



Callaway Golf Company Announces Record Net Sales For The Third Quarter And First Nine Months Of 2018; Callaway Increases Full Year Net Sales And Earnings Guidance

- Third quarter 2018 net sales of \$263 million, a \$19 million (8%) increase compared to the third quarter of 2017.
- Third quarter 2018 income from operations of \$11 million, a \$5 million (77%) increase compared to the third quarter of 2017.
- Third quarter 2018 diluted earnings per share of \$0.10 compared to diluted earnings per share of \$0.03 for the third quarter of 2017.
- Full year 2018 net sales guidance increased to \$1,230 - \$1,240 million, compared to prior guidance of \$1,210 - \$1,225 million.
- Full year 2018 earnings per share guidance increased to \$1.01 - \$1.05, compared to prior guidance of \$0.95 - \$1.00.

CARLSBAD, Calif., Oct. 24, 2018 /PRNewswire/ -- Callaway Golf Company (NYSE:ELY) announced today its third quarter 2018 financial results and increased its full year 2018 net sales and earnings guidance.

In the third quarter of 2018, as compared to the same period in 2017, the Company's net sales increased \$19 million (8%) to \$263 million, a record for the third quarter. The continued net sales growth was led by increases in Gear, Accessories and Other (29%), Putters (28%), Balls (14%), and Irons (7%). In addition to this sales growth, the Company also significantly improved its profitability, including a 77% increase in income from operations as compared to the third quarter 2017.

As a result of this better than expected quarter, the Company increased its full year sales guidance by \$15 million - \$20 million to \$1,230 million - \$1,240 million as compared to prior guidance of \$1,210 million - \$1,225 million. The Company also increased its full year 2018 earnings per share guidance to \$1.01 - \$1.05 compared to prior guidance of \$0.95 - \$1.00.

"The third quarter results continue what has been a tremendous year for Callaway," commented Chip Brewer, President and Chief Executive Officer of Callaway Golf Company. "All major regions and product categories continue to perform at a high level, including our TravisMathew business which we acquired in August 2017. On a year-to-date basis, our net sales increased \$205 million (24%) to \$1,062 million, a record for the Company, while gross margins increased 110 basis points, and adjusted EBITDA increased \$73 million or 63% compared to the same period in 2017. This is a result of the continued strength across our entire product line, favorable industry conditions, and in the first half of the year favorable foreign currency market conditions, as well as the investments we have made the last couple of years in our core business and our acquired businesses. I am pleased with our performance this year and remain optimistic about our long-term outlook."

GAAP and Non-GAAP Results

In addition to the Company's results prepared in accordance with GAAP, the Company provided information on a non-GAAP basis. The purpose of this non-GAAP presentation is to provide additional information to investors regarding the underlying performance of the Company's business without non-recurring items. This non-GAAP information presents the Company's financial results for the third quarter and first nine months of 2017 excluding the

non-recurring transaction and transition expenses related to the OGIO and TravisMathew acquisitions. 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 the non-GAAP information to the most directly comparable GAAP information.

Summary of Third Quarter 2018 Financial Results

The Company announced the following GAAP and non-GAAP financial results for the third quarter of 2018 (*in millions, except EPS*):

| | 2018 RESULTS (GAAP) | | | NON-GAAP PRESENTATION | | |
|-----------------------------|---------------------|----------------|----------------|-----------------------|------------------|---------------|
| | Q3 2018 | Q3 2017 | Change | Q3 2018 GAAP | Q3 2017 non-GAAP | Change |
| Net Sales | \$263 | \$244 | \$19 | \$263 | \$244 | \$19 |
| Gross Profit/ % of Sales | \$115 43.9% | \$105 43.1% | \$10 80 bps | \$115 43.9% | \$106 43.4% | \$9 50 bps |
| Operating Expenses | \$105 | \$99 | \$6 | \$105 | \$96 | \$9 |
| Pre-Tax Income | \$11 | \$5 | \$6 | \$11 | \$8 | \$3 |
| Income Tax Provision | \$1 | \$1 | \$0 | \$1 | \$3 | \$2 |
| Net Income | \$10 | \$3 | \$7 | \$10 | \$5 | \$5 |
| EPS | \$0.10 | \$0.03 | \$0.07 | \$0.10 | \$0.05 | \$0.05 |

| | Q3 2018 | Q3 2017 | Change |
|-------------|---------|---------|--------|
| Adj. EBITDA | \$17 | \$13 | \$4 |

For the third quarter of 2018, the Company's net sales increased \$19 million (8%) to \$263 million, compared to \$244 million for the same period in 2017. Net sales increased in all major regions and all product categories except Woods. The decrease in Woods sales for the quarter was expected and is a result of the product launch timing for Woods in 2018 (on a year-to-date basis, net sales of Woods increased 4.8%). The increase in net sales is attributable to the continued strength of the Company's 2018 product line and brand momentum, the addition of the TravisMathew business, and improved market conditions.

