



Second Quarter 2020 Earnings Conference Call

August 6, 2020

Forward-looking Statements: During the presentation, any comments made about future performance, events, prospects, circumstances or growth, including the Company's financial position and strength, future industry and market conditions, impact of the COVID-19 pandemic on the Company's business, results of operations and financial condition and the impact of any measures taken to mitigate the effect of the pandemic, long term benefits from increased participation in golf, continued investments in innovation, digital competencies and strategic growth initiatives, ability to benefit from the Company's global scale, leadership position in golf and the brands' diversity and growth potential, the Company's efforts to effectively manage its cost/expense reduction, capital allocation and liquidity, performance of the e-commerce business, new product launches, the Company's continued ability to improve and recover from the impact of the COVID-19 pandemic, and the projected capital expenditures, depreciation and amortization and one-time expense 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 the Company's 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 the Company's earnings release issued on August 6, 2020, as well as Part I, Item 1A of the Company's 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 certain non-cash purchase accounting adjustments and amortization of intangibles related to the Company's acquisitions, non-recurring transaction and transition costs related to acquisitions, and other non-recurring costs, including costs related to the transition to the Company's new North American Distribution Center, implementation of a new IT system for Jack Wolfskin, severance costs related to the Company's cost-reduction initiatives, the \$174 million non-cash impairment charge related to the Jack Wolfskin goodwill and trade name, as well as non-cash amortization of the debt discount related to the Company's convertible notes. 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 with 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 August 6, 2020 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

- Q2 results heavily impacted by various global shutdowns and stay at home orders
- Our principal markets, manufacturing facilities, and distribution centers were open by late May
- Businesses recovered faster than initial projections
- E-Commerce continues to be strong, delivering growth of 50% or higher in many cases since re-opening



RESULTS EXCEEDED OUR EXPECTATIONS AND STRENGTHENED OUR CONFIDENCE IN THE FUTURE

OVERVIEW OF GOLF EQUIPMENT SEGMENT



- Golf equipment segment has exceeded expectations over the last few months
- Golf equipment segment is benefitting from both an increase in participation and pent up demand
- Encouraging trends in the US around new golfers, rounds played and equipment sales
 - NGF projecting a 20% increase in participation of juniors and either new or returning golfers
 - Rounds played up 14% YoY in June
- Callaway market share showed good progress with nice growth trends during the quarter; #1 or #2 hard goods market share in US, Japan, and Europe¹
- Global markets are performing well
 - Japan was significantly impacted during Q2, but market remains relatively sound and grew in June
 - Korea has performed well all year
 - Europe was heavily impacted with no golf allowed during lockdown, but has bounced back strong



HOPING INCREASED PARTICIPATION LEADS TO LONG-TERM BENEFIT

OVERVIEW OF SOFT GOODS AND APPAREL SEGMENT



- Recovered above our initial expectations, but not to the same degree as golf equipment
- Ecommerce business has been very strong
- Retail down double digits and showing volatility relative to upticks in COVID outbreaks
- Jack Wolfskin's largest markets, Germany and China, are among the more attractive economic markets globally
- TravisMathew was significantly impacted during Q2, but has bounced back quickly and seen strong sell-through at key retailers



DESPITE NEAR TERM VOLITILITY, CONFIDENT IN LONG-TERM POSITION

- Continue to make progress on key initiatives, including the initial phases of transition to the new 800,000 sq. ft “Superhub” outside Fort Worth, TX
- Strong financial position that will allow for continued investment in innovation, digital competencies and growth initiatives
- As hotspots and opportunities transition globally, our company should benefit from global scale, our leadership position in golf equipment, and attractive growth opportunities across our family of brands
- While pleased with the pace of our recovery, we are not comfortable providing quantitative guidance at this time
- As we transition back to normal operations, we are careful to follow appropriate protocols for social distancing, in-office capacity management, personal protective equipment and other safety precautions





