	3.7	3.4	(0.7)	0.0	0.0	0.0
<b>EBT Before Unusual Items</b>	<b>\$46.5</b>	<b>\$22.1</b>	<b>(\$12.8)</b>	<b>(\$35.4)</b>	<b>\$62.6</b>	<b>\$13.6</b>	<b>(\$5.9)</b>	<b>\$13.6</b>	<b>(\$5.9)</b>	<b>(\$32.2)</b>
(-) Restructuring Charges			(2.3)	(4.1)	(1.0)	(7.7)	0.0	0.0	0.0	0.0
(-) Impairment of Goodwill			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(-) Asset Writedown			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(-) Other Unusual Items			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBT</b>	<b>\$44.2</b>	<b>\$18.0</b>	<b>(\$13.8)</b>	<b>(\$43.1)</b>	<b>\$62.6</b>	<b>\$13.6</b>	<b>(\$5.9)</b>	<b>\$13.6</b>	<b>(\$5.9)</b>	<b>(\$32.2)</b>
(-) Income Tax Expense			(2.5)	(1.4)	(1.0)	(0.7)	(1.5)	(5.2)	0.0	4.2
<b>Net Income</b>	<b>\$41.7</b>	<b>\$16.6</b>	<b>(\$14.9)</b>	<b>(\$43.7)</b>	<b>\$61.1</b>	<b>\$8.4</b>	<b>(\$5.9)</b>	<b>\$8.4</b>	<b>(\$5.9)</b>	<b>(\$28.0)</b>
Shares Outstanding								77.529	77.529	77.529
Diluted EPS								\$0.11	(\$0.08)	(\$0.36)

Cash Flow Statement										
	Historical Financials FYE 12/31						Projected Financials FYE 12/31			
	12/31/12	03/31/13	06/30/13	09/30/13	12/31/13	03/31/14	06/30/14	09/30/14	12/31/14	
Net Income		\$41.7	\$16.6	(\$14.9)	(\$43.7)	\$61.1	\$8.4	(\$5.9)	(\$28.0)	
(+) D&A		6.7	6.5	6.2	5.8	5.7	7.0	6.1	6.0	
<b>Funds from Operations</b>	<b>\$48.4</b>	<b>\$23.0</b>	<b>(\$8.6)</b>	<b>(\$37.9)</b>	<b>\$66.8</b>	<b>\$15.4</b>	<b>\$0.2</b>	<b>(\$22.0)</b>		
(-) Change in Net Working Capital		(143.3)	38.4	72.1	20.0	(184.2)	59.4	87.7	18.4	
<b>Cash Flow from Operations</b>	<b>(\$94.9)</b>	<b>\$61.4</b>	<b>\$63.5</b>	<b>(\$17.9)</b>	<b>(\$117.4)</b>	<b>\$74.8</b>	<b>\$87.9</b>	<b>(\$3.7)</b>		
Capital Expenditures		(\$3.1)	(\$2.9)	(\$2.9)	(\$4.1)	(\$4.0)	(\$3.5)	(\$3.5)	(\$4.0)	
<b>Cash Flow from Investing</b>	<b>(\$3.1)</b>	<b>(\$2.9)</b>	<b>(\$2.9)</b>	<b>(\$4.1)</b>	<b>(\$4.0)</b>	<b>(\$3.5)</b>	<b>(\$3.5)</b>	<b>(\$4.0)</b>		
<b>Levered Free Cash Flow</b>	<b>(\$98.0)</b>	<b>\$58.5</b>	<b>\$60.6</b>	<b>(\$22.0)</b>	<b>(\$121.4)</b>	<b>\$71.3</b>	<b>\$84.4</b>	<b>(\$7.7)</b>		
Capex as a % of Revenue		1.1%	1.2%	1.6%	3.2%	1.1%	1.5%	2.0%	3.1%	

Downside Case | Annuals:

