Fourth Quarter 2018 Earnings Conference Call

February 6, 2019

IMPORTANT NOTICES

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, 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, 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 February 6, 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, as applicable, excludes the non-recurring transaction and transition-related expenses related to the OGIO, TravisMathew, and Jack Wolfskin acquisitions. 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. 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 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 February 6, 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

2018 KEY ELY TAKEAWAYS

<u>Record sales and operating profitability for the full year</u>

- Revenues were up 19% for the full year
- Operating Income was up 62% for the full year
- Positive market conditions for the year

<u>Grew our business faster than the market overall</u>, as we continue to re-invest in the core business including R&D, Golf Ball Operations, Tour, Sales and Marketing.

<u>Continue to find attractive growth opportunities in complementary areas</u>, highlighted by the Jack Wolfskin acquisition, which closed in January 2019. Provides depth and scale in the rapidly growing apparel and lifestyle portion of our business.

<u>Long term growth prospects remain strong</u>

Investments in Core and New Businesses continue to pay off

U.S. 2018 HIGHLIGHTS

Net Sales

- Net sales up 25.1% for the full year, with double digit growth in the core business as well as the addition of the Travis Mathew business

Market Share

- Hard goods market share was 24%, down 110 bps year-over-year
- #1 dollar market share in Total Clubs
- #2 golf ball brand with 16.4% market share, up 210 bps year-over-year

Improved Market Conditions

- Hard goods spend increased 4.7% for the full year
- Market growth driven by both club and ball sales
- Callaway field inventories remain healthy

Strong full year performance in the United States aided by improved market conditions

ASIA 2018 HIGHLIGHTS

Net Sales

- Net sales in Japan were down 22.3% in Q4 due to less product launches and intentionally trying to lower field inventories
- Net sales in Japan were up 12.2% for the full year, with growth in both our core equipment business and our apparel joint venture

Market Share

- Japan hard goods market share was 17%, down 250 bps year-over-year
  - #2 dollar market share in hard goods

Market Conditions

- Japan hard goods up slightly for the full year

Japan team has been investing in capabilities to launch Ogio and TravisMathew in their market

EUROPE 2018 HIGHLIGHTS

Net Sales

- Net sales were down 9.4% in Q4 and up 6.1% for the full year

Market Share (November YTD 2018)

- Hard goods market share was 22.7%, down year-over-year but in line with our expectations
- Remain #1 dollar market share in hard goods, 420 bps higher than the #2 brand

Market Conditions

- Hard goods down slightly for the full year
- Successfully worked through America Golf bankruptcy in Q4

European team has been investing in resources to launch Ogio and TravisMathew in their market

Very Strong Product Lineup

Golf Equipment

- **Epic Flash Driver** featuring Flash Face Technology created by Artificial Intelligence to help golfers get more ball speed for more distance
- **Apex Irons** is our flagship iron brand with a complete technology overhaul making it the ultimate forged player distance iron
- **ERC Golf Balls** is our longest golf ball with soft feel, designed with Triple Track Technology and named after our founder, Ely Reeves Callaway
- **Stroke Lab Putters** with proprietary new shaft technology that actually improves your stroke

