Second Quarter 2018 Earnings Conference Call

August 2, 2018

Important Notices

Forward-looking Statements: During the presentation, any comments made about future performance, events, prospects or circumstances, including estimated 2018 net sales, gross margins, operating expenses, and earnings per share (including estimated tax rate and share count), future growth or profitability, the creation of shareholder value, future industry or market conditions, future reinvestment or capital deployment, the impact of the OGIO and TravisMathew 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 2, 2018, as well as Part I, Item 1A of our most recent 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, as applicable, excludes the non-recurring OGIO and TravisMathew deal-related expenses. The Company also provides certain information excluding interest, taxes, depreciation and amortization expenses, the non-recurring impacts of the 2017 Tax Cuts and Jobs Act and other non-recurring tax adjustments, and the second quarter 2016 gain from the sale of a small portion of the Company's Topgolf investment. 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 Company has provided a reconciliation 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 2, 2018 earnings release, which is available on the Investor Relations section of the Company's website located at http://ir.callawaygolf.com/.

Company & Strategy Overview

Chip Brewer

President and CEO

Q2 2018 Key ELY Takeaways

Record second quarter and first half of the year for our company

- Strong operational performance and continued brand momentum
- Favorable market conditions continued
- Revenues were up 30% for both the quarter and YTD and first half fully diluted EPS doubled

Our new products, Rogue line of woods and irons and the new Chrome Soft golf balls with Graphene are resonating on a global basis, while our putter business is gaining strength through the year and our **new businesses** (TravisMathew, OGIO and the Japan Apparel JV) continue to **perform at or above expectations**

Continue to make select investments back into the business including R&D, Golf Ball Operations, Tour, Sales and Marketing

Investments in Core and New Businesses continue to pay off

U.S. Q2 2018 Financial Highlights

Net Sales

- Net sales up 38.7% in Q2 and up 35.2% for the first half, with double digit growth in the core business as well as the addition of the Travis Mathew business

Market Share (1H 2018)

- Hard goods market share was 25.6%, down 80 bps year-over-year
- #1 dollar market share in Total Hard Goods, Total Clubs, Total Woods, Total Irons and Total Putters
- #2 golf ball brand with 16.3% market share, up 290 bps year-over-year

Improved Market Conditions

- Hard goods spend increased 10.5% for the first half
- Market growth driven by both club and ball sales
- Callaway field inventories remain healthy

Overall Market has continued to outperform expectations

Market Share Source: Golf Datatech

Asia Q2 2018 Financial Highlights

Net Sales

- Strong Q2 led by Japan with net sales up 22.2% on a currency neutral basis and up 31.9% YTD.
- Increases driven by continued brand strength and strong market conditions
- Strong start to the year in Korea with net sales up 30% YTD on a currency neutral basis

Japan Market Share

- Hard goods: 19.4% in Q2, down 40 bps year-over-year, while YTD share was 18.1%, down 230 bps
- #2 hard goods brand in the market driven by strength across the entire product line
- Particularly strong performance in the irons category with Epic Star and now Rogue Star irons

On track for a Great Year in Asia, but front loaded

Market Share Source: GfK

Europe Q2 2018 Financial Highlights

Net Sales

- Net sales in Q2 were up 8% and up 1.7% on a constant currency basis
- Market conditions improved during Q2, leaving the UK up 3.8% YTD and Pan Europe down 1.3% YTD

Market Share (May YTD)

- #1 in Total Hard Goods with roughly 23% dollar share, down year-over-year but in line with expectations and trending positively

Momentum continues in Europe despite slow start to season

Market Share Source: Golf Datatech

2018 Summary and Outlook

<u>Raising FY Guidance for 2018</u> based on our strong start to the year and market conditions that have exceeded our expectations

- Revenue guidance up $40mm at the midpoint and EPS up $0.18
- Forecast reflects an assumed low to mid single digit market growth for the balance of the year
- The full year forecast is front-half loaded versus last year reflecting more product launches in the first half and significantly less in the second half versus a year ago, as well as our expectations for competitive launch activity and our desire to manage field inventory levels appropriately

<u>Excited about the start to the year</u> and are cautiously optimistic this will be a positive year for us and the industry

- Callaway is clearly now a product and technology leader with momentum in both our core and new businesses
- Improving industry fundamentals
- With investments in the core business, in strategic acquisitions, in Topgolf and in selectively repurchasing shares we believe we can deliver attractive growth and returns for our shareholders

2018 is Shaping up to be a Positive Year for ELY and the industry

Second Quarter 2018 Financial Results

Brian Lynch

SVP, CFO and General Counsel

CFO Summary

<u>Pleased with our 2018 first half performance</u> driven by our new product introductions and new businesses meeting and/or exceeding expectations

- Record first half revenue and profitability

<u>Factors to keep in mind:</u>

- TravisMathew acquisition occurred in August of 2017, so that business was not included in our Q2 2017 results
- When discussing 2017 non-GAAP results we exclude non-recurring deal related expenses from the OGIO and TravisMathew acquisitions, as well as additional tax expense related to the 2017 Tax Cuts and Jobs Act and other non-recurring tax adjustments that impact the full year

