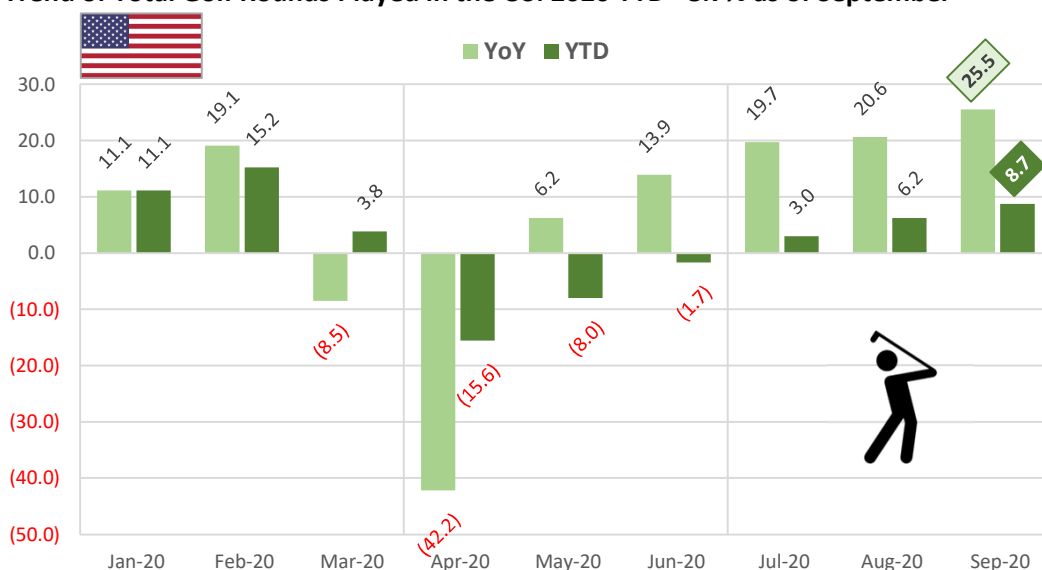


Golf as a growing outlet for COVID-fatigue 3Q EBITDA and OP posted a record quarter on brisk demand

SUMMARY

- 2Q and 3Q results told the proverbial 'tale of two quarters.' Apr-Jun 2Q is seasonally a period for high profitability with new gear releases, strong demand for spring course bookings, and event advertising. 2Q this year started off with the prestigious US Masters Tournament postponed from April until November, followed by Japan declaring a state of emergency, and asking cooperation in stay-at-home orders as well as restricting travel between prefectures, resulting in many golf courses forced to temporarily close. Of course, many US cities also instituted lockdowns, forcing GOLFTec lesson studios to temporarily close. GDO booked a 2Q 12/20 consolidated operating loss of (¥488mn), versus a profit of ¥409mn in 2Q 12/19.
- However, a recovery in all core businesses had begun in earnest from June, and this basically continued throughout the Jul-Sep 3Q. As we wrote in our 2Q follow-up memo, pent up 'cabin fever' demand is flocking to the safety of the links in the great outdoors. In the US, NGF data shows September national rounds played increased +25.5% YoY, a record monthly increase of 12 million more rounds YoY. YTD total rounds are up +8.7%, an increase of 29 million rounds, despite the loss of 20 million rounds this spring. 3Q sales increased +29.0% QoQ (Japan +18.5%, US +87.2%). 3Q posted record EBITDA of ¥1,023mn (11.4% margin, first time over ¥1.0bn), and record OP of ¥643mn (7.2% OPM, +179.7% YoY).
- SG&A expense declined over ¥350mn, mainly from advertising, business travel & entertainment and personnel, with the SG&A ratio declining 4.4pp. GPM also rose 0.2pp, which may reflect favorable terms from suppliers in the tough environment.

Trend of Total Golf Rounds Played in the US: 2020 YTD +8.7% as of September



Source: compiled by Sessa Partners from National Golf Foundation monthly reports.

3Q Follow-up



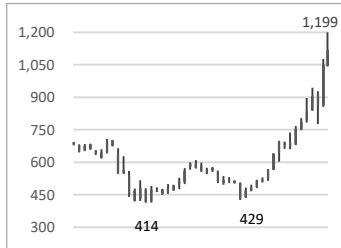
Focus Points:

'Only one' golf specialist online gear retail, course reservations and media platform operator entering a new growth phase on acquiring the world's largest golf lessons operator in the US.

Key Indicators

Share price (12/1)	938
YH (20/11/17)	1,199
YL (20/4/6)	414
10YH (18/6/4)	1,500
10YL (12/10/16)	70.4
Shrs out. (mn shrs)	18.274
Mkt cap (¥ bn)	17.14
EV (¥ bn)	17.62
Shr equity ratio	33.4%
19.12 P/E (act)	47.8x
3Y AVG P/B (act)	2.28x
20.12 H1 P/B (act)	2.86x
20.12 DY (CE)	0.59%

YTD stock price chart (weekly)



Source: SPEEDA data

Chris Schreiber CFA

Company Specialist
research@sessapartners.co.jp



This report was prepared by Sessa Partners on behalf of Golf Digest Online Inc. Please refer to the legal disclaimer at the end for details.

