CALLAWAY GOLF COMPANY FOURTH QUARTER AND FULL YEAR 2025 PREPARED REMARKS

Katina Metzidakis, Vice President, Investor Relations and Corporate Communications

Good afternoon, and welcome to Callaway Golf Company's fourth quarter earnings conference call. I'm Katina Metzidakis, Vice President of Investor Relations and Corporate Communications. 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 fourth quarter 2025 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 Katina and hello everyone.

Before jumping into our results, I'd like to take a moment to reflect on the significant changes we have made to our business over this past year. In May, we successfully completed the sale of the Jack Wolfskin outdoor apparel and gear business to ANTA Sports for $290 million, representing an important first step towards refocusing our strategic priorities on our core golf equipment and apparel businesses.

Then just last month, we announced the successful completion of the sale of a 60% stake in the Topgolf business to Leonard Green & Partners, in a deal valued at approximately $1.1 billion. We received approximately eight hundred million dollars in cash in this transaction and immediately repaid one billion of our term loan B debt. Following the deal close and repayment of the debt, we are in a net cash positive position. And we anticipate generating positive cash flow this year, returning capital to shareholders and

ending the year with a continued net cash to zero net leverage position. We also expect Topgolf to thrive going forward, and that this transaction will provide our investors with the upside of Topgolf without any operational involvement from the Callaway management team, and with NO financial obligations. Importantly, ALL Topgolf lease and debt obligations stay with the new Topgolf entity with no recourse back to Callaway Golf.

With these transactions behind us, we have returned to our roots as a leading pure play golf company, including returning to our prior name: Callaway Golf Company. I'd like to take a moment to thank the teams for all the hard work they put in to help us make this transition complete. The excitement in our headquarters in Carlsbad is palpable, as we turn our focus to bring our company vision to life, which is to make the game better for every golfer—by being the global leader in innovation, performance, and craftsmanship across premium golf equipment, apparel, and accessories.

In Q4, Topgolf performed roughly consistently with expectations, finishing the year with a strong second half. We are optimistic about the future of this business. As we are now a minority partner in a private business, we will no longer be reporting on this business during our earnings calls. We are back to being a pure-play, and this is back to being a golf focused call. To that end, I'm pleased to report that Callaway Golf Company's Q4 results were better than expected on both the topline and EBITDA. This applies to all regions as well as both Travis Mathew and Callaway Golf.

Now stepping back to look at the big picture, there is no doubt that the last several years have proven that the game of golf is as healthy as it's ever been – or certainly as I've ever seen in my career. And according to the National Golf Foundation, 2025 was no exception. The year ended with US rounds played up 1.2% – marking another record year, the third consecutive year of growth, and the sixth year of increases over the last seven years. Golf's US reach – including those who play, watch, read about or follow golf – is now more than 136 million, or approximately 2 out of every 5 Americans. Participation in off course golf grew once again and is now estimated to be 38 million, an increase of 63% since 2019. And this growth in off course golf is clearly supporting more interest in the game and creating a greater on ramp for on-course golf. On course golf participation is now estimated to be 29.1 million and is up 20% since 2019. Over the same period, on course participation by women is up 46%, young golfers ages 6 to 17 years of age is up 58%, and participation by ethnic minorities, or what the NGF calls "people of color", is up 61%. These are terrific numbers and trends. The sport and business of golf is clearly in a good spot.

At the same time, Callaway, Odyssey and Travis Mathew remain impressively strong brands, a position they have enjoyed for some time. On the golf equipment side, Callaway maintains a top 2 market share position in both clubs and balls in the US and a top 1 or 2 club position in every primary market we compete. This past year on global tours, the Callaway and Odyssey brands saw 61 driver, 92 putter and 35

ball wins, we are generally viewed as the leader in Technology and Innovation globally, and Odyssey remained the #1 Putter across global tours. Turning to the apparel and gear segment, our Callaway and Ogio gear and accessory business remains strong, and TravisMathew remains a premium, scaled men's apparel and lifestyle brand with a growing presence in women's. Furthermore, on a net of new tariff basis, we drove meaningful improvements in our golf equipment gross margins last year. We also managed two strategic processes at corporate, delivered strong cash flow and transformed our balance sheet.

