First Quarter 2018 Earnings Conference Call

April 26, 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 April 26, 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 April 26, 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

Q1 2018 Key ELY Takeaways

Record start for the year for our company

- Strong operational performance and continued brand momentum
- Improved market conditions
- Revenues up 31%, GAAP EPS and trailing 12 months EBITDA more than doubled

Our new products, Rogue line of woods and irons and the new Chrome Soft golf balls with Graphene as well as our **new businesses** (TravisMathew, OGIO and the Japan Apparel JV) **performed above expectations**

Continue Stick's leadership as the #1 club brand in the U.S. for 26 consecutive months, including holding the #1 iron brand position for 38 consecutive months

Investments in Core and New Business continue to pay off

Overall Market Conditions

<u>Foreign Exchange moved positively</u>

- Positively impacted revenue by $11mm versus Q1 last year and by $7mm versus our Q1 guidance
- We hedge 70-80% of our net risk, so impact to EPS was minimal

<u>Overall global market conditions exceeded our expectations</u> despite tough weather conditions in the United States and Europe

- Significant year over year market growth in U.S. and Japan more than offsetting slower conditions in Europe

<u>We had anticipated improving market conditions</u>, however the magnitude of the improvement did exceed our expectations

- The industry is off to a strong start for the year

Overall Market Spend and Foreign Exchange providing upside

U.S. Quarter 1 2018 Financial Highlights

Net Sales

- Net sales up 31.9% in Q1, with double digit growth in the core business as well as the addition of the Travis Mathew business

Market Share (Q1 2018)

- Hard goods market share was 26.2%, essentially flat year-over-year
- #1 dollar market share in Total Hard Goods, Total Clubs, Total Woods, Total Irons and Total Putters
- Golf ball: 16.2%, up 220 bps year-over-year

Improved Market Conditions

- Hard goods spend increased 9.5% in Q1 and 20.7% in March alone
- Market growth driven by club sales; balls were down slightly most likely driven by weather
- Callaway field inventories continue to be healthy

Overall Market has outperformed expectations in Q1

Market Share Source: Golf Datatech

Asia Quarter 1 2018 Financial Highlights

Net Sales

- Strong Q1 led by Japan with net sales up 41.8% on a currency neutral basis
- Increases driven by momentum in the core business, the Japan Apparel Joint Venture and the strengthening of the overall market
- Korea off to a strong start with net sales up 26.0% on a currency neutral basis

Japan Market Share (Q1 2018)

- Hard goods: 16.8%, down 480 bps year-over-year
- March hard goods share increased to 18.4%, up 170 bps versus February and we are anticipating further improvement in April
- Inventory at retail in a good position

Anticipate Strong Year in Asia, but front loaded

Market Share Source: GfK

Europe Quarter 1 2018 Financial Highlights

Net Sales

- Net sales were up 14.8% and up 2.5% on a constant currency basis
- Market spend was down 7% and rounds played were down 22% in Q1 driven primarily by poor weather conditions

Market Share (February YTD)

- Hard goods: 24%, down 200 bps year-over-year
- #1 in Total Hard Goods

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 improved market conditions, improved foreign exchange and brand momentum

- Revenue guidance up $50-$55mm and EPS up $0.12-$0.13
- Expect current market conditions to continue in Q2
- The full year forecast is front-half loaded versus last year reflecting our current launch cadence as well as the projected launch timing of our competitors

<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 our core and new businesses
- Improving market conditions
- With investments in the core business, in strategic acquisitions, in Topgolf and in selectively repurchasing shares we believe we can deliver attract growth and returns for our shareholders

2018 is Shaping up to be a Good Year for ELY

First Quarter 2018 Financial Results

Brian Lynch

SVP, CFO and General Counsel

CFO Summary

<u>Pleased with our Q1 performance</u> and the trends in the market and our business

- Net sales is up 31%, including increases in all regions and product categories, driven by the addition of TravisMathew, improved market conditions, and positive changes in foreign currency
- New product introductions and new businesses are meeting or exceeding plan
- Record Q1 Net Sales and GAAP EPS

