

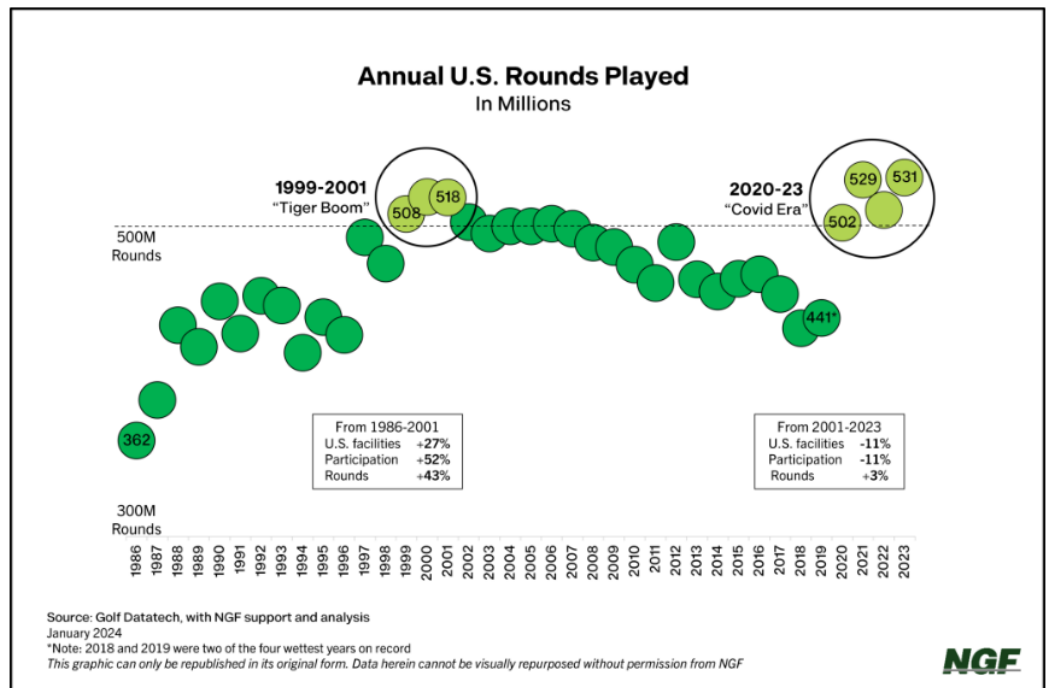
Golf Industry 2023 Recap

Key Takeaways

- 1 U.S. rounds played in 2023 rose 4.2% year-over-year, and total on- and off-course golf participation advanced 9%.
- 2 Growth in off-course play outpaced green-grass golf for the second year in a row.
- 3 Equipment sales were flat (down 0.1%) from 2022, while apparel sales grew to an all-time high.

Overview

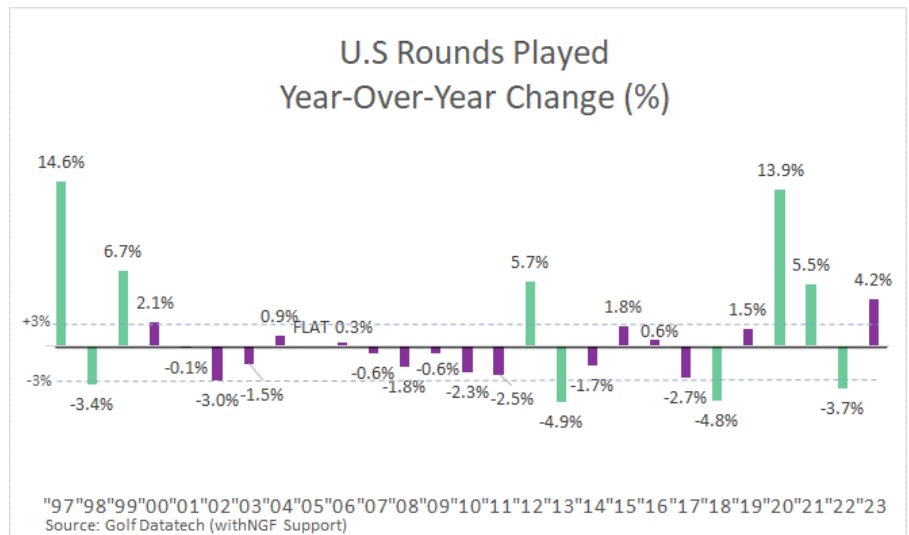
After a pandemic-fueled golf popularity surge, the industry's big question was whether the demand would last, especially among the new, more diverse player population. Since 2019, golf activity has swelled, reaching levels not witnessed since the early 2000s during the "Tiger Boom"—a period defined by Tiger Woods' historic, consecutive wins in all four major tournaments. This significant uptick, observed over the previous four years, can be attributed to a mix of factors: favorable weather conditions, more flexible work arrangements and a spike in interest among younger and more diverse players. At the same time, golf course development has picked up, although it remains below levels seen prior to the Great Recession. Perhaps more significantly, the proliferation of off-course options such as indoor simulators and



