



**TOPGOLF CALLAWAY BRANDS CORP.
FIRST QUARTER 2025 EARNINGS CALL PREPARED REMARKS**

Katina Metzidakis, Vice President of Investor Relations and Corporate Communications

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

Earlier today, the Company issued a press release announcing its first quarter 2025 financial results. Our earnings presentation, as well as earnings press release, are both available on our Investor Relations website under the "Financial Results" tab.

Aside from revenue, the financial numbers reported and discussed on today's call are non-GAAP measures. We identify these non-GAAP measures in the presentation and reconcile the measures to the corresponding GAAP measures in accordance with Regulation G. Please note that this call will include forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from management's current expectations. Please review the safe harbor statements contained in the presentation and the press release for a more complete description.

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

Chip Brewer, President and Chief Executive Officer

Thank you, Katina. Good afternoon and thank you for joining our call today.

Starting on slide 4, Q1 was a strong quarter for our company, as we met or beat expectations in all segments of our business. I was particularly pleased with the margin improvement in our products business, as well as the consumers' response to recent initiatives at Topgolf. On the strategic front, we were pleased to announce an agreement to sell Jack Wolfskin to ANTA Sports,

a transaction that will enable greater business focus, as well as provide further financial flexibility as we move forward on our strategic process for Topgolf.

Before I go into the segment results, I'll provide some comments on tariffs and their impact on us both in the near and long term. Needless to say, it is tough to predict the exact impact at this point, as we can't be sure what the final rates will be. During our last call, we forecast approximately a five-million-dollar impact based on what we knew at that time. As of this call, and assuming current rates of approximately 10% for all countries of origin other than Mexico, Canada and China; this year's unmitigated impact would be approximately 25 million dollars, an increase of twenty million dollars versus our last call. Looking forward, if these are the final rates, we believe we will be able to mitigate some portion, by further optimizing operations and accelerating existing cost reduction and margin programs. We then believe we will have the ability to pass the balance on, with only a minor impact on demand. We believe we are benefitting from having been proactive on cost and margin initiatives over the last 12 months and then accelerating them further recently; as well as from the scale, brand strength and capabilities of our organization. Having said this, we will be watching the economy and resulting demand side closely, as the risk of a further slowing of consumer activity has certainly gone up. And, to be clear, my primary concern is on the demand side, and that outcome is unknowable at this point. Fortunately, as previously communicated and shown in slide 14 of our presentation, it is worth reminding ourselves that golf equipment has not historically been sensitive to mild recessions.

Continuing on the US tariff front: Vietnam is our primary "country of origin" for both golf clubs and Travis Mathew apparel; however, we also source goods from Taiwan, several other ASEAN countries, Peru, Bangladesh and others. Fortunately, we source very little from mainland China for sale into the US. For the North American market, we assemble our custom golf clubs, in Mexico; but even at a 25% US tariff the cost impact is small, since it is a value added tax and the assembly is not a significant expense. On the ball side, I'd expect those of us that have scaled and full manufacturing capabilities in the US to be better positioned long-term. And it is also worth mentioning that recent exchange rate movements appear to be tied to the recent tariff policy and a weaker dollar is decidedly positive for us, as approximately 40% of our products business is outside of the US.

Now turning to our segment performance: starting with Golf Equipment, both revenues and operating margins were ahead of expectations and feedback on our product remains strong. In the driver category alone, Elyte was awarded 15 out of 15 stars on the US Golf Digest Hotlist, was named Today's Golfer's Expert Choice in the UK, and our Elyte Triple Diamond model was named GolfSpy's Most Wanted Driver. Turning to Q1 results, our operating margins are benefiting from

cost reduction and margin initiatives that we put into place over the last 12 months. Segment opex also benefitted from a lease termination incentive in our Japan subsidiary which Brian will give you more color on during his comments.

US rounds played were up 3.8% in March but down a little year to date, simply reflecting the weather; and overall demand in key global markets remained good through Q1. As expected, our market shares are down a little this year, reflecting a more competitive launch cadence; but, I continue to feel good about the golf equipment segment, our brand and our outlook.