Income Statement													
	Historical Financials FYE 12/31								Projected Financials FYE 12/31			LTM	CAGR
	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	03/31/14	
Drivers and Fairway Woods	\$266.5	\$305.9	\$268.3	\$223.2	\$225.2	\$211.2	\$200.6	\$256.4	\$276.7	\$271.2	\$265.8	\$288.2	31.8%
(+) Irons	288.0	309.6	308.6	232.7	223.9	206.8	170.8	181.8	189.4	185.6	181.9	198.4	21.9%
(+) Putters	102.7	109.1	101.7	98.3	106.2	88.2	93.3	89.6	85.2	83.5	81.9	89.3	9.8%
(+) Golf Balls	214.8	213.1	223.1	178.7	176.6	160.4	139.6	132.1	135.8	133.1	130.4	142.4	15.7%
(+) Accessories and Other	146.0	187.0	215.6	217.9	235.7	220.0	229.8	182.8	179.5	175.9	172.4	188.5	20.8%
<b>Revenue</b>	<b>\$1,017.9</b>	<b>\$1,124.6</b>	<b>\$1,117.2</b>	<b>\$950.8</b>	<b>\$967.7</b>	<b>\$886.5</b>	<b>\$834.1</b>	<b>\$842.8</b>	<b>\$866.7</b>	<b>\$849.4</b>	<b>\$832.4</b>	<b>\$906.9</b>	<b>(0.4%)</b>
Revenue Growth		10.5%	(0.7%)	(14.9%)	1.8%	(8.4%)	(5.9%)	1.0%	2.8%	(2.0%)	(2.0%)		
(-) COGS	(581.9)	(587.1)	(579.7)	(560.1)	(561.2)	(535.3)	(546.7)	(491.4)	(486.8)	(470.6)	(459.1)	(524.5)	
<b>Gross Profit</b>	<b>\$436.0</b>	<b>\$537.4</b>	<b>\$537.5</b>	<b>\$390.7</b>	<b>\$406.4</b>	<b>\$351.2</b>	<b>\$287.4</b>	<b>\$351.5</b>	<b>\$379.9</b>	<b>\$378.8</b>	<b>\$373.3</b>	<b>\$382.4</b>	<b>2.0%</b>
Gross Margin	42.8%	47.8%	48.1%	41.1%	42.0%	39.6%	34.5%	41.7%	43.8%	44.6%	44.8%	42.2%	
(-) Selling & Marketing Expense	(254.5)	(282.0)	(287.8)	(260.6)	(257.3)	(265.3)	(268.1)	(226.5)	(224.5)	(225.1)	(222.7)	(235.5)	
(-) R & D Exp.	(26.8)	(32.0)	(29.4)	(32.2)	(36.4)	(34.3)	(29.5)	(30.9)	(29.9)	(34.0)	(35.4)	(31.4)	
(-) General and Administrative Exp.	(79.7)	(89.1)	(85.5)	(80.3)	(86.4)	(79.0)	(55.2)	(64.9)	(91.2)	(63.7)	(58.3)	(68.3)	
<b>EBITDA</b>	<b>\$75.0</b>	<b>\$134.4</b>	<b>\$134.9</b>	<b>\$17.5</b>	<b>\$26.4</b>	<b>(\$27.4)</b>	<b>(\$65.4)</b>	<b>\$29.1</b>	<b>\$34.3</b>	<b>\$56.0</b>	<b>\$57.0</b>	<b>\$47.1</b>	<b>25.1%</b>
EBITDA Margin	7.4%	12.0%	12.1%	1.8%	2.7%	(3.1%)	(7.8%)	3.5%	4.0%	6.6%	6.8%	5.2%	
(-) D&A	(29.0)	(32.0)	(34.8)	(36.5)	(36.8)	(34.7)	(31.2)	(25.3)	(24.8)	(22.1)	(21.6)	(24.2)	
(-) Amortization of Intangibles	(3.3)	(3.3)	(3.2)	(4.3)	(4.2)	(4.0)	(3.2)	(0.3)	(0.0)	0.0	0.0	(0.1)	
<b>EBIT</b>	<b>\$42.8</b>	<b>\$99.1</b>	<b>\$96.9</b>	<b>(\$23.2)</b>	<b>(\$14.6)</b>	<b>(\$66.0)</b>	<b>(\$99.8)</b>	<b>\$3.6</b>	<b>\$9.4</b>	<b>\$34.0</b>	<b>\$35.4</b>	<b>\$22.8</b>	<b>114.7%</b>
EBIT Margin	4.2%	8.8%	8.7%	(2.4%)	(1.5%)	(7.4%)	(12.0%)	0.4%	1.1%	4.0%	4.3%	2.5%	
(-) Interest Expense	(4.1)	(3.2)	(2.4)	0.1	2.0	(1.1)	(5.0)	(8.6)	(8.5)	(8.5)	(8.5)	(8.5)	
(-) Currency Exchange Gains (Loss)	0.3	0.2	0.5	(0.5)	(11.7)	(8.2)	3.2	5.9	(2.9)	0.0	0.0	(4.8)	
(-) Other Non-Operating Inc. (Exp.)	1.5	1.1	(1.0)	1.4	0.7	0.1	(0.1)	0.8	(0.7)	0.0	0.0	2.7	
<b>EBT Before Unusual Items</b>	<b>\$40.4</b>	<b>\$97.1</b>	<b>\$94.0</b>	<b>(\$22.3)</b>	<b>(\$23.6)</b>	<b>(\$75.3)</b>	<b>(\$101.7)</b>	<b>\$1.7</b>	<b>(\$2.7)</b>	<b>\$25.5</b>	<b>\$26.9</b>	<b>\$36.5</b>	<b>152.6%</b>
(-) Restructuring Charges	(5.7)	(8.9)	(12.7)	(7.3)	(4.5)	(8.5)	(11.8)	(15.0)	0.0	0.0	0.0	(12.8)	
(-) Impairment of Goodwill	0.0	0.0	0.0	0.0	0.0	(1.1)	0.0	0.0	0.0	0.0	0.0	0.0	
(-) Asset Writedown	0.0	0.0	0.0	0.0	(7.5)	(5.4)	(4.6)	0.0	0.0	0.0	0.0	0.0	
(-) Other Unusual Items	0.0	0.0	(19.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>EBT</b>	<b>\$34.7</b>	<b>\$88.2</b>	<b>\$61.4</b>	<b>(\$29.6)</b>	<b>(\$35.6)</b>	<b>(\$90.3)</b>	<b>(\$118.1)</b>	<b>(\$13.3)</b>	<b>(\$2.7)</b>	<b>\$25.5</b>	<b>\$26.9</b>	<b>\$23.7</b>	
(-) Income Tax Expense	(11.7)	(33.7)	(35.1)	14.3	16.8	(81.6)	(4.9)	(5.6)	0.5	(4.9)	(5.2)	0.0	
<b>Net Income</b>	<b>\$23.0</b>	<b>\$54.5</b>	<b>\$26.3</b>	<b>(\$15.3)</b>	<b>(\$18.8)</b>	<b>(\$171.8)</b>	<b>(\$123.0)</b>	<b>(\$18.9)</b>	<b>(\$2.1)</b>	<b>\$20.6</b>	<b>\$21.7</b>	<b>\$23.7</b>	
Shares Outstanding								72.800	77.529	77.529	77.529	77.529	
<b>Diluted EPS</b>								<b>(\$0.26)</b>	<b>(\$0.03)</b>	<b>\$0.27</b>	<b>\$0.28</b>	<b>\$0.31</b>	

Cash Flow Statement													
	Historical Financials FYE 12/31								Projected Financials FYE 12/31			LTM	CAGR
	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	03/31/14	
Net Income	\$23.0	\$54.5	\$26.3	(\$15.3)	(\$18.8)	(\$171.8)	(\$123.0)	(\$18.9)	(\$2.1)	\$20.6	\$21.7	\$23.7	
(+) D&A	29.0	32.0	34.8	36.5	36.8	34.7	31.2	25.3	24.8	22.1	21.6	24.2	
<b>Funds from Operations</b>	<b>\$52.0</b>	<b>\$86.5</b>	<b>\$61.0</b>	<b>\$21.2</b>	<b>\$18.0</b>	<b>(\$137.2)</b>	<b>(\$91.8)</b>	<b>\$6.3</b>	<b>\$22.7</b>	<b>\$42.6</b>	<b>\$43.3</b>	<b>\$47.9</b>	<b>89.9%</b>
(-) Change in Net Working Capital		32.3	(50.6)	(1.3)	(56.2)	141.2	17.7	(12.8)	(12.0)	5.5	4.5	(53.7)	
<b>Cash Flow from Operations</b>	<b>\$52.0</b>	<b>\$118.8</b>	<b>\$10.4</b>	<b>\$19.9</b>	<b>(\$38.1)</b>	<b>\$4.0</b>	<b>(\$74.1)</b>	<b>(\$6.5)</b>	<b>\$10.6</b>	<b>\$48.1</b>	<b>\$47.8</b>	<b>(\$5.9)</b>	
Capital Expenditures	(\$32.5)	(\$32.9)	(\$51.0)	(\$38.8)	(\$22.2)	(\$28.9)	(\$18.4)	(\$13.0)	(\$15.0)	(\$14.7)	(\$14.4)	(13.9)	
<b>Cash Flow from Investing</b>	<b>(\$32.5)</b>	<b>(\$32.9)</b>	<b>(\$51.0)</b>	<b>(\$38.8)</b>	<b>(\$22.2)</b>	<b>(\$28.9)</b>	<b>(\$18.4)</b>	<b>(\$13.0)</b>	<b>(\$15.0)</b>	<b>(\$14.7)</b>	<b>(\$14.4)</b>	<b>(\$13.9)</b>	<b>3.5%</b>
<b>Levered Free Cash Flow</b>	<b>\$19.5</b>	<b>\$85.9</b>	<b>(\$40.6)</b>	<b>(\$18.9)</b>	<b>(\$60.3)</b>	<b>(\$24.9)</b>	<b>(\$92.5)</b>	<b>(\$19.5)</b>	<b>(\$4.4)</b>	<b>\$33.4</b>	<b>\$33.4</b>	<b>(\$19.8)</b>	
Capex as a % of Revenue	3.2%	2.9%	4.6%	4.1%	2.3%	3.3%	2.2%	1.5%	1.7%	1.7%	1.7%	1.5%	