interactive venues like Top Golf has made the sport more accessible to new players. 2023 marked the sixth straight year of increased participation in green grass play, with a total of 26.6 million golfers, an increase of about 1 million. According to the National Golf Foundation (NGF), total participation grew to 45 million, a 9% YOY increase and a jump of over 50% in the past decade. Moreover, for the fourth year in a row, the number of rounds played has surpassed the 500 million mark, with a total of 531 million rounds in 2023 (NGF).

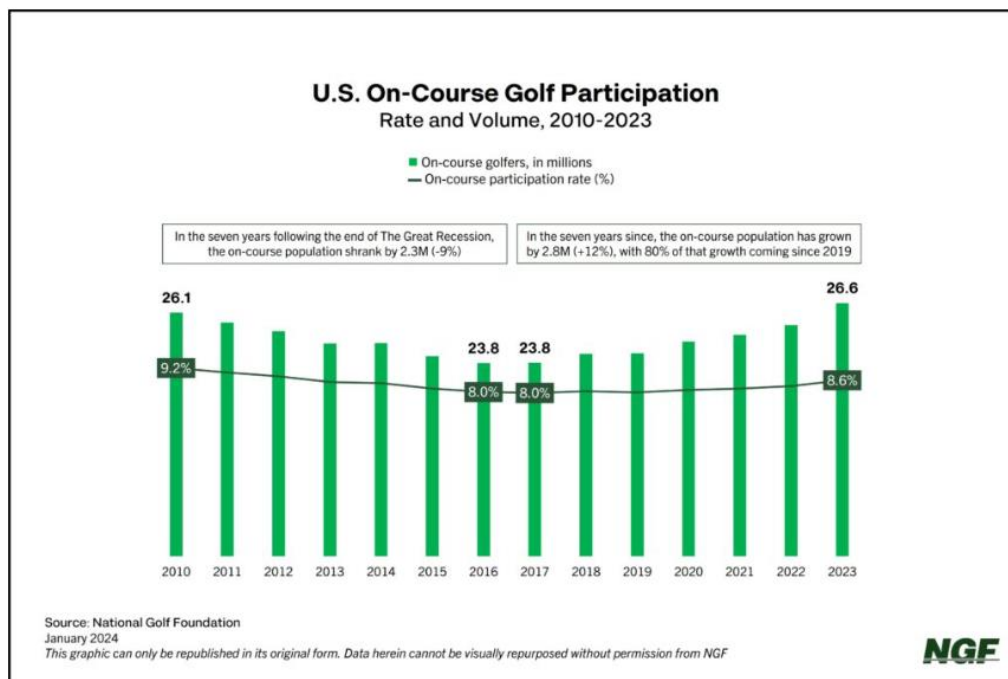
Annual Golf Rounds Played/Temperature Impact

After experiencing a slight dip in the number of golf rounds played in 2022 (-3.7%), 2023 saw the rounds grow by 4.2%, largely attributed to more favorable weather conditions. Public access and private golf courses reported a 4.5% and 2.8% increase in rounds played, respectively. Accordingly, rounds played have sustained growth above pre-pandemic figures (see chart above).



