



CALLAWAY GOLF COMPANY FIRST QUARTER 2026 PREPARED REMARKS

Patrick Burke, Senior Vice President of Investor Relations and Treasury

Good afternoon, and welcome to Callaway Golf Company's first quarter earnings conference call. I'm Patrick Burke, Senior Vice President of Investor Relations and Treasury. Joining me on today's call are Chip Brewer, our President and Chief Executive Officer and Brian Lynch, our Chief Financial Officer and Chief Legal Officer.

Earlier today, the Company issued a press release announcing its first quarter 2026 financial results. Our earnings presentation, as well as earnings press release, are both available on our Investor Relations website under the "Financial Results" tab.

Aside from revenue, the financial numbers reported and discussed on today's call are non-GAAP measures. We identify these non-GAAP measures in the presentation and reconcile the measures to the corresponding GAAP measures in accordance with Regulation G. Please note that this call will include forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from management's current expectations. Please review the safe harbor statements contained in the presentation and the press release for a more complete description.

With that, I would now like to turn the call over to Chip.

Chip Brewer, President and Chief Executive Officer

Thanks Patrick. Good afternoon everyone and thank you for joining our call today.

I'm pleased to report that thanks to both strong demand for our 2026 product lines, as well as continued healthy market conditions, we have had an excellent start to our year. And despite increased macro-economic uncertainty, we are quietly confident for our full year results. Lastly, and perhaps most importantly, as the team and I have now had the opportunity to fully refocus on this business over the last several months: I am excited about the strength we see across our brands, the progress our teams are delivering on key initiatives, and the clear line of sight we have on new opportunities that I believe will set up further long term improvements. In short, we are on track to have a good year, we are making progress on key initiatives, and we feel energized about the long-term direction of our business.

As usual, I want to thank the Callaway and TravisMathew teams for their commitment to driving our brands and our collective business forward.

I'd also like to remind everyone of the significant transformation our company has accomplished over the last year. In late May of last year, we completed the sale of Jack Wolfskin, and then in January of this year, we completed the sale of 60% interest in Topgolf. Concurrent with the close of the Topgolf sale, we also announced the repayment of one billion in term debt and a new \$200 million share repurchase program. These moves returned us to a cash generating, pure play golf company, with a terrific balance sheet and a plan to return capital to shareholders. We are now only a few months into our renewed journey as a pure play. However, this is a journey that we are confident in, based on the strengths of our business and our history of performance in this space.

Turning to our Q1 results, revenue was \$688 million, up 9% compared to the prior year, and adjusted EBITDA was \$164 million, up 31% compared to last year. Both of these results were ahead of our expectations. I am pleased with the revenue growth, some of which is timing between quarters as our supply chain team also outperformed expectations during the quarter, but most of which reflects strong demand for our new products. This level of growth appears to be well above that of the market, at both Callaway and TravisMathew. In addition, I was very pleased with our gross margin improvement, which increased 260 basis points despite significant incremental tariff expense. This gross margin improvement is a step in the right direction, and a testament to the cost management and margin improvement projects that we have been focused on over the last year, and that will continue to be a focus going forward.

Stepping back a minute to look at overall market conditions, the game and the industry both continue to be in healthy positions. In the US, we estimate golf equipment market sell through at key accounts was up low to mid single digits in Q1. Rounds played were up 5% and major OEM's shipments were up approximately 2% as reported by the National Golf Foundation. In Asia, the market was down slightly, with Japan down approximately 1% and Korea down approximately 10%. In the UK and Europe, we estimate that our trade partners sell through was up low single digits, but rounds played were down simply due to unfavorable weather year over year. Both in the US and globally, we view this as a solid start to the year. And, we believe consumer interest in the game and overall participation trends remain positive, just as they have been for several years now.

Using this data as the back drop, we appear to have grown revenue faster than the market in all major regions. It is worth calling out that our UK and Europe teams have had a particularly strong last 12 months, delivering growth both faster than the market and improving profitability in that business.

Clearly Callaway continues to hold a leading position in the global golf equipment market, with a #2 market share position in both clubs and balls in the U.S., and strong positions across all major international markets. Our brand also continues to lead in the consumers rating for overall innovation and technology, a measure that historically has been a key success factor in the equipment space. And, in addition to our strong position with core male avid golfers, Callaway also ranks as the #1 brand for both new and female golfers, two of the industry's highest growth segments.