For the third quarter of 2018, the Company's gross margin increased 80 basis points to 43.9% compared to 43.1% for the third quarter of 2017. This increase was primarily driven by increased average selling prices, favorable product mix, and the TravisMathew business, which is accretive to gross margins, offset slightly by higher product costs due to more technologically advanced products.

Operating expenses increased \$6 million to \$105 million in the third quarter of 2018 compared to \$99 million for the same period in 2017. This increase is primarily due to the addition of operating expenses from the TravisMathew business in 2018 as well as some variable expenses associated with higher core business net sales.

Third quarter 2018 earnings per share increased \$0.07 (233%) to \$0.10, compared to \$0.03 for the third quarter of 2017. On a non-GAAP basis, 2017 third quarter earnings per share was \$0.05, which excludes \$0.02 per share related to the impact of the non-recurring OGIO and TravisMathew transaction and transition expenses. The increased earnings in 2018 are the result of the increased sales in the core business, the addition of the TravisMathew business, improved gross margins, operating expense leverage, and a lower tax rate due to the tax reform legislation enacted at the end of 2017.

Summary of First Nine Months 2018 Financial Results

The Company announced the following GAAP and non-GAAP financial results for the first nine months of 2018 (*in millions, except EPS*):

2018 RESULTS (GAAP)

NON-GAAP PRESENTATION

| | Q3 YTD | Q3 YTD | Change | Q3 YTD | Q3 YTD | Change |
|-----------------------------|----------------|----------------|------------------|----------------|----------------|------------------|
| | 2018 | 2017 | | 2018 GAAP | 2017 non-GAAP | |
| Net Sales | \$1,062 | \$857 | \$205 | \$1,062 | \$857 | \$205 |
| Gross Profit/ % of Sales | \$508 47.9% | \$401 46.8% | \$107 110 bps | \$508 47.9% | \$402 46.9% | \$106 100 bps |
| Operating Expenses | \$337 | \$301 | \$36 | \$337 | \$293 | \$44 |
| Pre-Tax Income | \$169 | \$91 | \$78 | \$169 | \$101 | \$68 |
| Income Tax Provision | \$36 | \$31 | \$5 | \$36 | \$34 | \$2 |
| Net Income | \$133 | \$60 | \$73 | \$133 | \$67 | \$66 |
| EPS | \$1.37 | \$0.62 | \$0.75 | \$1.37 | \$0.69 | \$0.68 |

| | Q3 YTD 2018 | Q3 YTD 2017 | Change |
|-------------|-------------|-------------|--------|
| Adj. EBITDA | \$188 | \$115 | \$73 |

For the first nine months of 2018, the Company's net sales increased \$205 million (24%) to a record \$1,062 million, compared to \$857 million for the same period in 2017. Net sales increased in all operating segments, all regions, and across all product categories. The increase in net sales is attributable to the strength of the Company's 2018 product line and continued brand momentum, a \$16 million favorable impact resulting from changes in foreign currency rates, and improved market conditions. In addition, year to date net sales of gear and accessories increased significantly as a result of the Company's acquisition of TravisMathew in the third quarter of 2017.

For the first nine months of 2018, the Company's gross margin increased 110 basis points to 47.9% compared to 46.8% for the first nine months of 2017. This increase reflects an overall increase in average selling prices, the addition of the TravisMathew business, which is accretive to gross margins, and the net favorable translation impact of changes in foreign currency rates, partially offset by higher product costs as more technology is incorporated into the new product line.

Operating expenses increased \$36 million to \$337 million in the first nine months of 2018 compared to \$301 million for the same period in 2017. This increase is primarily due to the addition of operating expenses from the TravisMathew business in 2018 as well as some variable expenses associated with higher core business net sales and continued investment in the core business.