Golf Digest Online Quarterly Consolidated Financial Highlights

[J-GAAP] JPY mn, %	FY12/18				FY12/19				FY12/20		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Consol/NC ratio (x)	1.04	1.04	1.04	1.26	1.32	1.34	1.34	1.32	1.36	1.19	1.33
Net sales	5,199	6,727	6,303	8,508	7,553	9,175	8,873	8,671	8,070	6,955	8,972
• Japan	5,199	6,727	6,303	7,014	5,948	7,129	6,912	6,851	6,173	5,892	6,982
• Overseas	—	—	—	1,494	1,604	2,046	1,961	1,819	1,896	1,063	1,990
Gross profit	1,922	2,647	2,395	3,510	2,851	3,693	3,503	3,607	3,138	2,339	3,558
GPM	37.0%	39.3%	38.0%	41.3%	37.7%	40.3%	39.5%	41.6%	38.9%	33.6%	39.7%
SG&A expenses	1,876	2,371	2,261	3,160	2,999	3,283	3,273	3,121	3,095	2,827	2,915
Ratio to sales	36.1%	35.2%	35.9%	37.1%	39.7%	35.8%	36.9%	36.0%	38.4%	40.6%	32.5%
Labor cost	729	767	784	945	938	979	1,074	1,026	1,000	1,004	977
Marketing-related	309	570	465	555	472	665	594	497	524	353	479
Business-related	752	884	911	1,327	1,254	1,302	1,294	1,301	1,247	1,202	1,184
Goodwill	2	2	2	87	85	84	79	85	85	85	84
Other	82	145	98	244	247	252	229	210	237	180	189
EBITDA	161	386	269	711	211	775	590	892	427	(102)	1,023
Ratio to sales	3.1%	5.7%	4.3%	8.4%	2.8%	8.4%	6.6%	10.3%	5.3%	-1.5%	11.4%
• Japan	197	537	359	782	292	552	471	740	383	219	904
• Overseas	(35)	(141)	(90)	(71)	(80)	222	119	151	44	(322)	119
Operating profit	45	275	133	349	(147)	409	229	486	42	(488)	643
OPM	0.9%	4.1%	2.1%	4.1%	-1.9%	4.5%	2.6%	5.6%	0.5%	-7.0%	7.2%
• Japan	87	423	231	644	164	427	343	599	254	89	773
• Overseas	(42)	(147)	(99)	(294)	(312)	(17)	(113)	(112)	(211)	(577)	(130)
Ordinary Profit	44	264	167	346	(152)	409	228	486	39	(478)	706
Profit ATOP	(20)	157	177	65	(203)	284	123	154	(45)	(564)	467
[B/S]											
Cash and deposits	1,466	1,658	1,373	1,700	1,833	1,440	1,412	1,996	2,293	2,327	2,374
ST loans	1,450	1,700	1,981	2,435	2,500	2,408	2,517	3,446	4,424	4,554	2,183
LT loans < 1Y	0	0	0	666	666	666	666	666	666	666	666
LT loans	0	0	2,002	1,335	1,000	1,000	667	666	333	333	—
Total interest-bearing debt	1,450	1,700	3,983	4,436	4,166	4,074	3,850	4,778	5,423	5,553	2,849
Net cash (net debt)	16	(42)	(2,610)	(2,736)	(2,333)	(2,634)	(2,438)	(2,782)	(3,130)	(3,226)	(475)
Net assets	5,897	6,058	6,219	6,207	5,862	6,059	6,108	6,315	6,149	5,563	5,997
Total assets	11,293	11,732	17,140	18,236	18,564	17,812	18,441	19,564	19,562	18,376	17,960
Equity ratio (%)	52.2	51.6	36.3	34.0	31.6	34.0	33.1	32.3	31.4	30.3	33.4
[Supplementary info]											
'Golf Garage' No. of stores	5	5	5	5	5	5	5	5	6	6	6
'GOLFTEC' No. of studios	10	11	197	200	202	206	208	209	207	208	207
'GOLFTEC by GDO' studios	10	11	11	12	12	12	12	13	13	13	13
Employees (consol)	550	586	989	1,046	1,081	1,108	1,129	1,138	1,148	1,127	1,087
GDO Club Members (10k)	343	353	362	372	379	390	401	413	424	436	451

Source: P/L and Supplementary info from IR Factbook, B/S compiled by Sessa Partners from TANSWIN financial statements.

