



Third Quarter 2019 Earnings  
Conference Call  
October 30, 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 plans, 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 October 30, 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 expenses 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 October 30, 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

# THIRD QUARTER AND FIRST NINE MONTH RESULTS



(\$ in millions)

	Q3 2019	Q3 2018	YOY Change	YOY Change (CC)
<b>TOTAL NET SALES</b>	<b>\$426.2</b>	<b>\$262.7</b>	<b>62.2%</b>	<b>64.5%</b>
Golf Equipment	\$210.5	\$187.1	12.5%	13.0%
Apparel, Gear and Other	\$215.7	\$75.6	185.3%	192.0%
<b>ADJUSTED EBITDA*</b>	<b>\$56.7</b>	<b>\$21.9</b>	<b>158.9%</b>	

(\$ in millions)

	YTD 2019	YTD 2018	YOY Change	YOY Change (CC)
<b>TOTAL NET SALES</b>	<b>\$1,389.1</b>	<b>\$1,062.2</b>	<b>30.8%</b>	<b>33.6%</b>
Golf Equipment	\$826.5	\$798.1	3.6%	5.0%
Apparel, Gear and Other	\$562.6	\$264.1	113.0%	120.0%
<b>ADJUSTED EBITDA*</b>	<b>\$215.8</b>	<b>\$199.5</b>	<b>8.2%</b>	



**STRONG QUARTERLY AND YEAR-TO-DATE GROWTH**

\* See appendix for Adjusted EBITDA reconciliation



# OPERATING SEGMENT RESULTS



<b>NET SALES</b> (\$ in millions)	Q3 2019	Q3 2018	YOY Change	YOY Change (CC)
<b>Golf Equipment</b>	<b>\$210.5</b>	<b>\$187.1</b>	<b>12.5%</b>	<b>13.0%</b>
Golf Club	\$168.0	\$142.4	18.0%	18.3%
Golf Ball	\$42.5	\$44.7	-4.9%	-4.0%

<b>NET SALES</b> (\$ in millions)	YTD 2019	YTD 2018	YOY Change	YOY Change (CC)
<b>Golf Equipment</b>	<b>\$826.5</b>	<b>\$798.1</b>	<b>3.6%</b>	<b>5.0%</b>
Golf Club	\$653.6	\$632.6	3.3%	4.8%
Golf Ball	\$172.9	\$165.5	4.5%	6.0%

- #1 Golf Club Market Share YTD in US, Japan & Europe<sup>(1)</sup>  
- In the US year-to-date, Epic Flash Woods are the #1 selling Driver and Fairway Wood models while Rogue and Apex Irons are the #1 and #2 selling Irons, respectively
- The New #1 Driver on Major World Wide Tours
- Odyssey continues to be #1 Putter on Tour
- Q3 2019 aided by New Product Launches  
- MD5 Jaws Wedge, Epic Forged Irons, Epic Forged Star Irons
- Record Golf Ball Market Share in the US<sup>(1)</sup>



(1) Market share data per Golf Datatech Sep 2019 / GFK

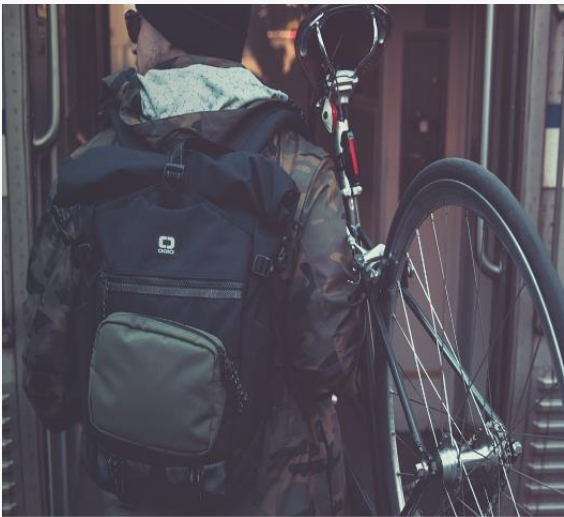
# OPERATING SEGMENT RESULTS



<b>NET SALES</b> (\$ in millions)	Q3 2019	Q3 2018	YOY Change	YOY Change (CC)
<b>Apparel, Gear and Other</b>	<b>\$215.7</b>	<b>\$75.6</b>	<b>185.3%</b>	<b>192.0%</b>
Apparel	\$140.0	\$27.4	410.9%	425.4%
Gear and Other	\$75.7	\$48.2	57.1%	59.7%