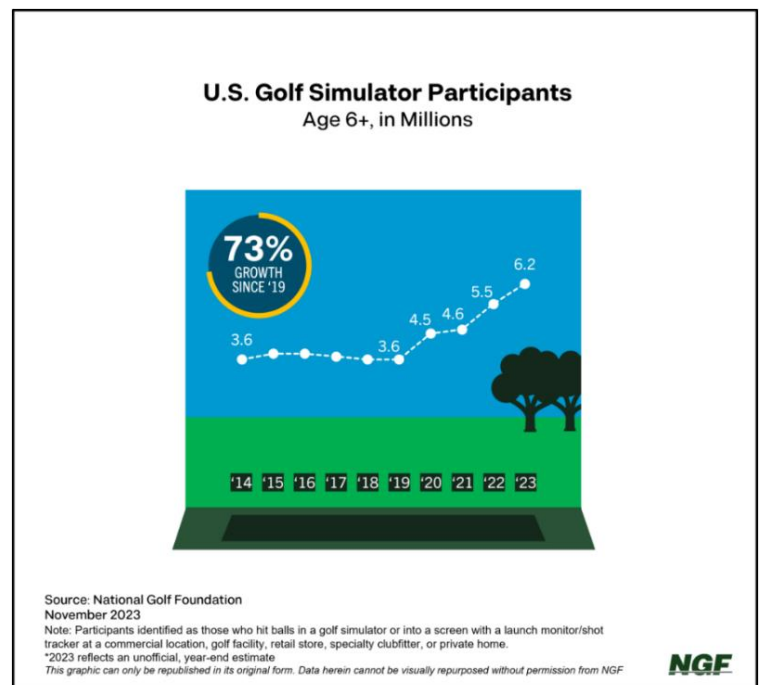
Favorable weather led to a late-year surge in November and December, typically the lowest-volume months, when rounds grew 8% and 24%, respectively, and no state reported a year-over-year decline. December posted the warmest temperatures on record, according to the National Weather Service; the northern and central US averaged temperatures of more than five degrees above the usual levels, while some northern areas experienced temperature increases of about 13 degrees above average.

On- And Off-Course Participation



According to the NGF, golf participation in the U.S. (the combination of on- and off-course golfers) reached a new record of 45 million (41.1 million in 2022), increasing 9% YOY and building on the 10% gain last year. On-course golf participation saw the biggest single-year increase since 2001, adding one million players for a total of 26.6 million. Despite this increase, off-course golf participation (driving ranges, simulators or entertainment venues, e.g., Top Golf) outpaced green grass play for the second year in a row, adding 2.9 million players for a total of 18.4 million as reported by NGF.

As noted, the proliferation and popularity of off-course forms of golf, such as simulators and businesses like Top Golf are also driving interest in the sport. Off-course golf entertainment venues have drawn a lot of new players to the sport, as these venues are less expensive, time-consuming and intimidating to first-time players. The NGF also estimated that 6.2 million Americans will have used a golf simulator in 2023, up 73% from under 4 million users in 2019. More than half (53%) of these users are off-course golfers, while the other 47% utilize it for training—which will continue to complement growth in on-course play. 29% of simulator users state that they play more on-course golf after using a simulator compared to just 2% who reported playing less on-course after simulator use. It stands to reason that off-course golfers who start off on the simulator will transition to on-course play over time.



Women have flocked to the sport, making them the fastest-growing segment. According to the NGF, from 2020 to 2022, more than 800,000 American women took up the sport, bringing the total to 6.4 million female golfers. While the number of female golfers rose about 15%, the male golf pool increased by just 2% in the same time frame.