US EBITDA turned positive again, and the B/S saw strong improvement

As is mentioned later in the TOPICS section, in addition to the revolutionary approach of incorporating advanced tech to analyze ways to improve the swing of students, one of GOLFTEC's strengths is being the largest employer of PGA professionals as coaches. During the 2Q, GOLFTEC Enterprises LLC could not offset the decline in sales with SG&A cuts due to its conscious effort to retain professional staff, and EBITDA dropped into the red. However, this strategy clearly paid off in the 3Q, with the sharp recovery in demand, and EBITDA returned to the black. Another noteworthy point is solid improvement of the B/S. The green highlighted area shows net interest-bearing debt declined from ¥3.2bn to ¥0.5bn, down by ¥2.7bn, ¥2.4bn in ST loans, and ¥0.3bn in LT loans, with LT loans now zero. Merchandise inventory has declined from ¥4.7bn at the end of the 4Q, to ¥3.8bn at the end of the 2Q, to below ¥3.5bn at the end of the 3Q.

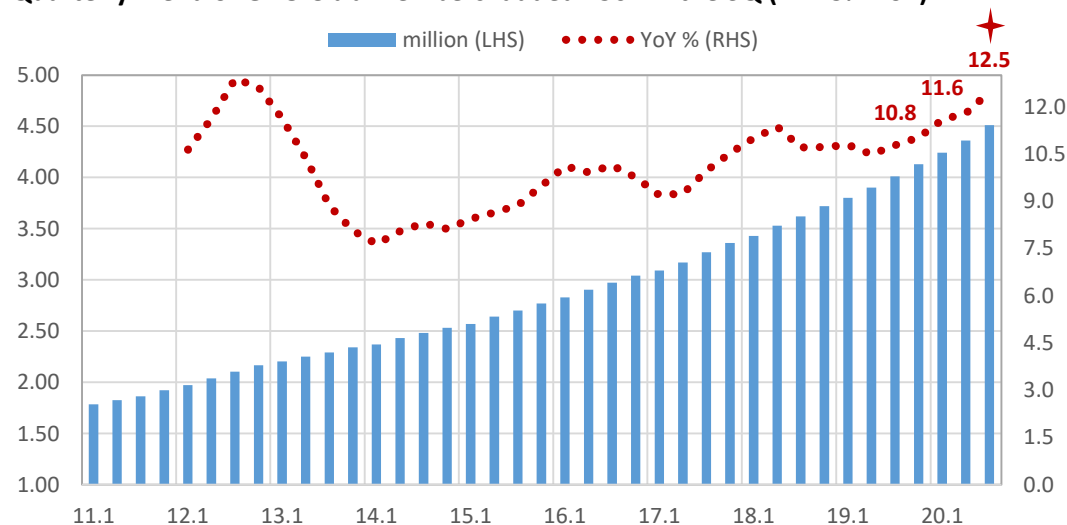
Net assets rose by ¥0.4bn to ¥6.0bn, while total assets declined by ¥0.4bn to ¥18.0bn, and the shareholders' equity ratio rose from 30.3% → 33.4%. A final noteworthy point is the accelerating growth rate of GDO Club members. Following 120k adds in the 2Q to 4.36mn (+11.8% YoY), there were 150k new adds in the 3Q to 4.51mn (+12.5% YoY). GDO is a pure play on growing demand for golf, and the trend in new members is a strong leading indicator of future growth. The company announced it will resume the 2H dividend of ¥5.5.

Golf Digest Online Consolidated Earnings Trend and Revised Full-term Guidance

[J-GAAP] JPY mn, %	Net Sales	YoY	Oper. Profit	YoY	Ord. Profit	YoY	Profit ATOP	YoY	EPS (¥)	DPS (¥)	BPS (¥)
18.12 H1	11,927	23.6	321	3.6	309	(1.8)	137	(14.4)	7.5	4.0	331.6
18.12 H2	14,812	24.2	484	(46.5)	514	(43.6)	244	(55.4)	13.3	5.5	339.7
19.12 H1	16,729	40.3	262	(18.3)	257	(16.8)	80	(41.4)	4.4	4.0	331.6
19.12 H2	17,546	18.5	717	48.2	715	39.1	278	14.2	15.2	5.5	345.6
20.12 H1	15,026	(10.2)	(446)	TR	(440)	TR	(610)	TR	(33.4)	0.0	304.5
20.12 H2 CE	18,474	5.3	1,096	52.9	—	—	—	—	—	5.5	—
15.12 FY	18,047	12.6	828	86.7	816	86.7	430	138.3	26.8	5.5	275.0
16.12 FY	19,309	7.0	1,073	29.6	1,089	33.4	611	42.1	34.2	7.0	300.0
17.12 FY	21,574	11.7	1,214	13.1	1,226	12.5	707	15.7	38.7	9.0	329.3
18.12 FY	26,739	23.9	805	(33.7)	823	(32.9)	381	(46.1)	20.8	9.5	339.7
19.12 FY	34,274	28.2	979	21.7	972	18.1	359	(5.8)	19.6	9.5	345.6
20.12 FY CE	33,500	(2.3)	650	(33.6)	—	—	—	—	—	5.5	—
18.12 Q1	5,199	22.8	45	TB	44	TB	(20)	RS			
18.12 Q2	6,728	24.3	276	(20.2)	264	(23.6)	157	(22.7)			
18.12 Q3	6,303	11.9	134	(68.1)	168	(60.1)	178	(34.4)			
18.12 Q4	8,509	35.1	350	(27.9)	347	(29.4)	66	(76.1)			
19.12 Q1	7,553	45.3	(147)	TR	(153)	TR	(204)	RE			
19.12 Q2	9,175	36.4	410	48.6	409	54.8	284	80.8			
19.12 Q3	8,874	40.8	230	72.0	228	36.2	124	(30.6)			
19.12 Q4	8,672	1.9	487	39.1	487	40.4	155	135.3			
20.12 Q1	8,071	6.8	43	TB	39	TB	(45)	RS			
20.12 Q2	6,955	(24.2)	(488)	TR	(479)	TR	(565)	TR			
20.12 Q3	8,973	1.1	643	179.7	706	209.4	468	278.7			
20.12 Q4 CE	9,501	9.6	453	(7.0)	—	—	—	—			