Exciting new product from OGIO and TravisMathew

2019 OUTLOOK

Market and Revenue expectations for 2019

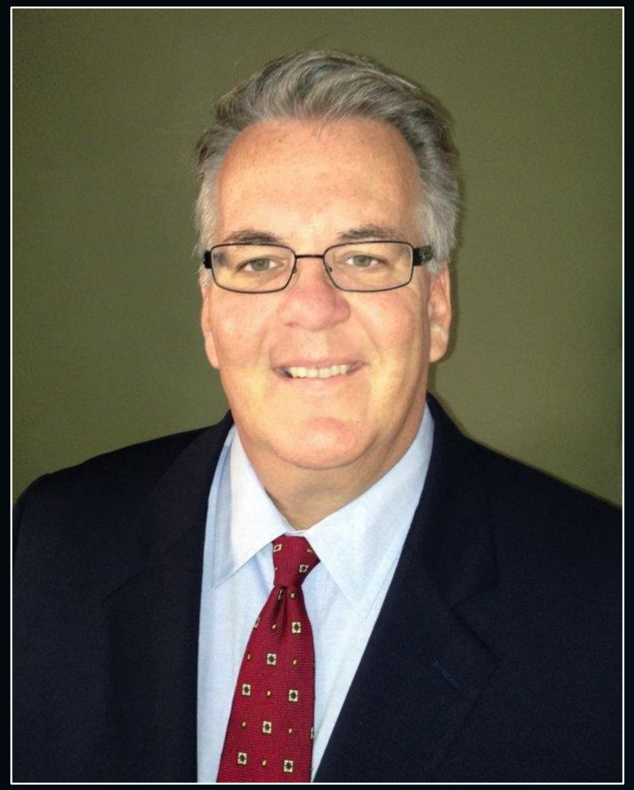
- Market conditions expected to be flat to slightly up
- Expect core business to grow faster than the market
  - Mid-single digit growth in our equipment business
  - Double digit growth in Ogio and TravisMathew
- Expect Jack Wolfskin to perform consistent with expectations communicated when we announced the closing in January 2019

Continue to find high return investments in our businesses in 2019

- In year three of a 3-year capital plan to upgrade our Chicopee golf ball facility
- Equipment business investments in sales, marketing, R&D and Tour
- Ogio and TravisMathew global expansion
- Jack Wolfskin investments including finance and IT systems as well as global operations and brand growth

Long-term earnings power has significantly increased over the last several years

Looking forward to another strong year in 2019



Brian Lynch

EVP, CFO

FULL YEAR & FOURTH QUARTER 2018 FINANCIAL RESULTS

CFO SUMMARY

<u>Pleased with our 2018 performance</u> driven by our new product introductions exceeding expectations, new businesses met and/or exceed our expectations, and favorable golf equipment market conditions

- Record net sales for the full year
- 55% increase in Adjusted EBITDA compared to prior year