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

- TravisMathew acquisition occurred in August of 2017, so that business was not included in our Q1 2017 results
- When discussing 2017 non-GAAP results we exclude non-recurring deal related expenses from the OGIO and TravisMathew acquisitions

<u>Taking up our Full Year Guidance</u> based on our Q1 performance, momentum of the business, the improved market conditions and favorable foreign exchange

A Strong Start to the Year for Callaway

Q1 2018 Financial Performance

Source: Tables to the April 26, 2018 Earnings Press Release

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

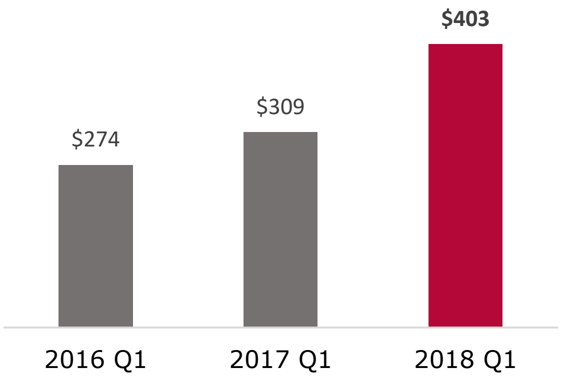
	Three Months Ended March 31,			
	2018	2017		
	As Reported	As Reported	Ogio Acquisition Costs[1]	Non-GAAP
Net sales	$ 403,191	$ 308,927	$ —	$ 308,927
Gross profit	200,462	147,715	—	147,715
% of sales	49.7%	47.8%	NA	47.8%
Operating expenses	114,478	103,508	3,956	99,552
Income (loss) from operations	85,984	44,207	(3,956)	48,163
Other expense, net	(6,034)	(5,121)	—	(5,121)
Income (loss) before income taxes	79,950	39,086	(3,956)	43,042
Income tax provision (benefit)	17,219	13,206	(1,337)	14,543
Net income (loss)	62,731	25,880	(2,619)	28,499
Less: Net income (loss) attributable to non-controlling interest	(124)	191	—	191
Net income (loss) attributable to Callaway Golf Company	$ 62,855	$ 25,689	$ (2,619)	$ 28,308
Diluted earnings (loss) per share:	$ 0.65	$ 0.27	$ (0.03)	$ 0.30
Weighted-average shares outstanding:	97,038	95,948	95,948	95,948

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

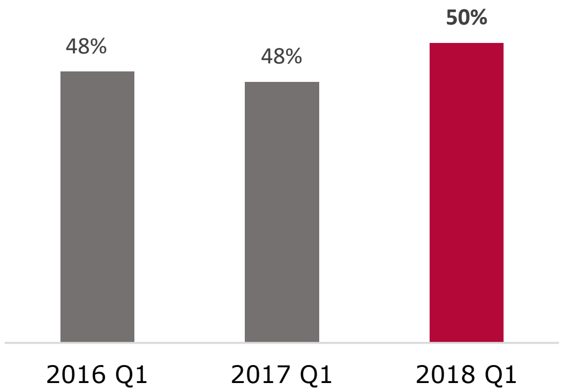
Record Q1 Net Sales and EPS

2018 Quarter 1 Performance Comparison

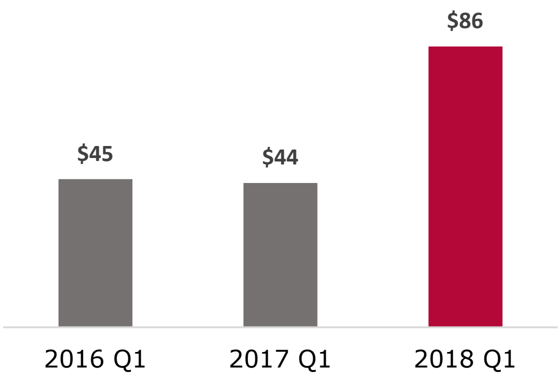
Net Sales (M)



