Third Quarter 2018 Earnings Conference Call

October 24, 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 October 24, 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 October 24, 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

2018 Key ELY Takeaways

<u>Record sales for the third quarter and first nine months of the year</u> for our company

- Strong operational performance and continued brand momentum
- Favorable market conditions continued
- Revenues were up 8% in the third quarter and 24% YTD

<u>Market conditions continue to be favorable</u>, which along with our continued brand momentum and operating performance have created increased scale and significant improvements in operating leverage.

<u>Continue to make investments</u> back into the business including R&D, Golf Ball Operations, Tour, Sales and Marketing, in Topgolf and share repurchase

<u>Excited about our new product pipeline</u>

Investments in Core and New Businesses continue to pay off

U.S. Q3 2018 Financial Highlights

Net Sales

- Net sales up 14.7% in Q3 and up 29.4% year to date, with double digit growth in the core business as well as the addition of the Travis Mathew business

Market Share (Sep YTD 2018)

- Hard goods market share was 24.9%, down 110 bps year-over-year
- #1 dollar market share in Total Clubs, Total Woods, Total Irons and Total Putters
- #2 golf ball brand with 16.5% market share, up 250 bps year-over-year

Improved Market Conditions

- Hard goods spend increased 7.3% YTD
- Market growth driven by both club and ball sales
- Callaway field inventories remain healthy

Strong Market conditions continued

Market Share Source: Golf Datatech

Asia Q3 2018 Financial Highlights

Net Sales

- Solid Q3 led by Japan with net sales up 3% on a currency neutral basis and up 21.5% YTD.
- Strong start to the year in Rest of Asia with net sales up 20.6% YTD on a currency neutral basis
- Increases driven by continued brand strength and strong market conditions

Japan Market Share

- Hard goods: 18% YTD, down 230 bps year-over-year
- #2 hard goods brand in the market driven by strength across the entire product line
- Particularly strong performance in the irons category with Epic Star and now Rogue Star irons

On track for a Great Year in Asia, but front loaded

Market Share Source: GfK

Europe Q3 2018 Financial Highlights

Net Sales

- Net sales in Q3 were up 3.1% and YTD up 2.4% on a constant currency basis
- Choppy market conditions, leaving the UK up 3.9% YTD and Pan Europe down 2.1% YTD

Market Share (Aug YTD)

- #1 in Total Hard Goods with 23.6% dollar share, down year-over-year but in line with expectations and trending positively

Another solid quarter in Europe despite choppy conditions

Market Share Source: Golf Datatech

2018 Summary and Outlook

<u>Raising FY Guidance for 2018</u> based on our strong start to the year and market conditions that have exceeded our expectations

- Revenue guidance up \$15mm-\$20mm and EPS up \$0.05-\$0.06
- On track for record revenues, operating income, and EBITDA

<u>We are having an excellent year</u> and remain optimistic and focused on long-term sustainable performance and shareholder value

- Callaway is clearly now a product and technology leader with momentum in both our core and new businesses
- With investments in the core business, in strategic acquisitions, in Topgolf and in selectively repurchasing shares we believe we can deliver attractive growth and returns for our shareholders

2018 has been a Positive Year for ELY and the industry

Third Quarter 2018 Financial Results

Brian Lynch

SVP, CFO and General Counsel

CFO Summary

Pleased with our 2018 performance driven by our new product introductions and new businesses meeting and/or exceeding expectations

- Record net sales and earnings for the first nine months of the year
- YTD Net Sales increased in all operating segments, major regions, and product categories

Factors to keep in mind:

- TravisMathew acquisition occurred in August of 2017, so that business was only partially included in our third quarter and first nine months of 2017
- 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 and other non-recurring tax adjustments that impact the full year

Taking up our Full Year Guidance based on our year to date performance, momentum of the business and improved market conditions