First nine months 2018 earnings per share increased \$0.75 (121%) to \$1.37, compared to \$0.62 for the first nine months of 2017. On a non-GAAP basis, 2017 first nine months earnings per share was \$0.69, which excludes \$0.07 per share related to the impact of the non-recurring OGIO and TravisMathew transaction and transition expenses. The increased earnings in 2018 reflect the increased sales in the core business, the addition of the TravisMathew business, improved gross margins, operating expense leverage, favorable foreign currency rates and hedging activities, and a lower tax rate due to the tax reform legislation enacted at the end of 2017.

Business Outlook for 2018

Basis for 2017 Non-GAAP Results. In order to make the 2018 guidance more comparable to 2017, as discussed above, the Company has presented 2017 results on a non-GAAP basis by excluding from 2017 the non-recurring expenses related to the OGIO and TravisMathew acquisitions (\$0.07 per share for the full year). Furthermore, the Company excluded from full year 2017 earnings per share certain non-cash, non-recurring tax adjustments that had a negative \$0.04 per share impact on 2017 earnings per share.

Full Year 2018

Given the Company's financial performance during the first nine months of 2018, the Company is increasing its full year 2018 financial guidance as follows:

| | Revised 2018 GAAP Estimate | Previous 2018 GAAP Estimate | 2017 Non-GAAP Results |
|-----------|-------------------------------|--------------------------------|-----------------------------|
| Net Sales | \$1,230 - \$1,240 million | \$1,210 - \$1,225 million | \$1,049 million |

| | | | |
|--------------------|-----------------|-----------------|---------------|
| Gross Margins | 46.8% | 46.8% | 46.0% |
| Operating Expenses | \$447 million | \$445 million | \$393 million |
| Earnings Per Share | \$1.01 - \$1.05 | \$0.95 - \$1.00 | \$0.53 |

The Company's revised 2018 net sales estimate of \$1,230 million - \$1,240 million represents an increase of \$15 million - \$20 million over its prior estimate. This would result in net sales growth of 17% - 18% in 2018 compared to 2017. The estimated incremental sales growth compared to previous estimates is expected to be driven by further increases in the core business (currently estimated at 12-13% full year sales growth compared to 2017). The increases in core business are expected to be driven by the Rogue line of woods and irons, the new Chrome Soft golf balls, including continued success of the Truvis golf balls, and continued healthy market conditions. As a result of an overall strengthening of foreign currencies during the first half of 2018, the Company currently estimates that changes in foreign currency rates will positively impact 2018 full year net sales by approximately \$14 million, consistent with previous guidance.

The Company estimates that its 2018 operating expenses will increase \$2 million compared to prior estimates. Variable expenses related to higher sales are causing the increase. The Company continues to realize operating expense leverage as the top line increases.

The Company increased its GAAP earnings per share guidance to \$1.01 - \$1.05 primarily due to the projected increase in net sales, operating expense leverage, and a lower estimated tax rate. The Company's 2018 earnings per share estimates currently assume a tax rate of approximately 21.0% and a base of 97 million shares.

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 <http://ir.callawaygolf.com/>. To listen to the call, and to access the Company's presentation materials, 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 Wednesday, October 31, 2018. The replay may be accessed through the Internet at <http://ir.callawaygolf.com/>.

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 financial results or projected financial results 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 financial results as compared to the applicable comparable 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 period. It does not include any other effect of changes in foreign currency rates on the Company's results or business.

Adjusted EBITDA. The Company provides information about its results excluding interest, taxes, depreciation and amortization expenses, as well as non-recurring OGIO and TravisMathew transaction-related expenses.

Other Adjustments. The Company presents certain of its financial results (i) excluding the 2017 non-recurring OGIO and TravisMathew transaction-related expenses and (ii) excluding the 2017 non-cash, non-recurring tax adjustments.

In addition, the Company has included in the schedules to this release a reconciliation of certain non-GAAP information to the most directly comparable GAAP information. The non-GAAP information presented in this release and related schedules 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 Company's estimated 2018 sales, gross margins, operating expenses, and earnings per share (or related tax rate and share count), future industry or market conditions, and the assumed benefits to be derived from investments in the Company's core business or the OGIO and TravisMathew acquisitions, 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 unanticipated delays, difficulties or increased costs in integrating the acquired OGIO and TravisMathew businesses or implementing the Company's growth strategy generally; any changes in U.S. trade, tax or other policies, including impacts of the 2017 Tax Cuts and Jobs Act or restrictions on imports or an increase in import tariffs; consumer acceptance of and demand for the Company's products; the level of promotional activity in the marketplace; unfavorable weather conditions; future consumer discretionary purchasing activity, which can be significantly adversely affected by unfavorable economic or market conditions; future retailer purchasing activity, which can be significantly negatively affected by adverse industry conditions and overall retail inventory levels; 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 facilities; delays, difficulties or increased costs in the supply of components or commodities needed to manufacture the Company's products or in manufacturing the Company's products; the ability to secure professional tour player endorsements at reasonable costs; 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, 2017 as well as other risks and uncertainties detailed from time to time in the Company's reports on Forms 10-K, 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 bags, accessories and apparel in the golf and lifestyle categories, under the Callaway Golf®, Odyssey®, OGIO and TravisMathew brands worldwide. For more information please visit www.callawaygolf.com, www.odysseygolf.com, www.ogio.com, and www.travismathew.com.