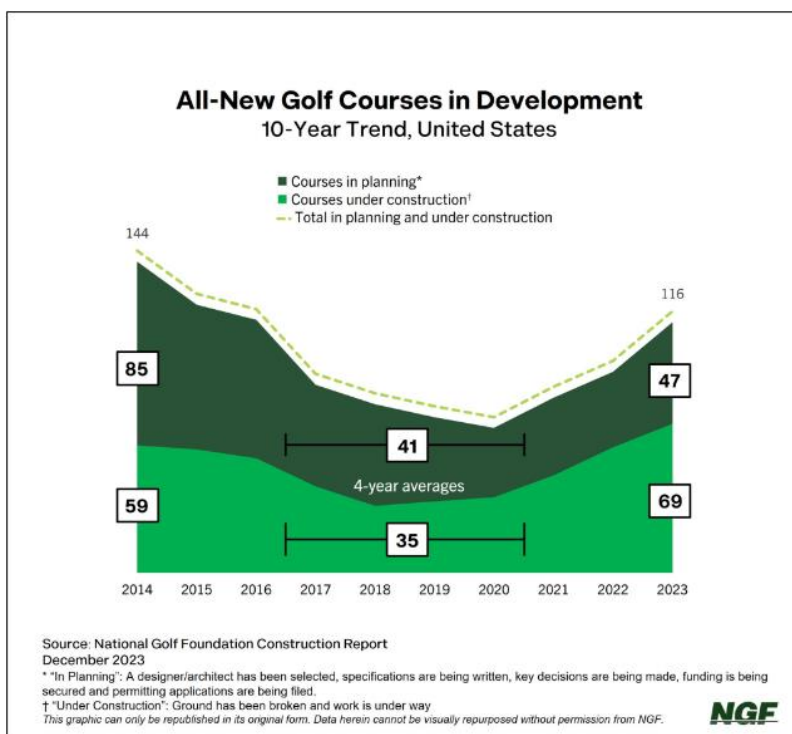
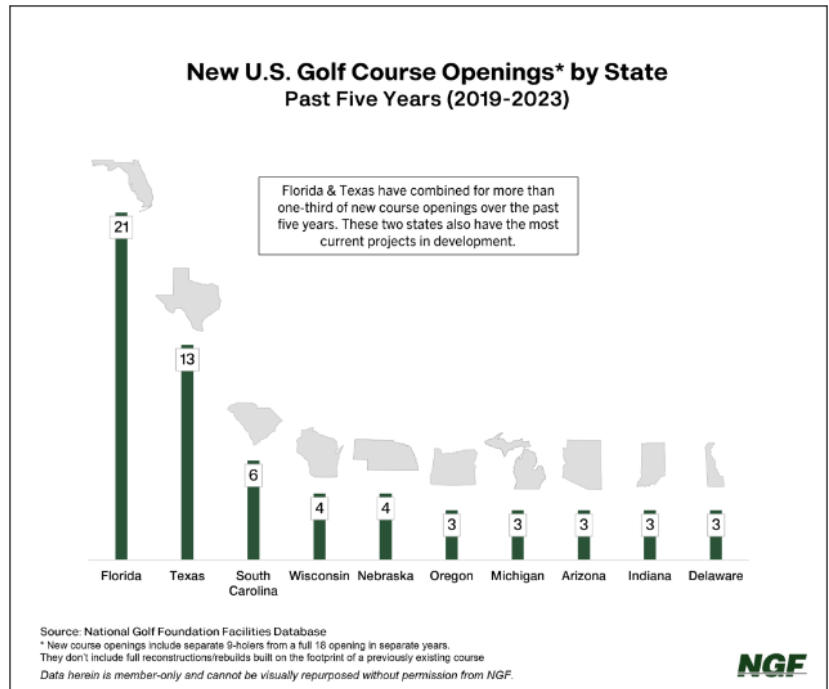
November Equipment & Apparel Sales (source Golf Datatech, LLC)

According to Golf Datatech (GDT), apparel sales saw strong growth through November, increasing 3.3% to an all-time high. John Krzynowek, the co-founder of GDT, commented, “2023 is going to end up with the most Golf Apparel sales in history. The growth has been driven by higher average selling prices combined with slightly lower unit sales in most product categories. And while inventory is heavy in a few areas, overall, the business remains healthy and strong.” November 2023 also reversed a negative trend from the prior three months, up a modest 0.6% compared to November 2022, likely due to holiday sales promotions. Breaking down November sales by apparel category, men’s and women’s tops grew 8.6% and 8.2%, respectively, while sales of men’s bottoms saw a sharp decline, dropping 9.6%. When comparing the YTD23 and November 2023 sales figures to pre-pandemic (2019) figures, sales are up 53.7% and 54.9%, respectively. This underscores the growing appeal of the category, partly due to the versatility of golf clothing, which has expanded its application beyond the sport to include social occasions.

Turning to equipment sales for 2023, sales were relatively flat, down 0.1% from last year. Out of the last five months of the year, December marked the fourth month of sales growth, up 6.6% compared to last year and 38.3% compared to December 2019. Putters led equipment sales, up 19.6%, followed by gloves (14.3%) and balls (14.1%). Commenting on equipment sales, Krzynowek said, “Overall spending on golf equipment held strong during the back half of 2023. After being down almost 3% through the month of June, sales improved by almost +3% in the July through to December time frame. Consumables continued to lead the way, as much improved weather gave golfers an opportunity to play more rounds, lose more balls, and need to “reload.” Distance devices was the only category to see a significant decline.