Downtside Case | Quarterlies:

Income Statement										
	Historical Financials FYE 12/31							Projected Financials FYE 12/31		
	09/30/12	12/31/12	03/31/13	06/30/13	09/30/13	12/31/13	03/31/14	06/30/14	09/30/14	12/31/14
Drivers and Fairway Woods			\$97.9	\$71.9	\$56.5	\$30.1	\$129.7	\$64.7	\$53.7	\$28.6
(+) Irons			56.7	55.5	39.5	30.1	73.3	50.0	37.5	28.6
(+) Putters			32.1	22.9	20.4	14.2	31.8	20.6	19.4	13.5
(+) Golf Balls			42.4	43.4	25.6	20.7	52.7	39.1	24.3	19.7
(+) Accessories and Other			58.7	55.9	36.2	32.0	64.4	50.4	34.4	30.4
<b>Revenue</b>	<b>\$147.9</b>	<b>\$119.9</b>	<b>\$287.8</b>	<b>\$249.6</b>	<b>\$178.2</b>	<b>\$127.2</b>	<b>\$351.9</b>	<b>\$224.7</b>	<b>\$169.3</b>	<b>\$120.8</b>
Revenue Growth						6.0%	22.3%	(10.0%)	(5.0%)	(5.0%)
(-) COGS	(108.5)	(126.2)	(148.1)	(143.4)	(111.6)	(88.3)	(181.3)	(127.8)	(99.8)	(77.9)
<b>Gross Profit</b>	<b>\$39.4</b>	<b>(\$6.3)</b>	<b>\$139.7</b>	<b>\$106.2</b>	<b>\$66.7</b>	<b>\$38.9</b>	<b>\$170.6</b>	<b>\$96.9</b>	<b>\$69.5</b>	<b>\$42.9</b>
Gross Margin	26.7%	(5.2%)	48.5%	42.5%	37.4%	30.6%	48.5%	43.1%	41.0%	35.5%
(-) Selling & Marketing Expense			(68.3)	(61.7)	(49.9)	(46.6)	(77.3)	(55.5)	(47.4)	(44.3)
(-) R & D Exp.			(7.4)	(7.3)	(7.7)	(8.5)	(7.9)	(6.6)	(7.3)	(8.1)
(-) General and Administrative Exp.			(14.6)	(15.2)	(18.9)	(16.3)	(18.0)	(27.1)	(23.4)	(22.8)
<b>EBITDA</b>	<b>\$49.4</b>	<b>\$22.0</b>	<b>\$9.8</b>	<b>(\$9.8)</b>	<b>(\$32.5)</b>	<b>\$67.4</b>	<b>\$7.7</b>	<b>\$7.7</b>	<b>(\$8.6)</b>	<b>(\$32.2)</b>
EBITDA Margin			17.2%	8.8%	(5.5%)	(25.6%)	19.1%	3.4%	(5.1%)	(26.7%)
(-) D&A			(6.7)	(6.5)	(6.2)	(5.8)	(5.7)	(7.0)	(6.1)	(6.0)
(-) Amortization of Intangibles			(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0
<b>EBIT</b>	<b>\$42.4</b>	<b>\$15.6</b>	<b>\$15.6</b>	<b>(\$16.0)</b>	<b>(\$38.4)</b>	<b>\$61.7</b>	<b>\$0.7</b>	<b>\$0.7</b>	<b>(\$14.7)</b>	<b>(\$38.2)</b>
EBIT Margin			14.7%	6.2%	(9.0%)	(30.2%)	17.5%	0.3%	(8.7%)	(31.6%)
(-) Interest Expense			(1.2)	(1.2)	(1.2)	(4.9)	(1.2)	(1.2)	(1.2)	(4.9)
(-) Currency Exchange Gains (Loss)			7.8	5.0	(5.6)	(1.3)	(2.9)	0.0	0.0	0.0
(-) Other Non-Operating Inc. (Exp.)			(2.6)	(3.7)	3.7	3.4	(0.7)	0.0	0.0	0.0
<b>EBT Before Unusual Items</b>	<b>\$46.5</b>	<b>\$22.1</b>	<b>(\$12.8)</b>	<b>(\$35.4)</b>	<b>\$62.6</b>	<b>\$6.5</b>	<b>(\$9.8)</b>	<b>(\$37.1)</b>	<b>(\$37.1)</b>	<b>(\$37.1)</b>
(-) Restructuring Charges			(2.3)	(4.1)	(1.0)	(7.7)	0.0	0.0	0.0	0.0
(-) Impairment of Goodwill			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(-) Asset Writedown			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(-) Other Unusual Items			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBT</b>	<b>\$44.2</b>	<b>\$18.0</b>	<b>(\$13.8)</b>	<b>(\$43.1)</b>	<b>\$62.6</b>	<b>\$6.5</b>	<b>(\$9.8)</b>	<b>(\$37.1)</b>	<b>(\$37.1)</b>	<b>(\$37.1)</b>
(-) Income Tax Expense			(2.5)	(1.4)	(1.0)	(0.7)	(1.5)	(2.5)	0.0	4.5
<b>Net Income</b>	<b>\$41.7</b>	<b>\$16.6</b>	<b>(\$14.9)</b>	<b>(\$43.7)</b>	<b>\$61.1</b>	<b>\$4.0</b>	<b>(\$9.8)</b>	<b>(\$32.6)</b>	<b>(\$32.6)</b>	<b>(\$32.6)</b>
Shares Outstanding								77.529	77.529	77.529
<b>Diluted EPS</b>								<b>\$0.05</b>	<b>(\$0.13)</b>	<b>(\$0.42)</b>

