

## BOTTOM LINE COULD USE A LIFT:

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Wednesday, 26 August 2009 08:50

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TaylorMade adidas Golf saw second quarter sales improve over a year ago but that was largely due to the acquisition of the Ashworth brand. The company had sales of 255 million Euros, up 29 million Euros from a year ago when it reported 226 million Euros. Sales from Ashworth in the reporting period contributed 23 million Euros. In the comparable quarter Ashworth wasn't included as it had to be acquired.

However, making money proved to be a more difficult proposition during the second quarter despite the larger sales base the company enjoyed. TMaG's bottom line came in with profit of 2 million Euros in the second quarter of 2009. It was down significantly from 2008 when it reported 19 million Euros.

Looking over the first six months of 2009, TMaG said sales were 449 million Euros, up 32 million Euros versus a year ago when it had 417 million. Ashworth was the largest contributing factor for the increase in revenues, which the company also cited as the reason for its bottom line performance. It said its operating performance was impacted by the consolidation of Ashworth, which led to a loss of 18 million Euros at the half waypoint of the year. At the same point in time back in 2008, TMaG was sitting on a profit of 43 million Euros.

Sales in Europe improved by two percent to 63 million Euros (versus 62 million in 2008), year-to-date, while North America was up 16% (252 million in '09 vs. 218 million in '08). Keep in mind that TMaG had yet to acquire Ashworth in 2008, therefore the improved sales in 2009 isn't a true comparison of the business from a year ago.

"Despite what you hear from others, there is only one winner this year in the golf market - and that's TaylorMade adidas Golf," said Herbert Hainer, CEO and Chairman of adidas Group, parent company of TMaG. That's an interesting spin on the subject by the CEO since it implies winning at any cost even if means losing money. "The global golf market is estimated to be down in the high teens so far in 2009. TaylorMade adidas Golf sales are down only 1%, or 9% if you exclude our new Ashworth business. That in itself testifies that we are taking significant market share, and certainly more than our major competitors. We have record high market shares in the US in both metalwoods and irons." According to Hainer, TMaG's inventories are down 28% compared to March. "We are firmly committed to bringing our inventories back into check from the high levels of the first quarter," Hainer was quick to add. The company is projecting that TMaG sales are expected to decline without the addition of Ashworth in its top line revenues. It would also suggest that the bottom line should remain in red ink throughout the remainder of the year.

**SIDENOTE:** For those who are inclined to follow the progress of big three equipment makers, consider that TaylorMade's revenues surpassed Callaway's yet still trails the Acushnet Company (Titleist, FootJoy and Cobra Golf). Based on Friday's closing exchange rate between the dollar and Euro (\$1.4167), TaylorMade's quarterly sales were \$360 million (255 million Euros @ \$1.4167) and year-to-date it has \$633 million in revenues. Callaway reported second quarter sales of \$302 million and at the mid point of the year it has recorded \$574 million logged in sales. The company they are all chasing is Acushnet, which reported \$365.8 million second quarter sales and \$712.8 million through six months in 2009.