In the Active Lifestyle Segment there is little new to report from an operational basis. Based on customer feedback, market conditions remained challenging in Q1, down mid-to-high single digits, which was a continuation of last year's trends. Revenues in the segment were down in the quarter, primarily due to lower sales at Jack Wolfskin Europe, which was largely anticipated and planned for. Segment operating margins are up year over year, reflecting our cost reduction and margin initiatives. The biggest news in this segment, is the agreement to sell the Jack Wolfskin brand later this quarter or early next. I'd like to thank the Jack Wolfskin team for their work while a part of the Topgolf Callaway family, in particular the efforts to rightsize and re-position the business over the last year. I think the proposed transaction is a good outcome for all involved, and I wish the Jack Wolfskin team success going forward.

Turning to Topgolf, our same venue sales were down approximately 12% for the quarter, within the guidance range we provided during our last call but towards the higher end. Importantly, we saw positive results from two key initiatives that started in mid-March: Sunday Funday and Topgolf Nights. Sunday Funday was especially impactful, driving more than twenty percent improvements in same day traffic.

Stepping back to look at the big picture, from a positioning perspective, Topgolf continues to enjoy an enviable consumer position. Both Golf and experiences like Topgolf remain on trend with consumers. And, Topgolf appeals to a wide audience. Not just golfers but society at large, with an average income of approximately one hundred thousand dollars per year.

Topgolf also has a significant defensive moat, high venue returns and the demonstrated ability to drive further improvement in venue margins. And, consumers continue to enjoy the experience. As shown on slide 15, and using external data, our "fun" scores remain high and consumer feedback on the experience remains definitively positive, both in absolute terms and relative to our competitive set. But, over the last 18 months, as the mid income consumer has become more stretched, Topgolf has begun to be perceived as relatively expensive. And, in a slowing consumer environment, this is a significant "but."

As a result, to better drive long-term same venue sales through economic cycles, we have made the strategic decision to reset this positioning, while at the same time continuing our efforts to drive efficiency, as well as continually improving and refreshing the experience. Although we will remain a premium brand and experience, we have done extensive analysis and have a definitive plan to change our value perception, and to do so while protecting and growing long term profitably. Sunday Funday and Topgolf Nights are two excellent examples of key initiatives towards this end, and Artie will share others with you as well.

Let me be clear, we view this as a big change with significant upside. One that will be particularly important as Topgolf transitions to a separate independent company. As we change the consumers' value perception on Topgolf, we will open ourselves up for both more new and repeat customers, throughout inevitable economic cycles. We can, and will do this, while also driving an improved experience and long-term margin growth.

With these new initiatives, we expect to see meaningful and nearly immediate progress on traffic, and we have. They will have a positive but lesser impact on same venue sales, as part of the traffic growth will be offset by a higher mix of value-oriented bay time pricing. In the near term, these initiatives will temporarily pressure venue margins. Fortunately, we believe we can offset most of this impact in the short to mid-term and are maintaining our full-year EBITDA guidance for Topgolf. Long term, we continue to see upside in venue-level margins. Artie will give you more color on all of this, including more specificity on the initiatives, during his comments.

Turning to Topgolf's balance of the year same venue sales and revenue guidance given the slow start to the year and economic uncertainty, we are revising the revenue and same venue sales guidance to down 6 to 12%. For Q2 specifically, we expect a similar range of down 7% to down 12%.

Now switching to the Topgolf process: we remain 100% committed and active in the process, we are still evaluating both a spin and a sale, and we continue to work towards a solution in the second half of this year. However, a lot has changed since we initially announced our intention to separate last September; as a result, if we spin, to avoid RemainCo having too high a leverage, the capital structure we are now planning for Topgolf will be different than what we previously communicated. Having said this, in the spin scenario, we remain 100% committed to positioning both RemainCo and Topgolf in strong financial positions, with manageable leverage ratios, and promising futures. Brian will give more color on this during his comments.

Finally, turning to our full year total company guidance: thanks to our strong first quarter, confidence in our operating abilities, and some help on the revenue side via foreign exchange,

we are pleased to be able to hold our financial guidance other than the impact of the now planned sale of Jack Wolfskin. This guidance assumes the impact of current tariffs net of actions. The guidance does not assume further tariff escalation nor an economic recession.

This is clearly going to be an interesting year but based on what we know at present: we remain well positioned to hit our full year numbers, build on our core strengths, and unlock value via our strategic processes. We remain excited and optimistic.

Artie, over to you for a more in-depth view of Topgolf and then to Brian for CFO comments.

Artie Starrs, Chief Executive Officer, Topgolf

Thanks Chip.

I'd like to share our performance for each of our key focus areas along with what to expect for Q2 2025 and balance of year starting with same venue sales.