Turning to the year ahead, we are very proud of our new product for 2026 across the company, and initial feedback on our new golf equipment, from both our green grass and retail partners, has been strong. On the club side, we launched our Quantum family of Woods and Irons, as well as our new Odyssey Ai-Dual Putters. These are engineered with groundbreaking technologies across every category. The new Quantum Driver, in particular, introduces a revolutionary Tri-Force Face which we believe is the most advanced face technology in the world, consisting of 3 materials – titanium, poly mesh and carbon fiber – engineered for exceptional speed and spin consistency and thus delivering improved distance and dispersion. On the ball side, we are excited about the second iteration of our premium Chrome Tour family of balls, which are designed to deliver more speed along with unmatched consistency and overall performance.

As we get ready for the peak Spring and Summer sales seasons, we are excited about our new product offerings across our business, as well as healthy market fundamentals. At the same time, there are some external factors to consider. First, incremental tariff expense of approximately forty million dollars in 2026, on top of approximately thirty-five million dollars last year, is driving higher than historical price points in several categories. In addition, although the golf consumer has remained healthy and engaged, overall consumer confidence is at lower than desired levels, and job growth has cooled. Taken together, these dynamics warrant close monitoring.

Still, as we return our full focus to our core business, we are excited about the opportunities we see. And we are seizing this moment as a newly focused company to make three fundamental changes that we believe will maximize efficiency and drive long-term improvement in both our share and our margins. First, we are pulling back on sales of some of our lower margin categories and channels across the business. Secondly, we are making incremental investments into our fitting program, an area that is important for us to maintain our leadership position in equipment. And, thirdly, we will be making some changes to our launch cadences, taking a longer-term view on a product line that we would normally have launched this fall and extending product life cycles in another. These changes will have a negative impact on our revenues in the second half of this year but should improve our long-term profitability and market share going forward.

In conclusion, we ended last year on a fantastic note – executing two transformational transactions – and returning to our roots as a leader in golf, with a strong balance sheet, and the opportunity to drive further improvements in our business. However, we are not content. We see opportunity and believe that our renewed focus will drive an even stronger company going forward. We know our teams are fired up to take on this challenge. Our management team is entering 2026 clear-eyed, energized and optimistic about our opportunity as a pure play golf company again. Thank you for taking the time to join our call today, and with that I'll turn it over to Brian.

Bryan Lynch, Chief Financial Officer and Chief Legal Officer

Thank you, Chip and good afternoon, everyone. As you will see, following the sale of the Jack Wolfskin business and the 60% interest in Topgolf, both businesses have been reflected as discontinued operations in our financial results. As required, and to make prior periods comparable, the prior periods have also been restated to reflect the discontinued operations presentation. On today's call, I will be discussing our financial results for our continuing operations on a non-GAAP basis. Unless otherwise noted, all comparisons are on a year-over-year basis.

Before jumping into results, I want to review some details surrounding the Topgolf transaction, which you can see on slides 7 and 8. As Chip mentioned, we are very pleased with our recent Topgolf transaction which reestablishes us as a pure-play golf business, while our 40% minority stake preserves our ability to participate in any future upside at Topgolf.

In terms of the specifics of the transaction, we sold a 60% stake in Topgolf based on a $1.1 billion valuation. The sale proceeds and related financing transactions resulted in approximately $800 million in cash proceeds, net of working capital adjustments and transaction costs. We subsequently used this cash as well as a portion of the cash on our balance sheet to pay down $1 billion of the $1.2 billion term loan debt.

In addition, immediately following the repayment of our loan, we had approximately $480 million in outstanding debt, which includes $258 million of convertible notes and $166 million in remaining term debt, as well as unrestricted cash and cash equivalents of approximately $680 million. As a result, there is currently no net leverage on our business – we are in a net cash position. We intend to settle the $258 million of convertible notes due May 2026 in cash and expect to end the year in a net cash to zero net leverage position.

Looking ahead, Callaway Golf's capital allocation priorities are to:

1. reinvest in our business,
2. maintain a healthy balance sheet and
3. return capital to shareholders through the $200 million stock purchase program we announced last month.

Before moving to our results, I want to reiterate one point that Chip made: Callaway Golf has no future cash obligation to Topgolf. All of Topgolf's debt – including its venue financing debt and operating leases as well as any new debt raised in the transaction – went with Topgolf as part of the transaction. There is no recourse against us for any of Topgolf's debt, venue financing or operating leases.