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CALLAWAY GOLF COMPANY
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)
(In thousands)

September 30, December 31,
2018 2017

ASSETS

Current assets:

| | | |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | \$ 70,821 | \$ 85,674 |
| Accounts receivable, net | 130,033 | 94,725 |
| Inventories | 237,472 | 262,486 |
| Other current assets | <u>34,790</u> | <u>23,099</u> |
| Total current assets | 473,116 | 465,984 |

| | | |
|-------------------------------------|-------------------|-------------------|
| Property, plant and equipment, net | 82,074 | 70,227 |
| Intangible assets, net | 281,064 | 282,187 |
| Deferred taxes, net | 65,045 | 91,398 |
| Investment in golf-related ventures | 70,777 | 70,495 |
| Other assets | <u>10,625</u> | <u>10,866</u> |
| Total assets | <u>\$ 982,701</u> | <u>\$ 991,157</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

| | | |
|--|---------------|--------------|
| Accounts payable and accrued expenses | \$ 142,661 | \$ 176,127 |
| Accrued employee compensation and benefits | 38,425 | 40,173 |
| Asset-based credit facilities | 4,300 | 87,755 |
| Accrued warranty expense | 8,532 | 6,657 |
| Other current liabilities | 2,400 | 2,367 |
| Income tax liability | <u>10,827</u> | <u>1,295</u> |
| Total current liabilities | 207,145 | 314,374 |

| | | |
|--|-------------------|-------------------|
| Long-term liabilities | 15,792 | 17,408 |
| Total Callaway Golf Company shareholders' equity | 750,727 | 649,631 |
| Non-controlling interest in consolidated entity | <u>9,037</u> | <u>9,744</u> |
| Total liabilities and shareholders' equity | <u>\$ 982,701</u> | <u>\$ 991,157</u> |

CALLAWAY GOLF COMPANY CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (Unaudited) (In thousands, except per share data)

| | Three Months Ended September 30, | |
|---|-------------------------------------|-----------------|
| | 2018 | 2017 |
| Net sales | \$ 262,654 | \$243,604 |
| Cost of sales | <u>147,415</u> | <u>138,702</u> |
| Gross profit | 115,239 | 104,902 |
| Operating expenses: | | |
| Selling | 68,605 | 65,754 |
| General and administrative | 26,706 | 23,957 |
| Research and development | <u>9,229</u> | <u>9,154</u> |
| Total operating expenses | <u>104,540</u> | <u>98,865</u> |
| Income from operations | 10,699 | 6,037 |
| Other income (expense), net | <u>376</u> | <u>(1,462)</u> |
| Income before income taxes | 11,075 | 4,575 |
| Income tax provision | <u>1,335</u> | <u>1,486</u> |
| Net income | 9,740 | 3,089 |
| Less: Net income attributable to non-controlling interest | <u>223</u> | <u>29</u> |
| Net income attributable to Callaway Golf Company | <u>\$ 9,517</u> | <u>\$ 3,060</u> |

Earnings per common share:

| | | |
|-------|---------|---------|
| Basic | \$ 0.10 | \$ 0.03 |
|-------|---------|---------|

| | | | | |
|---|----|--------|----|--------|
| Diluted | \$ | 0.10 | \$ | 0.03 |
| Weighted-average common shares outstanding: | | | | |
| Basic | | 94,477 | | 94,450 |
| Diluted | | 97,320 | | 96,879 |