<b>NET SALES</b> (\$ in millions)	YTD 2019	YTD 2018	YOY Change	YOY Change (CC)
<b>Apparel, Gear and Other</b>	<b>\$562.4</b>	<b>\$264.1</b>	<b>113.0%</b>	<b>120.0%</b>
Apparel	\$306.3	\$84.5	262.5%	279.8%
Gear and Other	\$256.4	\$179.6	42.8%	44.9%

- Addition of the Jack Wolfskin business in 2019 is driving significant growth
  - Another solid quarter while full year expectations remain on track
  - Double-digit growth in Ecommerce year-to-date
  - Low single-digit Retail growth year-to-date
  - Fall/Winter 2019 Product off to a strong start
- TravisMathew continues to deliver double-digit growth
  - Launched brand in the UK and Japan in 2019





- **Chicopee Ball Plant Investment**

- In 3<sup>rd</sup> and final year of enhancing capabilities and increasing capacity

- **Distribution Center Expansions**

- New North America Superhub in Texas; Enhancing Hamburg, Germany facility to support all brands

- **IT System Upgrades**

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

- **Global Soft Goods Sourcing and Quality Platform**

- Global sourcing platform expected to unlock significant savings

- **Organizational Capacity for New Market Expansion**

- Jack Wolfskin expanding into North America and Japan; TravisMathew expanding into UK & Japan



- **Reiterating full year 2019 net sales and adjusted EBITDA guidance**
  - Net Sales guidance of \$1,685 million - \$1,700 million
    - Organic growth expected to be in the range of 7% - 9% constant currency
  - Adjusted EBITDA guidance of \$208 million - \$215 million
- **Raising full year 2019 earnings per share guidance**
  - Non-GAAP EPS guidance increased to \$1.06 - \$1.12
- **Focused on transforming our business to deliver growth rates that we believe will exceed that of the overall golf business**



PROJECTED TO DELIVER SUBSTANTIAL GROWTH DESPITE FX HEADWINDS





**Brian Lynch**  
*EVP, CFO*

Third Quarter 2019  
Financial Results

- **Sourcing and Production**

- Optimize sourcing strategy and eliminate some intermediaries

- **Warehousing**

- Consolidate warehousing and distribution

- **Transportation Costs**

- Increased scale improving overall transportation rates

- **Total Net Synergies of \$15M annually by 2022**

- Neutral in 2020; gradually ramping to full synergies amount in 2022



SYNERGIES ESTIMATED TO BE SUBSTANTIALLY HIGHER THAN ORIGINALLY ANTICIPATED

# THIRD QUARTER 2019 FINANCIAL RESULTS



*(\$ in millions, except EPS)*

	Q3 2019 Non-GAAP*	Q3 2018 Non-GAAP*	YOY Change	YOY Change (CC)
<b>Net Sales</b>	<b>\$426.2</b>	<b>\$262.7</b>	<b>62.2%</b>	<b>64.5%</b>
Gross Profit	\$191.4	\$115.2	\$76.2	
Gross Margin	44.9%	43.9%	100 bps	
Operating Expenses	\$146.7	\$102.8	\$43.9	
Pre-Tax Income	\$37.4	\$12.9	\$24.5	
Fully Diluted EPS	\$0.36	\$0.11	\$0.25	
<b>Adjusted EBITDA</b>	<b>\$56.7</b>	<b>\$21.9</b>	<b>\$34.8</b>	



\* Refer to the appendix for a reconciliation of items excluded from Non-GAAP metrics



