



Third Quarter 2020 Earnings  
Conference Call  
November 9, 2020

# IMPORTANT NOTICES



Additional Information and Where You Can Find It: The Company will file with the SEC a registration statement on Form S-4, which will include the proxy statement of the Company that also constitutes a prospectus of the Company and a consent solicitation statement of Topgolf International, Inc. (the “proxy statement/prospectus/consent solicitation”). **INVESTORS AND STOCKHOLDERS ARE URGED TO CAREFULLY READ THE PROXY STATEMENT/PROSPECTUS/ CONSENT SOLICITATION, AND OTHER RELEVANT DOCUMENTS TO BE FILED WITH THE SEC, IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE COMPANY, TOPGOLF, THE PROPOSED TRANSACTION AND RELATED MATTERS.** Investors and stockholders will be able to obtain free copies of the proxy statement/prospectus/consent solicitation and other documents filed with the SEC by the parties through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). In addition, investors and stockholders will be able to obtain free copies of the proxy statement/prospectus/consent solicitation and other documents filed with the SEC on the Company’s website at <https://www.callawaygolf.com> (for documents filed with the SEC by the Company).

No Offer or Solicitation: This communication is for information purposes only and is not intended to and does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy or an invitation to purchase or subscribe for any securities or the solicitation of any vote in any jurisdiction pursuant to the proposed transaction or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Participants in the Solicitation: The Company, Topgolf, and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of the Company in connection with the proposed transaction. Information regarding the persons who are, under the rules of the SEC, participants in the solicitation of the stockholders of the Company and Topgolf, respectively, in connection with the proposed transaction, including a description of their direct or indirect interests, by security holdings or otherwise, will be set forth in the proxy statement/prospectus/consent solicitation when it is filed with the SEC. Information regarding the Company’s directors and executive officers is contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 and its Revised Definitive Proxy Statement on Schedule 14A, dated March 27, 2020, which are filed with the SEC and can be obtained free of charge from the sources indicated above.



# IMPORTANT NOTICES



Forward-looking Statements: During the presentation, any comments made about future performance, events, prospects, circumstances or growth, including the Company's financial position and strength, future industry and market conditions, impact of the COVID-19 pandemic on the Company's business, results of operations and financial condition and the impact of any measures taken to mitigate the effect of the pandemic, long term benefits from increased participation in golf, continued investments in innovation, digital competencies and strategic growth initiatives, ability to benefit from the Company's global scale, leadership position in golf and the brands' diversity and growth potential, the Company's efforts to effectively manage its cost/expense reduction, growth in the soft goods business and ability to deliver operating leverage and enhanced profitability, capital allocation and liquidity, performance of the e-commerce business, new product launches, the Company's continued ability to improve and recover from the impact of the COVID-19 pandemic, the projected capital expenditures, depreciation and amortization and one-time expense and the benefits of the business combination transaction involving the Company and Topgolf, including the anticipated operations, financial position, liquidity, performance, prospects or growth and scale opportunities of the Company, Topgolf or the combined company, the strategies, prospects, plans, expectations or objectives of management of the Company or Topgolf for future operations of the combined company, any statements regarding the approval and closing of the merger, including the need for stockholder approval and the satisfaction of closing conditions, and statements of belief and any statement of assumptions underlying any of the foregoing 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 the Company's 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 the Company's earnings release issued on November 9, 2020, as well as Part I, Item 1A of the Company's 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 certain non-cash amortization of intangibles and other assets related to the Company's acquisitions, non-recurring transaction and transition costs related to acquisitions, and other non-recurring costs, including costs related to the transition to the Company's new North American Distribution Center, implementation of a new IT system for Jack Wolfskin, severance costs related to the Company's cost-reduction initiatives, the \$174 million non-cash impairment charge related to the Jack Wolfskin goodwill and trade name, as well as non-cash amortization of the debt discount related to the Company's convertible notes. 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 with 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 November 9, 2020 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



- Q3 2020 results exceeded expectations and strengthened our confidence in the future
- Record quarter for the industry and our company
- We are pleased with our results in virtually all markets and business segments

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With the recently announced plans to merge with Topgolf, the Company anticipates further questions on that subject. As to the degree possible, the Company will certainly answer these questions but due to time constraints, the primary focus of this call is intended to be the Callaway Golf business.