As Chip mentioned, Topgolf's Q1 same venue sales were down 12% and in line with our guidance. 3+ bay / corporate events were down 13% and 1-2 bay business was down 12%. 1-2 bay traffic was down 8% and average spend per visit was down 4%. And while same venue sales were challenged in Q1, we have made substantial progress on the focus areas: more compelling and accessible value, new and relevant experiences for our players, and a streamlined corporate structure.

Our number one priority is to drive traffic growth and improve value perception, which we believe is key as we navigate the current environment and for the long-term health of the brand. Overall traffic in the second quarter through April is approximately flat year over year, with 1-2 bay traffic up low single digits. We can directly attribute this to specific new offers and meaningful improvement in our Price Value consumer metrics. I'll cover in more detail the specific initiatives driving these results but first I'd like to comment on the consumer and our events business.

As we enter Q2, on the macro front, we are clearly seeing a price sensitive consumer. While traffic was positive in April, same venue sales were down approximately 10% with 3+ bay down 17% and 1-2 bay down 8%. We continue to see players manage their spend which we are addressing with targeted food and beverage offerings which cater to group social occasions. In addition, our events business is pressured as corporate spending on team outings and entertainment has reduced.

It's clear that our corporate events business is going to be challenged in the near-term and we have modified our operating structure accordingly. Lead volumes are down significantly, but we are providing more flexibility on rate and time for event planners, which has led to increased conversion rates. This softer outlook for our 3+ bay business is contemplated in our revised 2025 same venue sales guidance. A bright spot is an increase in youth events where our team has done a fantastic job of marketing to youth organizations. These events provide great brand exposure to a core audience. Overall, Topgolf events remain an outstanding and differentiated offering, and we are confident in our competitive positioning.

As I previously mentioned, 1-2 Bay traffic through April has improved significantly. Average spend per visit is down high single digits driven roughly equally by the removal of booking fees, which we believe is absolutely the right thing to do for the consumer, as well as the increased mix of our value offers and lower alcohol attachment rates.

I am particularly excited about the player response and brand impact of two key new initiatives which Chip mentioned earlier: Sunday Funday and Top Golf Nights. Sunday Funday promotes an appealing family-oriented message and has outperformed the balance of the portfolio by low single digits on weekly sales year over year growth and high single digits on traffic. We have rolled this offer out to 80% of our venues. Topgolf Nights is having a smaller but still positive impact on sales and traffic; and is focused on appealing to the younger, late-night portion of our audience, driving late night utilization and adding energy and fun in the hours following peak Friday and Saturday evenings. Our venue teams are doing an extraordinary job executing on these offerings with Fun scores continuing to improve year over year.

Leveraging the learnings from Sunday Funday and Half Priced Tuesday, in April, we began testing expanded value offerings from Monday through Thursday. Currently, we are in 40 venues and while early, we are encouraged with the results with promising sales and traffic readings to date.

With this increased traffic, we've added a Funday Favs appetizer optimized for groups of four or more. In addition, with more walk-in players, we're making sure that Topgolf is providing a great experience not only in the bays but also at our bar areas with new \$5 drafts and \$6 margaritas available in most markets. The early results are very encouraging in average spend per visit and overall attachment.

These investments in expanded value, alongside the softness in 3+ bay events, will impact our venue margins in the near term. As a result, we are updating our outlook for EBITDAR margin and now expect an approximate 100 to 200 basis point decline year-over-year to approximately 32%. However, we are holding our full year Adjusted EBITDA guidance as we are managing our

corporate expenses to help support these investments. We still see significant long-term margin opportunity for our venues and have proven our ability to grow these margins. This year, we continue to test, optimize and roll out changes to our labor model, which will drive efficiencies and position venues to grow EBITDAR over the long term. We are choosing to invest in these traffic and brand driving initiatives while still ensuring we provide the great player experience we are well known for.

Alongside these offers, we have continued to make enhancements to the experience, in addition to our 120-minute reservation we've now rolled out 90- and 60-minute reservations to drive utilization and meet players' needs. We're able to flex the inventory of these shorter reservation times for peak demand periods. This does three things that are wins for our players and our business: 1) meets a shorter time frame need for some groups, 2) expands the inventory we have in a day and creates the opportunity for an extra turn of a bay, and 3) optimizes food and beverage spend per visit. Approximately one third of our players are already selecting 90-minute reservations. Given the success of our 90-minute reservation, we've also rolled out 60-minute reservations targeting late-night occasions and are encouraged by the early player response. It meets a post dinner need for a group meet up where the more private suite-like Topgolf experience within our bays is unique and fun.

