



Second Quarter 2019 Earnings
Conference Call

August 8, 2019

Forward-looking Statements: During the presentation, any comments made about future performance, events, prospects or circumstances, including estimated 2019 net sales, gross margins, operating expenses, adjusted EBITDA, and earnings per share (including estimated tax rate and share count), future growth, expansion or profitability, creation of shareholder value, strength of the Company's brands, market share, product launches, synergies and scale opportunities, strength of diversified supply chain and operations infrastructure, future industry or market conditions, future reinvestment or capital deployment, impact of the OGIO, TravisMathew, and Jack Wolfskin acquisitions, and the estimated capital expenditures and depreciation and amortization expenses, are forward-looking statements, subject to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are often characterized by the use of words such as "estimate," "expect," "anticipate," "project," "plan," "intend," "seek," "believe," "forecast," "foresee," "likely," "may," "should," "goal," "target," "might," "will," "could," "predict," "continue" and the negative or plural of these words and other comparable terminology. Such statements reflect our best judgment as of the time made based on then current market trends and conditions. Actual results could differ materially from those projected in the forward-looking statements as a result of certain risks and uncertainties applicable to the Company and its business. For details concerning these and other risks and uncertainties, you should consult our earnings release issued on August 8, 2019, as well as Part I, Item 1A of our most recent Annual Report on Form 10-K, together with the Company's other reports subsequently filed with the SEC from time to time. 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.

Regulation G. In addition, in order to assist you with period-over-period comparisons on a consistent and comparable basis, today's presentation includes certain non-GAAP information. This information excludes non-cash purchase accounting adjustments associated with the acquisition of OGIO and TravisMathew in 2017 and Jack Wolfskin in January 2019, non-recurring transaction and transition costs associated with the Jack Wolfskin acquisition, and non-recurring advisory fees. This non-GAAP information may include non-GAAP financial measures within the meaning of Regulation G. These non-GAAP measures should not be considered 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 reconciliations of such non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP. The reconciliations are included in this presentation or in the schedules to the Company's August 8, 2019 earnings release, which is available on the Investor Relations section of the Company's website located at <http://ir.callawaygolf.com/>.



Chip Brewer
President and CEO

Company & Strategic Overview

SECOND QUARTER AND FIRST HALF RESULTS



(\$ in millions)

	Q2 2019	Q2 2018	YOY Change	YOY Change (CC)
TOTAL NET SALES	\$446.7	\$396.3	12.7%	14.6%
Golf Equipment	\$292.3	\$298.7	-2.1%	-0.5%
Apparel, Gear and Other	\$154.4	\$97.6	58.2%	60.7%
ADJUSTED EBITDA*	\$65.9	\$88.3	-25.4%	

(\$ in millions)

	1H 2019	1H 2018	YOY Change	YOY Change (CC)
TOTAL NET SALES	\$962.9	\$799.5	20.4%	23.3%
Golf Equipment	\$616.0	\$611.0	0.8%	2.6%
Apparel, Gear and Other	\$346.9	\$188.5	84.0%	90.3%
ADJUSTED EBITDA*	\$159.1	\$177.6	-10.4%	



Q2 RESULTS EXCEEDED EXPECTATIONS; INCREASED FULL YEAR GUIDANCE

* See appendix for Adjusted EBITDA reconciliation

OPERATING SEGMENT RESULTS



NET SALES (\$ in millions)	Q2 2019	Q2 2018	YOY Change	YOY Change (CC)
Golf Equipment	\$292.3	\$298.7	-2.1%	-0.5%
Golf Club	\$223.7	\$232.8	-3.9%	-2.2%
Golf Ball	\$68.6	\$65.9	4.1%	5.7%

NET SALES (\$ in millions)	1H 2019	1H 2018	YOY Change	YOY Change (CC)
Golf Equipment	\$616.0	\$611.0	0.8%	2.6%
Golf Club	\$485.5	\$490.2	-1.0%	0.8%
Golf Ball	\$130.5	\$120.8	8.0%	9.7%

- #1 Hard Goods Market Share YTD in US & Europe⁽¹⁾
- In the US year-to-date, Epic Flash Woods are the #1 selling Driver and Fairway Wood models while Apex and Rogue Irons are the #1 and #2 selling Irons, respectively
- #1 Sticks Market Share YTD in Japan
- The New #1 Driver on Major World Wide Tours
- Continue to be #1 Putter on Tour
- Record Q2 & YTD Golf Ball US Market Share⁽¹⁾