Golf Course Development, Renovations and Rebuilds

The surge in golf popularity over the past four years has also been partly propelled by an upswing in golf course development not seen since 2010. Over the past five years, a significant portion of this development has taken root in the Sun Belt, with Florida (21), Texas (13) and South Carolina (6) leading the charge, as reported by the NGF. At the year's close, the NGF noted 116 golf course projects either in the planning stages (47) or already under construction (69). This figure starkly contrasts the combined four-year averages (76) reported during the pre-pandemic period—up almost 53%. Notably, most (approximately two-thirds) of these new course projects are private clubs, which currently comprise 25% of the nation's total golf course supply.



Investments in updating already existing golf courses have also been significant. This includes not only renovations and restorations but also rebuilds. According to the NRF, about two-thirds of new course additions are at the nation's public golfing facilities, indicating strong interest and investment in the game's infrastructure across both private and public spheres. Moreover, public golf course preference trends lean towards shorter courses set in less traditional locations, whereas private course preferences lean towards destination play. Lastly, although investments in golf course development and improvements have ramped up, it must be noted, despite a decline in closures from the pandemic, total supply is still down about 12% from 2006, and the US market is still seeing more golf course closures than new openings, as reported by the NGF.

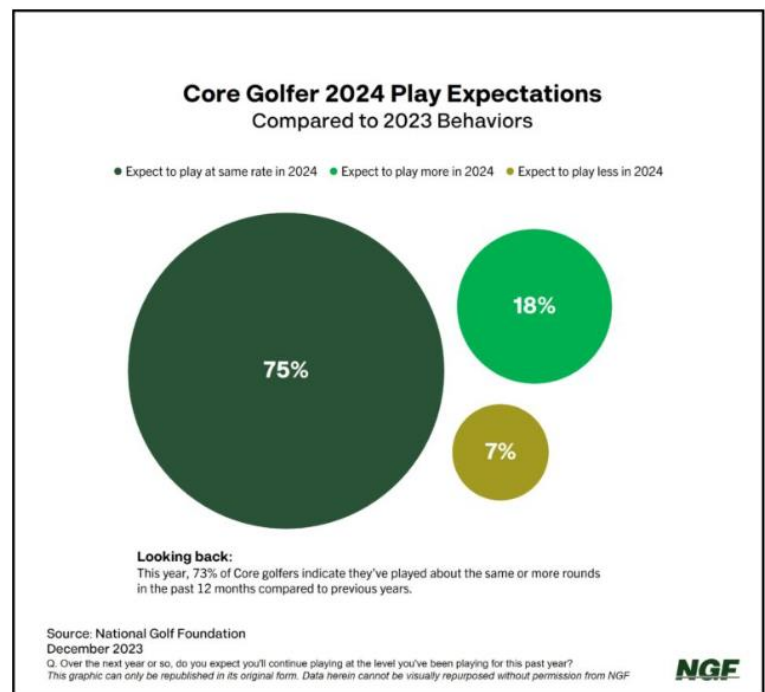
Conclusion



Looking at the performance of golf retailers, Top Golf reported another strong year of growth, with sales up over 30% in FY23, fueled by eight new sites and double-digit comps. The Company now operates 66 sites across 27 states (plus nine Studio Club Fittings), doubling its store count over the last five years, and expects to open another eight in 2024. Longer term, management is targeting 100 stores by 2026. Similarly, Dick's Sporting Goods (DKS) is looking at golf as a key growth driver. As part of its store investments, it is growing its store square footage allocation to golf, and it also opened 11 of its new Golf Galaxy Performance Center prototype locations in 2023. DKS plans to expand the new Golf Galaxy prototype from its current 13 to 40 to 50 over the next four years.



“We continue to remain really excited about the golf category, right? We are the largest golf retailer in the world, and we see the opportunity not just being able to sell the product and the equipment actually provide the service, as we call it, the fit experience, right?”
Dick's Sporting Goods CFO Navdeep Gupta commenting on the golf category

Overall, the industry has maintained strong, consistent growth compared to pre-pandemic. As we enter 2024, assuming the weather trends remain favorable, we expect continued expansion in both on- and off-course golf participation and increased rounds played. This would be partly attributable to off-course golfers transitioning to green grass play.