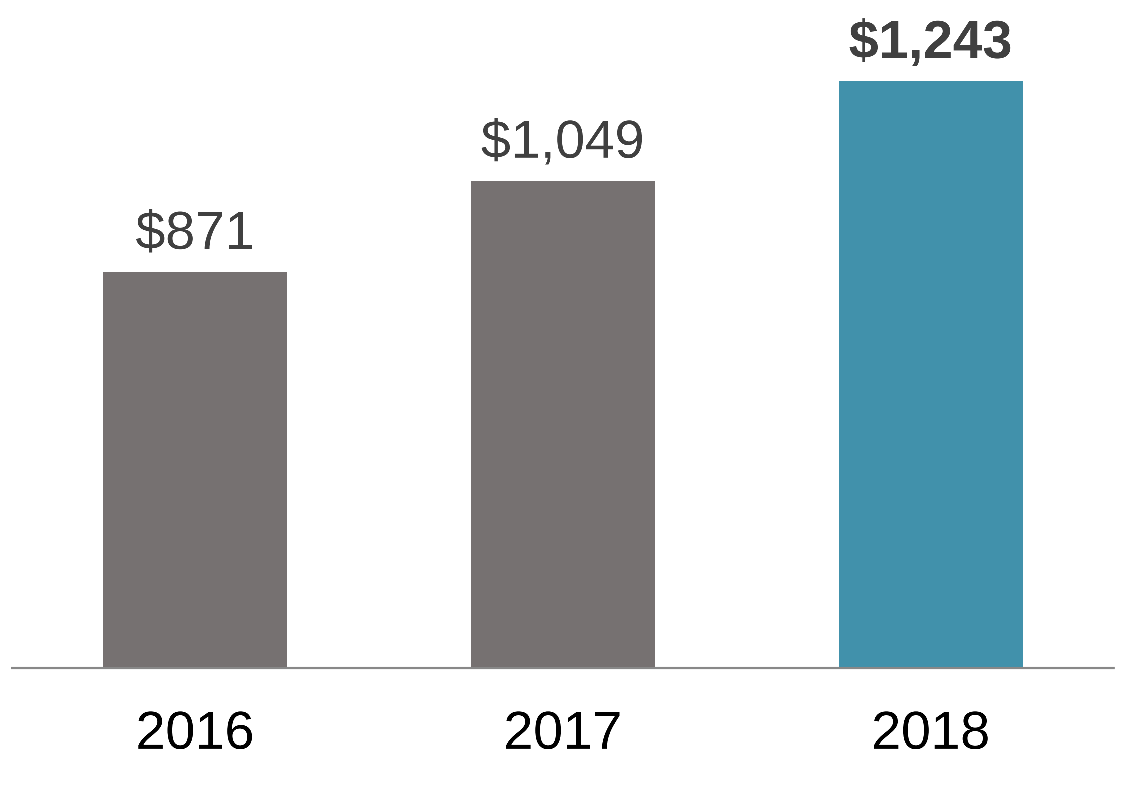
<u>Factors to keep in mind:</u>

- TravisMathew acquisition occurred in August of 2017, so that business was only partially included in our full year 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
- As a result of the 2017 Tax Cuts and Jobs Act, 2018 benefitted from lower tax rates compared to 2017
- When discussing 2018 non-GAAP results we exclude the non-recurring deal-related expenses and hedging gains that impact the full year