Source: compiled by Sessa Partners from TANSWIN financial statements.

Quarterly Trend of GDO Club Members: added 150k in the 3Q (+12.5% YoY)



Source: compiled by Sessa Partners from GDO IR Factbook

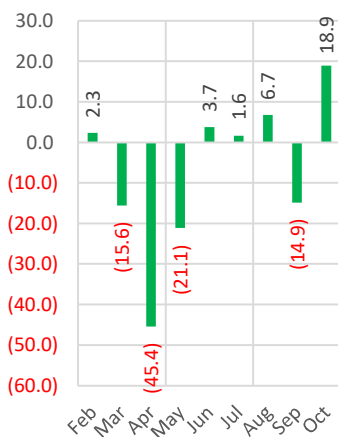


Performance and valuations

- ✓ We expect a speed correction in the short-term to establish a new trading range
- ✓ Valuations have risen, but are not excessive given trough earnings
- ✓ The next catalyst will be 4Q results and initial outlook for FY12/21
- ✓ Timing is still uncertain, but the delayed New MTP is also coming



Alpen existing store sales



Source: compiled by Sessa Partners from company data. *Note: Sep reflects the high base last year from frontloading ahead of the tax hike.

Earlier this year GDO's current share price was assigned a discount for its exposure to the US market through subsidiary GOLFTec Enterprises LLC. The important takeaway from the 2Q briefing was that 2Q damage was temporary, and business was already recovering in the US. GTE closed all centers 3/24, gradually reopening from 5/3 with all reopened by 6/15. GDO's share price put in a double bottom around 1.3x P/B. 3Q OP up +179% YoY significantly extended the rally, and a speed correction is now needed.

GDO performance since 2Q 12/20 results briefing (results depressed by COVID-19)

	close	TOPIX	pct chg	Nikkei 225	pct chg	GDO	pct chg	Alpen	pct chg
8/18		1,610.85	—	23,051.08	—	494	—	1,744	—
11/18		1,720.65	6.8	25,728.14	11.6	1,117	126.1	2,423	38.9

3-Year Weekly Share Price, Historical P/B and Relative Performance



TOPICS:

**GOLFTEC Enterprises LLC
25TH Anniversary**



Total Lessons since '95:

19.8	9,714,522
20.8	10,546,495

CEO and Co-Founder Joe Assell looks back over 25 years and over 10 million lessons

GOLFTEC - AUGUST 5, 2020 (excerpt from a company press release)

GOLFTEC, the world leader in golf improvement and club fitting and one of the leading employers of PGA Professionals in the world, celebrates the PGA Championship by looking back at the founding of the company by a PGA Professional.

For 25 years, GOLFTEC has been driven to help people play better golf. From humble beginnings in the basement of Cherry Hills Country Club, GOLFTEC’s first employee was a PGA Professional named Joe Assell. Today, he is the CEO, and GOLFTEC has grown to over 700+ coaches teaching over 10 million lessons in 6 countries and more than 200 Training Centers. Many of those coaches are themselves PGA Professionals, something Joe credits as driving the company forward. **[Visit GOLFTEC’s official YouTube channel and watch CEO Joe Assell explain the founding at the two links below]**

“The number one ingredient in helping people play better golf are PGA Professionals,” said Joe Assell, CEO and Co-Founder of GOLFTEC. “They are the key to our entire business and the success our Students have enjoyed. When you see them starting their families, building their first houses, it’s been a great opportunity for a lot of people. As a PGA Member, I get up every day and run a company providing great life and career opportunities for hundreds of other PGA Professionals. It’s the greatest.”