To further enhance the player and playmaker experience, we have begun our rollout of the Toast point of sale system. We are in three markets so far and on track to have approximately half of our venues on Toast by year end. Toast will allow our bay hosts to service more bays, accelerate speed of service and, over time, provide comprehensive mobile order in bay capability. Early signs from our teams indicate significant enthusiasm for ease of training and improved service times. We are very excited about the long-term impact this will have on the business.

This summer we have exciting marketing and experience plans beyond the value offering expansion I've detailed. We're rolling out two new games which will target social groups and competitive sports fans. We've also launched a Summer Fun Pass – outstanding family-oriented value – that addresses our players' needs in the moment.

What sets Topgolf apart is that we enjoy best in class brand regard and player experience metrics holding the number one spot for Fun and Atmosphere. As we reset the brand positioning on value, we will appeal to both new and repeat consumers, thus setting up better same venue sales throughout this economic cycle. In closing, I'm very enthusiastic about the success our new initiatives are already having and the exciting launches we have for the summer and the fall. I believe this has the potential to be an incredibly important inflection point for Topgolf and set the brand for a successful future as an independent company. Thank you and over to you, Brian.

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

Thank you, Artie and good afternoon, everyone.

Jumping into our Q1 results, consolidated revenues of \$1.09 billion decreased 5% year-over-year. This result was better than expected and was primarily due to the decrease in Topgolf same venue sales, the rightsizing of the Jack Wolfskin business and unfavorable foreign currency rates.

Q1 Adjusted EBITDA of \$167 million increased 4%, primarily due to increased profitability in the Golf Equipment and Active Lifestyle segments. The majority of this improvement was driven by improved gross margins and opex reductions. The segments also benefitted from a planned \$12 million incentive to terminate early our lease for our Japan headquarters. Approximately two thirds of the incentive impacted the Golf Equipment segment and one third affected the Active Lifestyle segment. Both segments will incur some incremental expense in subsequent quarters for the relocation of the Japan Headquarters.

Moving to segment performance.

At Topgolf, Q1 revenue decreased 7% year-over-year due to the decline in same venue sales and the sale of the World Golf Tour business in December 2024, partially offset by revenue from new venues.

Topgolf Q1 operating income decreased \$15 million to a \$12 million loss, while Adjusted EBITDA decreased \$16 million year-over-year to \$44 million. These declines were primarily due to lower same venue sales performance, partially offset by on-going cost reduction efforts.

Moving to the Golf Equipment segment, Q1 revenue decreased 1% to \$444 million year-over-year and was approximately flat on a constant currency basis despite a more competitive launch environment.

Golf Equipment operating income increased 24% to \$102 million. The \$20 million increase was due to improved gross margins, the impact of the lease termination incentive and other cost savings.

In our Active Lifestyle segment, Q1 revenue decreased \$17 million year-over-year to \$255 million. This decrease was due to the planned rightsizing of the Jack Wolfskin business in Europe.

Operating income increased \$6 million to \$31 million, primarily driven by cost savings at Jack Wolfskin and gross margin improvement for the total segment.

Switching gears to balance sheet and liquidity, our available liquidity, which is comprised of cash on hand and incremental borrowing capacity under our credit facilities, continued to strengthen. As of March 31, 2025, our available liquidity increased \$85 million to \$805 million due to increased cash compared to first quarter 2024.

At quarter-end, net debt was \$2.74 billion – including \$258 million in convertible debt - up slightly from \$2.68 billion last year due to increased venue financing, partially offset by a \$50 million discretionary paydown of our term loan B.

Excluding venue financing debt, which is essentially capitalized rent related to our Topgolf venues, but including the convertible debt, our REIT-adjusted net debt was \$1.22 billion, down \$159 million year-over-year as a result of the increased cash and debt paydowns.

Net debt leverage - including convertible debt - rose to 4.6x from 4.5x, driven by higher venue financing. However, REIT-adjusted net leverage, which includes rent interest payments - improved to 2.5x from 2.7x. We are comfortable with these leverage levels.

Our inventory balance decreased \$49 million versus the end of Q1 2024 to \$654 million at the end of Q1 2025, due to the \$75 million accounting reclassification of Jack Wolfskin inventory to Current Assets Held for Sale.