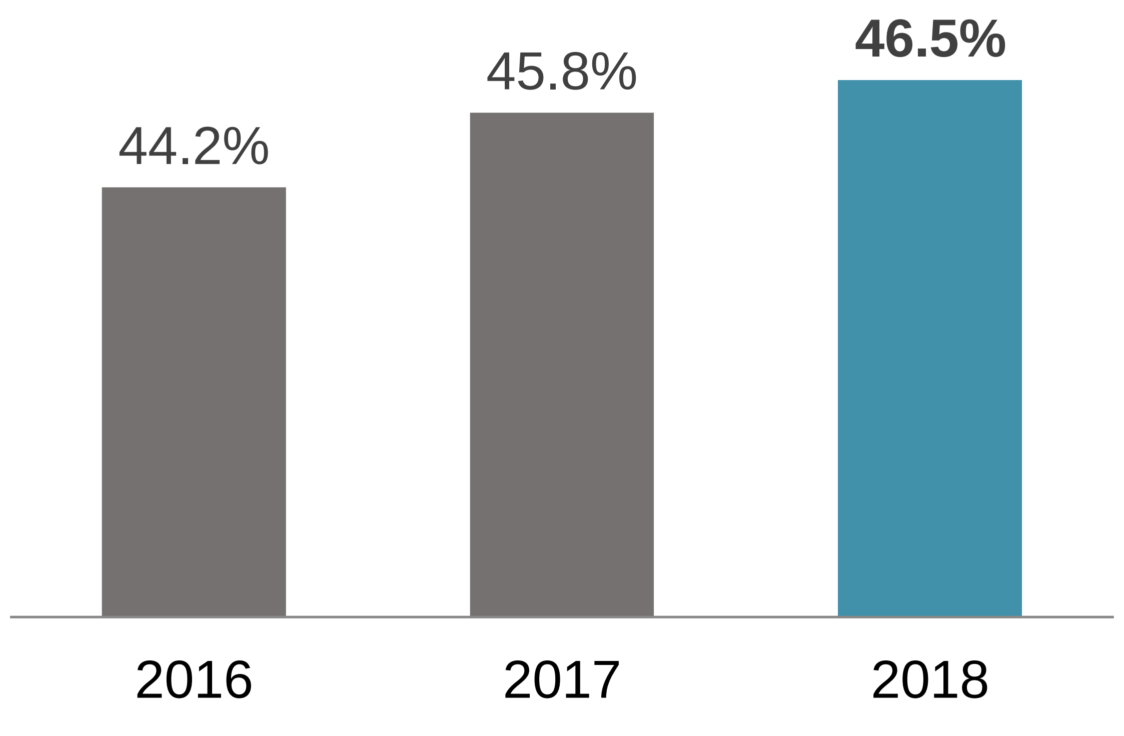
RECORD YEAR IN 2018

2018 FULL YEAR PERFORMANCE COMPARISON

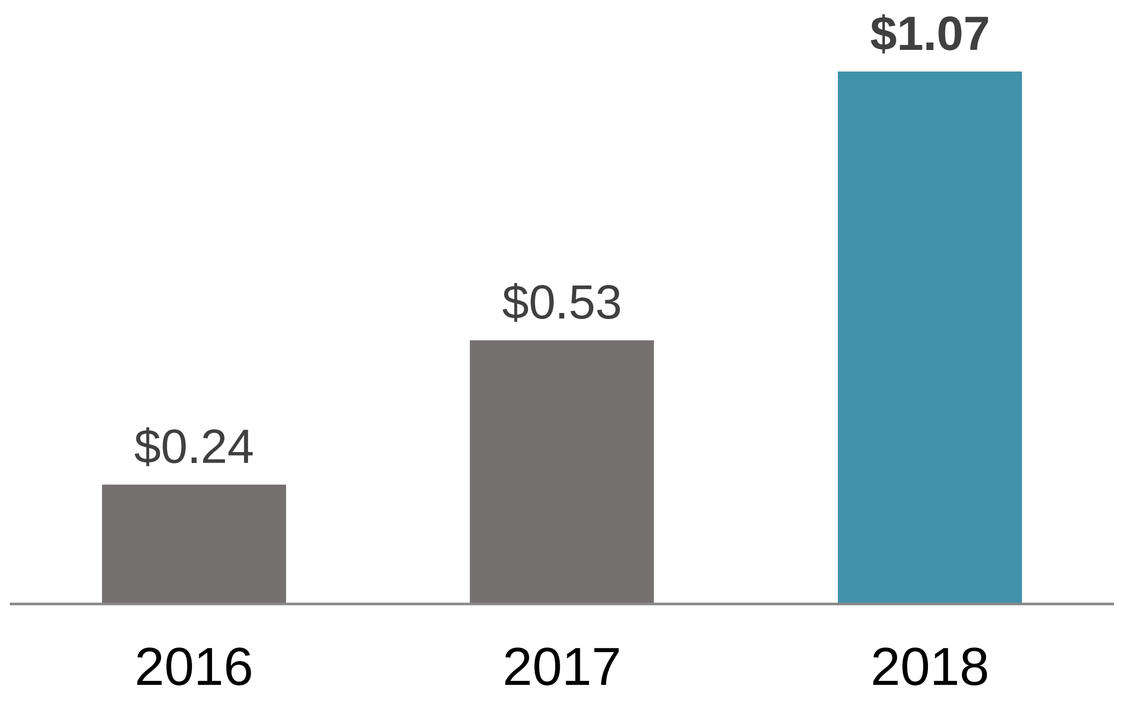
Net Sales (M)