To aide analysts, and by extension investors, in further understanding the Topgolf business and merits of the merger, the Company is holding a virtual conference for analysts and shareholders this Thursday, November 12<sup>th</sup>, at 11:00 a.m. Pacific time. This presentation will include certain key members of the Topgolf management team and will be recorded and posted on the Company IR website at <http://ir.callawaygolf.com/>.



# OVERVIEW OF GOLF EQUIPMENT SEGMENT



- Golf equipment segment is experiencing unprecedented demand globally as interest and participation in the sport have surged
  - US retail sales of golf equipment were up 42% during Q3 2020, the highest Q3 on record<sup>1</sup>
  - US rounds played up 25% YoY in September and are now showing growth full year despite shutdowns<sup>2</sup>
  - Believe there will be a long-term benefit from increased participation
  - Golf retail, outside of resort locations, remains strong and has been resilient to upticks in COVID cases
- Callaway's global market share remained strong during the quarter
- #1 club brand in overall brand rating and leader in Innovation and Technology<sup>1</sup>
- Receiving positive feedback on 2021 product range from key customers



SURGE IN DEMAND LEADS TO RECORD THIRD QUARTER

# OVERVIEW OF APPAREL, GEAR AND OTHER SEGMENT



- Segment experienced a rapid recovery with total revenue only down 3.4% YoY
- TravisMathew and Callaway branded businesses experienced significant YoY revenue growth
- Jack Wolfskin down only -16% YoY with improved trends continuing into October
- E-commerce revenue, strengthened by recent investments, increased 108% YoY for apparel brands
- Longer term, expect the Apparel, Gear and Other segment to grow faster than our overall business, deliver operating leverage, and enhance profitability



WELL POSITIONED FOR BOTH THE MONTHS AND YEARS AHEAD

- Continue to make progress on key initiatives, including consolidating into the new 800,000 sq. ft “Superhub” distribution center outside Fort Worth, TX
- Strong financial position that will allow for continued investment in innovation, digital competencies and strategic growth initiatives
- While we could see volatility over the coming months with resurgence of COVID-19, we are well positioned and can mitigate some of the impact
  - November and December are low impact months for golf equipment and we currently expect to benefit from increased YoY demand
  - Strong e-commerce capabilities in soft goods and apparel should offset some portion of negative impacts where in-store shopping is constrained
- Business segments are well positioned for consumer needs and trends both during pandemic and afterward







**Brian Lynch**  
*EVP, CFO*

# Third Quarter 2020 Financial Results

# THIRD QUARTER 2020 FINANCIAL RESULTS



*(\$ in millions, except EPS)*

	Non-GAAP Q3 2020	Non-GAAP Q3 2019	YOY Change	YOY Change (CC)
<b>Net Sales</b>	<b>\$476</b>	<b>\$426</b>	<b>12%</b>	<b>10%</b>
Gross Profit	\$203	\$191	\$12	
Gross Margin	42.7%	44.9%	(220) bps	
Operating Expenses	\$135	\$147	(\$12)	
Other Income / (Expense)	(\$3)	(\$7)	\$4	
Pre-Tax Income	\$65	\$37	\$28	
Fully Diluted EPS	\$0.60	\$0.36	\$0.24	
<b>ADJUSTED EBITDAS*</b>	<b>\$87</b>	<b>\$57</b>	<b>\$30</b>	



\* See appendix for EBITDAS reconciliation

# Q3 YTD 2020 FINANCIAL RESULTS



<i>(\$ in millions, except EPS)</i>	Non-GAAP Q3 YTD 2020	Non-GAAP Q3 YTD 2019	YOY Change	YOY Change (CC)
<b>Net Sales</b>	<b>\$1,215</b>	<b>\$1,389</b>	<b>-13%</b>	<b>-13%</b>
Gross Profit	\$525	\$647	(\$122)	
Gross Margin	43.3%	46.6%	(330) bps	
Operating Expenses	\$410	\$468	(\$58)	
Other Income / (Expense)	(\$3)	(\$24)	\$21	
Pre-Tax Income	\$113	\$155	(\$42)	
Fully Diluted EPS	\$0.98	\$1.35	(\$0.37)	
<b>ADJUSTED EBITDAS*</b>	<b>\$175</b>	<b>\$216</b>	<b>(\$41)</b>	



\* See appendix for EBITDAS reconciliation



# BALANCE SHEET & CASH FLOW



<i>(\$ in millions)</i>	As of end of Sep 2020	As of end of Sep, 2019	YOY Change (%)
Available Liquidity	\$637	\$340	87%
Net Accounts Receivables	\$240	\$223	7%
Inventory	\$325	\$340	-5%