Additionally, the NGF reported that 93% of core golfers—those playing eight-plus rounds annually—expect to play as much or more compared with 2023. Similarly, we expect younger generation golfers to increase their participation due to entertainment venues like Top Golf helping to popularize the sport.



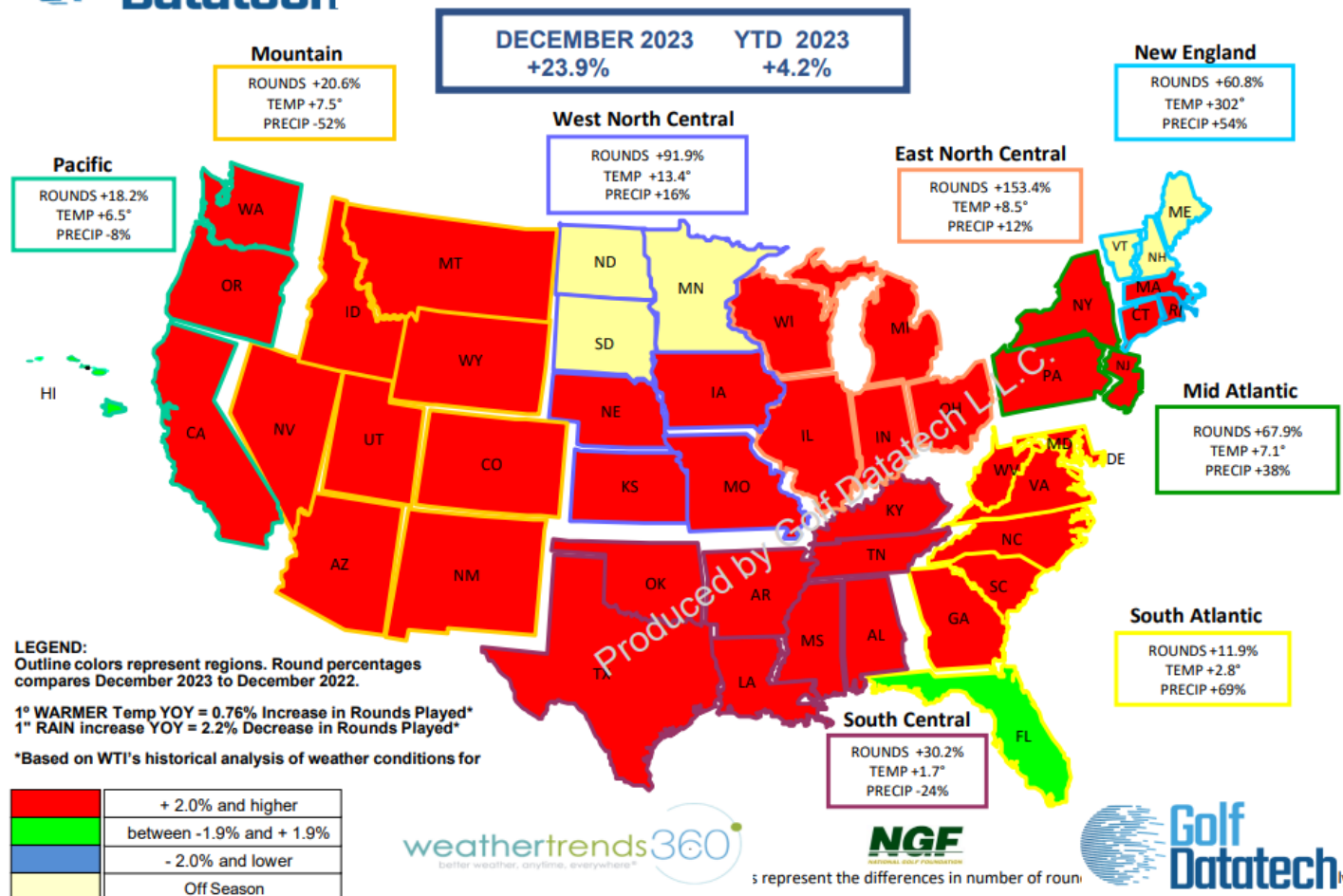
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