GOLFTEC - A Company Founded by a PGA Pro

May 16, 2019 (video length 5:38)



Source: GOLFTEC website, GOLFTEC official YouTube channel
URL link: <https://www.youtube.com/watch?v=Ru14D-DLqo&feature=youtu.be>

GOLFTEC 25 Year Journey

August 1, 2020 (video length 3:01)



Source: GOLFTEC website, GOLFTEC official YouTube channel
URL link: <https://www.youtube.com/watch?v=THEWORXYa-A>

**Typical GOLFTEC USA
Lesson Studio**



Source: 2020 media kit

GOLFTEC Facts from the 2020 Media Guide



- Founded in 1995, GOLFTEC is the world leader in golf instruction and one of the fastest growing, most successful companies in the golf industry. Its fact-based approach to improvement benefits golfers of all skill levels, maximizing performance and enjoyment of the game.
- With its unique position in golf instruction, GOLFTEC has continued to break records for revenue, profit, students, employees and coaches. This type of growth and influence over the past 25 years is unmatched in golf.
- The company continues to evolve to ensure its growth and strength in the marketplace continues unimpeded. Among the new changes are completely updated in-center designs that provide the ideal learning environment for students and an increased emphasis on club fitting via the new TECFIT™ program that will see GOLFTEC become the nation's leading provider of custom fittings.
- Leading global provider of golf lessons; more than 10 million lessons given. More than 200 centers worldwide, including North America, Hong Kong, China and Japan. No.1 employer of PGA Teaching Professionals and over 700 certified coaches.
- Responsible for more than 26% of all private golf lessons given to core golfers in the U.S. Students drop an average of 7 strokes from their game.
- Annual revenue exceeds \$110 million with over 1 million golf lessons and club fittings. Revenue is up 110% since 2010 –outpacing well-known companies inside & outside of golf.
- 36 GOLFTEC Training Centers named to Golf Digest's prestigious "100 Best Club Fitters in America" list.
- All Coaches attend rigorous multi-week certification at GOLFTEC University to master the analysis of golf mechanics, the technology of the GOLFTEC system and the most productive teaching techniques. Teaching philosophy focused on fact-based diagnosis and instruction.
- Patented TECSWING™ Training System provides video combined with motion measurement quantifying swing mechanics which aids coaches in our fact-based approach to instruction.
- More than 100 million swings captured on video. 266 million motion datapoints recorded from 48 different body motions.
- New comprehensive club fitting software released in 2018 cross-references launch monitor ball flight characteristics with a database of thousands of clubhead & shaft combinations to recommend the most optimized golf equipment for an individual's unique swing.
- New customized hardware and iPad-based putting software system released in 2019 measures putter aim, path and speed to establish baselines and patterns for students to improve putting.

APPENDIX

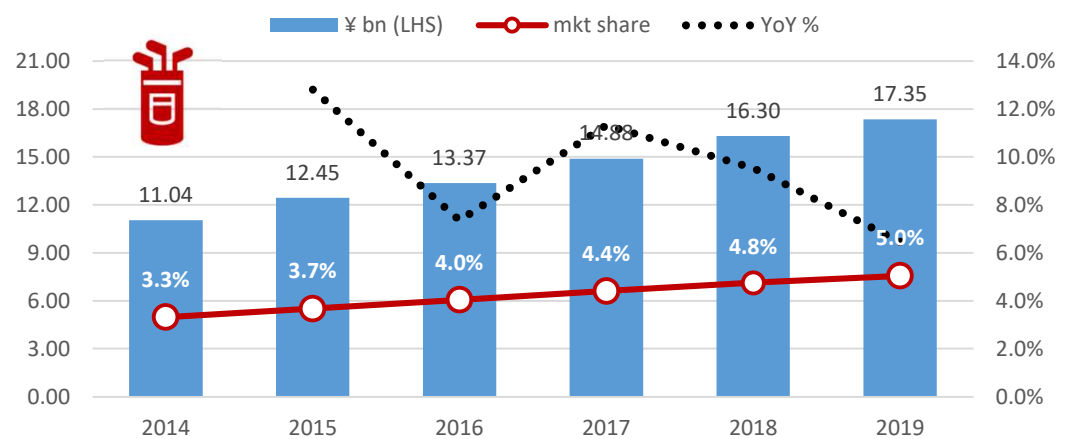


Key Drivers of Future GDO Sales and Profit Growth

- ① **Japan sales:** rising EC ratio
- ② **US sales:** strengthening custom fittings/sales
- ③ **Japan profits:** controlling SG&A
- ④ **US profits:** details to be announced with new MTP*