Notes:
(1) per Golf Datatech June 2019 Market Share Report

- **Growth opportunity that builds on core strengths**

- Complementary consumers (golf, outdoor, active, premium)
- Compelling synergies in sourcing, warehousing, logistics, marketing, global expansion
- Global reach of ELY platform to bring brands into new markets
- Significant benefits of scale with more than \$700M in annual revenue
- Leverage expertise in branding, marketing, design and distribution to drive continued growth and expansion
- Prioritize operational excellence

- **Delivers a clear path to shareholder value creation**

- Attractive margin profile, accretive to golf equipment margins
- Significant driver of long-term revenue and EBITDA growth
- Revenue diversity creates more stable earnings profile



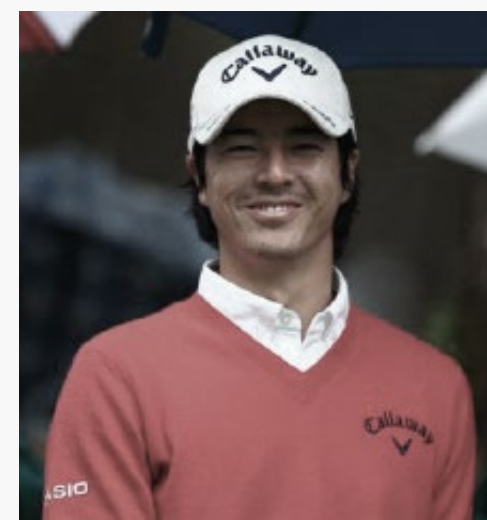
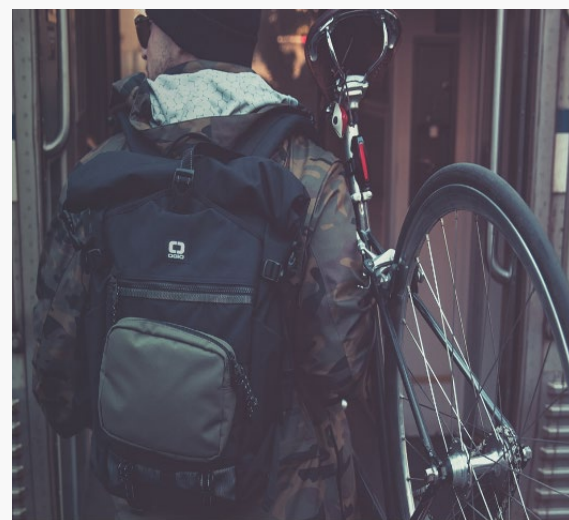
OPERATING SEGMENT RESULTS



NET SALES (\$ in millions)	Q2 2019	Q2 2018	YOY Change	YOY Change (CC)
Apparel, Gear and Other	\$154.4	\$97.6	58.2%	60.7%
Apparel	\$73.2	\$30.8	137.7%	145.0%
Gear and Other	\$81.2	\$66.8	21.6%	21.9%

NET SALES (\$ in millions)	1H 2019	1H 2018	YOY Change	YOY Change (CC)
Apparel, Gear and Other	\$346.9	\$188.5	84.0%	90.2%
Apparel	\$169.4	\$57.1	196.7%	209.9%
Gear and Other	\$177.5	\$131.4	35.1%	38.2%

- Addition of the Jack Wolfskin business in 2019 is driving significant growth
 - When compared to their prior year results, the Jack Wolfskin brand was up 14% YoY in Q2 with strong direct to consumer performance
 - Double-digit growth in Ecommerce
 - Owned retail comp door growth
- TravisMathew continues to deliver double-digit growth
- Completed the acquisition of our Callaway Apparel, Japan JV during Q2 2019



CONTINUED STRONG PERFORMANCE ACROSS OUR SOFT GOODS BRANDS



- **Chicopee Ball Plant Investment**

- In 3rd and final year of enhancing capabilities and increasing capacity

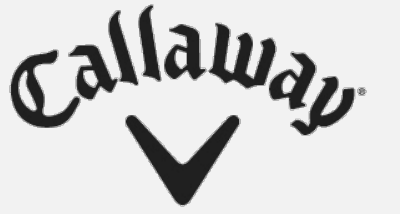
- **Distribution Center Expansions**

- New North America Superhub in Texas

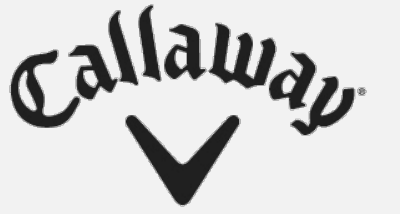
- Enhancing Hamburg, Germany facility in order to support all brands