| | Nine Months Ended September 30, | |
|---|--|------------------|
| | 2018 | 2017 |
| Net sales | \$1,062,156 | \$857,079 |
| Cost of sales | <u>553,758</u> | <u>456,297</u> |
| Gross profit | 508,398 | 400,782 |
| Operating expenses: | | |
| Selling | 234,826 | 205,618 |
| General and administrative | 73,008 | 68,976 |
| Research and development | <u>29,561</u> | <u>26,899</u> |
| Total operating expenses | <u>337,395</u> | <u>301,493</u> |
| Income from operations | 171,003 | 99,289 |
| Other expense, net | <u>(1,797)</u> | <u>(8,104)</u> |
| Income before income taxes | 169,206 | 91,185 |
| Income tax provision | <u>35,801</u> | <u>30,742</u> |
| Net income | 133,405 | 60,443 |
| Less: Net income attributable to non-controlling interest | <u>166</u> | <u>251</u> |
| Net income attributable to Callaway Golf Company | <u>\$ 133,239</u> | <u>\$ 60,192</u> |

| | | |
|---|--------|--------|
| Earnings per common share: | | |
| Basic | \$1.41 | \$0.64 |
| Diluted | \$1.37 | \$0.62 |
| Weighted-average common shares outstanding: | | |
| Basic | 94,605 | 94,246 |
| Diluted | 97,076 | 96,343 |

CALLAWAY GOLF COMPANY
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW
(Unaudited)
(In thousands)

| | Nine Months Ended September 30, | |
|---|--|------------------|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net income | \$ 133,405 | \$ 60,443 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 14,762 | 12,806 |
| Inventory step-up | — | 1,701 |
| Deferred taxes, net | 30,123 | 32,586 |
| Non-cash share-based compensation | 9,975 | 9,583 |
| (Gain)/loss on disposal of long-lived assets | (30) | 1,035 |
| Unrealized (gains)/losses on foreign currency hedges | (1,138) | 1,373 |
| Changes in assets and liabilities | <u>(66,198)</u> | <u>(8,742)</u> |
| Net cash provided by operating activities | <u>120,899</u> | <u>110,785</u> |
| Cash flows from investing activities: | | |
| Capital expenditures | (26,103) | (16,846) |
| Investments in golf related ventures | (282) | (1,499) |
| Acquisitions, net of cash acquired | — | (181,824) |
| Proceeds from sales of property and equipment | <u>43</u> | <u>560</u> |
| Net cash used in investing activities | <u>(26,342)</u> | <u>(199,609)</u> |

Cash flows from financing activities:

| | | |
|--|------------------|------------------|
| (Repayments of) proceeds from credit facilities, net | (83,455) | 58,652 |
| Repayments of long-term debt | (1,632) | — |
| Exercise of stock options | 1,636 | 4,205 |
| Dividends paid, net | (2,841) | (2,827) |
| Acquisition of treasury stock | (22,373) | (16,479) |
| Distributions to non-controlling interests | (821) | (974) |
| Net cash (used in) provided by financing activities | (109,486) | 42,577 |
| Effect of exchange rate changes on cash and cash equivalents | 76 | 2,293 |
| Net decrease in cash and cash equivalents | (14,853) | (43,954) |
| Cash and cash equivalents at beginning of period | 85,674 | 125,975 |
| Cash and cash equivalents at end of period | <u>\$ 70,821</u> | <u>\$ 82,021</u> |

CALLAWAY GOLF COMPANY
Consolidated Net Sales and Operating Segment Information
(Unaudited)
(In thousands)

| | Net Sales by Product Category | | | | | Net Sales by Product Category | | | | |
|------------------------|-------------------------------|-------------------|------------------|---------|---|-------------------------------|-------------------|-------------------|---------|---|
| | Three Months Ended | | Growth/(Decline) | | Non-GAAP Constant Currency vs. 2017 ⁽¹⁾ | Nine Months Ended | | Growth | | Non-GAAP Constant Currency vs. 2017 ⁽¹⁾ |
| | September 30, | | Dollars | Percent | | September 30, | | Dollars | Percent | |
| | 2018 | 2017 | | | Percent | 2018 | 2017 | | | Percent |
| Net sales: | | | | | | | | | | |
| Woods | \$ 52,420 | \$ 65,846 | \$ (13,426) | -20.4% | -20.0% | \$ 275,180 | \$ 262,697 | \$ 12,483 | 4.8% | 2.9% |
| Irons | 65,098 | 60,830 | 4,268 | 7.0% | 7.6% | 271,366 | 202,126 | 69,240 | 34.3% | 32.4% |
| Putters | 24,878 | 19,437 | 5,441 | 28.0% | 28.2% | 86,093 | 71,172 | 14,921 | 21.0% | 18.4% |
| Golf balls | 44,661 | 39,071 | 5,590 | 14.3% | 14.8% | 165,465 | 136,062 | 29,403 | 21.6% | 20.3% |
| Gear/Accessories/Other | 75,597 | 58,420 | 17,177 | 29.4% | 29.9% | 264,052 | 185,022 | 79,030 | 42.7% | 40.9% |
| | <u>\$ 262,654</u> | <u>\$ 243,604</u> | <u>\$ 19,050</u> | 7.8% | 8.3% | <u>\$ 1,062,156</u> | <u>\$ 857,079</u> | <u>\$ 205,077</u> | 23.9% | 22.1% |

