Callaway Golf Company Announces Revenue And Earnings Growth; Reiterates Full Year Earnings Guidance; And Reports Turnaround Plan Is On Track

Q1 2013 Earnings Release
Q1 2013 Financial Tables

- 2013 first quarter earnings per share of $0.47, compared to $0.37 in 2012
- 2013 first quarter non-GAAP earnings per share of $0.33, compared to $0.18 in 2012
- Callaway increases estimated first half 2013 non-GAAP earnings per share guidance from $0.33 to $0.44; lowers estimated first half sales guidance from $555 million to $540 million
- Callaway reiterates full year 2013 earnings guidance, estimating non-GAAP net income at breakeven and non-GAAP loss per share of $0.04; lowers full year 2013 estimated sales guidance from $850 million to $830 million.

CARLSBAD, Calif., April 25, 2013 /PRNewswire/ -- Callaway Golf Company (NYSE:ELY) today announced its first quarter 2013 financial results, including 12% sales growth on a constant currency basis on its current business, which excludes the brands and businesses that in 2012 were sold or transitioned to a third party model as part of its 2012 turnaround plan. On a GAAP basis, the Company's sales grew 1% for the first quarter of 2013 as compared to the same period in 2012.

GAAP RESULTS.

For the first quarter of 2013, the Company reported the following results, as compared to the same period in 2012:

Dollars in millions except per share amounts	First Quarter 2013	% of Sales	First Quarter 2012	% of Sales	Improvement/ (Decline)
Net Sales	$288	-	$285	-	$3
Gross Profit	$130	45%	$124	44%	$6
Operating Expenses	$90	31%	$97	34%	$7
Operating Income	$40	14%	$28	10%	$12
Income Tax Provision	$2	1%	$0	0%	($2)
Net Income	$42	14%	$32	11%	$10
Earnings per share (Diluted)	$0.47	-	$0.37	-	$0.10

NON-GAAP FINANCIAL RESULTS.

In addition to the Company's results prepared in accordance with GAAP, the Company also provided additional information concerning its results on a non-GAAP basis. The manner in which this non-GAAP information is derived is discussed in more detail toward the end of this release and the Company has provided in the tables to this release a reconciliation of this non-GAAP information to the most directly comparable GAAP information.

For the first quarter of 2013, the Company reported the following non-GAAP results, as compared to the same period in 2012:

Dollars in millions except per share amounts	First Quarter 2013	% of Sales	First Quarter 2012	% of Sales	Improvement/ (Decline)
Net Sales	$288	-	$285	-	$3

Gross Profit	$133	46%	$124	44%	$9
Operating Expenses	$89	31%	$103	36%	$14
Operating Income	$44	15%	$21	7%	$23
Income Tax Provision	$18	6%	$10	3%	($8)
Net Income	$29	10%	$15	5%	$14
Earnings per share (Diluted)	$0.33	-	$0.18	-	$0.15

The Company's net sales for the first quarter of 2013 increased to $288 million, as compared to $285 million for the same period in 2012. The strength of the Company's 2013 product line allowed the Company to more than offset the negative impact of foreign currency and the 2012 sale of the Top-Flite and Ben Hogan brands and the transition in 2012 to a third party model for other products, including U.S. apparel and footwear. As compared to 2012, the Company's first quarter 2013 net sales were adversely affected by $8 million due to changes in foreign currency exchange rates and by $20 million due to the sold or transitioned brands and products. For the first quarter of 2013, net sales relating to the Company's current business, which excludes these sold or transitioned brands and products, increased by 8% and on a constant currency basis increased by 12%.

In addition to the increase in sales, improvements in gross margins and operating expenses contributed to a 27% increase in GAAP fully diluted earnings per share for the first quarter of 2013 compared to the same period in 2012. The Company's GAAP earnings results for both periods benefited from the effects of the Company's deferred tax valuation allowance, which significantly reduced the Company's income tax provision. The Company's GAAP fully diluted earnings per share for the first quarter of 2013 was also adversely affected by approximately $0.02 per share related to charges incurred in connection with the Company's 2012 cost-reduction initiatives. The Company's GAAP fully diluted earnings per share for the first quarter of 2012 was positively affected by approximately $0.05 per share related to a gain on the sale of the Top-Flite and Ben Hogan brands. On a non-GAAP basis, which excludes these charges/gains and uses an assumed tax rate of 38.5%, the Company's fully diluted earnings per share increased to $0.33 for the first quarter of 2013 as compared to $0.18 for the first quarter of 2012.