Before moving to guidance, I want to provide a further update on our strategic initiatives.

First, the sale of our Jack Wolfskin business remains on track. We have submitted our regulatory approval applications and are taking other actions in preparation for closing. We still expect this to close in late second quarter or early third quarter.

With regard to Topgolf, we continue to believe that separating Topgolf from our Core business will create value for our shareholders. As a result, we are actively pursuing various alternatives to effect the separation, including a sale, a spin, or other transaction. At this point we are still targeting the second half of the year to effectuate the separation with Q4 being more likely than Q3.

However, conditions have changed a lot since we first announced our intention to separate the Topgolf business last September. We are therefore reassessing how much debt and cash each company would be capitalized with post-separation to ensure that both companies have sufficient liquidity and are in a strong financial position in a spin scenario. In the case of the Core business, this means having a clear path to be at approximately 3x or less leverage in a reasonable amount of time and in the case of Topgolf this means having no more than modest funded debt leverage. All in all, our original objective remains the same: to unlock the value of both

businesses, minimize execution risk, and create two strong, well-capitalized companies with compelling futures.

Now turning to the balance of the year outlook. As a reminder, our Q2 and Full Year guidance continue to include the full financial impact of the Jack Wolfskin business. Assuming this sale closes in late Q2 or early Q3 as expected, the guidance will automatically be adjusted to exclude the Jack Wolfskin results for the balance of the year as of the closing date. While we are not updating our guidance for the Jack Wolfskin business at this time, we have provided in our earnings release today the amount of planned Revenue and Adjusted EBITDA attributable to the Jack Wolfskin business in our budget this year, including estimates for the first half.

Given current conditions and trends, we are revising our Topgolf same venue sales guidance from down mid-single digits to down 6-12%. As a result, we are also lowering our full year Topgolf Revenue estimates to \$1.680 billion to \$1.790 billion, which is \$45 million lower than previous guidance. However, we are maintaining our Adjusted EBITDA guidance for Topgolf of \$240-\$300 million as our cost savings initiatives are offsetting the expected decrease in revenue.

We are reiterating our consolidated full year revenue guidance of \$4.0 billion to \$4.185 billion. However, in light of the decrease in Topgolf revenue estimates, we are currently tracking below the midpoint of this guidance. We are also reiterating our Adjusted EBITDA guidance of \$415 million to \$505 million. Both the Revenue and Adjusted EBITDA estimates are subject to adjustment for the expected sale of the Jack Wolfskin business. We are able to maintain our consolidated guidance despite the current macroeconomic headwinds because of our strong start to the year, improving foreign currency rates, and the actions we have taken and continue to take to reduce costs and mitigate the estimated \$25 million impact of the current tariffs. This guidance does not assume further tariff escalation or a meaningful worsening of economic conditions. In addition, our guidance today is based upon recent f/x rates, but our revenue in particular is highly sensitive to fluctuations in such rates.

Regarding free cash flow, we continue to expect to be free cash flow positive at both the Total Company and at Topgolf in 2025.

Now turning to Q2. In Q2, we are forecasting consolidated revenue of \$1.075 billion to \$1.115 billion, vs \$1.158 billion in Q2 2024. This year-over-year decrease is due to a more competitive launch environment and shift in shipment timing in the Golf Equipment business, the continued impact from the rightsizing of the Jack Wolfskin business, the negative impact from the sale of the WGT gaming business in December 2024 as well as a projected decline in same venue sales.

We estimate Adjusted EBITDA to be in the range of \$139 - \$159 million, compared to \$206 million in the prior year. This decrease is due to the projected decrease in revenue and an approximate \$22 million impact from increased f/x hedging losses, incremental tariffs and the sale of WGT.

In summary, given the tariff volatility and softening consumer, visibility is limited but we are providing our best estimates today. Fortunately, we were proactive in our gross margin and cost reduction initiatives, which along with improving f/x rates, are offsetting much of the impact of these macroeconomic headwinds. Importantly, we are positioned well in terms of our available liquidity for our business and the planned separation of Topgolf. In the meantime, we are managing that which is within our control, including managing discretionary spending and rationalizing any capital investments. Overall, we feel good about our start to the year and believe we are well-positioned not only to navigate this short-term volatility and emerge a stronger company but also create shareholder value as we do so.

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