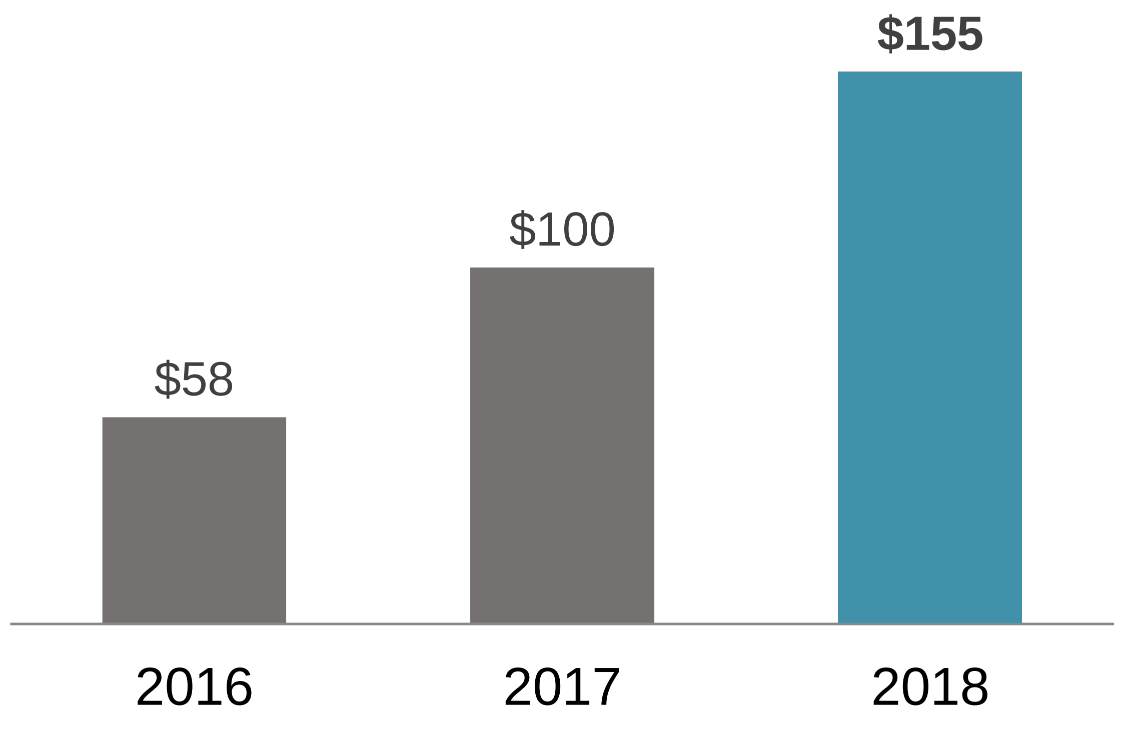
Gross Margin



Adjusted EPS*



Trailing 12 Months Adj. EBITDA (M)*



Key Points

- Net Sales up 19% driven by increases in all operating segments and in all major regions
- Gross Margins up 70 bps versus last year
- Adjusted EPS is up over 100% year-over-year to $1.07
- Trailing 12 months adjusted EBITDA is up 55% to $155M

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

Q4 2018 FINANCIAL PERFORMANCE

CALLAWAY GOLF COMPANY
Supplemental Financial Information and Non-GAAP Reconciliation
(Unaudited)
(In thousands, except per share data)

	Three Months Ended December 31, 2018			Three Months Ended December 31, 2017			
	Total As Reported	Acquisition Costs[1]	Non-GAAP	Total As Reported	Acquisition Costs[2]	Non-Cash Tax Adjustment[3]	Non-GAAP
Net sales	$ 180,678	$ —	$ 180,678	$ 191,657	$ —	$ —	$ 191,657
Gross profit	69,971	—	69,971	79,666	(1,641)	—	81,307
% of sales	38.7%	—	38.7%	41.6%	—	—	42.4%
Operating expenses	112,532	2,140	110,392	100,118	36	—	100,082
Loss from operations	(42,561)	(2,140)	(40,421)	(20,452)	(1,677)	—	(18,775)
Other income (expense), net	4,627	4,409	218	(2,678)	—	—	(2,678)
(Loss) income before income taxes	(37,934)	2,269	(40,203)	(23,130)	(1,677)	—	(21,453)
Income tax (benefit) provision	(9,783)	522	(10,305)	(4,354)	(886)	3,394	(6,862)
Net income (loss)	(28,151)	1,747	(29,898)	(18,776)	(791)	(3,394)	(14,591)
Less: Net income attributable to non-controlling interests	348	—	348	610	—	—	610
Net income (loss) attributable to Callaway Golf Company	$ (28,499)	$ 1,747	$ (30,246)	$ (19,386)	$ (791)	$ (3,394)	$ (15,201)
Diluted earnings (loss) per share:	($0.30)	$0.02	($0.32)	($0.20)	($0.01)	($0.04)	($0.15)
Weighted-average shares outstanding:	94,505	94,505	94,505	94,573	94,573	94,573	94,573

(1) Represents non-recurring costs associated with the acquisition of Jack Wolfskin in January 2019.