In Golf Ball, our revenues were up 2% in Q1, but I believe this under-represents the strength of our start to the year in this category, as our Q1 volumes were intentionally reduced by the elimination of low margin sku's, as well as by lower sell-in volumes at retail, in support of improved inventory efficiency. Most importantly, consumer reaction to our new Chrome Tour lineup has been excellent, and it feels to me that we are continuing to build momentum in this franchise. Similarly, SuperSoft continues to be a highly successful, and important franchise for us. Our US golf ball market share in March was up 350 bps year over year and set a new record level of 23.9% at green grass. This success is a continuation of a methodical, multi-year, trend of growing share. This performance has been driven by three factors: First and foremost, our significant investments in our product and manufacturing capabilities which enable us to make a ball where you can both "believe in faster" and also know that you have the most consistent product available. Secondly, our sales teams' steady gains in green grass distribution. Green Grass is now our largest channel, one where we have been systematically improving our position for over a decade. And thirdly, some differentiated approaches to how we go to market such as our proprietary Triple Track alignment as well as a regular cadence of fun decorated offerings. A good example of our fun decorative offerings are our "Super Mom" golf balls which are especially relevant for this important up and coming weekend. Helpful hint everyone: if you haven't already done so, you may want to pick up a dozen. After all, golf is supposed to be fun and Moms are super important. ... Now wrapping up my comments on the golf ball category, we believe our manufacturing efficiencies in golf ball are now also world class, setting up improved profitability for this category. Overall, I'm optimistic 2026 will be another year of continued progress for our golf ball franchise.

On the club side, our new Quantum family of woods and irons has also been well received by both our trade partners and consumers. The Quantum driver's Tri Force Face is an excellent example of our innovation capabilities, and the product performance has been validated by outside reviews, including: MyGolfSpy recognizing the Quantum Max, Triple Diamond, and Max D as the three longest drivers of 2026. Additionally, the fairway wood category remains very strong globally, as does our position in it. In Asia, we returned to being the # 1 fairway wood last month on the strength of our new Quantum product line.

Turning to the apparel and gear segment, all of our brands have started the year consistent with or above expectations. Travis Mathew in particular has delivered strong growth in its direct to consumer business year to date, significantly outperforming the market overall based on third party Earnest Data. Looking at the business overall, the consumer continues to react well to the new women's offering and we have regained ground in our important men's category based on a strategic shift in our merchandising strategy, one that delivers much clearer and distinct product pillars and marketing messages, as well as exciting new products such as the Hero Hour golf shorts. We are in the early innings of this men's product merchandising strategy shift; but, based on the consumer reaction thus far, I'm optimistic regarding its potential.

Now turning to our forward guidance. In addition to a strong operational start to the year, following the Supreme Court ruling in late February, we now expect our full-year 2026 gross tariff expense to be approximately \$25 million lower than our previous guidance. Looking forward, there remains a high degree of uncertainty on the tariff rates for the second half of this year and beyond, but we have incorporated the \$25 million reduction in expected 2026 tariffs into our guidance.

Operationally or organically, we beat the mid-point of our Q1 revenue guidance by about \$38 million on the top line and a little more than this amount on the bottom line. A portion of our Q1 revenue beat was timing, driven by better-than-expected supply chain performance, and a portion of the bottom-line beat was a combination of favorability in tariff expense and timing of expense spend. However, the majority of the beat on the top line was due to improved demand. And, the majority of the bottom-line beat was flow through from the revenue beat along with clear progress in the margin and efficiency initiatives that we have been working on over the last year.

As we look outward to our full year forecast, we are increasing our full year revenue forecast by approximately \$28 million at the mid-point. This is on the strength of the Q1 results and the fact that, up to this point, we have seen no real change in consumer activity despite bumpy macro-economic conditions and unusually low consumer sentiment readings. This resilience in the golf consumer matches up with what we have seen historically, as golfers are on average both well-off financially and passionate about the game. As shown in slide 8, golf equipment sales have historically not been especially sensitive to mild economic changes or even mild recessions. Additionally, we have a strong product line, which of course helps too. Having said this, the conditions today are certainly more volatile than normal, and thus we will be vigilant about monitoring conditions and responding quickly, if and when needed. We have been through these periods of volatility before, and we are well versed on how to manage them.

Turning to the full year bottom line guidance, we are passing along the tariff savings and also increasing our full year profitability by the flow through from the higher revenue forecast. Post Q1, we are seeing incremental commodity and petro-chemical based cost pressures which will be a headwind relative to Q1 performance; however, we believe our demonstrated gross margin improvements, along with the reduced tariff forecast, will allow us to more than offset these new pressures. The net of all this is we are revising our full year gross margin expectations from approximately flat to up year over year.