# FIRST NINE MONTHS OF 2019 FINANCIAL RESULTS



<i>(\$ in millions, except EPS)</i>	YTD 2019 Non-GAAP*	YTD 2018 Non-GAAP*	YOY Change	YOY Change (CC)
<b>Net Sales</b>	<b>\$1,389.1</b>	<b>\$1,062.2</b>	<b>30.8%</b>	<b>33.6%</b>
Gross Profit	\$647.3	\$508.4	\$138.9	
Gross Margin	46.6%	47.9%	(130) bps	
Operating Expenses	\$468.4	\$335.1	\$133.3	
Pre-Tax Income	\$154.9	\$171.5	(\$16.6)	
Fully Diluted EPS	\$1.35	\$1.39	(\$0.04)	
<b>Adjusted EBITDA</b>	<b>\$215.8</b>	<b>\$199.5</b>	<b>\$16.3</b>	



\* Refer to the appendix for a reconciliation of items excluded from Non-GAAP metrics

# BALANCE SHEET & CASH FLOW



<i>(\$ in millions)</i>	As of end of Sept, 2019	As of end of Sept, 2018	YOY Change (%)
Available Liquidity	\$340	\$330	3%
Net Accounts Receivables	\$223	\$130	72%
Inventory	\$340	\$237	43%

<i>(\$ in millions)</i>	9 months ending Sept, 2019	9 months ending Sept, 2018
Capital Expenditures	\$37	\$26
Depreciation & Amortization	\$25	\$15



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

# 2019 GUIDANCE



<i>(\$ in millions, except EPS)</i>	Revised Pro Forma* Guidance Full Year 2019	Previous Pro Forma Guidance Full Year 2019	Pro Forma* Results Full Year 2018
<b>Net Sales</b>	<b>\$1,685 - \$1,700</b>	<b>\$1,685 - \$1,700</b>	<b>\$1,243</b>
Gross Margin	46.7%	46.7%	46.5%
Operating Expense	\$628	\$628	\$445
EPS	\$1.06 - \$1.12	\$1.03 - \$1.09	\$1.08
<b>Adjusted EBITDA</b>	<b>\$208 - \$215</b>	<b>\$208 - \$215</b>	<b>\$168</b>



## RAISING FULL YEAR EARNINGS GUIDANCE

\* Refer to the appendix for a reconciliation of items excluded from Non-GAAP metrics



# APPENDIX

# REGION RESULTS



<b>NET SALES</b> (\$ in millions)	Q3 2019	Q3 2018	YOY Change	YOY Change (CC)
United States	\$161.6	\$142.3	13.6%	13.6%
Europe	\$133.4	\$33.1	303.0%	320.8%
Japan	\$64.2	\$54.4	18.0%	13.3%
Rest of World	\$67.1	\$32.9	103.6%	111.9%

<b>NET SALES</b> (\$ in millions)	YTD 2019	YTD 2018	YOY Change	YOY Change (CC)
United States	\$658.1	\$610.8	7.7%	7.7%
Europe	\$341.6	\$130.6	161.6%	177.6%
Japan	\$193.1	\$183.4	5.3%	4.9%
Rest of World	\$196.3	\$137.4	42.9%	50.2%



**GROWTH COMING FROM ALL REGIONS IN THE QUARTER AND YEAR-TO-DATE**

# GAAP TO NON-GAAP RECONCILIATION



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

Three Months Ended September 30,

	2019				2018			
	GAAP	Non-Cash Purchase Accounting Adjustments <sup>(1)</sup>	Acquisition & Other Non-Recurring Expenses <sup>(2)</sup>	Non-GAAP	GAAP	Non-Cash Purchase Accounting Adjustments <sup>(1)</sup>	Acquisition & Other Non-Recurring Expenses <sup>(2)</sup>	Non-GAAP
Operating expenses, net.....	\$ 150,900	\$ 1,208	\$ 3,009	\$ 146,683	\$ 104,540	\$ 254	\$ 1,521	\$ 102,765
Income tax provision (benefit) .....	2,128	(278)	(692)	3,098	1,335	(58)	(350)	1,743
Net income (loss) attributable to Callaway Golf Company ..	\$ 31,048	\$ (930)	\$ (2,317)	\$ 34,295	\$ 9,517	\$ (196)	\$ (1,171)	\$ 10,884
Diluted earnings (loss) per share:.....	\$ 0.32	\$ (0.01)	\$ (0.03)	\$ 0.36	\$ 0.10	\$ —	\$ (0.01)	\$ 0.11

<sup>(1)</sup> Represents the amortization of intangible assets related to the Company's Jack Wolfskin, TravisMathew and OGIO acquisitions.