Record year to date Net Sales and Earnings for Callaway

Q3 2018 Financial Performance

Source: Tables to the October 24, 2018 Earnings Press Release

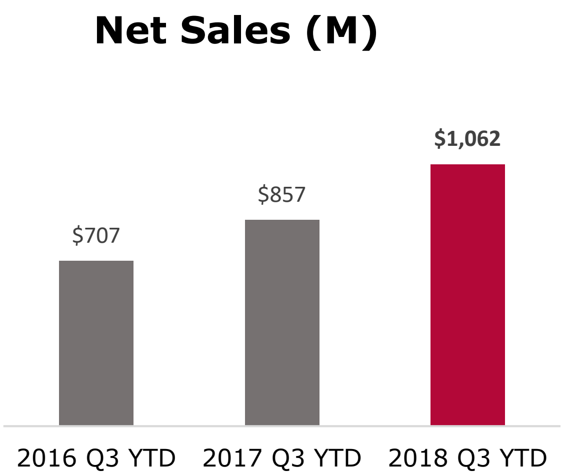
CALLAWAY GOLF COMPANY
Supplemental Financial Information and Non-GAAP Reconciliation
(Unaudited)
(In thousands)

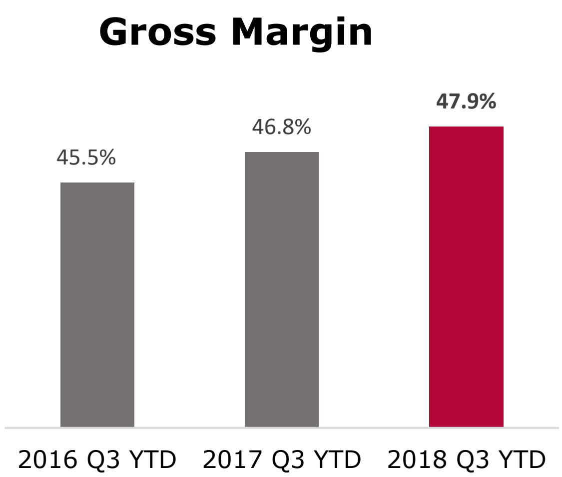
	Three Months Ended September 30,			
	2018	2017		
	As Reported	As Reported	Acquisition Costs(1)	Non-GAAP
Net sales	$ 262,654	$ 243,604	$ —	$ 243,604
Gross profit	115,239	104,902	(798)	105,700
% of sales	43.9%	43.1%	—	43.4%
Operating expenses	104,540	98,865	2,579	96,286
Income (loss) from operations	10,699	6,037	(3,377)	9,414
Other income (expense), net	376	(1,462)	—	(1,462)
Income (loss) before income taxes	11,075	4,575	(3,377)	7,952
Income tax provision (benefit)	1,335	1,486	(1,134)	2,620
Net income (loss)	9,740	3,089	(2,243)	5,332
Less: Net income attributable to non-controlling interest	223	29	—	29
Net income (loss) attributable to Callaway Golf Company	$ 9,517	$ 3,060	$ (2,243)	$ 5,303
Diluted earnings (loss) per share:	$ 0.10	$ 0.03	$ (0.02)	$ 0.05
Weighted-average shares outstanding:	97,320	96,879	96,879	96,879

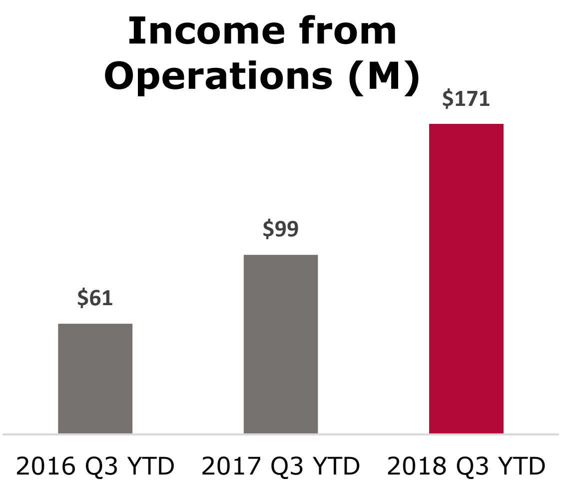
(1) Represents non-recurring costs associated with the acquisitions of Ogio International, Inc in January 2017 and TravisMathew, LLC in August 2017.