⁽¹⁾ Calculated by applying 2017 exchange rates to 2018 reported sales in regions outside the U.S.

| | Net Sales by Region | | | | | Net Sales by Region | | | | |
|-------------------------|---------------------|-------------------|------------------|---------|---|---------------------|---------------------|-------------------|---------|---|
| | Three Months Ended | | Growth/(Decline) | | Non-GAAP Constant Currency vs. 2017 ⁽¹⁾ | Nine Months Ended | | Growth | | Non-GAAP Constant Currency vs. 2017 ⁽¹⁾ |
| | September 30, | | Dollars | Percent | | September 30, | | Dollars | Percent | |
| | 2018 | 2017 | | | Percent | 2018 | 2017 ⁽²⁾ | | | Percent |
| Net Sales | | | | | | | | | | |
| United States | \$ 142,048 | \$ 123,817 | \$ 18,231 | 14.7% | 14.7% | \$ 608,768 | \$ 470,335 | \$ 138,433 | 29.4% | 29.4% |
| Europe | 33,086 | 32,470 | 616 | 1.9% | 3.1% | 130,613 | 119,999 | 10,614 | 8.8% | 2.4% |
| Japan | 54,434 | 53,062 | 1,372 | 2.6% | 3.0% | 183,375 | 147,472 | 35,903 | 24.3% | 21.5% |
| Rest of Asia | 20,878 | 20,384 | 494 | 2.4% | 2.0% | 78,712 | 62,952 | 15,760 | 25.0% | 20.6% |
| Other foreign countries | 12,208 | 13,871 | (1,663) | -12.0% | -7.6% | 60,688 | 56,321 | 4,367 | 7.8% | 6.4% |
| | <u>\$ 262,654</u> | <u>\$ 243,604</u> | <u>\$ 19,050</u> | 7.8% | 8.3% | <u>\$ 1,062,156</u> | <u>\$ 857,079</u> | <u>\$ 205,077</u> | 23.9% | 22.1% |

⁽¹⁾ Calculated by applying 2017 exchange rates to 2018 reported sales in regions outside the U.S.

⁽²⁾ Prior period amounts have been reclassified to conform to the current year presentation of regional sales related to OGIO-branded products.

| | Operating Segment Information | | | | Operating Segment Information | | | |
|------------------------|-------------------------------|------------|------------------|---------|-------------------------------|------------|-----------|---------|
| | Three Months Ended | | Growth/(Decline) | | Nine Months Ended | | Growth | |
| | September 30, | | Dollars | Percent | September 30, | | Dollars | Percent |
| | 2018 | 2017 | | | 2018 | 2017 | | |
| Net Sales | | | | | | | | |
| Golf Club | \$ 142,396 | \$ 146,113 | \$ (3,717) | -2.5% | \$ 632,639 | \$ 535,995 | \$ 96,644 | 18.0% |
| Golf Ball | 44,661 | 39,071 | 5,590 | 14.3% | 165,465 | 136,062 | 29,403 | 21.6% |
| Gear/Accessories/Other | 75,597 | 58,420 | 17,177 | 29.4% | 264,052 | 185,022 | 79,030 | 42.7% |