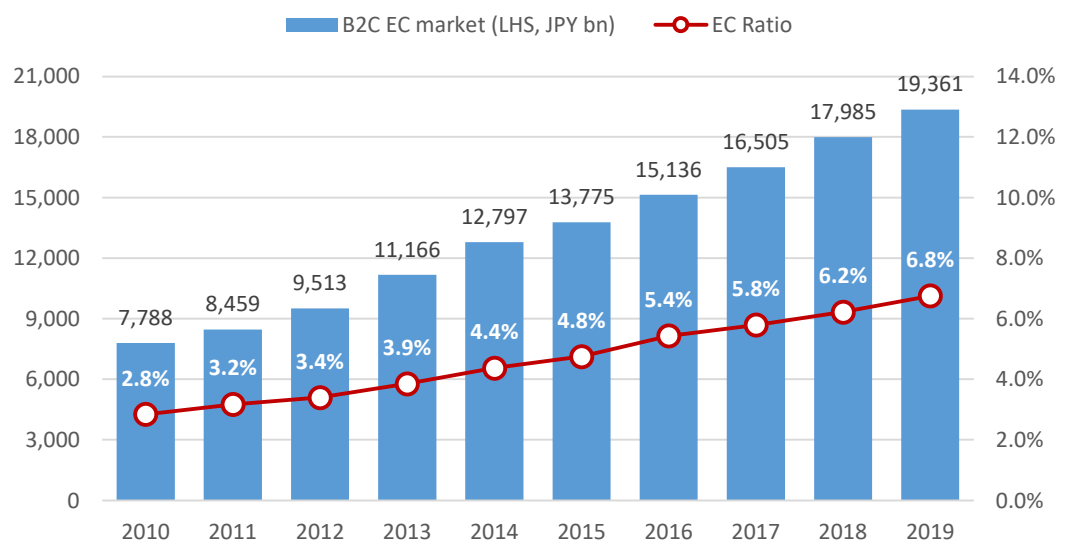
*Note: MTP announcement has been pushed back toward FY-end due to COVID-19

GDO SHOP Golf Gear Sales (mainly online, JPY bn), YoY Trend and Market Share



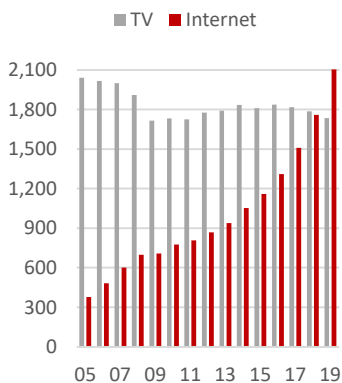
Source: Japan Productivity Center 'Leisure White Paper', GDO IR

METI: Japan's B2C E-commerce Market (JPY bn) and EC Ratio



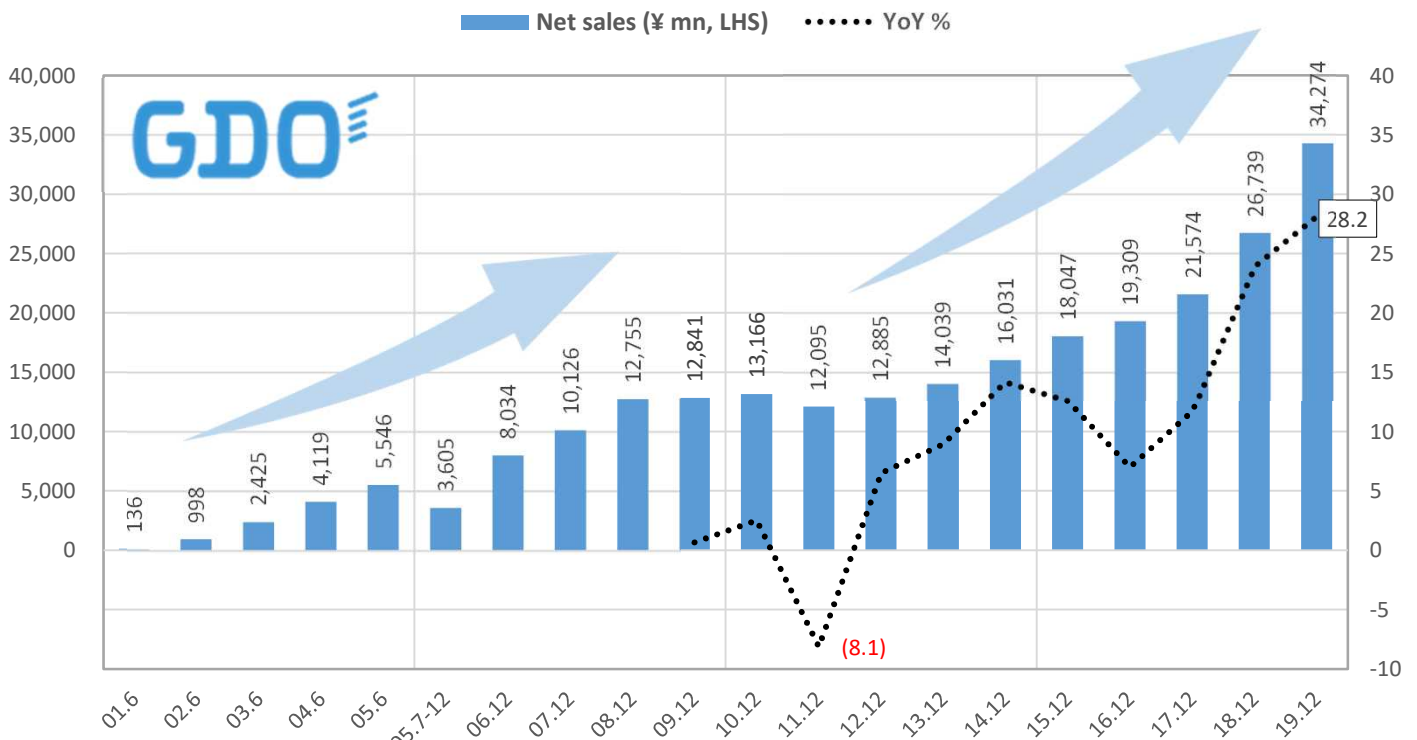
Source: Ministry of Economy, Trade and Industry (METI) '2019 E-Commerce Market Survey', July 22, 2020