Cash Flow Statement										
	Historical Financials FYE 12/31						Projected Financials FYE 12/31			
	12/31/12	03/31/13	06/30/13	09/30/13	12/31/13	03/31/14	06/30/14	09/30/14	12/31/14	
Net Income		\$41.7	\$16.6	(\$14.9)	(\$43.7)	\$61.1	\$4.0	(\$9.8)	(\$32.6)	
(+) D&A		6.7	6.5	6.2	5.8	5.7	7.0	6.1	6.0	
<b>Funds from Operations</b>	<b>\$48.4</b>	<b>\$23.0</b>	<b>(\$8.6)</b>	<b>(\$37.9)</b>	<b>\$66.8</b>	<b>\$11.0</b>	<b>(\$3.7)</b>	<b>(\$26.6)</b>	<b>(\$26.6)</b>	
(-) Change in Net Working Capital		(143.3)	38.4	72.1	20.0	(184.2)	64.0	88.9	19.3	
<b>Cash Flow from Operations</b>	<b>(\$94.9)</b>	<b>\$61.4</b>	<b>\$63.5</b>	<b>(\$17.9)</b>	<b>(\$117.4)</b>	<b>\$75.0</b>	<b>\$85.3</b>	<b>(\$7.3)</b>	<b>(\$7.3)</b>	
Capital Expenditures		(\$3.1)	(\$2.9)	(\$2.9)	(\$4.1)	(\$4.0)	(\$3.5)	(\$3.5)	(\$4.0)	
<b>Cash Flow from Investing</b>	<b>(\$3.1)</b>	<b>(\$2.9)</b>	<b>(\$2.9)</b>	<b>(\$4.1)</b>	<b>(\$4.0)</b>	<b>(\$3.5)</b>	<b>(\$3.5)</b>	<b>(\$4.0)</b>	<b>(\$4.0)</b>	
<b>Levered Free Cash Flow</b>	<b>(\$98.0)</b>	<b>\$58.5</b>	<b>\$60.6</b>	<b>(\$22.0)</b>	<b>(\$121.4)</b>	<b>\$71.5</b>	<b>\$81.8</b>	<b>(\$11.3)</b>	<b>(\$11.3)</b>	
Capex as a % of Revenue		1.1%	1.2%	1.6%	3.2%	1.1%	1.6%	2.1%	3.3%	