<u>Taking up our Full Year Guidance</u> based on our 1H performance, momentum of the business and improved market conditions

A Strong First Half of the Year for Callaway

Q2 2018 Financial Performance

Source: Tables to the August 2, 2018 Earnings Press Release

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

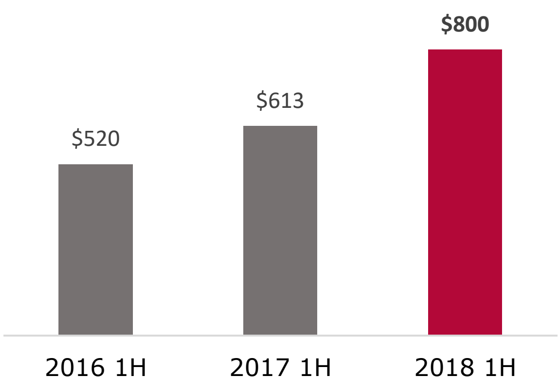
	Three Months Ended June 30,			
	2018	2017		
	As Reported	As Reported	Acquisition Costs[1]	Non-GAAP
Net sales	$ 396,311	$ 304,548	$ —	$ 304,548
Gross profit	192,697	148,165	—	148,165
% of sales	48.6%	48.7%	—	48.7%
Operating expenses	118,377	99,120	2,254	96,866
Income (loss) from operations	74,320	49,045	(2,254)	51,299
Other income (expense), net	3,861	(1,521)	—	(1,521)
Income (loss) before income taxes	78,181	47,524	(2,254)	49,778
Income tax provision (benefit)	17,247	16,050	(761)	16,811
Net income (loss)	60,934	31,474	(1,493)	32,967
Less: Net income attributable to non-controlling interest	67	31	—	31
Net income (loss) attributable to Callaway Golf Company	$ 60,867	$ 31,443	$ (1,493)	$ 32,936
Diluted earnings (loss) per share:	$ 0.63	$ 0.33	$ (0.01)	$ 0.34
Weighted-average shares outstanding:	96,928	96,197	96,197	96,197

[1] Represents non-recurring costs associated with the acquisition of Ogio International, Inc in January 2017.

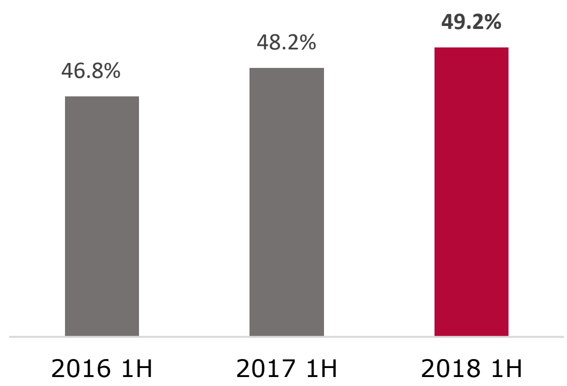
Record Q2 Net Sales and EPS

2018 First Half Performance Comparison

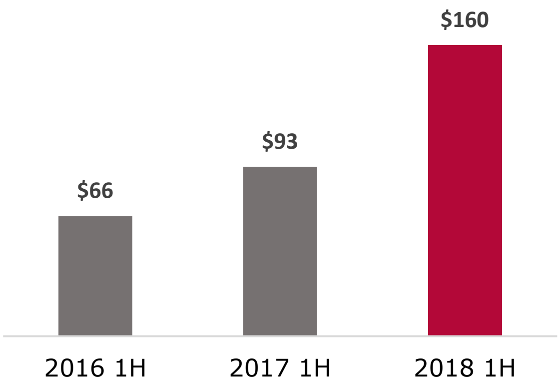
Net Sales (M)



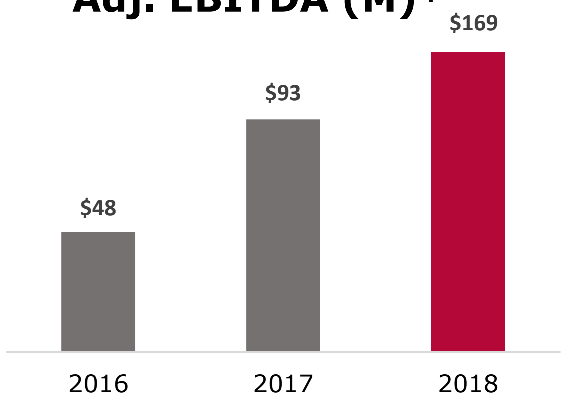
Gross Margin



Income from Operations (M)



Trailing 12 Months Adj. EBITDA (M)*



Key Points

- Net Sales up 30% driven by core business and addition of TravisMathew business
- Gross Margins up 100 bps versus last year
- Income from operations is up 72% year-over-year to $160 million
- Trailing 12 months adjusted EBITDA is up 82% to $169 million

Record 1H performance from a Net Sales and EPS perspective

* Adjusted EBITDA excludes non-recurring OGIO and TravisMathew expenses in 2017 and the Topgolf gain in 2016. Refer to the appendix for a reconciliation of this non-GAAP measure to its most directly comparable GAAP measure.

