As we all know golf is a very hard game to play. Its also a difficult business to make money in. The game doesn't always follow a logical pattern. Explain how Jordan Spieth, #3 in the world rankings, missed the cut at the Waste Management Phoenix Open last week? The golf business can be just as unpredictable.

Callaway Golf provided a pleasant surprise when it reported its 2017 financial results. Sales were $1,049 million, a 20% increase compared to 2016. Anyone see that coming? A compelling argument could have made a year ago that a 20% improvement just wasn't in the cards for any equipment business. Yet, low and behold, Callaway proved otherwise.

In looking deeper into the results, Callaway's improvement came from a couple of segments. First and foremost, metal woods grew by 42.5%, which equates to $91.8 million. When you divide $91.8 million by the cost of an individual metal wood (somewhere between $250-$400), its an incredible amount of volume that it picked up. What makes this even more impressive is the metal woods category was off double digits in on/off course units sales in 2017, according to Golf Datatech research.

The reality is the equipment biz is often a zero sum game. The overall market hasn't been growing, which is the industry's dirty secret no one wants to address. In the metal woods category, four brands essentially control 80% of the sales. Callaway, TaylorMade, PING and Titleist have the majority of this segment. PING and Titleist have historically followed a disciplined approach of two year product cycles. It certainly helps Callaway as its product introductions are more aggressive, especially to an audience that consistently worships at the alter of new. Last year, adidas sold TaylorMade, which may have handicapped the brand. The deal wasn't made until May, which is when the table was already set for the 2017 selling season. It didn't close until October! Nevertheless, Callaway through its Epic platform and

Jailbreak technology clearly delivered the goods. It came at the expense of its competition. One could argue indirectly and unintentionally, Callaway received unlikely help. Take nothing away from its 2017 accomplishments. However, will 2018 mirror 2017?

Another area that Callaway grew its business in 2017 was none other than its accessories category. It was up 78% or $106.5 million, thanks in part to two acquisitions. Ogio and Travis Mathews were bought last year, but required time to be integrated into Callaway. At the same time it was also building out the segment in Japan through Callaway apparel JV. This category isn't uncharted territory for the company. Back in 2008, when Callaway last posted sales above $1 billion, accessory sales were $215.6 million. That was under the George Fellows regime. It didn't go so well back then, so maybe the second time around might offer better results from lessons learned. Meanwhile, 2017 accessories sales were $243 million, nearly equal to its iron business!

Between metal woods and accessories, Callaway recorded dollar growth of $198 million in 2017. The remaining categories delivered mixed results. Callaway's CEO, Chip Brewer pointed out to Wall Street analysts, his company has been the number one brand, domestically, every month for 35 consecutive months in the iron category. However, worldwide iron sales were down $28 million versus 2016. Putter sales were off $3.1 million compared to 2016.

The company is proud of its golf ball progress. It grew by $10.3 million in 2017. Again, until sales in the category domestically were down single digits in 2017, according to Golf Datatech. It makes the growth even more impressive even though overall golf ball prices remained strong last year. Callaway's worldwide ball sales were $162.5 million ($80+ million below accessories). However, its still a long way from where it was back in 2004, which was the year after it acquired Top-Flite out of bankruptcy for approximately $125 million. Top-Flite's first year sales under Callaway's ownership was $231.3 million. That was then and this is now. We live in different worlds. No question about it. Technology has changed our lives dramatically and hopefully for the better. Nevertheless, there is still plenty of upside for Callaway in the category. But its a really hard business.

Looking forward, can Rogue keep the party going? Its a tall ask. Will Epic owners feel compelled to upgrade to Rogue in 2018? Callaway is banking that its Jailbreak technology now available in the fairway and hybrid segment for the first time will deliver in the metal woods category. Historically, fairway metals and hybrids have taken a back seat to drivers. Maybe Callaway's marketing can overcome this.

Callaway will ship Travis Mathews product into international markets this year. It will offer immediate upside through incremental sales and with Callaway's resources and infrastructure it should be a seamless transition. However, nothing is guaranteed and its golf. You never know what might happen.

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One thing remains the same within the equipment space. It is won or lost early. Retailers clearly made hay in 2017 off of Callaway sales. You don't need much imagination to recognize they'll look to do so again in 2018. Therefore, the product pipeline fill is critical for when the true selling season for clubs begins. That typically commences once the Masters champion has been determined. In order to succeed, getting off to a fast start is mandatory. It remains a seasonal business and there is very little chance of playing catch up once the horse has left the barn. Callaway's momentum appears to be in tact for the first quarter based on management's guidance. Is there another double digit growth year ahead?

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