

US GOLFTEC contribution steadily rising GTE is acquiring business assets of the SkyTrak Group

RESULTS SUMMARY

🔊 GDO announced FY22/12 2Q consolidated financial results at 12:00 on Wednesday 8/10, and it held an online results briefing via Zoom from 14:00 the same day. The table below from the GDO IR Factsheet adjusts FY21/12 figures for comparison to reflect adopting the revenue recognition standard in FY22/12. Headline numbers for the cumulative 1H: net sales +17.4% YoY (Japan +2.4%, Overseas +52.0%), EBITDA +13.8% (Japan -15.2%, Overseas +82.6%), OP -11.2% (Japan -23.9%, Overseas ¥24mn loss → ¥102mn profit) and profit ATOP +121.3% (reflecting the extraordinary gain on debt forgiveness under the US Paycheck Protection Program).

🔊 Key points in the Apr-Jun 2Q include: 1) golf goods sales rose +11.3% YoY, reflecting progress in securing merchandise under supply chain disruptions, as well as disappearance of discounted apparel items the previous year, and 2) golf lessons rose 43.8% in part due to foreign exchange effects but also steady growth in new corporate center openings, 3) Japan 2Q-only net sales rose +6.2%, in addition to solid goods sales, helped by tee-time bookings +0.3% and high growth in new golf driving range business, and 4) Japan OP of +2.6% absorbed strategic marketing exp.

Golf Digest Online Quarterly Consolidated Financial Highlights

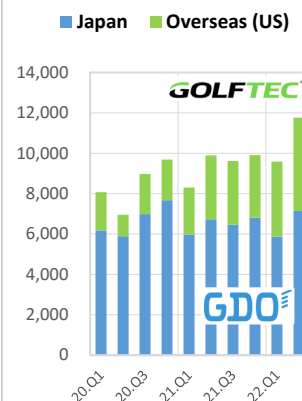
[J-GAAP]	FY20/12				FY21/12*				FY22/12	
JPY mn, %	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net sales	8,070	6,955	8,973	9,691	8,301	9,892	9,616	9,908	9,585	11,767
• Japan	6,173	5,892	6,983	7,674	5,972	6,730	6,463	6,809	5,865	7,144
• Overseas	1,896	1,063	1,990	2,016	2,328	3,161	3,153	3,099	3,720	4,622
Ratio to sales	23.5%	15.3%	22.2%	20.8%	28.0%	32.0%	32.8%	31.3%	38.8%	39.3%
• Golf goods sales**					4,915	5,561	5,194	5,196	4,974	6,191
• Golf course booking					1,066	1,402	1,367	1,409	993	1,406
• Golf lessons					1,790	2,327	2,400	2,593	2,910	3,347
• Others					529	600	653	709	707	821
Gross profit	3,138	2,339	3,559	4,039	2,783	3,735	3,444	3,818	3,337	4,303
GPM	38.9%	33.6%	39.7%	41.7%	33.5%	37.8%	35.8%	38.5%	34.8%	36.6%
SG&A expenses	3,095	2,827	2,916	3,397	2,555	3,004	3,197	3,316	3,113	3,677
Ratio to sales	38.4%	40.6%	32.5%	35.1%	30.8%	30.4%	33.2%	33.5%	32.5%	31.2%
Labor cost	1,000	1,004	978	1,118	1,043	1,068	1,073	1,305	1,192	1,262
Marketing-related	524	353	480	661	453	765	801	611	564	835
ratio to sales	6.5%	5.1%	5.3%	6.8%	5.5%	7.7%	8.3%	6.2%	5.9%	7.1%
IT / capex	502	505	485	495	393	419	470	483	491	501
Goodwill	85	85	84	83	85	100	125	132	134	150
Other	982	878	888	1,039	580	651	727	784	730	927
EBITDA	427	(102)	1,023	1,019	617	1,161	767	1,049	784	1,240
Ratio to sales	5.3%	-1.5%	11.4%	10.5%	7.4%	11.7%	8.0%	10.6%	8.2%	10.5%
• Japan	383	219	904	795	538	712	408	717	314	745
• Overseas	44	(322)	119	224	78	449	358	331	469	494
Operating profit	42	(488)	643	641	227	730	246	501	224	626
OPM	0.5%	-7.0%	7.2%	6.6%	2.7%	7.4%	2.6%	5.1%	2.3%	5.3%
• Japan	254	89	773	663	407	576	243	551	157	591
• Overseas	(211)	(577)	(130)	(21)	(179)	154	3	(50)	66	35
GOLFTEC studios	207	208	207	207	211	212	215	219	225	232

Source: GDO IR Factsheet data. *Adj. for rev recognition standard applied from 2022. **Includes US club fitting sales.

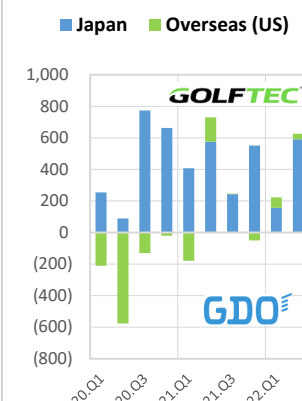
2Q Flash

GDO

Net sales (JPY mn)



OP (JPY mn)



Source: compiled by SIR from GDO IR Factsheet.

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Launch monitor main units



SKYTRAK app on iPad

ASSET ACQUISITION SUMMARY

- GDO announced on August 10 together with financial results that the Board of Directors resolved to have GOLFTEC ST LLC (a GTE wholly owned subsidiary created to execute the asset purchase agreement) acquire business assets from the SkyTrak Group, including SKYTRAK software, customer-related assets and related systems, and all assets related to SKYTRAK key contracts, as a key part of the Company's new "GOLFTEC ANYWHERE" initiative. The deal is scheduled to close on August 31 for a purchase price of approx. \$65mn (¥8.77bn @USD135), and advisory and loan arrangement fees of ¥5.1mn. SkyTrak annual sales revenue in FY2021: approx. \$46mn (¥6.25bn). The Board also resolved to borrow approx. ¥15.6bn (incl. \$32mn in USD loans) through a syndicate loan from Mizuho Bank and SMBC. SKYTRAK has a rapidly growing recurring membership of over 45,000 members.
- Regarding the impact on GDO Group earnings and financial business, many details such as the amount of GW, years of GW amortization, etc. are currently under review, and the Company will disclose the outlook as soon as the review is completed. Industry veteran Jeff Foster (Golf Channel, SVP of GolfNow & Emerging Business) has been hired as CEO of SkyTrak & Chief Strategy Officer for GOLFTEC.
- In a head-to-head comparison of SKYTRAK vs. Trackman 4 by Shop Indoor Golf, the review noted that SKYTRAK which was launched in 2014 has consistently been voted by Golf Digest as the best launch monitor value on the market. Trackman 4 launched in late 2015 is widely used in professional sports such as PGA Tour events, as well as Major League Baseball (MLB) and the National Football League (NFL) to track ball flight data. The Trackman 4 starts at \$19,000 (¥2.56mn), which is nearly 10X the price of \$1,995 (¥269,000) for the SKYTRAK launch monitor main unit and 30-day trial of Game Improvement software service. The comparison found that SKYTRAK has been proven to be 97% as accurate as a Trackman, and it concludes that SKYTRAK is the best value for indoor home simulation, and the huge price savings would be better applied to lessons with a pro toward improving one's skill level. (Source: <https://shopindoorgolf.com/pages/skytrak-vs-trackman#conclusions>)



SKYTRAK US online store <https://www.skytrakgolf.com/skytrak-launch-monitors-packages>

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