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

(3) 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.

Source: Tables to the February 6, 2019 Earnings Press Release

BALANCE SHEET AND CASH FLOW

(in millions, except percentages)	As of Dec 31, 2018	As of Dec 31, 2017	Percentage Change
Available Liquidity[1]	$256	$239	+7%
Net Accounts Receivable	$71	$95	-25%
Inventory	$338	$262	+29%

	12 months ended Dec 31, 2018	12 months ended Dec 31, 2017
Cap Ex	$37	$26
D&A	$20	$18

	12 months ended Dec 31, 2018	12 months ended Dec 31, 2017
Share Repurchase	$22	$17

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

2019 GUIDANCE (AS OF FEBRUARY 6, 2019)

(in millions, except Gross Margin and EPS)	2019 FY Pro Forma Estimates*	2018 FY Pro Forma Results*	2019 Q1 Pro Forma Estimates*	2018 Q1 Pro Forma Results*	2019 1H Pro Forma Estimates*	2018 1H Pro Forma Estimates*
Net Sales	$1,670 - $1,700	$1,243	$498 - $508	$403	$928 - $948	$800
Gross Margin	47.0%	46.5%				
Operating Expenses	$630	$445				
EPS	$0.93 - $1.03	$1.08	$0.45 - $0.49	$0.65	$0.71 - $0.78	$1.28
Shares O/S	97.4	97.2	97.4	97.0	97.4	97.0
Adj. EBITDA	$200 - $215	$168	$79 - $83	$89	$132 - $141	$177.6

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

QUESTIONS

Thank You

APPENDIX

ADJUSTED EBITDA RECONCILIATIONS

CALLAWAY GOLF COMPANY
Supplemental Financial Information and Non-GAAP Reconciliation
(Unaudited)
(In thousands, except per share data)

	2018 Trailing Twelve Month Adjusted EBITDA					2017 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended					Quarter Ended				
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	Total	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	Total
Net income (loss)	$ 62,855	$ 60,867	$ 9,517	$ (28,499)	$ 104,740	$ 25,689	$ 31,443	$ 3,060	$ (19,386)	$ 40,806
Interest expense, net	1,528	1,661	1,056	704	4,949	715	550	642	2,004	3,911
Income tax provision (benefit)	17,219	17,247	1,335	(9,783)	26,018	13,206	16,050	1,486	(4,354)	26,388
Depreciation and amortization expense	4,737	5,029	4,996	5,186	19,948	4,319	4,178	4,309	4,799	17,605
EBITDA	$ 86,339	$ 84,804	$ 16,904	$ (32,392)	$ 155,655	$ 43,929	$ 52,221	$ 9,497	$ (16,937)	$ 88,710
Jack Wolfskin net acquisition costs/(gains)	—	—	1,521	(2,269)	(748)	—	—	—	—	—
OGIO and TravisMathew acquisition costs	—	—	—	—	—	3,956	2,254	3,377	1,677	11,264
Adjusted EBITDA	$ 86,339	$ 84,804	$ 18,425	$ (34,661)	$ 154,907	$ 47,885	$ 54,475	$ 12,874	$ (15,260)	$ 99,974

ADJUSTED EBITDA RECONCILIATIONS

CALLAWAY GOLF COMPANY
Supplemental Financial Information and Non-GAAP Reconciliation
(Unaudited)
(In thousands, except per share data)