## Appendix B: NOL Valuation (Base Case)

### Valuation

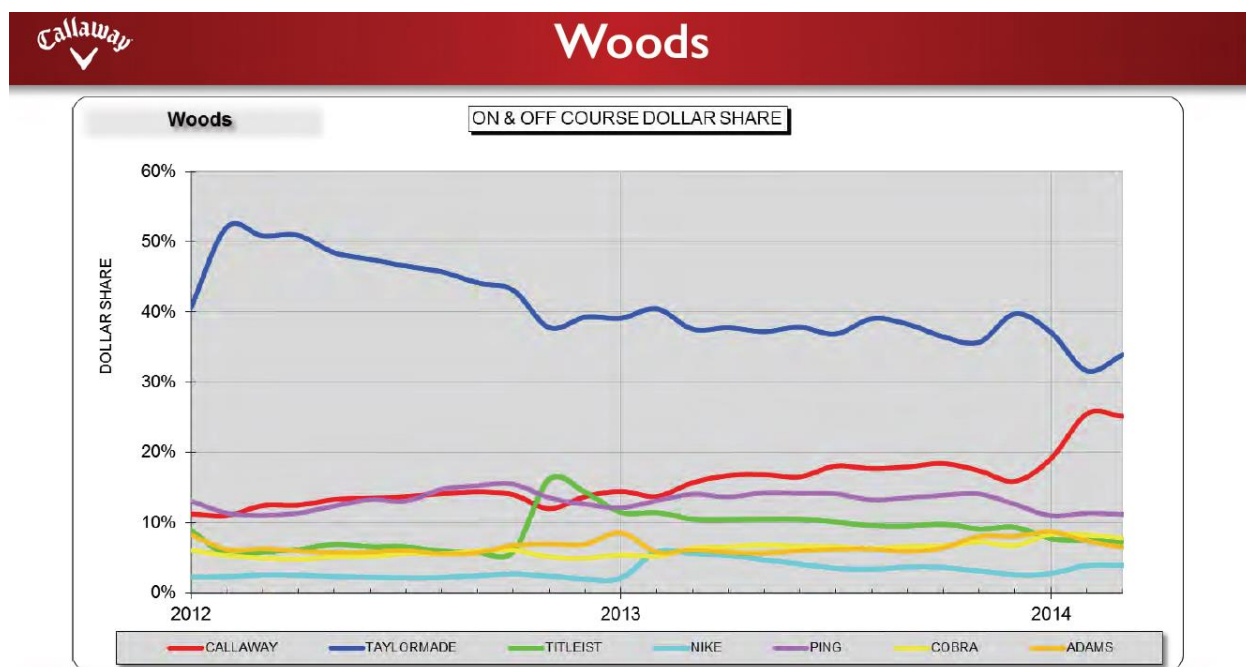
#### NOL Valuation

Discounted Cash Flow	\$77.2
Share Count	77.529
Value per Share	\$1.00

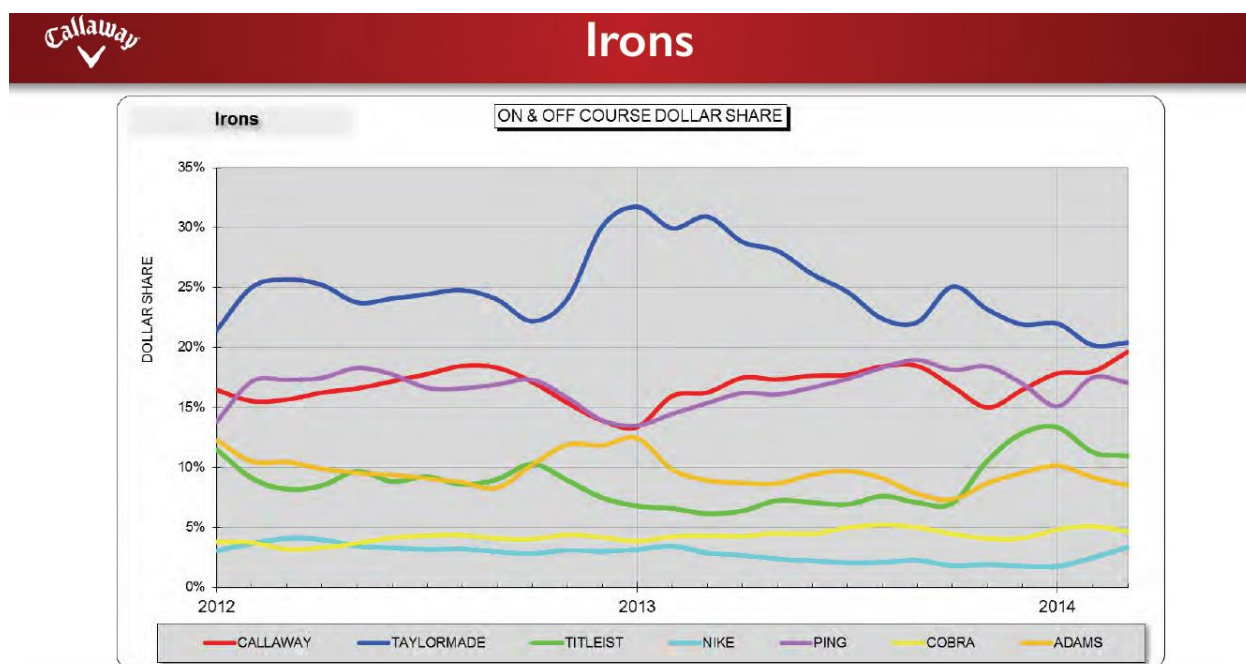
### DCF

	Projected Financials FYE 12/31													
	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27
Revenue	\$894.4	\$939.2	\$986.1	\$1,035.4	\$1,087.2	\$1,141.6	\$1,198.6	\$1,258.6	\$1,321.5	\$1,387.6	\$1,456.9	\$1,529.8	\$1,606.3	\$1,686.6
Growth Rate		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
(-) COGS	(501.9)	(521.1)	(542.2)	(569.3)	(597.8)	(627.7)	(659.1)	(692.0)	(726.6)	(762.9)	(801.1)	(841.1)	(883.2)	(927.4)
Gross Profit	\$392.50	\$418.07	\$443.91	\$466.10	\$489.41	\$513.88	\$539.57	\$566.55	\$594.88	\$624.62	\$655.85	\$688.64	\$723.08	\$759.23
Gross Margin	43.9%	44.5%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%
(-) SG&A	(342.4)	(352.2)	(364.9)	(383.1)	(402.3)	(422.4)	(443.5)	(465.7)	(489.0)	(513.4)	(539.1)	(566.0)	(594.3)	(624.0)
EBITDA	\$50.1	\$65.9	\$79.0	\$83.0	\$87.1	\$91.5	\$96.1	\$100.9	\$105.9	\$111.2	\$116.8	\$122.6	\$128.8	\$135.2
(-) D&A	(24.8)	(23.6)	(24.8)	(26.0)	(27.3)	(28.7)	(30.2)	(31.7)	(33.2)	(34.9)	(36.7)	(38.5)	(40.4)	(42.4)
EBIT	\$25.3	\$42.3	\$54.2	\$56.9	\$59.8	\$62.8	\$65.9	\$69.2	\$72.7	\$76.3	\$80.1	\$84.1	\$88.3	\$92.8
(-) Interest Expense	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)
EBT	\$16.8	\$33.8	\$45.7	\$48.4	\$51.3	\$54.3	\$57.4	\$60.7	\$64.2	\$67.8	\$71.6	\$75.6	\$79.8	\$84.3
(x) Assumed US EBT	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Reduction in EBT from NOLS	\$8.4	\$16.9	\$22.9	\$24.2	\$25.6	\$27.1	\$28.7	\$30.4	\$32.1	\$33.9	\$35.8	\$37.8	\$39.9	\$42.1
EBT	\$16.8	\$33.8	\$45.7	\$48.4	\$51.3	\$54.3	\$57.4	\$60.7	\$64.2	\$67.8	\$71.6	\$75.6	\$79.8	\$84.3
(-) Reduction in EBT	(8.4)	(16.9)	(22.9)	(24.2)	(25.6)	(27.1)	(28.7)	(30.4)	(32.1)	(33.9)	(35.8)	(37.8)	(39.9)	(42.1)
Post-NOL EBT	\$8.4	\$16.9	\$22.9	\$24.2	\$25.6	\$27.1	\$28.7	\$30.4	\$32.1	\$33.9	\$35.8	\$37.8	\$39.9	\$42.1
(x) Assumed Tax Rate	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%
Post-NOL Taxes	\$3.2	\$6.5	\$8.8	\$9.3	\$9.9	\$10.4	\$11.1	\$11.7	\$12.4	\$13.1	\$13.8	\$14.6	\$15.4	\$16.2
Pre- NOL Taxes	6.5	13.0	17.6	18.7	19.7	20.9	22.1	23.4	24.7	26.1	27.6	29.1	30.7	32.4
Tax Savings	\$3.2	\$6.5	\$8.8	\$9.3	\$9.9	\$10.4	\$11.1	\$11.7	\$12.4	\$13.1	\$13.8	\$14.6	\$15.4	\$16.2
Discount Rate				10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Periods				1	2	3	4	5	6	7	8	9	10	11
Discounted Value				\$8.5	\$8.2	\$7.9	\$7.6	\$7.3	\$7.0	\$6.7	\$6.4	\$6.2	\$5.9	\$5.7
Beginning NOL Balance (Federal)	\$429.0	\$420.6	\$403.7	\$380.9	\$356.6	\$331.0	\$303.9	\$275.1	\$244.8	\$212.7	\$178.8	\$143.0	\$105.1	\$65.2
(-) NOL Usage	(8.4)	(16.9)	(22.9)	(24.2)	(25.6)	(27.1)	(28.7)	(30.4)	(32.1)	(33.9)	(35.8)	(37.8)	(39.9)	(42.1)
(+) NOL Creation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ending NOL Balance (Federal & S	\$420.6	\$403.7	\$380.9	\$356.6	\$331.0	\$303.9	\$275.1	\$244.8	\$212.7	\$178.8	\$143.0	\$105.1	\$65.2	\$23.1
SG&A as a % of Revenue	38.3%	37.5%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%
D&A as a % of Revenue	2.8%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

