

THE HITS KEEP COMING:

Written by TMAC GOLF
Monday, 18 May 2009 09:40

By now everyone is acutely aware how difficult the economy is making it for business as well as individual life. Golf being a seasonal business, is feeling the pain now whereas other industries began the adventure in the back half of 2008. Financial results are the ultimate testimony to any company's long term sustainability along with a report card on the here and now. Up until this point in time, many within the golf industry were unsure how deeply the economy might affect various components of it. Its quite clear that golf hasn't been spared and further troubling news came that hammers this point home. While other companies have experienced short comings in the sales column starting out 2009, True Temper Sports, Inc., has the dubious distinction of leading the pack on a percentage basis.

The shaft manufacturer reported its first quarter sales dropped a staggering 48.5%, coming in at \$18.4 million. A year ago, it had revenue of \$35.8 million. Suffice is to say no one saw this coming, especially from the company side. The business recorded a net loss of \$11.5 million during the first quarter of 2009, compared to a net loss of \$1.6 million the first quarter of 2008.

Despite the significant downturn in its business backed by its financial performance, the company continues to enjoy success at the PGA Tour level. Through the Players Championship, its products have been in the hands of the winner 16 straight times and for the 19th cumulative time already this season. However, it hasn't been able to carry over to the real world.

"Coming into 2009, we certainly expected that our results would be negatively impacted by the challenging global economic environment, and in particular the unfavorable retail landscape for discretionary consumer goods," Scott Hennessy, President and CEO said. "Our first quarter results clearly reflect this weaker environment, along with the significant decrease in the retail and wholesale channel inventories throughout the global golf and sporting goods industry. These factors combined to deliver a pronounced decline in revenue for True Temper, as compared to the record top line results that we reported in the first quarter of 2008. The level of quarterly decline was also an issue of timing, influenced by the strong results we posted during the second half of 2008, when our volume certainly outpaced the industry and that of our competitors. It is clear that those products are now being distributed and sold through the retail market, and we remain confident that True Temper has maintained its market share in our core golf business as the supply base adjusts its carrying levels of channel inventories."

Hennessy continued, "While the overall retail landscape and golf market are somewhat out of our control, we have taken a very aggressive approach to cost containment and cash management in this difficult operating environment. Short-term forecasting remains very challenging in this uncertain economic and retail environment. While we are confident that the long-term outlook for the golf industry is strong and stable, there are certainly a number of near-term market forces that will result in a substantial decline in revenue for the industry and True Temper during the remainder of 2009.

"These forces include both a weaker retail consumer sales environment, and the continued reduction in channel inventory which was initiated during the first quarter. Our operational objectives during this time are focused on reducing variable costs in line with unit sales volume, and to aggressively attack our fixed cost infrastructure to remove any expenditures that are not absolutely necessary. Executing on these key business initiatives during 2009 will ensure that we are well positioned to maintain share and take advantage of the golf market growth that should accompany an overall economic recovery in the future. In addition, we will continue to

THE HITS KEEP COMING:

Written by TMAC GOLF
Monday, 18 May 2009 09:40

work with our lenders to arrive at a financing arrangement that addresses the company's current leverage, ensuring that our capital structure is consistent with the current retail and credit market landscape. We remain in active, collaborative discussions with our financing partners related to the non-compliance on our various debt agreements disclosed during the first quarter, and we do not expect this process to impact our Company's ongoing operations, customers, vendors or employees."