	2017 Trailing Twelve Month Adjusted EBITDA					2016 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended					Quarter Ended				
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	Total	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	Total
Net income (loss)	$ 25,689	$ 31,443	$ 3,060	$ (19,386)	$ 40,806	$ 38,390	$ 34,105	$ (5,866)	$ 123,271	$ 189,900
Interest expense, net	715	550	642	2,004	3,911	621	347	431	348	1,747
Income tax provision (benefit)	13,206	16,050	1,486	(4,354)	26,388	1,401	1,937	1,294	(137,193)	(132,561)
Depreciation and amortization expense	4,319	4,178	4,309	4,799	17,605	4,157	4,180	4,204	4,045	16,586
EBITDA	$ 43,929	$ 52,221	$ 9,497	$ (16,937)	$ 88,710	$ 44,569	$ 40,569	$ 63	$ (9,529)	$ 75,672
Gain on sale of Topgolf investments	—	—	—	—	—	—	(17,662)	—	—	(17,662)
OGIO and TravisMathew acquisition costs	3,956	2,254	3,377	1,677	11,264	—	—	—	—	—
Adjusted EBITDA	$ 47,885	$ 54,475	$ 12,874	$ (15,260)	$ 99,974	$ 44,569	$ 22,907	$ 63	$ (9,529)	$ 58,010

FULL YEAR P&L RECONCILIATIONS

CALLAWAY GOLF COMPANY
Supplemental Financial Information and Non-GAAP Reconciliation
(Unaudited)
(In thousands, except per share data)

	Year Ended December 31, 2018			Year Ended December 31, 2017			
	Total As Reported	Acquisition Costs[1]	Non-GAAP	Total As Reported	Acquisition Costs[2]	Non-Cash Tax Adjustment[3]	Non-GAAP
Net sales	$ 1,242,834	$ —	$ 1,242,834	$ 1,048,736	$ —	$ —	$ 1,048,736
Gross profit	578,369	—	578,369	480,448	(2,439)	—	482,887
% of sales	46.5%	—	46.5%	45.8%	—	—	46.0%
Operating expenses	449,927	3,661	446,266	401,611	8,825	—	392,786
Income (loss) from operations	128,442	(3,661)	132,103	78,837	(11,264)	—	90,101
Other income (expense), net	2,830	4,409	(1,579)	(10,782)	—	—	(10,782)
Income (loss) before income taxes	131,272	748	130,524	68,055	(11,264)	—	79,319
Income tax provision (benefit)	26,018	172	25,846	26,388	(4,118)	3,394	27,112
Net income (loss)	105,254	576	104,678	41,667	(7,146)	(3,394)	52,207
Less: Net income attributable to non-controlling interests	514	—	514	861	—	—	861
Net income (loss) attributable to Callaway Golf Company	$ 104,740	$ 576	$ 104,164	$ 40,806	$ (7,146)	$ (3,394)	$ 51,346
Diluted earnings (loss) per share:	$1.08	$0.01	$1.07	$0.42	($0.07)	($0.04)	$0.53
Weighted-average shares outstanding:	97,153	97,153	97,153	96,577	96,577	96,577	96,577

(1) Represents non-recurring costs associated with the acquisition of Jack Wolfskin in January 2019.

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

(3) 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.

FULL YEAR P&L RECONCILIATIONS

CALLAWAY GOLF COMPANY
Supplemental Financial Information and Non-GAAP Reconciliation
(Unaudited)
(In thousands, except per share data)