<i>(\$ in millions)</i>	9 months ending Sep, 2020	9 months ending Sep, 2019
Capital Expenditures	\$31	\$37
Depreciation & Amortization	\$29	\$25



- Due to the uncertainty surrounding COVID-19, we are no longer providing sales and earnings guidance at this time
- Although we expect some level of continued volatility due to the ongoing pandemic, Q3's trends have continued into Q4
- All of our business segments, as well as the Topgolf business, support and outdoor, active and healthy way of life that is compatible with a world of social distancing



# APPENDIX



# THIRD QUARTER 2020 RESULTS



(\$ in millions)

	Q3 2020	Q3 2019	YOY Change	YOY Change (CC)
<b>TOTAL NET SALES</b>	<b>\$476</b>	<b>\$426</b>	<b>12%</b>	<b>10%</b>
Golf Equipment	\$267	\$210	27%	26%
Apparel, Gear and Other	\$209	\$216	-3%	-6%
<b>ADJUSTED EBITDAS*</b>	<b>\$87</b>	<b>\$57</b>	<b>53%</b>	



**SURGE IN GOLF DEMAND LED TO RECORD THIRD QUARTER**

\* See appendix for EBITDAS reconciliation

# OPERATING SEGMENT RESULTS



## NET SALES

(\$ in millions)

	Q3 2020	Q3 2019	YOY Change	YOY Change (CC)
<b>Golf Equipment</b>	\$267	\$210	27%	26%
Golf Club	\$209	\$168	25%	24%
Golf Ball	\$58	\$42	36%	35%

## NET SALES

(\$ in millions)

	Q3 2020	Q3 2019	YOY Change	YOY Change (CC)
<b>Apparel, Gear &amp; Other</b>	\$209	\$216	-3%	-6%
Apparel	\$126	\$140	-10%	-13%
Gear & Other	\$83	\$76	9%	7%



# REGION RESULTS



<b>NET SALES</b> (\$ in millions)	Q3 2020	Q3 2019	YOY Change	YOY Change (CC)
United States	\$215	\$162	33%	33%
Europe	\$135	\$133	1%	-4%
Japan	\$56	\$64	-12%	-13%
Rest of World	\$70	\$67	4%	3%



GOLF DEMAND PROPELLED RECORD THIRD QUARTER



# Q3 2020 YTD RESULTS



(\$ in millions)

	Q3 YTD 2020	Q3 YTD 2019	YOY Change	YOY Change (CC)
<b>TOTAL NET SALES</b>	<b>\$1,215</b>	<b>\$1,389</b>	<b>-13%</b>	<b>-13%</b>
Golf Equipment	\$769	\$826	-7%	-7%
Apparel, Gear and Other	\$446	\$563	-21%	-21%
<b>ADJUSTED EBITDAS*</b>	<b>\$175</b>	<b>\$216</b>	<b>-19%</b>	



FIRST NINE MONTHS RESULTS NEGATIVELY IMPACTED BY COVID-19

\* See appendix for EBITDAS reconciliation

# OPERATING SEGMENT RESULTS



### NET SALES

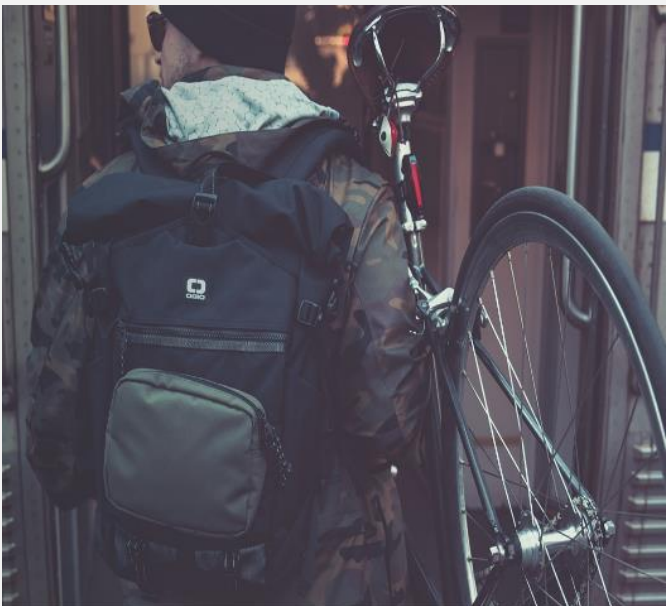
(\$ in millions)