"I am very pleased with our overall results this quarter," commented Chip Brewer, President and Chief Executive Officer. "The strength of our 2013 product line, including our new X Hot products and Versa line of putters, allowed us to achieve a 12% increase in net sales on our current business on a constant currency basis. In addition, we are beginning to see the results of the many cost-reduction and other initiatives we took in 2012, which contributed to improvements in gross margins and operating expenses, and all of which culminated in a $23 million increase in non-GAAP operating income for the first quarter of 2013. However, it is still early in the year, and the second quarter always has a big impact on our ability to achieve our full year financial targets. With that said, the first quarter was an important first step in our multi-year turnaround plan and we are pleased to report our turnaround is on track."

Business Outlook

First Half 2013

"We are lowering our first half 2013 net sales guidance due to continued foreign currency headwinds and a slower than expected start to the golf season in the United States and Europe as a result of unfavorable weather conditions," commented Brad Holiday, Chief Financial Officer. "Our earnings for the first quarter of 2013 were higher than anticipated due to better than expected gross margins and operating expenses, as well as gains on foreign exchange hedging contracts, all of which together more than offset the negative impact of foreign currency exchange rates during the quarter," continued Mr. Holiday. "As a result of our better than expected first quarter earnings, we are raising our earnings guidance for the first half of 2013."

The Company is currently providing the following revised guidance for the first half of 2013:

- Net sales for the first half of 2013 are currently estimated to be $540 million, compared to previous guidance of $555 million. Net sales for the first half of 2012 were $566 million, which included net sales of $47 million relating to the brands and products that in 2012 were sold or transitioned to a third party model. Excluding sales from the sold or transitioned businesses, the Company estimates that net sales from its current business on a constant currency basis will increase by approximately 7% in the first half of 2013 compared to the first half of 2012.
- Non-GAAP earnings per share is currently estimated at $0.44 for the first half of 2013, compared to previous

guidance of $0.33 per share. During the first half of 2012, the Company reported non-GAAP earnings per share of $0.25.*

Full Year 2013

"We are lowering our full year 2013 net sales guidance, primarily due to our expectations that the unfavorable foreign currency headwinds experienced during the first quarter of 2013 will continue for the balance of the year," explained Brad Holiday, Chief Financial Officer. "We believe, however, that gains on our foreign currency hedging contracts, along with better operating efficiencies, will enable us to mitigate the anticipated adverse foreign currency conditions and maintain our full year earnings guidance at this time."

As a result, the Company is currently providing the following revised guidance for the full year 2013:

- Net sales for the full year 2013 are currently estimated to be $830 million, compared to previous guidance of $850 million. Net sales for 2012 were $834 million, which included net sales of $60 million related to the brands and products that in 2012 were sold or transitioned to a third party model. Excluding sales from the sold or transitioned businesses, the Company estimates that net sales from its current business on a constant currency basis will increase by approximately 12% in 2013 compared to 2012.
- For the full year 2013, the Company continues to estimate that non-GAAP net income will be break-even with a non-GAAP loss per share of $0.04 due to the impact of dividends paid on the Company's outstanding convertible preferred stock. For the full year 2012, the Company's non-GAAP loss was $43 million with a non-GAAP loss per share of $0.77.*

**Note: The non-GAAP estimates of net income and earnings per share exclude for 2013 carryover charges related to the Company's 2012 cost-reduction initiatives and exclude for 2012 gains and charges related to the sale of the Top Flite/Ben Hogan brands and the 2012 cost-reduction initiatives. The non-GAAP estimates for both 2013 and 2012 are based upon an assumed tax rate of 38.5% because the GAAP tax rates are not directly correlated to the Company's pre-tax results due to the effect of the Company's deferred tax valuation allowance.*

Conference Call and Webcast

The Company will be holding a conference call at 2:00 p.m. PDT today to discuss the Company's financial results, outlook and business. The call will be broadcast live over the Internet and can be accessed at www.callawaygolf.com. To listen to the call, please go to the website at least 15 minutes before the call to register and for instructions on how to access the broadcast. A replay of the conference call will be available approximately three hours after the call ends, and will remain available through 9:00 p.m. PDT on Thursday, May 2, 2013. The replay may be accessed through the Internet at www.callawaygolf.com or by telephone by calling 1-855-859-2056 toll free for calls originating within the United States or 404-537-3406 for International calls. The replay pass code is *32874412*.