| | | | | | | | | | |
|------------------------------------|-------------------|-------------------|------------------|--------|--|---------------------|-------------------|-------------------|-------|
| | <u>\$ 262,654</u> | <u>\$ 243,604</u> | <u>\$ 19,050</u> | 7.8% | | <u>\$ 1,062,156</u> | <u>\$ 857,079</u> | <u>\$ 205,077</u> | 23.9% |
| Income (loss) before income taxes: | | | | | | | | | |
| Golf clubs | \$ 13,587 | \$ 10,420 | \$ 3,167 | 30.4% | | \$ 130,925 | \$ 83,818 | \$ 47,107 | 56.2% |
| Golf balls | 4,201 | 5,040 | (839) | -16.6% | | 30,014 | 27,500 | 2,514 | 9.1% |
| Gear/Accessories/Other | 8,482 | 6,420 | 2,062 | 32.1% | | 52,888 | 27,916 | 24,972 | 89.5% |
| Reconciling items ⁽¹⁾ | <u>(15,195)</u> | <u>(17,305)</u> | <u>2,110</u> | -12.2% | | <u>(44,621)</u> | <u>(48,049)</u> | <u>3,428</u> | 7.1% |
| | <u>\$ 11,075</u> | <u>\$ 4,575</u> | <u>\$ 6,500</u> | 142.1% | | <u>\$ 169,206</u> | <u>\$ 91,185</u> | <u>\$ 78,021</u> | 85.6% |

(1) Represents corporate general and administrative expenses and other income (expense) not utilized by management in determining segment profitability.

CALLAWAY GOLF COMPANY
Supplemental Financial Information and Non-GAAP Reconciliation
(Unaudited)
(In thousands)

| | Three Months Ended September 30, | | | |
|---|---|--------------------|--|-----------------|
| | 2018 | 2017 | | |
| | As Reported | As Reported | Acquisition Costs⁽¹⁾ | Non-GAAP |
| Net sales | \$ 262,654 | \$ 243,604 | \$ — | \$ 243,604 |
| Gross profit | 115,239 | 104,902 | (798) | 105,700 |
| % of sales | 43.9% | 43.1% | — | 43.4% |
| Operating expenses | 104,540 | 98,865 | 2,579 | 96,286 |
| Income (loss) from operations | 10,699 | 6,037 | (3,377) | 9,414 |
| Other income (expense), net | 376 | (1,462) | — | (1,462) |
| Income (loss) before income taxes | 11,075 | 4,575 | (3,377) | 7,952 |
| Income tax provision (benefit) | 1,335 | 1,486 | (1,134) | 2,620 |
| Net income (loss) | 9,740 | 3,089 | (2,243) | 5,332 |
| Less: Net income attributable to non-controlling interest | 223 | 29 | — | 29 |
| Net income (loss) attributable to Callaway Golf Company | <u>\$ 9,517</u> | <u>\$ 3,060</u> | <u>\$ (2,243)</u> | <u>\$ 5,303</u> |
| Diluted earnings (loss) per share: | \$ 0.10 | \$ 0.03 | \$ (0.02) | \$ 0.05 |
| Weighted-average shares outstanding: | 97,320 | 96,879 | 96,879 | 96,879 |

(1) Represents non-recurring costs associated with the acquisitions of Ogio International, Inc. in January 2017 and TravisMathew, LLC in August 2017.

| | Nine Months Ended September 30, | | | |
|---|--|--------------------|--|------------------|
| | 2018 | 2017 | | |
| | As Reported | As Reported | Acquisition Costs⁽¹⁾ | Non-GAAP |
| Net sales | \$ 1,062,156 | \$ 857,079 | \$ — | \$ 857,079 |
| Gross profit | 508,398 | 400,782 | (798) | 401,580 |
| % of sales | 47.9% | 46.8% | — | 46.9% |
| Operating expenses | 337,395 | 301,493 | 8,789 | 292,704 |
| Income (loss) from operations | 171,003 | 99,289 | (9,587) | 108,876 |
| Other expense, net | (1,797) | (8,104) | — | (8,104) |
| Income (loss) before income taxes | 169,206 | 91,185 | (9,587) | 100,772 |
| Income tax provision (benefit) | 35,801 | 30,742 | (3,232) | 33,974 |
| Net income (loss) | 133,405 | 60,443 | (6,355) | 66,798 |
| Less: Net income attributable to non-controlling interest | 166 | 251 | — | 251 |
| Net income (loss) attributable to Callaway Golf Company | <u>\$ 133,239</u> | <u>\$ 60,192</u> | <u>\$ (6,355)</u> | <u>\$ 66,547</u> |
| Diluted earnings (loss) per share: | \$ 1.37 | \$ 0.62 | \$ (0.07) | \$ 0.69 |
| Weighted-average shares outstanding: | 97,076 | 96,343 | 96,343 | 96,343 |

(1) Represents non-recurring costs associated with the acquisitions of Ogio International, Inc. in January 2017 and TravisMathew, LLC in August 2017.

