



Callaway Golf Announces Second Quarter Results

CARLSBAD, Calif., Jul 18, 2002 (BW SportsWire) -- Callaway Golf Company (NYSE:ELY) today reported operating results for the second quarter and six months ended June 30, 2002.

For the quarter ended June 30, 2002 compared with the same quarter in 2001, Callaway Golf announced a 37% increase in net income (to \$37.1 million from \$27.0 million) and a 53% increase in earnings per diluted share (to \$0.55 from \$0.36) on net sales of \$252.2 million (\$251.1 million in constant dollars) compared to \$253.7 million last year. Excluding the effects of a non-cash charge taken last year in connection with a since-terminated long term electricity supply agreement, net income and earnings per diluted share increased 12% and 25%, respectively, over the same quarter last year.

For the six months ended June 30, 2002 compared to the same period in 2001, the Company announced an 11% increase in net income (to \$67.8 million from \$61.1 million) and a 19% increase in earnings per diluted share (to \$0.99 from \$0.83) on net sales of \$508.6 million (\$513.2 million in constant dollars) compared to \$515.0 million last year. Excluding the effect of the non-cash charge taken in 2001 as noted above, net income and earnings per diluted share increased 1% and 9%, respectively, over the same period last year.

"While we are very pleased with achieving our predicted range for net sales, we take even greater pleasure in our ability to exceed the range of estimates for net income and earnings per share," said Ron Drapeau, Chairman, President and CEO. "The golf industry is in a business cycle where near-term revenue growth is challenging due to a wide range of factors, including poor economic conditions in key countries, a decline in rounds played in the U.S., and irrational pricing actions by some of our competitors. We take great satisfaction in the fact that we are running our business in ways which defend our #1 market shares in the U.S. in woods, irons and putters while increasing the dollars we bring to the bottom line. Moreover, this increase in profitability is largely a reflection of fundamental changes in the ways we run our business to manage costs while still achieving superior results. These achievements are a testament to the determination of all our employees worldwide to be the best at everything we do."

	Sales by Product and Region					
	Second Quarter - 2002			Year-to-Date - 2002		
	% Change vs. 2001			% Change vs. 2001		
	Net Sales	As	Constant+	Net Sales	As	Constant+
	(\$M)	Reported	Dollars	(\$ M)	Reported	Dollars
Woods	\$96.5	(23%)	(24%)	\$202.0	(28%)	(27%)
Irons	\$78.4	10%	9%	\$161.8	19%	20%
Golf Balls	\$23.7	13%	13%	\$46.3	42%	44%
Putters, Accessories, Other	\$53.6	51%	50%	\$98.5	45%	47%

TOTAL	\$252.2	(1%)	(1%)	\$508.6	(1%)	0%
United States	\$143.6	3%	3%	\$294.5	2%	2%
International	\$108.6	(5%)	(6%)	\$214.1	(6%)	(4%)
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TOTAL	\$252.2	(1%)	(1%)	\$508.6	(1%)	0%

+As measured by applying 2001 exchange rates to 2002 sales.

Brad Holiday, Executive Vice-President and Chief Financial Officer, stated, "Operationally, the second quarter was a solid one. Our gross margin increased to 55% from 52% last year despite this year's planned product mix shift toward stainless steel woods and irons, which generally have lower margins than titanium woods. The gross margin improvement is attributable to our continuing effort to reduce our club manufacturing costs and higher golf ball gross margins. Expense management initiatives and a required change in goodwill amortization reduced our operating expenses 6% and contributed to the second quarter operating margin improvement."

During the second quarter, the Company repurchased 1.8 million of its shares at an average cost of \$17.59 per share. The repurchases completed the \$100 million repurchase authorization announced in August 2001 and continued under an additional \$50 million repurchase authorization approved by the Board in May 2002.

In accordance with the Company's dividend practice, the next dividend will be determined by the Board of Directors at its August 2002 meeting.

BUSINESS OUTLOOK

In light of SEC Regulations, the Company elects to provide certain forward-looking information in this press release. These statements are based on current information and expectations, and actual results may differ materially. The Company undertakes no obligation to update this information. See further disclaimer below.

"We remain confident that this year we will exceed 2001 results, estimating sales of \$810-\$820 million and fully diluted earnings per share of \$1.02-\$1.07, absent any unexpected events," Mr. Holiday added. "The increased competitive environment in the golf industry and the economic uncertainty in some of our markets are challenging. However we feel confident that the products and initiatives we currently have in place or planned for the remainder of the year, along with our cost controls and strong margins, will help offset these challenges."

The Company will be holding a conference call at 2:00 p.m. PDT today, which will be hosted by Ron Drapeau, Chairman, CEO and President, and Brad Holiday, Executive Vice President and Chief Financial Officer. 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 web site 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 one hour after the conclusion of the conference call. The replay may be accessed through the Internet at www.callawaygolf.com or by telephone by calling (800) 642-1687 toll free for calls originating within the United States or (706) 645-9291 for International calls. The replay pass code is 4733663 and the replay will be available until 5:00 p.m. PDT, on Thursday, July 25, 2002.