- **IT System Upgrades**

- Enable scale and unlock Omni-channel capabilities for all brands



- **Continuing to diversify our supplier base to locations outside of China**
 - Recently announced list 4 tariffs will not have a material impact in the current year
 - Anticipate to have fully mitigated any China tariff risk by the end of 2020
- **Distribution center in Swindon, England to be certified as a bonded free trade zone**
 - Expect to have completed by the end of the year
 - Avoids any potential inter UK and Europe tariffs resulting from Brexit
- **Jack Wolfskin's Hamburg, Germany distribution center provides added flexibility in Europe**



- **Raising the midpoint of full year 2019 net sales and adjusted EBITDA guidance**
 - Net Sales guidance increased to \$1,685 million - \$1,700 million
 - Organic growth is now expected to be in the range of 7% - 9% constant currency
 - Adjusted EBITDA guidance increased to \$208 million - \$215 million
- **Raising full year 2019 earnings per share guidance**
 - Non-GAAP EPS guidance increased to \$1.03 - \$1.09
- **Focused on transforming our business to deliver growth rates that we believe will exceed that of the overall golf business**



EXPECTING RECORD FULL YEAR NET SALES AND ADJUSTED EBITDA



Brian Lynch
EVP, CFO

Second Quarter 2019
Financial Results

SECOND QUARTER 2019 FINANCIAL RESULTS



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

	Three Months Ended June 30,						
	2019				2018		
	As Reported	Non-Cash Purchase Accounting Adjustments ⁽¹⁾	Acquisition & Other Non-Recurring Costs ⁽²⁾	Non-GAAP	As Reported	Non-Cash Purchase Accounting Adjustments ⁽¹⁾	Non-GAAP
Net sales.....	\$ 446,708	\$ —	\$ —	\$ 446,708	\$ 396,311	\$ —	\$ 396,311
Gross profit.....	206,817	(5,336)	—	212,153	192,697	—	192,697
% of sales	46.3%	—	—	47.5%	48.6%	—	48.6%
Operating expenses	161,618	1,208	1,603	158,807	118,377	254	118,123
Income (loss) from operations.....	45,199	(6,544)	(1,603)	53,346	74,320	(254)	74,574
Other income (expense), net	(9,093)	—	—	(9,093)	3,861	—	3,861
Income (loss) before income taxes	36,106	(6,544)	(1,603)	44,253	78,181	(254)	78,435
Income tax provision (benefit)	7,208	(1,505)	(369)	9,082	17,247	(58)	17,305
Net income (loss)	28,898	(5,039)	(1,234)	35,171	60,934	(196)	61,130
Less: Net income (loss) attributable to non-controlling interest	(33)	—	—	(33)	67	—	67
Net income (loss) attributable to Callaway Golf Company	<u>\$ 28,931</u>	<u>\$ (5,039)</u>	<u>\$ (1,234)</u>	<u>\$ 35,204</u>	<u>\$ 60,867</u>	<u>\$ (196)</u>	<u>\$ 61,063</u>
Diluted earnings (loss) per share:	\$ 0.30	\$ (0.05)	\$ (0.02)	\$ 0.37	\$ 0.63	\$ —	\$ 0.63
Weighted-average shares outstanding:.....	95,891	95,891	95,891	95,891	96,928	96,928	96,928

⁽¹⁾ Represents non-cash expenses related to the purchase accounting associated with the acquisitions of OGIO and TravisMathew in 2017, and Jack Wolfskin in January 2019.

⁽²⁾ Represents non-recurring transaction and transition costs associated with the acquisition Jack Wolfskin, in addition to other non-recurring advisory fees.