Internet ads of ¥2.1trn surpass TV for the first time in 2019



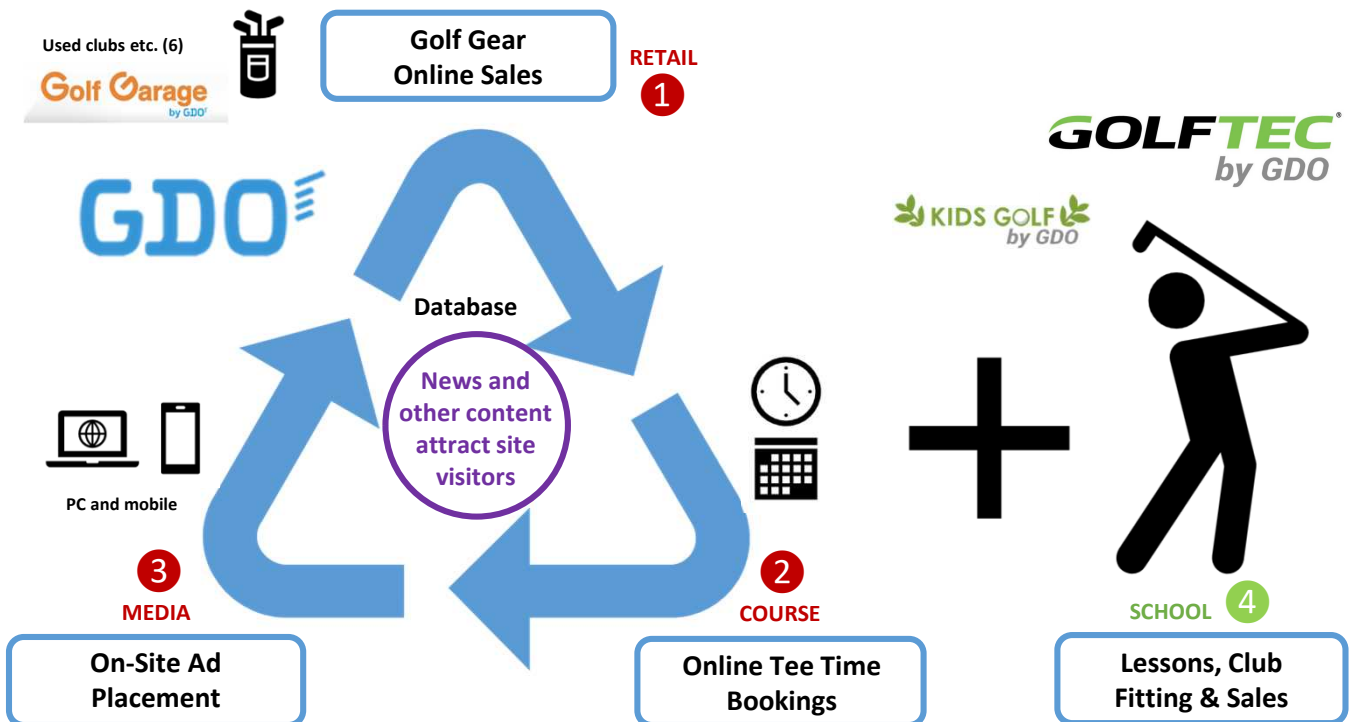
Source: 'Advertising Expenditures in Japan 2019' by DENTSU Inc.

GDO Corporate History visualized: since inception, only 1 down year



Source: YUHO financial statements, results briefing materials, GDO IR

Introduction to GDO's 4 main business lines in Japan: at the core is 'only one' GDO golf specialist portal site



