# Acushnet Holdings (GOLF)

*Updated December 4th, 2024 by Nikolaos Sismanis*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $75 | **5 Year CAGR Estimate:** | 0.2% | **Market Cap:** | $4.58 B |
| **Fair Value Price:** | $55 | **5 Year Growth Estimate:** | 5.0% | **Ex-Dividend Date:** | 12/06/2024 |
| **% Fair Value:** | 136% | **5 Year Valuation Multiple Estimate:** | -5.9% | **Dividend Payment Date:** | 12/20/2024 |
| **Dividend Yield:** | 1.1% | **5 Year Price Target** | $71 | **Years Of Dividend Growth:** | 7 |
| **Dividend Risk Score:** | C | **Retirement Suitability Score:** | F | **Rating:** | Sell |

## Overview & Current Events

Acushnet Holdings is leading in the design, development, and distribution of golf performance products under renowned brands such as Titleist, FootJoy, and KJUS. The company designs, manufactures, and distributes a broad range of golf products, including industry-leading golf balls, clubs, gear, footwear, and apparel, tailored to the needs of dedicated golfers. Acushnet is known for its innovative approach and attention to quality, supporting golfers of all skill levels with products that perform across diverse playing conditions. Its products are available globally through premium golf shops, specialty retailers, and direct-to-consumer channels, making it a trusted name in the worldwide golf community. Last year, the company recorded $2.38 billion in sales.

On November 7th, 2024, Acushnet reported its Q3 results for the period ending September 30th, 2024. For the quarter, net sales grew 4.6% to $620.5 million, primarily driven by higher sales volumes in Titleist golf clubs.

In particular, Titleist golf balls saw a 1.0% net sales decline due to lower performance model volumes, while golf clubs experienced an 18.2% increase driven by strong sales of newly launched GT drivers and fairways. Golf gear sales rose 8.2%, led by travel and golf bag categories, whereas FootJoy golf wear declined 2.6%, with lower footwear and apparel sales partially offset by higher average prices.

Adjusted EBITDA grew 8.7% to $107.4 million. EPS came in at $0.89, three cents higher year-over-year. Acushnet further reaffirmed its FY2024 net sales guidance range of about $2.45 to $2.5 billion. In addition, Acushnet now expects FY2024 Adjusted EBITDA to be about $395 to $405 million, up from $385 to $405 million previously. Based on this, we forecast EPS of $3.07 for the year.

## Growth on a Per-Share Basis

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EPS** | $0.23 | ($0.74) | $0.74 | $1.33 | $1.34 | $1.61 | $1.29 | $2.40 | $2.77 | $2.96 | ***$3.07*** | ***$3.92*** |
| **DPS** | --- | --- | --- | $0.48 | $0.52 | $0.56 | $0.62 | $0.66 | $0.72 | $0.84 | ***$0.86*** | ***$1.15*** |
| **Shares[1]** | 16.7 | 19.9 | 31.2 | 74.4 | 74.8 | 75.4 | 74.5 | 74.5 | 72.0 | 67.1 | ***64.1*** | ***60.0*** |

Acushnet's EPS history has been shaped by various macro factors, operational adjustments, and acquisitions. From 2016 to 2019, Acushnet saw a steady rebound from 2015's losses and growth, with EPS rising to $0.74 in 2016, $1.33 in 2017, $1.34 in 2018, and $1.61 in 2019. This period of recovery and stability was driven by successful product launches across its Titleist and FootJoy brands, as well as operational efficiencies and portfolio expansion through the acquisition of Links & Kings LLC in 2018, which added premium leather golf accessories to its offerings.

The onset of the COVID-19 pandemic in 2020 disrupted the company's operations notably, and led to a temporary pause in manufacturing and retail activities. Despite these challenges, Acushnet managed to sustain EPS at $1.29 in 2020, aided by strong consumer interest in golf as a socially distant activity and careful cost management. The following years saw a period of robust recovery, with EPS climbing to $2.40 in 2021, $2.77 in 2022, and $2.96 in 2023. This growth was fueled by increased golf participation globally, a focus on digital engagement and innovation, and acquisitions. The acquisition

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[1] Share count is in millions.

*Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.*

of KJUS in 2019, for instance, bolstered its presence in the premium apparel segment, while the 2023 buyout of the Club Glove brand improved its offerings in golf travel gear. These factors, along with prudent capital allocation and sustained demand for high-performance products, have solidified Acushnet's position as a leader in the golf industry. Therefore, we project that EPS can keep growing by about 5% per annum over the medium term.

Meanwhile, Acushnet has consistently raised its dividend for seven consecutive years. The pace of these hikes has been strong, with a 5-year average growth rate of 9%. However, we expect that dividend growth will moderate to about 6% in the medium term, as the company is likely to prioritize maintaining a sustainable payout ratio.

## Valuation Analysis

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Now | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Avg. P/E** | --- | --- | --- | 13.5 | 16.5 | 16.0 | 24.3 | 18.7 | 17.0 | 17.1 | ***24.4*** | ***18.0*** |
| **Avg. Yld.** | --- | --- | --- | 2.7% | 2.4% | 2.2% | 2.0% | 1.5% | 1.5% | 1.7% | ***1.1%*** | ***1.6%*** |

Acushnet's P/E ratio was in the mid-teens during its early public years but later expanded along with stable bottom-line growth. Now trading at 24.4 times this year's expected EPS, we consider this valuation rich. We believe the company has the potential to keep growing its EPS, though not at a highly enough compelling pace to justify this valuation. We believe shares would be more fairly valued at a P/E of about 18.0.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

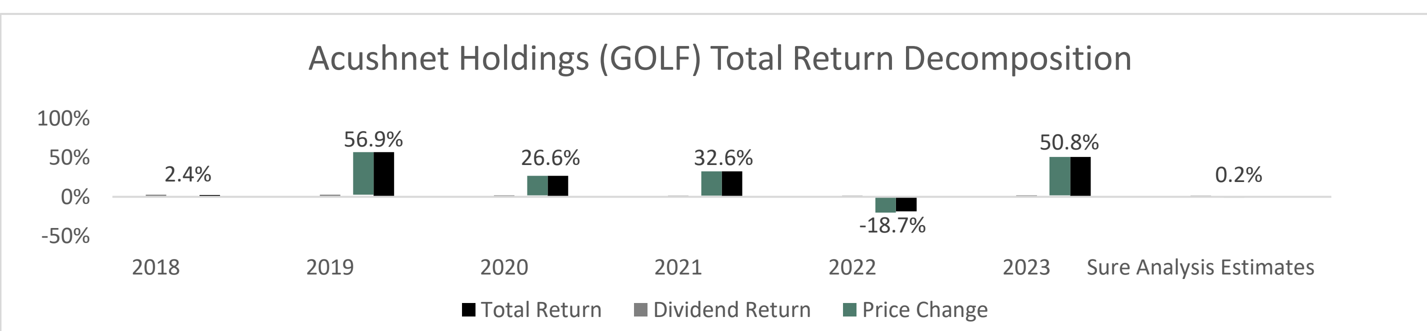
| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Payout** | --- | --- | --- | 36% | 39% | 35% | 48% | 28% | 26% | 28% | ***28%*** | ***29%*** |

Acushnet Holdings benefits from its leading brands, Titleist and FootJoy, which dominate the global golf ball, footwear, and glove markets, supported by a reputation for premium quality and innovation. Golf, while somewhat discretionary, is less cyclical than many industries due to its loyal and passionate customer base of dedicated golfers who prioritize the sport even during economic slowdowns. We believe this dynamic ensures steady demand for Acushnet's products, as demonstrated during the COVID-19 pandemic, when golf thrived as a socially distanced activity. In the meantime, the company's geographic diversification, diverse revenue streams, and strong positioning in both equipment and apparel enable it to mitigate regional and economic volatility. Given, these factors, along with Acushnet maintaining a healthy payout ratio, currently sitting at 28%, makes us confident in its ability to maintain and grow the dividend.

## Final Thoughts & Recommendation

Acushnet Holdings seems to offer a compelling investment case with its market-leading brands, resilience to economic cycles, and steady demand from dedicated golfers. That said, we are not sure if today's valuation can be justified given our relatively modest earnings projections. Returns from the 5% annual growth rate in EPS we project and the starting yield of 1.1% could be offset by a heavy valuation headwind. For this reason, we rate the stock a sell.