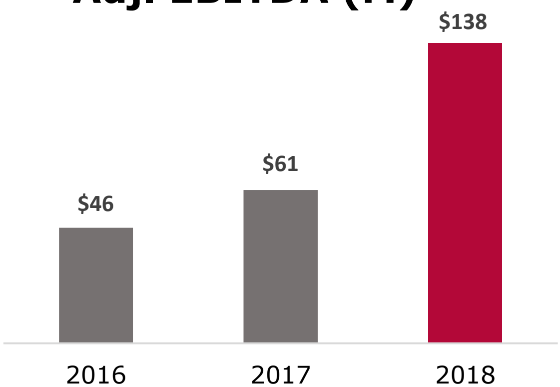
Gross Margin



Income from Operations (M)



Trailing 12 Months Adj. EBITDA (M)*



Key Points

- Net Sales up 31% driven by core business and addition of TravisMathew business
- Gross Margins up 190 bps versus last year
- Income from operations is up 95% year-over-year to $86 million
- Trailing 12 months adjusted EBITDA is up 126% to $138 million

Record Q1 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 Mar 31, 2018**	**As of Mar 31, 2017**	**Percentage Change**
Cash & Equivalents	$39	$48	-19%
Asset-based Loans	$179	$77	+132%
Available Liquidity[1]	$220	$173	+27%
Net Accounts Receivable	$265	$245	+8%
Inventory	$262	$179	+46%
	3 months ended Mar 31, 2018	**3 months ended Mar 31, 2017**	
Cap Ex	$8	$6	
D&A	$5	$4	
Share Repurchase	$20	$15	

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 & Q2 Guidance (As of April 26, 2018)

(in millions, except Gross Margin and EPS)	2018 FY GAAP Estimates	2018 FY GAAP Previous	2017 FY Non-GAAP Results[2]	2018 Q2 GAAP Estimates	2017 Q2 Non-GAAP Results[1,2]
Net Sales	$1,170-$1,185	$1,115-$1,135	$1,049	$365-$375	$305
Gross Margin	47.0%	46.5%	46.0%		
Operating Expenses	$444	$426	$393		
EPS	$0.77-$0.82	$0.64-$0.70	$0.53	$0.44-$.048	$0.34
Shares O/S	97.0	97.0	96.6	97.0	96.2

FY 12-13% Net Sales growth, significant Net Sales growth in Q2 driven by launch timing

1) Excludes non-recurring deal-related expenses for the OGIO acquisition ($2 million).
2) Refer to the appendix for a reconciliation of these non-GAAP measures to their most directly comparable GAAP measures.

Questions

travisMathew

Thank You

OGIO

Time for Q&A

Appendix

Adjusted EBITDA Reconciliations

Source: Tables to the April 26, 2018 Earnings Press Release and the May 4, 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				
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	Total
Net income (loss)	$ 31,443	$ 3,060	$ (19,386)	$ 62,855	$ 77,972
Interest expense, net	550	642	2,004	1,528	4,724
Income tax provision (benefit)	16,050	1,486	(4,354)	17,219	30,401
Depreciation and amortization expense	4,178	4,309	4,799	4,737	18,023
EBITDA	$ 52,221	$ 9,497	$ (16,937)	$ 86,339	$ 131,120
Gain on sale of Topgolf investments	—	—	—	—	—
Ogio & TravisMathew acquisition costs	2,254	3,377	1,677	—	7,308
Adjusted EBITDA	$ 54,475	$ 12,874	$ (15,260)	$ 86,339	$ 138,428

	2017 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended				
	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	Total
Net income (loss)	$ 34,105	$ (5,866)	$ 123,271	$ 25,689	$ 177,199
Interest expense, net	347	431	348	715	1,841
Income tax provision (benefit)	1,937	1,294	(137,193)	13,206	(120,756)
Depreciation and amortization expense	4,180	4,204	4,045	4,319	16,748
EBITDA	$ 40,569	$ 63	$ (9,529)	$ 43,929	$ 75,032
Gain on sale of Topgolf investments	(17,662)	—	—	—	(17,662)
Ogio & TravisMathew acquisition costs	—	—	—	3,956	3,956
Adjusted EBITDA	$ 22,907	$ 63	$ (9,529)	$ 47,885	$ 61,326