Non-GAAP Information

The GAAP results contained in this press release and the financial statement schedules attached to this press release have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). To supplement the GAAP results, the Company has provided certain non-GAAP financial information as follows:

Constant Currency Basis. The Company provided certain information regarding the Company's net sales or projected net sales on a "constant currency basis." This information estimates the impact of changes in foreign currency rates on the translation of the Company's current or projected future period net sales as compared to the applicable comparable prior period. This impact is derived by taking the current or projected local currency results and translating them into U.S. Dollars based upon the foreign currency exchange rates for the applicable comparable prior period. It does not include any other effect of changes in foreign currency rates on the Company's results or business.

Excluded Items. The Company presented certain of the Company's financial results excluding (i) the gain recognized in connection with the sale of the Top-Flite and Ben Hogan brands, (ii) charges related to the 2012 cost-reduction initiatives, or (iii) sales related to the Top-Flite and Ben Hogan brands or the products that were transitioned in 2012 to a third party model, including U.S. apparel and footwear.

Adjusted EBITDA. The Company provided information about its results, excluding interest, taxes, depreciation and amortization expenses, and impairment charges ("Adjusted EBITDA").

Assumed Tax Rate. As a result of the Company's previously reported deferred tax valuation allowance that was first established in 2011, the Company's GAAP tax rate is not directly correlated to the Company's pre-tax results. For comparative purposes, the Company has provided certain of the Company's income and earnings/loss information and Adjusted EBITDA information based upon an assumed tax rate of 38.5%. The difference between the Company's actual tax rate and this assumed tax rate is reflected on the attached schedules under "Non-Cash Tax Adjustment."

The non-GAAP information presented should not be considered in isolation or as a substitute for any measure derived in accordance with GAAP. The non-GAAP information may also be inconsistent with the manner in which similar measures are derived or used by other companies. Management uses such non-GAAP information for financial and operational decision-making purposes and as a means to evaluate period over period comparisons and in forecasting the Company's business going forward. Management believes that the presentation of such non-GAAP information, when considered in conjunction with the most directly comparable GAAP information, provides additional useful comparative information for investors in their assessment of the underlying performance of the Company's business without regard to these items. The Company has provided reconciling information in the attached schedules.

Forward-Looking Statements: Statements used in this press release that relate to future plans, events, financial results, performance or prospects, including statements relating to the estimated sales, income and loss per share for 2013, success of the 2013 product line, effectiveness of foreign currency hedging contracts, the Company's recovery/turnaround, and long-term outlook are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are based upon current information and expectations. Accurately estimating the forward-looking statements is based upon various risks and unknowns including delays, difficulties, or increased costs in implementing the 2012 cost-reduction initiatives; consumer acceptance of and demand for the Company's products; the level of promotional activity in the marketplace; future consumer discretionary purchasing activity, which can be significantly adversely affected by unfavorable economic or market conditions; and future changes in foreign currency exchange rates and the degree of effectiveness of the Company's hedging programs. Actual results may differ materially from those estimated or anticipated as a result of these risks and unknowns or other risks and uncertainties, including continued compliance with the terms of the Company's credit facility; delays, difficulties or increased costs in the supply of components needed to manufacture the Company's products or in manufacturing the Company's products; adverse weather conditions and seasonality; any rule changes or other actions taken by the USGA or other golf association that could have an adverse impact upon demand or supply of the Company's products; a decrease in participation levels in golf; and the effect of terrorist activity, armed conflict, natural disasters or pandemic diseases on the economy generally, on the level of demand for the Company's products or on the Company's ability to manage its supply and delivery logistics in such an environment. For additional information concerning these and other risks and uncertainties that could affect these statements, the golf industry, and the Company's business, see the Company's Annual Report on Form 10-K for the year ended December 31, 2012 as well as other risks and uncertainties detailed from time to time in the Company's reports on Forms 10-Q and 8-K subsequently filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

About Callaway Golf

Through an unwavering commitment to innovation, Callaway Golf Company (NYSE:ELY) creates products designed to make every golfer a better golfer. Callaway Golf Company manufactures and sells golf clubs and golf balls, and sells golf accessories under the Callaway Golf® and Odyssey® brands worldwide. For more information please visit www.callawaygolf.com or shop.callawaygolf.com.

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