## Total Return Breakdown by Year

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## Income Statement Metrics

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 1,538 | 1,503 | 1,572 | 1,560 | 1,634 | 1,681 | 1,612 | 2,148 | 2,270 | 2,382 |
| Gross Profit | 758 | 776 | 799 | 802 | 842 | 872 | 830 | 1,118 | 1,179 | 1,253 |
| Gross Margin | 49.3% | 51.6% | 50.8% | 51.4% | 51.6% | 51.9% | 51.5% | 52.1% | 51.9% | 52.6% |
| SG&A Exp. | 603 | 604 | 600 | 578 | 612 | 628 | 611 | 795 | 833 | 888 |
| D&A Exp. | 43 | 42 | 41 | 41 | 40 | 43 | 45 | 41 | 42 | 51 |
| Operating Profit | 104 | 119 | 144 | 170 | 172 | 186 | 159 | 260 | 282 | 285 |
| Operating Margin | 6.8% | 7.9% | 9.2% | 10.9% | 10.5% | 11.0% | 9.8% | 12.1% | 12.4% | 12.0% |
| Net Profit | 22 | (1) | 45 | 99 | 100 | 121 | 96 | 179 | 199 | 198 |
| Net Margin | 1.4% | -0.1% | 2.9% | 6.3% | 6.1% | 7.2% | 6.0% | 8.3% | 8.8% | 8.3% |
| Free Cash Flow | 31 | 69 | 85 | (46) | 131 | 101 | 240 | 277 | (194) | 271 |
| Income Tax | 17 | 28 | 40 | 48 | 47 | 41 | 13 | 64 | 54 | 43 |

## Balance Sheet Metrics

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets | 1,763 | 1,759 | 1,736 | 1,734 | 1,692 | 1,817 | 1,867 | 2,006 | 2,194 | 2,197 |
| Cash & Equivalents | 48 | 54 | 79 | 48 | 31 | 34 | 151 | 282 | 59 | 65 |
| Accounts Receivable | 198 | 192 | 178 | 191 | 186 | 215 | 202 | 174 | 217 | 201 |
| Inventories | 291 | 326 | 323 | 364 | 361 | 398 | 358 | 413 | 675 | 616 |
| Goodwill & Int. Ass. | 697 | 681 | 669 | 685 | 688 | 695 | 689 | 676 | 751 | 763 |
| Total Liabilities | 1,443 | 1,434 | 967 | 880 | 765 | 865 | 849 | 922 | 1,210 | 1,284 |
| Accounts Payable | 94 | 90 | 88 | 93 | 86 | 102 | 113 | 164 | 167 | 151 |
| Long-Term Debt | 905 | 836 | 410 | 464 | 383 | 402 | 334 | 315 | 568 | 701 |
| Shareholder's Equity | 157 | 160 | 736 | 821 | 895 | 918 | 984 | 1,043 | 939 | 864 |
| LTD/E Ratio | 3.15 | 2.87 | 0.56 | 0.57 | 0.43 | 0.44 | 0.34 | 0.30 | 0.60 | 0.81 |

## Profitability & Per Share Metrics

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on Assets | | -0.1% | 2.6% | 5.7% | 5.8% | 6.9% | 5.2% | 9.2% | 9.5% | 9.0% |
| Return on Equity | | -0.3% | 8.2% | 12.2% | 11.2% | 12.9% | 9.8% | 17.0% | 19.3% | 20.9% |
| ROIC | | -0.1% | 3.8% | 7.9% | 7.6% | 9.1% | 7.1% | 13.0% | 13.5% | 12.5% |
| Shares Out. | 16.7 | 19.9 | 31.2 | 74.4 | 74.8 | 75.4 | 74.5 | 74.5 | 72.0 | 67.1 |
| Revenue/Share | 91.98 | 21.17 | 24.44 | 20.92 | 21.65 | 22.19 | 21.48 | 28.54 | 31.29 | 35.28 |
| FCF/Share | 1.83 | 0.97 | 1.32 | (0.62) | 1.73 | 1.34 | 3.19 | 3.67 | (2.68) | 4.02 |

*Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.*