CALLAWAY GOLF COMPANY
Non-GAAP Reconciliation and Supplemental Financial Information
(Unaudited)
(In thousands)

| | 2018 Trailing Twelve Month Adjusted EBITDA | | | | | 2017 Trailing Twelve Month Adjusted EBITDA | | | | |
|---------------------------------------|---|-----------------------|----------------------|---------------------------|--------------|---|-----------------------|----------------------|---------------------------|--------------|
| | Quarter Ended | | | | | Quarter Ended | | | | |
| | December 31, 2017 | March 31, 2018 | June 30, 2018 | September 30, 2018 | Total | December 31, 2016 | March 31, 2017 | June 30, 2017 | September 30, 2017 | Total |
| Net income (loss) | \$ (19,386) | \$ 62,855 | \$ 60,867 | \$ 9,517 | \$ 113,853 | \$ 123,271 | \$ 25,689 | \$ 31,443 | \$ 3,060 | \$ 183,463 |
| Interest expense, net | 2,004 | 1,528 | 1,661 | 1,056 | 6,249 | 348 | 715 | 550 | 642 | 2,255 |
| Income tax provision (benefit) | (4,354) | 17,219 | 17,247 | 1,335 | 31,447 | (137,193) | 13,206 | 16,050 | 1,486 | (106,451) |
| Depreciation and amortization expense | 4,799 | 4,737 | 5,029 | 4,996 | 19,561 | 4,045 | 4,319 | 4,178 | 4,309 | 16,851 |
| EBITDA | \$ (16,937) | \$ 86,339 | \$ 84,804 | \$ 16,904 | \$ 171,110 | \$ (9,529) | \$ 43,929 | \$ 52,221 | \$ 9,497 | \$ 96,118 |
| Ogio & TravisMathew acquisition costs | 1,677 | — | — | — | 1,677 | — | 3,956 | 2,254 | 3,377 | 9,587 |
| Adjusted EBITDA | \$ (15,260) | \$ 86,339 | \$ 84,804 | \$ 16,904 | \$ 172,787 | \$ (9,529) | \$ 47,885 | \$ 54,475 | \$ 12,874 | \$ 105,705 |

CALLAWAY GOLF COMPANY
Reconciliation of Non-GAAP Third Quarter and Full Year 2017 Results
(Unaudited)
(In thousands)

| | Year Ended December 31, 2017 | | | |
|---|-------------------------------------|--|--|-----------------|
| | Total As Reported | Acquisition Costs⁽¹⁾ | Non-Cash Tax Adjustment⁽²⁾ | Non-GAAP |
| Net sales | \$1,048,736 | \$ — | \$ — | \$1,048,736 |
| Gross profit | 480,448 | (2,439) | — | 482,887 |
| % of sales | 45.8% | — | — | 46.0% |
| Operating expenses | 401,611 | 8,825 | — | 392,786 |
| Income (loss) from operations | 78,837 | (11,264) | — | 90,101 |
| Other expense, net | (10,782) | — | — | (10,782) |
| Income (loss) before income taxes | 68,055 | (11,264) | — | 79,319 |
| Income tax provision (benefit) | 26,388 | (4,118) | 3,394 | 27,112 |
| Net income (loss) | 41,667 | (7,146) | (3,394) | 52,207 |
| Less: Net income attributable to non-controlling interest | 861 | — | — | 861 |
| Net income (loss) attributable to Callaway Golf Company | \$ 40,806 | \$ (7,146) | \$ (3,394) | \$ 51,346 |
| Diluted earnings (loss) per share: | \$0.42 | (\$0.07) | (\$0.04) | \$ 0.53 |
| Weighted-average shares outstanding: | 96,577 | 96,577 | 96,577 | 96,577 |

(1) Represents non-recurring costs associated with the acquisitions of Ogio International, Inc. in January 2017, and TravisMathew, LLC in August 2017.

(2) Represents approximately \$7.5 million of non-recurring income tax expense resulting from the 2017 Tax Cuts and Jobs Act, partially offset by a non-recurring benefit of approximately \$4.1 million related to the revaluation of taxes on intercompany transactions, resulting from the 2016 release of the valuation allowance against the Company's U.S. deferred tax assets.

View original content to download multimedia:<http://www.prnewswire.com/news-releases/callaway-golf-company-announces-record-net-sales-for-the-third-quarter-and-first-nine-months-of-2018-callaway-increases-full-year-net-sales-and-earnings-guidance-300737317.html>

SOURCE Callaway Golf Company