When you look at our business for the first half of the year, you can see we are now expecting to be up mid-single digits in revenue, and, based on what I can tell thus far, I believe we will grow faster than the market through this period. As we then move to the second half of the year, as mentioned on our last call, we are expecting our revenues and profit to be negatively impacted by strategic initiatives designed to enhance long-term profitability. This includes rationalizing lower margin portions of our business, extending product life cycles by pushing a significant launch out of this year into next, and increasing our investment in fitting. While these actions will negatively impact the back half of this year, they represent a deliberate, disciplined approach to driving sustainable margin expansion, revenue growth and stronger free cash flow over time.

Our strong operating performance and margin expansion is fully expected to translate into healthy free cash flow. Based on this, and since our last call, we made a strong start on our previously announced plans to return capital to shareholders, buying back \$75 million worth of shares in the open market. This leaves \$125 million remaining on the repurchase plan we announced in January. Based on our continued operating performance and strong balance sheet position, I expect returning capital to shareholders to remain a part of our strategy over the months and years ahead.

In closing, we are encouraged by our start to the year as the game of golf remains healthy, our brands are strong, and our new products are resonating well with both consumers and retail partners. And, as we look forward, we are encouraged by the direction of our business and the prospect of demonstrating continued improvement over time.

With that, I will turn the call over to Brian to review our financial results in more detail.

Bryan Lynch, Chief Financial Officer and Chief Legal Officer

Thank you, and good afternoon everyone. Our first quarter after returning to a pure play golf company went very well. Revenues increased 9% and Adjusted EBITDA from Continuing Operations increased 31%. We also paid off our \$258 million of convertible notes and we began returning capital to shareholders having repurchased \$79 million of our common stock in the first four months of this year, including approximately \$75 million in open market transactions. This strong start to the year, along with our now lower estimates for tariffs, is allowing us to increase our full year financial guidance.

Now let's turn to our financial results in more detail. Please note that on today's call I will be discussing our non-GAAP financial results from continuing operations unless otherwise noted. We have provided in our earnings release today a reconciliation of these non-GAAP results to the GAAP results and we provided additional information about the discontinued operations.

With that said, our first quarter consolidated net sales of \$688 million increased 9% year-over-year. This reflected a 10% increase in golf equipment net sales driven by our strong new product lineup and a healthy start to the golf season. Soft goods net sales increased 8%, led by strength in TravisMathew's direct-to-consumer business. We also saw an \$8 million benefit from foreign currency as the U.S. dollar weakened early in the quarter. However, based on current rates this Q1 benefit will reverse for the balance of the year.

Q1 gross margins increased 260 basis points to 47.7%. This performance is primarily a testament to the continued work the team is doing on our gross margin initiatives, including select price increases and cost reductions. This reflects increases in both the Golf Equipment and Soft Goods segments. The soft goods segment also benefitted from the recognition of approximately \$6 million in deferred revenue in connection with a planned change in the consumer loyalty program at Travis Mathew.

Q1 operating expenses increased \$6 million to \$186 million, primarily due to lapping the \$12 million one-time benefit related to the early termination of our former Japan headquarters lease in Q1 last year. Excluding the Japan lease and a shift in the timing of some operating expenses from Q1 to Q2, operating expenses would have been roughly flat year over year.

Adjusted EBITDA of \$164 million increased 31% year-over-year. The improvement was driven primarily by higher net sales and improved gross margins. These benefits more than offset approximately \$18

million of incremental tariff expense and the year-over-year headwind from lapping the \$12 million one-time Japan lease benefit in Q1 2025.

Moving to liquidity, we ended the quarter in a net cash position. As of March 31, 2026, we had \$474 million in outstanding debt and had unrestricted cash and cash equivalents of \$500 million. Our total liquidity, which is comprised of cash on hand and availability under our credit facilities, increased \$224 million to \$996 million at the end of the first quarter of 2026 compared to \$772 million at the same time last year.

Since such time, our \$258 million of Convertible Notes matured on May 1 and we settled the notes in cash, further simplifying our capital structure. This reduced both our cash and debt by the \$258 million with no change in our net cash position.

During the quarter, we also began returning capital to shareholders. In the first four months of this year, we repurchased 5.6 million shares for a total cost of \$79 million, including approximately \$75 million in open market transactions under the \$200 million stock repurchase program that we announced earlier this year. Broken down by quarter, we repurchased approximately \$42 million of stock in the first quarter and approximately \$37 million to date in the second quarter.

Looking ahead, Callaway Golf's capital allocation priorities remain unchanged as we focus on:

1. Reinvesting in our business
2. Maintaining a healthy balance sheet and
3. Returning capital to shareholders through the \$200 million stock repurchase program authorized earlier this year

As we continue to generate free cash flow in excess of our business needs, we will work with our Board to balance debt repayment and returning capital to shareholders. We still expect to end the year in a net cash to zero net leverage position. With regard to future share repurchases, no decisions on the magnitude or timing of repurchases have been made at this point. However, based on our expected continued performance, we plan to continue to return capital to shareholders at some level while maintaining a strong balance sheet.