Disclaimer: Statements used in this press release that relate to future plans, events, financial results or performance, including statements concerning future operating expenses and statements in the Business Outlook section of this press release relating to the Company's future prospects, and estimated sales and earnings, are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are based upon current information and expectations. Actual results may differ materially from those anticipated as a result of certain risks and uncertainties, including but not limited to adverse market and economic conditions, market acceptance of current and future products, including the Company's golf ball products and the Company's golf club products, adverse weather conditions and seasonality, competitive pressures, fluctuations in foreign currency exchange rates, delays, difficulties or increased costs in the manufacturing of the Company's golf club or ball products, or in the procurement of materials or resources needed to manufacture the Company's golf club or ball products (including business

interruptions or increased costs resulting from power outages or shortages), any actions taken by the USGA or other golf association that could have an adverse impact upon demand for the Company's products, and the effect of terrorist activity or armed conflict 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, see Part I, Item 2 of the Company's Annual Report on Form 10-Q for the quarter ended March 31, 2002, as well as other risks and uncertainties detailed from time to time in the Company's periodic reports on Forms 10-K, 10-Q and 8-K subsequently filed from time to time 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.

Callaway Golf Company makes and sells Big Bertha(R) Metal Woods and Irons, including Big Bertha C4(TM) Compression Cured Carbon Composite Drivers, Big Bertha ERC(R) II Forged Titanium Drivers, Big Bertha ERC Forged Titanium Fairway Woods, Big Bertha Hawk Eye(R) VFT(R) and Big Bertha Hawk Eye VFT Pro Series Titanium Drivers and Fairway Woods, Big Bertha Steelhead(TM) III Stainless Steel Drivers and Fairway Woods, Hawk Eye VFT Tungsten Injected(TM) Titanium Irons, Big Bertha Stainless Steel Irons, Steelhead X-14(R) and Steelhead X-14 Pro Series Stainless Steel Irons, and Callaway Golf Forged Wedges. Callaway Golf Company also makes and sells Odyssey(R) Putters, including White Hot(R), TriHot(R), and Dual Force(R) Putters. Callaway Golf Company makes and sells the Callaway Golf(R) HX(R) Blue and HX Red balls, the CTU 30(TM) Blue and CTU 30 Red balls, the HX 2-Piece Blue and HX 2-Piece Red balls, and the CB1(TM) Blue and CB1 Red balls. For more information about Callaway Golf Company, please visit our Web sites at www.callawaygolf.com and www.odysseygolf.com.

Callaway Golf Company								
Consolidated Condensed Statement of Operations								
(in thousands, except per share data)								
(unaudited)								
	Three Months Ended				Six Months Ended			
	June 30,		2001		June 30,		2001	
	2002		2001		2002		2001	
	-----		-----		-----		-----	
Net								
sales	\$252,182	100%	\$253,655	100%	\$508,562	100%	\$515,021	100%
Cost of								
goods								
sold	114,684	45%	121,719	48%	242,641	48%	246,177	48%
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Gross								
profit	137,498	55%	131,936	52%	265,921	52%	268,844	52%
Operating								
expenses:								
Selling	54,897	22%	54,131	21%	112,166	22%	107,377	21%
General								
and								
admin-								
istra-								
tive	14,988	6%	20,586	8%	28,408	6%	40,436	8%
Research								
and								
develop-								
ment	8,444	3%	8,444	3%	16,327	3%	17,378	3%
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Total								
operating								
expenses	78,329	31%	83,161	33%	156,901	31%	165,191	32%

Income from operations	59,169	23%	48,775	19%	109,020	21%	103,653	20%
Other income (expense), net	1,614		(3,557)		1,531		(2,627)	
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Income before income taxes	60,783	24%	45,218	18%	110,551	22%	101,026	20%
Income tax provision	23,641		18,243		42,715		39,976	
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Net income	\$37,142	15%	\$26,975	11%	\$67,836	13%	\$61,050	12%
	=====		=====		=====		=====	
Earnings per common share:								
Basic	\$0.56		\$0.38		\$1.01		\$0.86	
Diluted	\$0.55		\$0.36		\$0.99		\$0.83	
Weighted-average shares outstanding:								
Basic	66,922		71,490		67,132		70,754	
Diluted	67,910		74,777		68,264		73,619	

Callaway Golf Company
Consolidated Condensed Balance Sheet
(In thousands)

	June 30, 2002	Dec. 31, 2001
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	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 92,070	\$ 84,263
Marketable securities	--	6,422
Accounts receivable, net	174,837	48,653
Inventories, net	145,614	167,760
Deferred taxes	30,565	27,266
Other current assets	8,253	20,327
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Total current assets	451,339	354,691
Property, plant and equipment, net	131,395	133,250
Intangible assets, net	121,283	121,313
Other assets	39,126	38,348
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	\$743,143	\$647,602
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 67,068	\$ 38,261

Accrued employee compensation and benefits	30,296	25,301
Accrued warranty expense	33,791	34,864
Note payable, current portion	2,760	2,374
Income taxes payable	23,683	1,074
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Total current liabilities	157,598	101,874
Long-term liabilities	28,351	31,379
Shareholders' equity	557,194	514,349
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	\$743,143	\$647,602
	=====	=====

CONTACT:

Callaway Golf Company
Ron Drapeau / Brad Holiday / Larry Dorman
760/931-1771

URL:

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