FIRST HALF 2019 FINANCIAL RESULTS



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

Six Months Ended June 30,

	2019				2018		
	As Reported	Non-Cash Purchase Accounting Adjustments ⁽¹⁾	Acquisition & Other Non-Recurring Costs ⁽²⁾	Non-GAAP	As Reported	Non-Cash Purchase Accounting Adjustments ⁽¹⁾	Non-GAAP
Net sales	\$ 962,905	\$ —	\$ —	\$ 962,905	\$ 799,502	\$ —	\$ 799,502
Gross profit	445,250	(10,703)	—	455,953	393,159	—	393,159
% of sales	46.2%	—	—	47.4%	49.2%	—	49.2%
Operating expenses	330,415	2,416	6,326	321,673	232,855	508	232,347
Income (loss) from operations	114,835	(13,119)	(6,326)	134,280	160,304	(508)	160,812
Other expense, net.....	(20,672)	—	(3,896)	(16,776)	(2,173)	—	(2,173)
Income (loss) before income taxes.....	94,163	(13,119)	(10,222)	117,504	158,131	(508)	158,639
Income tax provision (benefit).....	16,764	(3,017)	(2,351)	22,132	34,466	(117)	34,583
Net income (loss)	77,399	(10,102)	(7,871)	95,372	123,665	(391)	124,056
Less: Net loss attributable to non-controlling interest	(179)	—	—	(179)	(57)	—	(57)
Net income (loss) attributable to Callaway Golf Company	\$ 77,578	\$ (10,102)	\$ (7,871)	\$ 95,551	\$ 123,722	\$ (391)	\$ 124,113
Diluted earnings (loss) per share:	\$ 0.81	\$ (0.10)	\$ (0.08)	\$ 0.99	\$ 1.28	\$ —	\$ 1.28
Weighted-average shares outstanding:	96,153	96,153	96,153	96,153	96,981	96,981	96,981

⁽¹⁾ Represents non-cash expenses related to the purchase accounting associated with the acquisitions of OGIO and TravisMathew in 2017, and Jack Wolfskin in January 2019.

⁽²⁾ Represents non-recurring transaction and transition costs associated with the acquisition Jack Wolfskin, in addition to other non-recurring advisory fees.



BALANCE SHEET & CASH FLOW



<i>(\$ in millions)</i>	As of end of June, 2019	As of end of June, 2018	YOY Change (%)
Available Liquidity	\$273	\$301	-9%
Net Accounts Receivables	\$264	\$242	+9%
Inventory	\$360	\$237	+52%

	6 months ending June, 2019	6 months ending June, 2018
Capital Expenditures	\$23	\$17
Depreciation & Amortization	\$17	\$10



INVENTORY INCREASE DRIVEN BY THE ADDITION OF THE JACK WOLFSKIN BUSINESS IN 2019



<i>(\$ in millions, except EPS)</i>	Current Pro Forma* Guidance Full Year 2019	Previous Pro Forma Guidance Full Year 2019	Current Pro Forma* Guidance Q3 2019	Pro Forma* Results Q3 2018
Net Sales	\$1,685 - \$1,700	\$1,670 - \$1,700	\$412 - \$422	\$263
Gross Margin	46.7%	47.0%		
Operating Expense	\$628	\$630		
EPS	\$1.03 - \$1.09	\$0.96 - \$1.06	\$0.20 - \$0.24	\$0.11
Adjusted EBITDA	\$208 - \$215	\$200 - \$215	\$48 - \$52	\$22

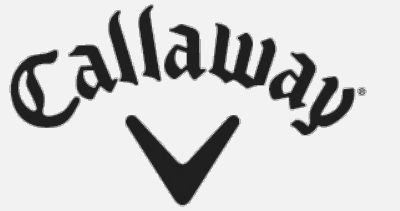


RAISING FULL YEAR EARNINGS GUIDANCE

* Refer to the appendix for a reconciliation of items excluded from Pro Forma metrics



- **Reinvest in the existing business to drive growth**
 - Building team, tools, processes and pipeline
- **Continued focus on de-levering**
 - Debt pay down is enabled by strong FCF, and ongoing effective working capital management
 - \$30M of Term Loan B related to the Jack Wolfskin acquisition paid off in July '19
- **Return capital to shareholders through buybacks and dividends**
 - \$17 million worth of shares repurchased in 2017
 - \$22 million worth of shares repurchased in 2018
 - \$27 million worth of shares repurchased in 2019
 - Annual dividend payment of \$0.04 per common share
- **Selectively evaluate opportunities in soft goods and golf equipment businesses**
 - Access to attractive consumer segments or category adjacencies
 - Clear synergies with existing portfolio
 - Accretive to earnings in the near-to medium-term



APPENDIX

REGION RESULTS



NET SALES (\$ in millions)	Q2 2019	Q2 2018	YOY Change	YOY Change (CC)
United States	\$247.4	\$233.4	6.0%	6.0%
Europe	\$81.6	\$46.3	76.2%	86.8%
Japan	\$55.7	\$59.7	-6.7%	-5.9%
Rest of World	\$62.0	\$56.9	8.8%	15.4%

NET SALES (\$ in millions)	1H 2019	1H 2018	YOY Change	YOY Change (CC)
United States	\$496.4	\$468.5	6.0%	6.0%
Europe	\$208.2	\$97.5	113.5%	129.1%
Japan	\$128.9	\$128.9	0.0%	1.3%
Rest of World	\$129.3	\$104.5	23.7%	30.8%