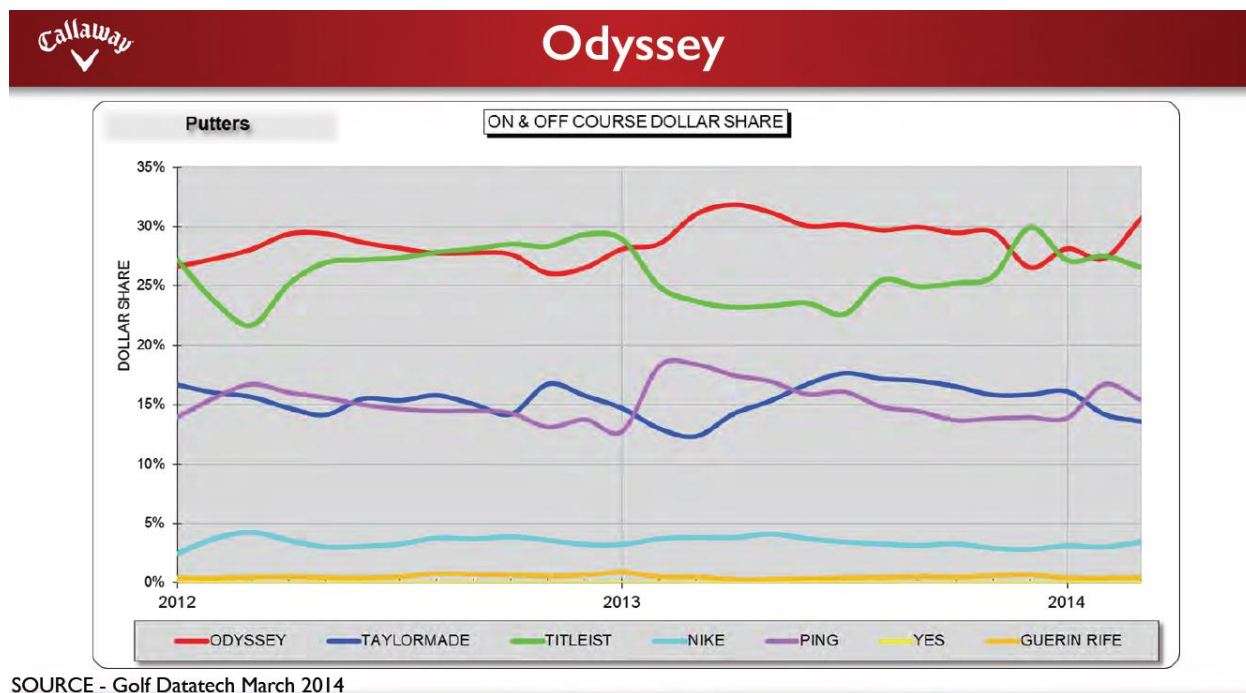
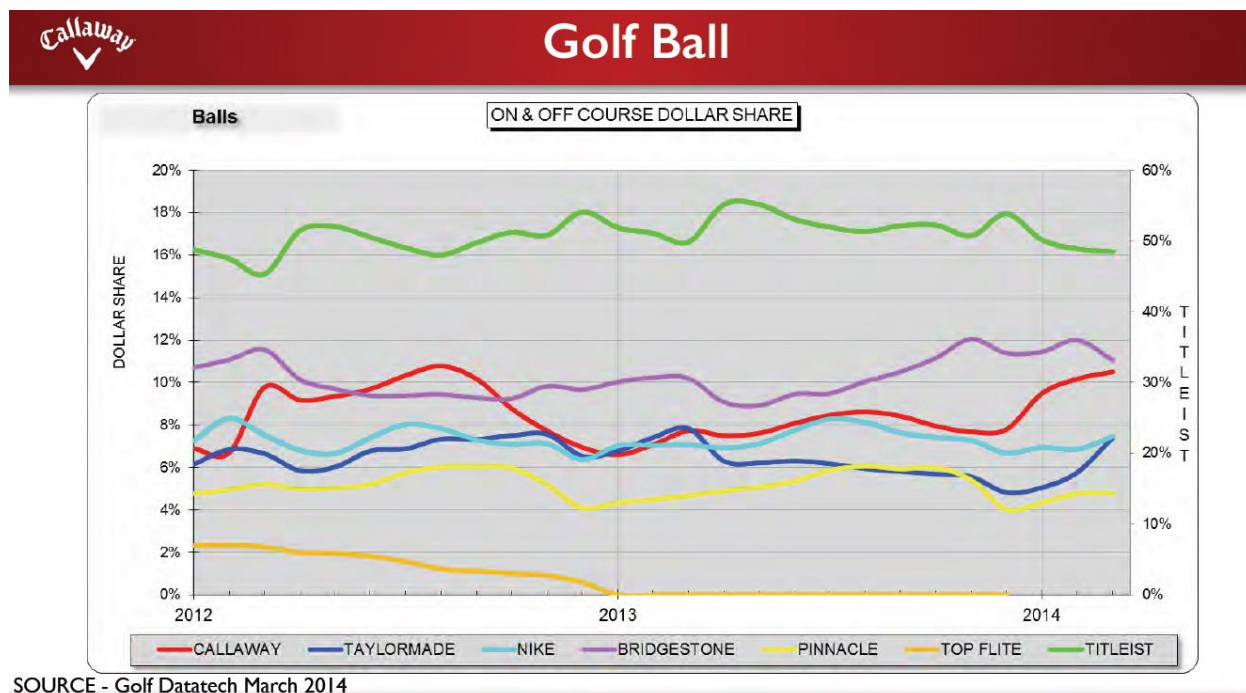
## Appendix C: Market Share by Product



SOURCE - Golf Datatech March 2014

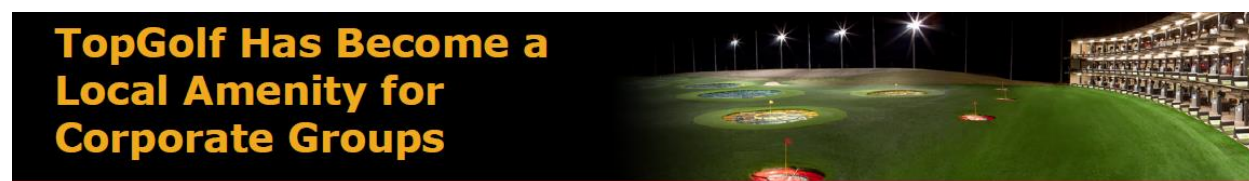


SOURCE - Golf Datatech March 2014





Appendix D: TopGolf Corporate Clients



Fortune 500

Consulting

Real Estate

Technology/Electronics





Appendix E: TopGolf Pictures



#### **Appendix F: Sources Checked**

- Company website
- Company investor presentations
- Company SEC filings
- Company earnings calls
- Equity Research
- Blogs
- SumZero
- Value Investors Club
- Seeking Alpha / Seeking Alpha Pro
- Barron's
- Wikipedia
- Yelp
- Local news coverage
- LinkedIn
- Youtube (e.g., club demonstrations)
- Trade magazines (e.g., golf digest and golf weekly)
- CNN Money
- Business Week