	2017 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended				
	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	Total
Net income (loss)	$ 34,105	$ (5,866)	$ 123,271	$ 25,689	$ 177,199
Interest expense, net	347	431	348	715	1,841
Income tax provision	1,937	1,294	(137,193)	13,206	(120,756)
Depreciation and amortization expense	4,180	4,204	4,045	4,319	16,748
EBITDA	$ 40,569	$ 63	$ (9,529)	$ 43,929	$ 75,032
Gain on sale of Topgolf investments	(17,662)	—	—	—	(17,662)
Ogio acquisition costs	—	—	—	3,956	3,956
Adjusted EBITDA	$ 22,907	$ 63	$ (9,529)	$ 47,885	$ 61,326

	2016 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended				
	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016	Total
Net income (loss)	$ 12,818	$ (3,617)	$ (30,452)	$ 38,390	$ 17,139
Interest expense, net	1,936	3,520	868	621	6,945
Income tax provision	1,817	1,547	493	1,401	5,258
Depreciation and amortization expense	4,454	4,193	4,029	4,157	16,833
EBITDA	$ 21,025	$ 5,643	$ (25,062)	$ 44,569	$ 46,175
Gain on sale of Topgolf investments	—	—	—	—	—
Ogio acquisition costs	—	—	—	—	—
Adjusted EBITDA	$ 21,025	$ 5,643	$ (25,062)	$ 44,569	$ 46,175

2018 Q1 P&L Reconciliations

Source: Tables to the April 26, 2018 Earnings Press Release

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

	Three Months Ended March 31,			
	2018	2017		
	As Reported	As Reported	Ogio Acquisition Costs[1]	Non-GAAP
Net sales	$ 403,191	$ 308,927	$ —	$ 308,927
Gross profit	200,462	147,715	—	147,715
% of sales	49.7%	47.8%	—	47.8%
Operating expenses	114,478	103,508	3,956	99,552
Income (loss) from operations	85,984	44,207	(3,956)	48,163
Other expense, net	(6,034)	(5,121)	—	(5,121)
Income (loss) before income taxes	79,950	39,086	(3,956)	43,042
Income tax provision (benefit)	17,219	13,206	(1,337)	14,543
Net income (loss)	62,731	25,880	(2,619)	28,499
Less: Net income (loss) attributable to non-controlling interest	(124)	191	—	191
Net income (loss) attributable to Callaway Golf Company	$ 62,855	$ 25,689	$ (2,619)	$ 28,308
Diluted earnings (loss) per share:	$ 0.65	$ 0.27	$ (0.03)	$ 0.30
Weighted-average shares outstanding:	97,038	95,948	95,948	95,948

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

2017 Q2 & FY P&L Reconciliations

Source: Tables to the April 26, 2018 Earnings Press Release

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

	Three Months Ended June 30, 2017		
	Total As Reported	Ogio Acquisition Costs(1)	Non-GAAP
Net sales	$ 304,548	$ —	$ 304,548
Gross profit	148,165	—	148,165
% of sales	48.7%	—	48.7%
Operating expenses	99,120	2,254	96,866
Income from operations	49,045	(2,254)	51,299
Other income (expense), net	(1,521)	—	(1,521)
Income before income taxes	47,524	(2,254)	49,778
Income tax provision (benefit)	16,050	(761)	16,811
Net income (loss)	31,474	(1,493)	32,967
Less: Net income attributable to non-controlling interest	31	—	31
Net income (loss) attributable to Callaway Golf Company	$ 31,443	$ (1,493)	$ 32,936
Diluted earnings (loss) per share:	$ 0.33	$ (0.01)	$ 0.34
Weighted-average shares outstanding:	96,197	96,197	96,197

(1) Represents non-recurring costs associated with the acquisition of Ogio International, Inc. in January 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.