ALL REGIONS EXCEEDING EXPECTATIONS IN THE QUARTER

EBITDA RECONCILIATION



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

	2019 Trailing Twelve Month Adjusted EBITDA					2018 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended					Quarter Ended				
	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	Total	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	Total
Net income (loss)	\$ 9,517	\$ (28,499)	\$ 48,647	\$ 28,931	\$ 58,596	\$ 3,060	\$ (19,386)	\$ 62,855	\$ 60,867	\$ 107,396
Interest expense, net	1,056	704	9,639	10,260	21,659	642	2,004	1,528	1,661	5,835
Income tax provision (benefit)	1,335	(9,783)	9,556	7,208	8,316	1,486	(4,354)	17,219	17,247	31,598
Depreciation and amortization expense	4,996	5,186	7,977	9,022	27,181	4,309	4,799	4,737	5,029	18,874
Non-cash stock compensation expense	3,511	3,555	3,435	3,530	14,031	4,181	3,064	2,999	3,465	13,709
Adjusted EBITDA	\$ 20,415	\$ (28,837)	\$ 79,254	\$ 58,951	\$ 129,783	\$ 13,678	\$ (13,873)	\$ 89,338	\$ 88,269	\$ 177,412
Acquisitions & other non-recurring costs, before taxes	1,521	(2,269)	13,986	6,939	20,177	3,377	1,677	—	—	5,054
Adjusted EBITDA	\$ 21,936	\$ (31,106)	\$ 93,240	\$ 65,890	\$ 149,960	\$ 17,055	\$ (12,196)	\$ 89,338	\$ 88,269	\$ 182,466

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

	Diluted Loss Per Share		Diluted Earnings/(Loss) per Share	
	Third Quarter 2019	Full Year 2019	Third Quarter 2018	Full Year 2018
Amortization of purchase accounting items⁽¹⁾				
TravisMathew/OGIO	\$ —	\$ (0.01)	\$ —	\$ (0.01)
Jack Wolfskin	(0.01)	(0.12)	—	—
	\$ (0.01)	\$ (0.13)	\$ —	\$ (0.01)
Acquisition and Other Non-Recurring Costs⁽²⁾				
Acquisition/Other	\$ (0.02)	\$ (0.09)	\$ (0.01)	\$ (0.03)
Purchase price hedge (gain)/loss	—	(0.03)	—	0.04
	\$ (0.02)	\$ (0.12)	\$ (0.01)	\$ 0.01
Total	\$ (0.03)	\$ (0.25)	\$ (0.01)	\$ —

⁽¹⁾ 2018 and 2019 includes the amortization of intangible assets in connection with the Ogio and TravisMathew acquisitions completed in January and August 2017, respectively. 2019 also includes the amortization of intangible assets and inventory step-up in connection with the Jack Wolfskin acquisition completed in January 2019.

⁽²⁾ Represents non-recurring transaction and transition costs associated with the acquisition Jack Wolfskin, in addition to other non-recurring advisory fees.

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

Amounts excluded from Adjusted EBITDA	Third Quarter 2019	Full Year 2019	Third Quarter 2018	Full Year 2018
Amortization of purchase accounting items⁽¹⁾				
TravisMathew/OGIO	\$ 0.3	\$ 1.0	\$ 0.3	\$ 1.0
Jack Wolfskin	1.3	15.0	—	—
	<u>\$ 1.6</u>	<u>\$ 16.0</u>	<u>\$ 0.3</u>	<u>\$ 1.0</u>
Acquisition and Other Non-Recurring Costs⁽²⁾				
Acquisition/Other	\$ 2.8	\$ 11.8	\$ 1.5	\$ 3.7
Purchase price hedge (gain)/loss	—	3.2	—	(4.4)
	<u>\$ 2.8</u>	<u>\$ 15.0</u>	<u>\$ 1.5</u>	<u>\$ (0.7)</u>
Total	<u><u>\$ 4.4</u></u>	<u><u>\$ 31.0</u></u>	<u><u>\$ 1.8</u></u>	<u><u>\$ 0.3</u></u>

⁽¹⁾ 2018 and 2019 includes the amortization of intangible assets in connection with the Ogio and TravisMathew acquisitions completed in January and August 2017, respectively. 2019 also includes the amortization of intangible assets and inventory step-up in connection with the Jack Wolfskin acquisition completed in January 2019.

⁽²⁾ Represents non-recurring transaction and transition costs associated with the acquisition Jack Wolfskin, in addition to other non-recurring advisory fees.