Balance Sheet and Cash Flow

(in millions, except percentages)	As of Jun 30, 2018	As of Jun 30, 2017	Percentage Change
Cash & Equivalents	$58	$62	-7%
Asset-based Loans	$96	$6	+1,443%
Available Liquidity[1]	$301	$247	+22%
Net Accounts Receivable	$242	$225	+8%
Inventory	$237	$172	+38%

	3 months ended Jun 30, 2018	3 months ended Jun 30, 2017
Cap Ex	$9	$6
D&A	$5	$4

	6 months ended Jun 30, 2018	6 months ended Jun 30, 2017
Share Repurchase	$22	$16

Continuing to Build Liquidity and Redeploy Capital to Drive Shareholder Value

1) Available liquidity includes cash on hand, total capacity less outstanding balances under the ABL facilities and letters of credit.

2018 Full Year & Q3 Guidance (As of August 2, 2018)

(in millions, except Gross Margin and EPS)

	2018 FY GAAP Projections	2018 FY GAAP Previous Projections	2017 FY Non-GAAP Results[1]	2018 Q3 GAAP Projections	2017 Q3 Non-GAAP Results[1]
Net Sales	\$1,210-\$1,225	\$1,170-\$1,185	\$1,049	\$243-\$253	\$244
Gross Margin	46.8%	47.0%	46.0%		
Operating Expenses	\$445	\$444	\$393		
EPS	\$0.95-\$1.00	\$0.77-\$0.82	\$0.53	(\$0.03)-\$0.01	\$0.05
Shares O/S	97.0	97.0	96.6	97.0	96.9

FY Net Sales projected to increase 15%-17% over 2017 and \$40M higher than previous guidance

1) Refer to the appendix for a reconciliation of these non-GAAP measures to their most directly comparable GAAP measures.

Questions

Thank You

Time for Q&A

Appendix

Adjusted EBITDA Reconciliations

Source: Tables to the August 2, 2018 Earnings Press Release and the August 3, 2017 Earnings Press Release

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

	2018 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended				
	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	Total
Net income (loss)	$ 3,060	$ (19,386)	$ 62,855	$ 60,867	$ 107,396
Interest expense, net	642	2,004	1,528	1,661	5,835
Income tax provision (benefit)	1,486	(4,354)	17,219	17,247	31,598
Depreciation and amortization expense	4,309	4,799	4,737	5,029	18,874
EBITDA	$ 9,497	$ (16,937)	$ 86,339	$ 84,804	$ 163,703
Ogio & TravisMathew acquisition costs	3,377	1,677	—	—	5,054
Adjusted EBITDA	$ 12,874	$ (15,260)	$ 86,339	$ 84,804	$ 168,757

	2017 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended				
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	Total
Net income (loss)	$ (5,866)	$ 123,271	$ 25,689	$ 31,443	$ 174,537
Interest expense, net	431	348	715	550	2,044
Income tax provision (benefit)	1,294	(137,193)	13,206	16,050	(106,643)
Depreciation and amortization expense	4,204	4,045	4,319	4,178	16,746
EBITDA	$ 63	$ (9,529)	$ 43,929	$ 52,221	$ 86,684
Ogio & TravisMathew acquisition costs	—	—	3,956	2,254	6,210
Adjusted EBITDA	$ 63	$ (9,529)	$ 47,885	$ 54,475	$ 92,894

	2016 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended				
	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	Total
Net income (loss)	$ (3,617)	$ (30,452)	$ 38,390	$ 34,105	$ 38,426
Interest expense, net	3,520	868	621	347	5,356
Income tax provision	1,547	493	1,401	1,937	5,378
Depreciation and amortization expense	4,193	4,029	4,157	4,180	16,559
EBITDA	$ 5,643	$ (25,062)	$ 44,569	$ 40,569	$ 65,719
Gain on sale of Topgolf investments	—	—	—	17,662	17,662
Adjusted EBITDA	$ 5,643	$ (25,062)	$ 44,569	$ 22,907	$ 48,057

2017 Q3 & FY P&L Reconciliations

Source: Tables to the August 3, 2017 Earnings Press Release and February 7, 2018 Earnings Press Release

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

	Three Months Ended September 30, 2017		
	Total As Reported	Acquisition Costs[1]	Non-GAAP
Net sales	$ 243,604	$ —	$ 243,604
Gross profit	104,902	(798)	105,700
% of sales	43.1%	—	43.4%
Operating expenses	98,865	2,579	96,286
Income (loss) from operations	6,037	(3,377)	9,414
Other expense, net	(1,462)	—	(1,462)
Income (loss) before income taxes	4,575	(3,377)	7,952
Income tax provision (benefit)	1,486	(1,134)	2,620
Net income (loss)	3,089	(2,243)	5,332
Less: Net income attributable to non-controlling interest	29	—	29
Net income (loss) attributable to Callaway Golf Company	$ 3,060	$ (2,243)	$ 5,303
Diluted earnings (loss) per share:	$ 0.03	$ (0.02)	$ 0.05
Weighted-average shares outstanding:	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.

	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.