<sup>(2)</sup> Represents non-recurring transition costs associated with the acquisition of Jack Wolfskin, including consulting costs, audit fees and travel expenses, in addition to other non-recurring advisory fees.



# GAAP TO NON-GAAP RECONCILIATION



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

Nine Months Ended September 30,

	2019				2018			
	GAAP	Non-Cash Purchase Accounting Adjustments <sup>(1)</sup>	Acquisition & Other Non-Recurring Expenses <sup>(2)</sup>	Non-GAAP	GAAP	Non-Cash Purchase Accounting Adjustments <sup>(1)</sup>	Acquisition & Other Non-Recurring Expenses <sup>(2)</sup>	Non-GAAP
Gross profit	\$ 636,639	\$ (10,703)	\$ —	\$ 647,342	\$ 508,398	\$ —	\$ —	\$ 508,398
Operating expenses	481,315	3,624	9,335	468,356	337,395	762	1,521	335,112
Other expense, net	(27,985)	—	(3,896)	(24,089)	(1,797)	—	—	(1,797)
Income tax provision (benefit)	18,892	(3,295)	(3,043)	25,230	35,801	(175)	(350)	36,326
Net income (loss) attributable to Callaway Golf Company	\$ 108,626	\$ (11,032)	\$ (10,188)	\$ 129,846	\$ 133,239	\$ (587)	\$ (1,171)	\$ 134,997
Diluted earnings (loss) per share:	\$ 1.13	\$ (0.11)	\$ (0.11)	\$ 1.35	\$ 1.37	\$ (0.01)	\$ (0.01)	\$ 1.39

<sup>(1)</sup> Represents the amortization of intangible assets related to the Company's OGIO and TravisMathew acquisitions as well as the amortization of intangible assets and the cost impact associated with a change in valuation of inventory (inventory step-up) related to the Company's Jack Wolfskin acquisition.

<sup>(2)</sup> Represents 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 non-recurring advisory fees.

# EBITDA RECONCILIATION



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

	2019 Adjusted EBITDA				2018 Adjusted EBITDA			
	Quarter Ended				Quarter Ended			
	March 31, 2019	June 30, 2019	September 30, 2019	Total	March 31, 2018	June 30, 2018	September 30, 2018	Total
Net income	\$ 48,647	\$ 28,931	\$ 31,048	\$ 108,626	\$ 62,855	\$ 60,867	\$ 9,517	\$ 133,239
Interest expense, net	9,639	10,260	9,545	29,444	1,528	1,661	1,056	4,245
Income tax provision	9,556	7,208	2,128	18,892	17,219	17,247	1,335	35,801
Depreciation and amortization expense	7,977	9,022	8,472	25,471	4,737	5,029	4,996	14,762
Non-cash stock compensation expense	3,435	3,530	2,513	9,478	2,999	3,465	3,511	9,975
Acquisitions & other non-recurring costs, before taxes	13,986	6,939	3,009	23,934	—	—	1,521	1,521
<b>Adjusted EBITDA</b>	<b>\$ 93,240</b>	<b>\$ 65,890</b>	<b>\$ 56,715</b>	<b>\$ 215,845</b>	<b>\$ 89,338</b>	<b>\$ 88,269</b>	<b>\$ 21,936</b>	<b>\$ 199,543</b>

