Callaway Golf Co. (ELY) is an American sporting goods company focused on designing, manufacturing, marketing, and selling premiere golf equipment worldwide. Headquartered in Carlsbad, California, Callaway was founded by Ely Callaway, Jr., who bought half of Hickory Sticks USA and later fully turned it into Callaway Golf. Together with its subsidiaries, Callaway sells more golf clubs than any other firm and offers the most popular driver sold to golfers.

Callaway has seen significant growth over the past couple of months in the sporting goods industry in the Consumer Goods sector. We believe that Callaway’s positioning in a consolidating industry drastically increases their moat and positions them in a strategic position to capture significant market share. In addition, through the investments in companies such as TopGolf, and other strategic acquisitions, value and growth can be seen in Callaway’s business model. Carrying the brand name of being a global leader among various professional golfers combined with a strong executive team, allows Callaway to continue the steady growth we have seen historically.

Using technical analysis and fundamental analysis, we consider Callaway to be a strategic investment in our portfolio. Currently trading at a P/E ratio of 8, we see the potential for significant growth in the future. In addition, a dividend yield of .3% with a small cap company, we see the potential for dividend increases in the future. Further, we see advantageous positioning in the growth of net sales, gross margins, operating income margins, and EBITDA margins.

<table>
<thead>
<tr>
<th>Date</th>
<th>10/03/2017</th>
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<tbody>
<tr>
<td>Current Price</td>
<td>$14.67</td>
</tr>
<tr>
<td>Market Cap</td>
<td>$1.4 billion</td>
</tr>
<tr>
<td>Beta</td>
<td>1.3</td>
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<tr>
<td>Sector/Industry</td>
<td>Consumer Goods</td>
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<tr>
<td>Target Price</td>
<td>$21.36</td>
</tr>
<tr>
<td>P/E</td>
<td>7.96</td>
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</table>

**Rationale**
- Strong brand name and large economic moat
- Diversified business model
- Strong balance sheet and financial ratios
- Growth through organic and inorganic strategies

**Risks**
- Cyclicality of consumer spending (luxury goods)
- Business/economic cycle
- Siloed revenue streams

<table>
<thead>
<tr>
<th></th>
<th>ELY</th>
<th>GOLF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Cap</td>
<td>1.4B</td>
<td>1.3B</td>
</tr>
<tr>
<td>P/E</td>
<td>7.96x</td>
<td>30.52x</td>
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<tr>
<td>Profit Margin</td>
<td>18.22%</td>
<td>4.52%</td>
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<tr>
<td>Gross Margin</td>
<td>45.38%</td>
<td>50.67%</td>
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<tr>
<td>Rev Growth</td>
<td>13.56%</td>
<td>-1.25%</td>
</tr>
<tr>
<td>D/E</td>
<td>0.0096</td>
<td>0.6651</td>
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</tbody>
</table>

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