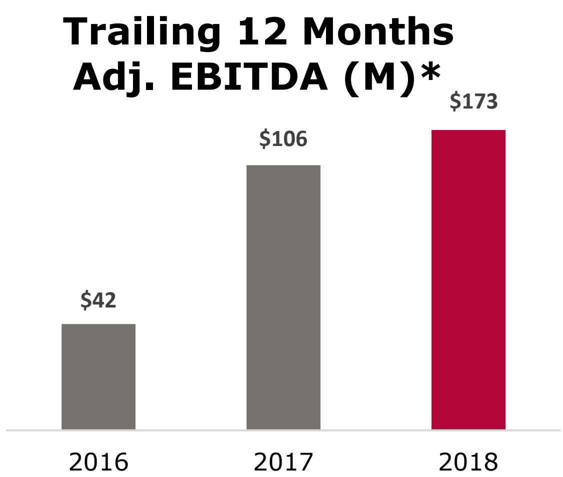
Record Q3 Net Sales and significantly improved Profitability

2018 First Nine Month Performance Comparison









Key Points

- Net Sales up 24% driven by core business and addition of TravisMathew business
- Gross Margins up 110 bps versus last year
- Income from operations is up 72% year-over-year to $171 million
- Trailing 12 months adjusted EBITDA is up 63% to $173 million
- Fully diluted EPS of $1.37 versus non-GAAP EPS of $0.69 and GAAP EPS of $0.62

Record nine months performance for Net Sales and EBITDA

* 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 their most directly comparable GAAP measures.

Balance Sheet and Cash Flow

(in millions, except percentages)	As of Sep 30, 2018	As of Sep 30, 2017	Percentage Change
Cash & Equivalents	$71	$82	-14%
Asset-based Loans	$4	$71	-94%
Available Liquidity[1]	$330	$195	+69%
Net Accounts Receivable	$130	$152	-15%
Inventory	$237	$187	+27%

	9 months ended Sep 30, 2018	9 months ended Sep 30, 2017
Cap Ex	$26	$17
D&A	$15	$13

	9 months ended Sep 30, 2018	9 months ended Sep 30, 2017
Share Repurchase	$22	$16

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 Guidance (As of October 24, 2018)

(in millions, except Gross Margin and EPS)	2018 FY GAAP Projections	2018 FY GAAP Previous Projections	2017 FY Non-GAAP Results(1)
Net Sales	$1,230-$1,240	$1,210-$1,225	$1,049
Gross Margin	46.8%	46.8%	46.0%
Operating Expenses	$447	$445	$393
EPS	$1.01-$1.05	$0.95-$1.00	$0.53
Shares O/S	97.0	97.0	96.6

FY Net Sales projected to increase 17%-18% over 2017 and $15M-$20M higher than previous guidance

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

Questions

Thank You

Time for Q&A

Appendix

Adjusted EBITDA Reconciliations

Source: Tables to the October 24, 2018 Earnings Press Release and the October 25, 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				
	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	Total
Net income (loss)	$ (19,386)	$ 62,855	$ 60,867	$ 9,517	$ 113,853
Interest expense, net	2,004	1,528	1,661	1,056	6,249
Income tax provision (benefit)	(4,354)	17,219	17,247	1,335	31,447
Depreciation and amortization expense	4,799	4,737	5,029	4,996	19,561
EBITDA	$ (16,937)	$ 86,339	$ 84,804	$ 16,904	$ 171,110
Ogio & TravisMathew acquisition costs	1,677	—	—	—	1,677
Adjusted EBITDA	$ (15,260)	$ 86,339	$ 84,804	$ 16,904	$ 172,787