	2019 Trailing Twelve Month Adjusted EBITDA					2018 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended					Quarter Ended				
	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	Total	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	Total
Net income (loss)	\$ (28,499)	\$ 48,647	\$ 28,931	\$ 31,048	\$ 80,127	\$ (19,386)	\$ 62,855	\$ 60,867	\$ 9,517	\$ 113,853
Interest expense, net	704	9,639	10,260	9,545	30,148	2,004	1,528	1,661	1,056	6,249
Income tax provision (benefit)	(9,783)	9,556	7,208	2,128	9,109	(4,354)	17,219	17,247	1,335	31,447
Depreciation and amortization expense	5,186	7,977	9,022	8,472	30,657	4,799	4,737	5,029	4,996	19,561
Non-cash stock compensation expense	3,555	3,435	3,530	2,513	13,033	3,064	2,999	3,465	3,511	13,039
Acquisitions & other non-recurring costs, before taxes	(2,269)	13,986	6,939	3,009	21,665	1,677	—	—	1,521	3,198
<b>Adjusted EBITDA</b>	<b>\$ (31,106)</b>	<b>\$ 93,240</b>	<b>\$ 65,890</b>	<b>\$ 56,715</b>	<b>\$ 184,739</b>	<b>\$ (12,196)</b>	<b>\$ 89,338</b>	<b>\$ 88,269</b>	<b>\$ 21,936</b>	<b>\$ 187,347</b>

# EPS GUIDANCE RECONCILIATION



**CALLAWAY GOLF COMPANY**  
**Supplemental Financial Information Used In Non-GAAP Guidance**  
**(Unaudited)**

	Diluted Loss Per Share		Diluted Earnings/(Loss) per Share	
	Fourth Quarter 2019	Full Year 2019	Fourth Quarter 2018	Full Year 2018
<b>Amortization of purchase accounting items<sup>(1)</sup></b>				
TravisMathew/OGIO .....	\$ —	\$ (0.01)	\$ —	\$ (0.01)
Jack Wolfskin .....	(0.01)	(0.12)	—	—
	\$ (0.01)	\$ (0.13)	\$ —	\$ (0.01)
<b>Acquisition and Other Non-Recurring Costs<sup>(2)</sup></b>				
Acquisition/Other .....	\$ (0.03)	\$ (0.10)	\$ (0.02)	\$ (0.03)
Purchase price hedge (gain)/loss .....	—	(0.03)	0.04	0.04
	\$ (0.03)	\$ (0.13)	\$ 0.02	\$ 0.01
<b>Total .....</b>	<b>\$ (0.04)</b>	<b>\$ (0.26)</b>	<b>\$ 0.02</b>	<b>\$ —</b>

<sup>(1)</sup> 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.

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

# NON-GAAP GUIDANCE RECONCILIATION



**CALLAWAY GOLF COMPANY**  
**2019 Guidance GAAP to Non-GAAP Reconciliation**  
(Unaudited)  
(In thousands)

	Twelve Months Ended December 31, 2019			
	GAAP	Non-Cash Purchase Accounting Adjustments <sup>(2)</sup>	Acquisition & Other Non- Recurring Expenses <sup>(3)</sup>	Non-GAAP
Gross margin.....	46.1%	(0.6)%	—%	46.7%
Operating expenses, net.....	\$646	\$5	\$13	\$628
Net income (loss) attributable to Callaway Golf Company..	\$76 - \$82	(\$12)	(\$13)	\$101 - \$107
Diluted earnings (loss) per share:	\$0.80 - \$0.86	(\$0.13)	(\$0.13)	\$1.06 - \$1.12
Adjusted EBITDA <sup>(1)</sup> .....	\$181 - \$188	(\$11)	(\$16)	\$208 - \$215

<sup>(1)</sup> Adjusted EBITDA excludes from forecasted net income interest expense, taxes, depreciation and amortization expense, non-cash stock compensation expense, non-cash purchase accounting adjustments and acquisition and other non-recurring expenses. A forecast of each of these line items is not available without unreasonable efforts due to the variability of these items and the inability to predict them with certainty. Accordingly, we have not provided a further reconciliation of Adjusted EBITDA to GAAP net income.

<sup>(2)</sup> Represents the amortization of intangible assets related to the Company's OGIO and TravisMathew acquisitions as well as the amortization of intangible assets and the cost impact associated with a change in valuation of inventory (inventory step-up) related to the Company's Jack Wolfskin acquisition.

<sup>(3)</sup> Represents non-recurring transaction costs, including banker's fees, legal fees, consulting and travel, and transition costs, including consulting, audit fees and valuation services, associated with the acquisition of Jack Wolfskin, as well as other non-recurring advisory fees.