	Q3 YTD 2020	Q3 YTD 2019	YOY Change	YOY Change (CC)
<b>Golf Equipment</b>	\$769	\$826	-7%	-7%
Golf Club	\$617	\$653	-6%	-6%
Golf Ball	\$152	\$173	-12%	-12%

### NET SALES

(\$ in millions)

	Q3 YTD 2020	Q3 YTD 2019	YOY Change	YOY Change (CC)
<b>Apparel, Gear &amp; Other</b>	\$446	\$563	-21%	-21%
Apparel	\$239	\$310	-23%	-23%
Gear & Other	\$207	\$253	-18%	-19%



# REGION RESULTS



<b>NET SALES</b> (\$ in millions)	Q3 YTD 2020	Q3 YTD 2019	YOY Change	YOY Change (CC)
United States	\$604	\$658	-8%	-8%
Europe	\$281	\$342	-18%	-19%
Japan	\$159	\$193	-18%	-19%
Rest of World	\$171	\$196	-13%	-11%



FIRST NINE MONTHS RESULTS AROUND THE GLOBE NEGATIVELY IMPACTED BY COVID-19



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

Three Months Ended September 30,

	2020					2019				
	GAAP	Non-Cash Intangible Amortization <sup>(1)</sup>	Non-Cash Amortization of Discount on Convertible Notes <sup>(2)</sup>	Other Non-Recurring Charges <sup>(3)</sup>	Non-GAAP	GAAP	Non-Cash Intangible Amortization <sup>(1)</sup>	Acquisition and Other Non-Recurring Expenses <sup>(4)</sup>	Non-GAAP	
Gross profit .....	\$ 200,733	\$ —	\$ —	\$ (2,366)	\$ 203,099	\$ 191,389	\$ —	\$ —	\$ 191,389	
Operating expenses, net .....	137,224	1,235	—	1,178	134,811	150,900	1,208	3,009	146,683	
Income (loss) from operations .....	63,509	(1,235)	—	(3,544)	68,288	40,489	(1,208)	(3,009)	44,706	
Other expense, net .....	(5,717)	—	(2,415)	—	(3,302)	(7,313)	—	—	(7,313)	
Income tax provision (benefit) .....	5,360	(284)	(555)	(815)	7,014	2,128	(278)	(692)	3,098	
Net income (loss) attributable to Callaway Golf Company .....	\$ 52,432	\$ (951)	\$ (1,860)	\$ (2,729)	\$ 57,972	\$ 31,048	\$ (930)	\$ (2,317)	\$ 34,295	
Diluted earnings (loss) per share: .....	\$ 0.54	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ 0.60	\$ 0.32	\$ (0.01)	\$ (0.03)	\$ 0.36	

<sup>(1)</sup> Represents amortization expense of intangible assets from the acquisitions of OGIO, TravisMathew and Jack Wolfskin.

<sup>(2)</sup> Represents the non-cash amortization of the debt discount on the convertible notes issued in May 2020.

<sup>(3)</sup> Represents non-recurring costs associated with the Company's transition to its new North America Distribution Center, implementation of new IT systems for Jack Wolfskin, and \$0.7 million of severance related to the Company's cost reduction initiatives.

<sup>(4)</sup> Represents certain non-recurring costs, including consulting, professional fees and other costs associated with the acquisition of Jack Wolfskin.



# GAAP RECONCILIATION



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

Nine Months Ended September 30,

	2020					2019				
	GAAP	Non-Cash Intangible Amortization and Impairment Charges <sup>(1)</sup>	Non-Cash Amortization of Discount on Convertible Notes <sup>(2)</sup>	Other Non-Recurring Charges <sup>(3)</sup>	Non-GAAP <sup>(4)</sup>	GAAP	Non-Cash Intangible Amortization, and Other <sup>(1)</sup>	Acquisition and Other Non-Recurring Expenses <sup>(5)</sup>	Non-GAAP	
Gross profit .....	\$ 518,462	\$ —	\$ —	\$ (6,988)	\$ 525,450	\$ 636,639	\$ (10,703)	\$ —	\$ 647,342	
Operating expenses .....	591,722	177,861	—	3,994	409,867	481,315	3,624	9,335	468,356	
Income (loss) from operations .....	(73,260)	(177,861)	—	(10,982)	115,583	155,324	(14,327)	(9,335)	178,986	
Other expense, net .....	(6,518)	—	(3,914)	—	(2,604)	(27,985)	—	(3,896)	(24,089)	
Income tax provision (benefit) .....	6,580	(8,750)	(900)	(2,526)	18,756	18,892	(3,295)	(3,043)	25,230	
Net income (loss) attributable to Callaway Golf Company .....	\$ (86,358)	\$ (169,111)	\$ (3,014)	\$ (8,456)	\$ 94,223	\$ 108,626	\$ (11,032)	\$ (10,188)	\$ 129,846	
Diluted earnings (loss) per share: .....	\$ (0.92)	\$ (1.80)	\$ (0.03)	\$ (0.09)	\$ 0.98	\$ 1.13	\$ (0.11)	\$ (0.11)	\$ 1.35	