TARIFF UPDATE

Next, I want to give a quick update on tariffs, as things have changed since our Q4 earnings call.

On February 20th, the Supreme Court invalidated the tariffs previously imposed under the International Emergency Economics Powers Act, also known as the IEEPA tariffs, which for the most part were approximately 20% for our business overall. However, directly following that ruling, a new Executive Order introduced a temporary 10% global minimum tariff under Section 122 of the Trade Act of 1974, which is set to expire no later than July 24, 2026. In addition, there have been announcements or other commentary that suggest additional tariffs may be forthcoming. In short, the tariff situation remains dynamic.

Our updated guidance today reflects the impact of the current lower tariff rates and assumes that following the expiration of the Section 122 tariffs in July the global rate will revert to rates consistent with the IEEPA rates in place prior to the Supreme Court ruling.

Taking all of this into account, we now expect full-year 2026 gross tariff expense of approximately \$50 million, down from our prior outlook of \$75 million.

This estimate does not include any refunds for the invalid IEEPA tariffs. Based upon current information and the announced parameters of the refund program, which is being implemented in phases, we believe that we have the opportunity to obtain refunds of up to just under \$50 million in the aggregate over the course of the refund program. We have already applied for a little over \$10 million in refunds as part of phase 1. We will continue to apply for additional refunds as appropriate.

Beyond tariffs, we're also seeing some cost pressure from broader geopolitical volatility. Reciprocal trade policy actions have led to increases in certain commodities and strategic metals such as Tungsten, which has increased approximately 8X over the last year. On top of that, the conflict in the Middle East has led to increased petro-chemical based cost pressures impacting the cost of our and our suppliers' energy as well as petro-chemical based raw materials, primarily those used in golf balls as of now. While these increased costs will have only a nominal impact in the first half of this year, the impact will be greater in the second half and into next year if oil prices remain high. We continue to look for ways to offset these pressures, and they are reflected in our updated guidance.

Now turning to our full year and second quarter 2026 outlook. Given our strong Q1 results and general health of the golf market, we are increasing our full year 2026 net sales expectations to \$2.015 billion to \$2.070 billion, an increase of approximately \$28 million at the midpoint.

As discussed on our February earnings call, our net sales in the back half of this year will be impacted by less new product launches in the second half of this year compared to 2025. The decrease in 2026 launches includes shifting an iron launch from the back half of this year to early next year as we discussed on our last earnings call. In addition, we are rationalizing certain lower-margin categories and channels, which will also reduce sales. We continue to believe these actions will strengthen our business and support higher overall gross margins over the long term.

With regard to EBITDA, we are increasing our adjusted EBITDA expectations to \$211 million to \$233 million, an increase of \$40 million at the midpoint of guidance.

1. \$25 million of the increase is related to the lower tariff expense mentioned earlier, and
2. \$15 million of the increase is related to flow-through of the \$28 million net sales increase and some additional benefit from our gross margin initiatives.

The other item impacting adjusted EBITDA in the second half is lower dividend income. In the back half of last year, we had excess cash—generated from the business and the sale of Jack Wolfskin—that generated a significant amount of dividend income. In January, we used that excess cash, along with proceeds from the Topgolf sale, to pay down \$1 billion of term debt and in May we used an additional \$258 million to pay off our convertible debt. From a free cash flow perspective, paying down the term debt is a net benefit because the term loan rate was higher than the yield we were earning, but it does

negatively impact EBITDA by approximately \$12 million in the second half of this year compared to the same period last year.

Turning to cash flow and margins, we continue to expect 2026 capital expenditures of \$35 to \$40 million. While we are not providing specific free cash flow guidance, we do expect the increase in our adjusted EBITDA to generally flow through to additional cash flow. For gross margin, we now expect to be up year-over-year, versus our original guidance of approximately flat. Now turning to Q2 guidance.

For Q2, we are forecasting net sales of \$585 million to \$610 million and adjusted EBITDA of \$98 million to \$108 million.

With this guidance, the implied first half net sales is now up mid-single digits year-over-year at the midpoint, which is in line with our goal to grow at or above the overall golf market.

In summary, our return to a pure play golf company is off to a good start. We are pleased with the direction of our business, and we have a strong balance sheet, a more profitable product focus, and a clear path to generating shareholder value through free cash flow generation and effectively managing our capital for the benefit of shareholders.

With that said, I will turn the call back over to the operator for Q&A.