	2017 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended				
	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	Total
Net income (loss)	$ 123,271	$ 25,689	$ 31,443	$ 3,060	$ 183,463
Interest expense, net	348	715	550	642	2,255
Income tax provision (benefit)	(137,193)	13,206	16,050	1,486	(106,451)
Depreciation and amortization expense	4,045	4,319	4,178	4,309	16,851
EBITDA	$ (9,529)	$ 43,929	$ 52,221	$ 9,497	$ 96,118
Ogio & TravisMathew acquisition costs	—	3,956	2,254	3,377	9,587
Adjusted EBITDA	$ (9,529)	$ 47,885	$ 54,475	$ 12,874	$ 105,705

	2017 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended				
	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	Total
Net income (loss)	$ 123,271	$ 25,689	$ 31,443	$ 3,060	$ 183,463
Interest expense, net	348	715	550	642	2,255
Income tax provision (benefit)	(137,193)	13,206	16,050	1,486	(106,451)
Depreciation and amortization expense	4,045	4,319	4,178	4,309	16,851
EBITDA	$ (9,529)	$ 43,929	$ 52,221	$ 9,497	$ 96,118
Gain on sale of Topgolf investments	—	—	—	—	—
Ogio & TravisMathew acquisition costs	—	3,956	2,254	3,377	9,587
Adjusted EBITDA	$ (9,529)	$ 47,885	$ 54,475	$ 12,874	$ 105,705

	2016 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended				
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	Total
Net income (loss)	$ (30,452)	$ 38,390	$ 34,105	$ (5,866)	$ 36,177
Interest expense, net	868	621	347	431	2,267
Income tax provision (benefit)	493	1,401	1,937	1,294	5,125
Depreciation and amortization expense	4,029	4,157	4,180	4,204	16,570
EBITDA	$ (25,062)	$ 44,569	$ 40,569	$ 63	$ 60,139
Gain on sale of Topgolf investments	—	—	(17,662)	—	(17,662)
Ogio & TravisMathew acquisition costs	—	—	—	—	—
Adjusted EBITDA	$ (25,062)	$ 44,569	$ 22,907	$ 63	$ 42,477

2017 Q3 YTD P&L Reconciliations

Source: Tables to the October 24, 2018 Earnings Press Release and the October 25, 2017 Earnings Press Release

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

	Nine Months Ended September 30,			
	2018	2017		
	As Reported	As Reported	Acquisition Costs[1]	Non-GAAP
Net sales	$1,062,156	$ 857,079	$ —	$ 857,079
Gross profit	508,398	400,782	(798)	401,580
% of sales	47.9%	46.8%	—	46.9%
Operating expenses	337,395	301,493	8,789	292,704
Income (loss) from operations	171,003	99,289	(9,587)	108,876
Other expense, net	(1,797)	(8,104)	—	(8,104)
Income (loss) before income taxes	169,206	91,185	(9,587)	100,772
Income tax provision (benefit)	35,801	30,742	(3,232)	33,974
Net income (loss)	133,405	60,443	(6,355)	66,798
Less: Net income attributable to non-controlling interest	166	251	—	251
Net income (loss) attributable to Callaway Golf Company	$ 133,239	$ 60,192	$ (6,355)	$ 66,547
Diluted earnings (loss) per share:	$ 1.37	$ 0.62	$ (0.07)	$ 0.69
Weighted-average shares outstanding:	97,076	96,343	96,343	96,343

[1] Represents non-recurring costs associated with the acquisitions of Ogio International, Inc in January 2017 and TravisMathew, LLC in August 2017.

2017 FY P&L Reconciliations

Source: Table to the February 7, 2018 Earnings Press Release

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

	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.