GDO Consolidated Financial Highlights at a Glance

JPY mn, %	FY12/15 act	YoY %	FY12/16 act	YoY %	FY12/17 act	YoY %	FY12/18 act*	YoY %	FY12/19 act	YoY %
Net Sales	18,047	12.6	19,309	7.0	21,574	11.7	26,739	23.9	34,274	28.2
<i>by segment</i>										
• Japan	18,047	12.6	19,309	7.0	21,574	11.7	25,245	17.0	26,842	6.3
• Overseas	—	—	—	—	—	—	1,495	—	7,432	397.3
<i>breakdown (% total)</i>										
• Japan	100.0%	—	100.0%	—	100.0%	—	94.4%	—	78.3%	—
• Overseas	—	—	—	—	—	—	5.6%	—	21.7%	—
<i>by business</i>										
• RETAIL (online gear sales)	12,450	12.8	13,367	7.4	14,081	5.3	16,301	15.8	17,354	6.5
• COURSE (play reservations)	4,715	14.8	5,106	8.3	5,806	13.7	6,929	19.3	7,475	7.9
• MEDIA (news content, ad sales)	812	2.0	811	(0.2)	874	7.7	971	11.1	846	(12.9)
• LESSONS (plus club fitting/sales)	—	—	—	—	800	—	2,530	216.2	8,597	239.9
<i>breakdown (% total)</i>										
• RETAIL (online gear sales)	69.0%	—	69.2%	—	65.3%	—	61.0%	—	50.6%	—
• COURSE (play reservations)	26.1%	—	26.4%	—	26.9%	—	25.9%	—	21.8%	—
• MEDIA (news content, ad sales)	4.5%	—	4.2%	—	4.0%	—	3.6%	—	2.5%	—
• LESSONS (plus club fitting/sales)	—	—	—	—	3.7%	—	9.5%	—	25.1%	—
Gross Profit	7,372	13.4	8,012	8.7	8,850	10.5	10,475	18.4	13,656	30.4
<i>ratio to sales (%)</i>	40.9%	—	41.5%	—	41.0%	—	39.2%	—	39.8%	—
SG&A Expenses	6,544	8.0	6,939	6.0	7,636	10.0	9,671	26.6	12,677	31.1
<i>ratio to sales (%)</i>	36.3%	—	35.9%	—	35.4%	—	36.2%	—	37.0%	—
EBITDA	1,458	36.9	1,577	8.2	1,645	4.3	1,537	(6.6)	2,469	60.6
<i>ratio to sales (%)</i>	8.1%	—	8.2%	—	7.6%	—	5.7%	—	7.2%	—
• Japan	1,458	36.9	1,577	8.2	1,645	4.3	1,876	14.0	2,057	9.6
• Overseas	—	—	—	—	—	—	(338)	—	412	—
Operating Profit	828	86.7	1,073	29.6	1,214	13.1	805	(33.7)	979	21.7
<i>ratio to sales (%)</i>	4.6%	—	5.6%	—	5.6%	—	3.0%	—	2.9%	—
• Japan	828	86.7	1,073	29.6	1,337	24.6	1,387	3.7	1,535	10.7
• Overseas	—	—	—	—	(123)	—	(582)	—	(556)	—
Ordinary Profit	816	86.7	1,089	33.4	1,226	12.5	823	(32.9)	972	18.1
Profit Before Income Taxes	768	82.1	1,009	31.4	1,127	11.7	765	(32.1)	786	2.7
Profit Attributable to Owners of Parent	430	138.3	611	42.0	707	15.7	381	(46.1)	359	(5.8)

*Raising stake in GolfTEC Enterprises LLC from 8% → 60% was completed on July 2, 2018 (3Q), and its P/L was included in the scope of consolidation from 4Q (Oct-Dec) 2018.

B/S, CF, and key financial indicators	FY12/15 act	FY12/16 act	FY12/17 act	FY12/18 act*	FY12/19 act
Total Assets	9,174	8,712	10,806	18,237	19,565
Cash and Deposits	2,841	1,509	1,534	1,701	1,997
ST Loans Payable	1,000	—	950	2,435	3,446
Current Portion of LT Loans Payable	—	—	—	667	667
LT Loans Payable	—	—	—	1,335	667
Total Interest-Bearing Debt	1,000	0	950	4,437	4,780
Net Assets	4,882	5,417	6,020	6,207	6,316
Equity ratio (%)	53.2%	62.2%	55.7%	34.0%	32.3%
Current ratio (%)	171.7%	197.7%	171.2%	94.4%	89.2%
Net D/E ratio (x)	(0.38)	(0.28)	(0.10)	0.44	0.44
ROA (%)	10.1%	12.2%	12.6%	5.7%	5.1%
ROE (%)	12.3%	11.9%	12.4%	6.2%	5.7%
CF from Operating Activities	1,861	756	435	442	2,124
CF from Investing Activities	(720)	(994)	(1,255)	(3,527)	(1,953)
FCF	1,140	(238)	(820)	(3,084)	171
CF from Financing Activities	998	(1,095)	845	3,236	129
Shares Outstanding (000)	17,747	18,053	18,274	18,274	18,274
Avg. Shares Outstanding (000)	16,054	17,893	18,256	18,274	18,274
Basic EPS (¥)	26.80	34.16	38.73	20.84	19.63
DPS (¥)	5.50	7.00	9.00	9.50	9.50
Payout Ratio (%)	20.5%	20.5%	23.2%	45.6%	48.4%
BPS (¥)	274.97	299.96	329.34	339.69	345.61

Source: compiled by Sessa Partners from TANSWIN financial statements, results briefing materials and GDO Fact Book. Figures reported in thousand yen are rounded to the nearest million yen.

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Sessa Partners Inc.

5-3-18, Hiroo, Shibuya-ku, Tokyo
info@sessapartners.co.jp