<sup>(1)</sup> Represents amortization expense of intangible assets from the acquisitions of OGIO, TravisMathew and Jack Wolfskin. In addition, 2020 includes an impairment charge of \$174.3 million related to Jack Wolfskin, and 2019 includes the amortization of the inventory step-up recorded in connection with the Jack Wolfskin acquisition.

<sup>(2)</sup> Represents the non-cash amortization of the debt discount on the convertible notes issued in May 2020.

<sup>(3)</sup> Represents certain non-recurring costs, including costs associated with the Company's transition to its new North America Distribution Center and the implementation of new IT systems for Jack Wolfskin, as well as \$4.8 million of severance related to the Company's cost reduction initiatives.

<sup>(4)</sup> Total earnings per share on a non-GAAP basis for the nine months ended September 30, 2020 was calculated using diluted weighted average shares outstanding of 96,055, as earnings on a non-GAAP basis resulted in net income after giving effect to one-time charges.

<sup>(5)</sup> Represents certain non-recurring costs, including consulting, professional fees and other costs associated with the acquisition of Jack Wolfskin.

# EBITDAS RECONCILIATION



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

	2020 Trailing Twelve Month Adjusted EBITDAS					2019 Trailing Twelve Month Adjusted EBITDAS				
	Quarter Ended					Quarter Ended				
	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	Total	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	Total
Net income (loss).....	\$ (29,218)	\$ 28,894	\$ (167,684)	\$ 52,432	\$ (115,576)	\$ (28,499)	\$ 48,647	\$ 28,931	\$ 31,048	\$ 80,127
Interest expense, net .....	9,049	9,115	12,163	12,727	43,054	704	9,639	10,260	9,545	30,148
Income tax provision (benefit) .....	(2,352)	9,151	(7,931)	5,360	4,228	(9,783)	9,556	7,208	2,128	9,109
Depreciation and amortization expense .....	9,480	8,997	9,360	10,311	38,148	5,186	7,977	9,022	8,472	30,657
JW goodwill and trade name impairment.....	—	—	174,269	—	174,269	—	—	—	—	—
Non-cash stock compensation expense .....	3,418	1,861	2,942	3,263	11,484	3,555	3,435	3,530	2,513	13,033
<b>EBITDAS</b> .....	<b>\$ (9,623)</b>	<b>\$ 58,018</b>	<b>\$ 23,119</b>	<b>\$ 84,093</b>	<b>\$ 155,607</b>	<b>\$ (28,837)</b>	<b>\$ 79,254</b>	<b>\$ 58,951</b>	<b>\$ 53,706</b>	<b>\$ 163,074</b>
Acquisitions & other non-recurring costs, before taxes <sup>(1)</sup> .....	4,090	1,516	5,856	2,858	14,320	(2,269)	13,986	6,939	3,009	21,665
<b>Adjusted EBITDAS</b> .....	<b>\$ (5,533)</b>	<b>\$ 59,534</b>	<b>\$ 28,975</b>	<b>\$ 86,951</b>	<b>\$ 169,927</b>	<b>\$ (31,106)</b>	<b>\$ 93,240</b>	<b>\$ 65,890</b>	<b>\$ 56,715</b>	<b>\$ 184,739</b>

<sup>(1)</sup> In 2020, amounts represent certain non-recurring costs, including costs associated with the Company's transition to its new North America Distribution Center and the implementation of new IT systems for Jack Wolfskin, as well as \$4.8 million of severance related to the Company's cost reduction initiatives. In 2019, amounts represent certain non-recurring transaction costs, including banker's fees, legal fees, consulting and travel expenses, and transition costs, including consulting, audit fees and valuations services associated with the acquisition of Jack Wolfskin, in addition to other non-recurring advisory fees.