#### **Other Write-Ups**

- [ValueInvestorClub thesis](#)
- Seeking Alpha Pro theses ([long](#), [short #1](#), [short#2](#))
- [WestPark's SumZero thesis](#)
- [Barrons' thesis](#)
- [Park City Capital thesis](#)

**Appendix G: Assumptions by Case**

*Sellside Case Assumptions:*

Income Statement													
	Historical Financials FYE 12/31								Projected Financials FYE 12/31			LTM	CAGR
	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	03/31/14	
Operating Gross Profit	\$403.8	\$502.1	\$499.5	\$349.9	\$365.5	\$312.6	\$253.0	\$325.9	\$391.3	\$435.1	\$475.3	\$358.1	12.6%
(+) D&A	29.0	32.0	34.8	36.5	36.8	34.7	31.2	25.3	24.8	24.9	26.8	24.2	
(+) Amortization of Intangibles	3.3	3.3	3.2	4.3	4.2	4.0	3.2	0.3	0.0	0.0	0.0	0.1	
Cash Gross Profit	\$436.0	\$537.4	\$537.5	\$390.7	\$406.4	\$351.2	\$287.4	\$351.5	\$416.2	\$459.9	\$502.1	\$382.4	
Operating Gross Margin	39.7%	44.6%	44.7%	36.8%	37.8%	35.3%	30.3%	38.7%	42.0%	42.2%	42.7%	39.5%	
Cash Gross Margin	42.8%	47.8%	48.1%	41.1%	42.0%	39.6%	34.5%	41.7%	44.6%	44.6%	45.1%	42.2%	
Selling & Marketing Expense	\$254.5	\$282.0	\$287.8	\$260.6	\$257.3	\$265.3	\$268.1	\$226.5	\$243.0	\$255.6	\$262.0	\$235.5	4.7%
(+) R & D Exp.	26.8	32.0	29.4	32.2	36.4	34.3	29.5	30.9	32.6	36.0	38.9	31.4	
(+) General and Administrative Exp.	79.7	89.1	85.5	80.3	86.4	79.0	55.2	64.9	74.2	64.1	68.6	68.3	
Operating Expenses	\$361.0	\$403.0	\$402.6	\$373.1	\$380.1	\$378.6	\$352.8	\$322.3	\$349.8	\$355.7	\$369.5	\$335.2	
Operating Expenses as a % of Revenue	35.5%	35.8%	36.0%	39.2%	39.3%	42.7%	42.3%	38.2%	37.5%	34.5%	33.2%	37.0%	
<u>Revenue Growth</u>													
Woods		14.8%	(12.3%)	(16.8%)	0.9%	(6.2%)	(5.0%)	27.8%	15.3%	10.5%	8.0%		
Irons		7.5%	(0.3%)	(24.6%)	(3.8%)	(7.6%)	(17.4%)	6.5%	12.3%	10.5%	8.0%		
Putters		6.2%	(6.8%)	(3.3%)	8.1%	(17.0%)	5.9%	(4.0%)	2.7%	10.5%	8.0%		
Golf Balls		(0.8%)	4.7%	(19.9%)	(1.2%)	(9.2%)	(13.0%)	(5.3%)	10.9%	10.5%	8.0%		
Accessories and Other		28.1%	15.3%	1.1%	8.2%	(6.7%)	4.4%	(20.4%)	6.3%	10.5%	8.0%		
<u>Operating Expenses as a % of Revenue</u>													
Selling & Marketing as a % of Revenue	25.0%	25.1%	25.8%	27.4%	26.6%	29.9%	32.1%	26.9%	26.0%	24.8%	23.5%		
R&D as a % of Revenue	2.6%	2.8%	2.6%	3.4%	3.8%	3.9%	3.5%	3.7%	3.5%	3.5%	3.5%		
G&A as a % of Revenue	7.8%	7.9%	7.7%	8.4%	8.9%	8.9%	6.6%	7.7%	8.0%	6.2%	6.2%		
Assumed Tax Rate									38.5%	38.5%	38.5%		
D&A as a % of Capex	89.1%	97.2%	68.2%	94.0%	165.6%	119.9%	169.6%	194.3%	165.4%	150.0%	150.0%		

Base Case Assumptions:

Income Statement													
	Historical Financials FYE 12/31								Projected Financials FYE 12/31			LTM	CAGR
	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	03/31/14	
Operating Gross Profit	\$403.8	\$502.1	\$499.5	\$349.9	\$365.5	\$312.6	\$253.0	\$325.9	\$367.7	\$394.4	\$419.1	\$358.1	
(+) D&A	29.0	32.0	34.8	36.5	36.8	34.7	31.2	25.3	24.8	23.6	24.8	24.2	
(+) Amortization of Intangibles	3.3	3.3	3.2	4.3	4.2	4.0	3.2	0.3	0.0	0.0	0.0	0.1	
<b>Cash Gross Profit</b>	<b>\$436.0</b>	<b>\$537.4</b>	<b>\$537.5</b>	<b>\$390.7</b>	<b>\$406.4</b>	<b>\$351.2</b>	<b>\$287.4</b>	<b>\$351.5</b>	<b>\$392.5</b>	<b>\$418.1</b>	<b>\$443.9</b>	<b>\$382.4</b>	<b>8.1%</b>
Operating Gross Margin	39.7%	44.6%	44.7%	36.8%	37.8%	35.3%	30.3%	38.7%	41.1%	42.0%	42.5%	39.5%	
Cash Gross Margin	42.8%	47.8%	48.1%	41.1%	42.0%	39.6%	34.5%	41.7%	43.9%	44.5%	45.0%	42.2%	
Selling & Marketing Expense	\$254.5	\$282.0	\$287.8	\$260.6	\$257.3	\$265.3	\$268.1	\$226.5	\$237.8	\$244.2	\$253.9	\$235.5	
(+) R & D Exp.	26.8	32.0	29.4	32.2	36.4	34.3	29.5	30.9	36.5	38.3	40.2	31.4	
(+) General and Administrative Exp.	79.7	89.1	85.5	80.3	86.4	79.0	55.2	64.9	68.0	69.7	70.7	68.3	
<b>Operating Expenses</b>	<b>\$361.0</b>	<b>\$403.0</b>	<b>\$402.6</b>	<b>\$373.1</b>	<b>\$380.1</b>	<b>\$378.6</b>	<b>\$352.8</b>	<b>\$322.3</b>	<b>\$342.4</b>	<b>\$352.2</b>	<b>\$364.9</b>	<b>\$335.2</b>	<b>4.2%</b>
Operating Expenses as a % of Revenue	35.5%	35.8%	36.0%	39.2%	39.3%	42.7%	42.3%	38.2%	38.3%	37.5%	37.0%	37.0%	
<b>Revenue Growth</b>							<b>\$25.8</b>	<b>\$56.3</b>					
Woods		14.8%	(12.3%)	(16.8%)	0.9%	(6.2%)	(5.0%)	27.8%	11.0%	5.0%	5.0%		
Irons		7.5%	(0.3%)	(24.6%)	(3.8%)	(7.6%)	(17.4%)	6.5%	7.6%	5.0%	5.0%		
Putters		6.2%	(6.8%)	(3.3%)	8.1%	(17.0%)	5.9%	(4.0%)	(1.6%)	5.0%	5.0%		
Golf Balls		(0.8%)	4.7%	(19.9%)	(1.2%)	(9.2%)	(13.0%)	(5.3%)	6.2%	5.0%	5.0%		
Accessories and Other		28.1%	15.3%	1.1%	8.2%	(6.7%)	4.4%	(20.4%)	1.6%	5.0%	5.0%		
<b>Operating Expenses as a % of Revenue</b>													
Selling & Marketing as a % of Revenue	25.0%	25.1%	25.8%	27.4%	26.6%	29.9%	32.1%	26.9%	26.6%	26.0%	25.8%		
R&D as a % of Revenue	2.6%	2.8%	2.6%	3.4%	3.8%	3.9%	3.5%	3.7%	4.1%	4.1%	4.1%		
G&A as a % of Revenue	7.8%	7.9%	7.7%	8.4%	8.9%	8.9%	6.6%	7.7%	7.6%	7.4%	7.2%		
Assumed Tax Rate									38.5%	38.5%	38.5%		
D&A as a % of Capex	89.1%	97.2%	68.2%	94.0%	165.6%	119.9%	169.6%	194.3%	165.4%	150.0%	150.0%		