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Total As Reported	Acquisition Costs[1]	Non-Cash Tax Adjustment[2]	Non-GAAP	Total As Reported	Topgolf Gain[3]	Release of Tax VA[4]	Non-GAAP
Net sales	$ 1,048,736	$ —	$ —	$ 1,048,736	$ 871,192	$ —	$ —	$ 871,192
Gross profit	480,448	(2,439)	—	482,887	385,011	—	—	385,011
% of sales	45.8%	—	—	46.0%	44.2%	—	—	44.2%
Operating expenses	401,611	8,825	—	392,786	340,843	—	—	340,843
Income (loss) from operations	78,837	(11,264)	—	90,101	44,168	—	—	44,168
Other income (expense), net	(10,782)	—	—	(10,782)	14,225	17,662	—	(3,437)
Income (loss) before income taxes	68,055	(11,264)	—	79,319	58,393	17,662	—	40,731
Income tax provision (benefit)	26,388	(4,118)	3,394	27,112	(132,561)	7,188	(156,588)	16,839
Net income (loss)	41,667	(7,146)	(3,394)	52,207	190,954	10,474	156,588	23,892
Less: Net income attributable to non-controlling interests	861	—	—	861	1,054	—	—	1,054
Net income (loss) attributable to Callaway Golf Company	$ 40,806	$ (7,146)	$ (3,394)	$ 51,346	$ 189,900	$ 10,474	$ 156,588	$ 22,838
Diluted earnings (loss) per share:	$0.42	($0.07)	($0.04)	$0.53	$1.98	$0.11	$1.63	$0.24
Weighted-average shares outstanding:	96,577	96,577	96,577	96,577	95,845	95,845	95,845	95,845

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

(3) Represents a gain on the sale of a small portion of the Company's Topgolf investment as well as the income tax impact on the gain due to the reversal of the Company's deferred tax valuation allowance in Q4 of 2016.

(4) Non-cash tax benefit due to the reversal of a significant portion of the Company's deferred tax valuation allowance in Q4 of 2016.

EPS GUIDANCE RECONCILIATIONS

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

	Diluted Loss Per Share			Diluted Earnings/(Loss) per Share		
	First Quarter 2019	First Half 2019	Full Year 2019	First Quarter 2018	First Half 2018	Full Year 2018
Acquisition costs - Jack Wolfskin						
Transaction/transition costs	$ (0.04)	$ (0.04)	$ (0.04)	$ —	$ —	$ (0.03)
Purchase price hedge (gain)/loss	$ (0.02)	$ (0.02)	$ (0.02)	$ —	$ —	$ 0.04
	$ (0.06)	$ (0.06)	$ (0.06)	$ —	$ —	$ 0.01
Amortization of purchase accounting items(1)						
TravisMathew/OGIO	$ —	$ (0.01)	$ (0.01)	$ —	$ (0.01)	$ (0.01)
Jack Wolfskin	$ (0.09)	$ (0.10)	$ (0.13)	$ —	$ —	$ —
	$ (0.09)	$ (0.11)	$ (0.14)	$ —	$ (0.01)	$ (0.01)
Total	$ (0.15)	$ (0.17)	$ (0.20)	$ —	$ (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 midpoint estimate of the amortization of intangible assets and inventory step-up in connection with the Jack Wolfskin acquisition completed in January 2019.

EBITDA GUIDANCE RECONCILIATIONS

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

Amounts excluded from Adjusted EBITDA	First Quarter 2019	First Half 2019	Full Year 2019	First Quarter 2018	First Half 2018	Full Year 2018
Acquisition costs - Jack Wolfskin						
Transaction/transition costs	$ 4.5	$ 4.5	$ 4.5	$ —	$ —	$ 3.7
Purchase price hedge (gain)/loss	$ 3.3	$ 3.3	$ 3.3	$ —	$ —	$ (4.4)
	$ 7.8	$ 7.8	$ 7.8	$ —	$ —	$ (0.7)
Amortization of purchase accounting items(1)						
TravisMathew/OGIO	$ 0.3	$ 0.5	$ 1.0	$ 0.5	$ 0.9	$ 1.8
Jack Wolfskin	$ 10.9	$ 12.6	$ 16.0	$ —	$ —	$ —
	$ 11.2	$ 13.1	$ 17.0	$ 0.5	$ 0.9	$ 1.8
Total	$ 19.0	$ 20.9	$ 24.8	$ 0.5	$ 0.9	$ 1.1

(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 midpoint estimate of the amortization of intangible assets and inventory step-up in connection with the Jack Wolfskin acquisition completed in January 2019.