Turning to our financial results. We are pleased to report a strong close to 2025, with fourth-quarter and full-year financials exceeding our expectations for revenue and adjusted EBITDA. Starting with full-year results, consolidated net sales were down slightly, primarily due to a 1.4% decrease in our soft goods segment which was impacted by soft market conditions globally. Golf equipment sales were approximately flat.

With regard to tariffs, in 2025 the Company incurred $34 million of incremental tariff costs, of which $25 million impacted our Golf Equipment segment with the remainder impacting the soft goods segment. Our full year consolidated gross margin declined approximately 60 basis points to 42.2% due to the $34 million of incremental tariffs, which impacted gross margins by 166 basis points. Our Golf Equipment gross margin, however, increased 10 basis points and, importantly, would have increased 189 basis points excluding tariffs. These results are a testament to the hard work and good progress our teams have made on our gross margin initiatives.

Our operating expenses increased 1% as our cost-savings initiatives offset almost all normal inflationary pressures and the year-over-year increase in annual incentive compensation. As a reminder, we paid very little annual incentive compensation in 2024. Adjusted EBITDA was $222 million, representing a $39 million decrease. This result was better than expected.

FX had a minimal impact on our full year 2025 results.

Moving to quarterly results, fourth quarter consolidated sales of $368 million decreased 1% year-over-year. This decrease was due to an $11 million decline in golf equipment sales due to fewer second half product launches, partially offset by a $7 million increase in our soft goods segment.

Q4 gross margin declined 220 basis points to 37.4%, due to a 340-basis point impact from incremental tariffs. Q4 operating expenses increased $19 million, due to a $19 million increase in annual incentive compensation expense. As a reminder, we are lapping a reversal of the annual incentive compensation accrual in Q4 last year.

Adjusted EBITDA of negative $25 million declined $30 million. This decrease was better than expected and was impacted by $12 million of incremental new tariff expense and the higher annual incentive compensation expense.

Moving to liquidity, as of January 2, 2026, we had approximately $480 million in outstanding debt and had unrestricted cash and cash equivalents of approximately $680 million, putting the company in a net cash positive position. And as I mentioned earlier, we expect to maintain this net cash to zero net leverage position in 2026.

Capital expenditures for 2025 were $32 million.

Moving to guidance, which you will see on slides 13 and 14.

Given our renewed pure play focus, as Chip noted, we are making some fundamental shifts to our business to prioritize long-term margin expansion and free cash flow.

For 2026 full year revenue, we anticipate a range of $1.98 to $2.05 billion dollars, down slightly at the midpoint versus last year due to the fundamental changes Chip discussed earlier. As a reminder, these changes include rationalizing and reducing sales of some of our lower-margin categories and channels and we are also planning to increase product life cycles in certain golf equipment areas, which will impact our financial results in the back-half of this year. We believe both of these changes will positively impact gross margins over the long term.

Moving to EBITDA we expect full year adjusted EBITDA in the range of $170 to $195 million. This outlook includes:

1. Incremental tariffs of approximately $40 million compared to 2025, or a gross tariff impact of approximately $75 million versus 2024.
2. And approximately $16 million in lower dividend income due to a significantly lower cash balance compared to 2025 due to the $1 billion of cash we used to pay down debt. This will of course also mean that we will realize significant savings in interest expense in 2026 and it is overall cash flow accretive.

We anticipate 2026 capex to be $35-$40 million dollars. Free cash flow will remain a top priority, and we expect to generate approximately $100 million dollars of free cash flow in 2026.

Now turning to Q1 guidance. For Q1, we are forecasting total revenue of $635 million to $665 million, representing an approximate 3% year-over-year increase at the midpoint, and adjusted EBITDA of $110 million to $125 million. In Q1 2026, we expect an incremental $24 million of tariff expense compared to Q1 2025 and we are lapping a $12 million benefit from the early termination of our former Japan headquarters lease in Q1 last year.

This is an exciting period of transformation for Callaway. As Chip mentioned, in the last 7 months of 2025, we sold the Jack Wolfskin business and a 60% stake in Topgolf. These transactions, and the subsequent use of transaction proceeds to reduce our debt profile, not only returned us to our core golf heritage but also changed our capital structure such that we are now in a net cash position.

We are now in the process of resetting our business by emphasizing our most profitable products and channels and reducing costs, while continuing to invest in the areas that matter most for the health of the business. From this reset base, we believe we can grow sales more profitably, generate stronger free cash flow and be in a position to return significant capital to shareholders. We have strong brands and with our renewed focus on our core business, we are excited about the future.

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