Downside Case Assumptions:

Income Statement													
	Historical Financials FYE 12/31								Projected Financials FYE 12/31			LTM	CAGR
	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	03/31/14	
Operating Gross Profit	\$403.8	\$502.1	\$499.5	\$349.9	\$365.5	\$312.6	\$253.0	\$325.9	\$355.1	\$356.7	\$351.7	\$358.1	
(+) D&A	29.0	32.0	34.8	36.5	36.8	34.7	31.2	25.3	24.8	22.1	21.6	24.2	
(+) Amortization of Intangibles	3.3	3.3	3.2	4.3	4.2	4.0	3.2	0.3	0.0	0.0	0.0	0.1	
<b>Cash Gross Profit</b>	<b>\$436.0</b>	<b>\$537.4</b>	<b>\$537.5</b>	<b>\$390.7</b>	<b>\$406.4</b>	<b>\$351.2</b>	<b>\$287.4</b>	<b>\$351.5</b>	<b>\$379.9</b>	<b>\$378.8</b>	<b>\$373.3</b>	<b>\$382.4</b>	<b>2.0%</b>
Operating Gross Margin	39.7%	44.6%	44.7%	36.8%	37.8%	35.3%	30.3%	38.7%	41.0%	42.0%	42.3%	39.5%	
Cash Gross Margin	42.8%	47.8%	48.1%	41.1%	42.0%	39.6%	34.5%	41.7%	43.8%	44.6%	44.8%	42.2%	
Selling & Marketing Expense	\$254.5	\$282.0	\$287.8	\$260.6	\$257.3	\$265.3	\$268.1	\$226.5	\$224.5	\$225.1	\$222.7	\$235.5	
(+) R & D Exp.	26.8	32.0	29.4	32.2	36.4	34.3	29.5	30.9	29.9	34.0	35.4	31.4	
(+) General and Administrative Exp.	79.7	89.1	85.5	80.3	86.4	79.0	55.2	64.9	91.2	63.7	58.3	68.3	
<b>Operating Expenses</b>	<b>\$361.0</b>	<b>\$403.0</b>	<b>\$402.6</b>	<b>\$373.1</b>	<b>\$380.1</b>	<b>\$378.6</b>	<b>\$352.8</b>	<b>\$322.3</b>	<b>\$345.6</b>	<b>\$322.8</b>	<b>\$316.3</b>	<b>\$335.2</b>	<b>(0.6%)</b>
Operating Expenses as a % of Revenue	35.5%	35.8%	36.0%	39.2%	39.3%	42.7%	42.3%	38.2%	39.9%	38.0%	38.0%	37.0%	
<b>Revenue Growth</b>							<b>\$25.8</b>	<b>\$56.3</b>					
Woods		14.8%	(12.3%)	(16.8%)	0.9%	(6.2%)	(5.0%)	27.8%	7.9%	(2.0%)	(2.0%)		
Irons		7.5%	(0.3%)	(24.6%)	(3.8%)	(7.6%)	(17.4%)	6.5%	4.2%	(2.0%)	(2.0%)		
Putters		6.2%	(6.8%)	(3.3%)	8.1%	(17.0%)	5.9%	(4.0%)	(4.8%)	(2.0%)	(2.0%)		
Golf Balls		(0.8%)	4.7%	(19.9%)	(1.2%)	(9.2%)	(13.0%)	(5.3%)	2.8%	(2.0%)	(2.0%)		
Accessories and Other		28.1%	15.3%	1.1%	8.2%	(6.7%)	4.4%	(20.4%)	(1.8%)	(2.0%)	(2.0%)		
<b>Operating Expenses as a % of Revenue</b>													
Selling & Marketing as a % of Revenue	25.0%	25.1%	25.8%	27.4%	26.6%	29.9%	32.1%	26.9%	25.9%	26.5%	26.8%		
R&D as a % of Revenue	2.6%	2.8%	2.6%	3.4%	3.8%	3.9%	3.5%	3.7%	3.4%	4.0%	4.3%		
G&A as a % of Revenue	7.8%	7.9%	7.7%	8.4%	8.9%	8.9%	6.6%	7.7%	10.2%	7.5%	7.0%		
Assumed Tax Rate									38.5%	38.5%	38.5%		
D&A as a % of Capex	89.1%	97.2%	68.2%	94.0%	165.6%	119.9%	169.6%	194.3%	165.4%	150.0%	150.0%		

**Appendix H: Management Guidance for 2014 (as of 4/23/14)**

Revenue: \$880mm to \$900mm

Opex: \$345mm

EBT: \$15mm - \$19mm

EPS: \$0.12 - \$0.16

D&A: \$25mm

Capex: \$15mm