Brian Lynch
EVP, CFO

Second Quarter 2020 Financial Results

SECOND QUARTER 2020 FINANCIAL RESULTS



| (\$ in millions, except EPS) | Non-GAAP Q2 2020 | Non-GAAP Q2 2019 | YOY Change | YOY Change (CC) |
|------------------------------|---------------------|---------------------|---------------|--------------------|
| Net Sales | \$297 | \$447 | -34% | -33% |
| Gross Profit | \$125 | \$212 | (\$87) | |
| Gross Margin | 42.2% | 47.5% | (530) bps | |
| Operating Expenses | \$121 | \$159 | (\$38) | |
| Pre-Tax Income | \$7 | \$44 | (\$37) | |
| Fully Diluted EPS | \$0.06 | \$0.37 | (\$0.31) | |
| ADJUSTED EBITDAS* | \$29 | \$66 | (\$37) | |



* See appendix for EBITDAS reconciliation

FIRST HALF 2020 FINANCIAL RESULTS



| (\$ in millions, except EPS) | Non-GAAP 1H 2020 | Non-GAAP 1H 2019 | YOY Change | YOY Change (CC) |
|------------------------------|---------------------|---------------------|---------------|--------------------|
| Net Sales | \$739 | \$963 | -23% | -23% |
| Gross Profit | \$322 | \$456 | (\$134) | |
| Gross Margin | 43.6% | 47.4% | (380) bps | |
| Operating Expenses | \$275 | \$322 | (\$47) | |
| Pre-Tax Income | \$48 | \$118 | (\$70) | |
| Fully Diluted EPS | \$0.38 | \$0.99 | (\$0.61) | |
| ADJUSTED EBITDAS* | \$89 | \$159 | (\$70) | |



* See appendix for EBITDAS reconciliation



| <i>(\$ in millions)</i> | As of end of Jun, 2020 | As of end of Jun, 2019 | YOY Change (%) |
|--------------------------|---------------------------|---------------------------|----------------|
| Available Liquidity | \$483 | \$273 | 77% |
| Net Accounts Receivables | \$214 | \$264 | -19% |
| Inventory | \$379 | \$360 | 5% |

| <i>(\$ in millions)</i> | 6 months ending Jun, 2020 | 6 months ending Jun, 2019 |
|-----------------------------|------------------------------|------------------------------|
| Capital Expenditures | \$25 | \$23 |
| Depreciation & Amortization | \$18 | \$17 |



- Capital Expenditures expected to be in the range of approximately \$35 million - \$40 million
- Depreciation and Amortization expected to be \$38 million, excluding \$174 million impairment charge
- Due to the uncertainty surrounding COVID-19, we are no longer providing sales and earnings guidance at this time. Among the uncertainty, we know these things for certain:
 - On track for another record sales year when COVID-19 hit unexpectedly
 - Our team did a very good job responding, with strong cost and supply chain management and shoring up liquidity
 - The impact of COVID-19 will continue to negatively impact sales and gross margins through 2021 but it is impossible to predict to what degree with any certainty, although we expect the impact to lessen as time passes
 - Golf equipment and outdoor lifestyle businesses are ideally suited to an active and healthy way of life that is compatible with a world of social distancing
 - Liquidity is not an issue - The convertible note offering provided us with ample cushion to weather the pandemic, continue to invest in our business where necessary



APPENDIX



| (\$ in millions) | Q2 2020 | Q2 2019 | YOY Change | YOY Change (CC) |
|-------------------------|---------|---------|------------|-----------------|
| TOTAL NET SALES | \$297 | \$447 | -34% | -33% |
| Golf Equipment | \$210 | \$292 | -28% | -28% |
| Apparel, Gear and Other | \$87 | \$155 | -44% | -43% |
| ADJUSTED EBITDAS* | \$29 | \$66 | -56% | |



QUARTERLY RESULTS NEGATIVELY IMPACTED BY COVID-19

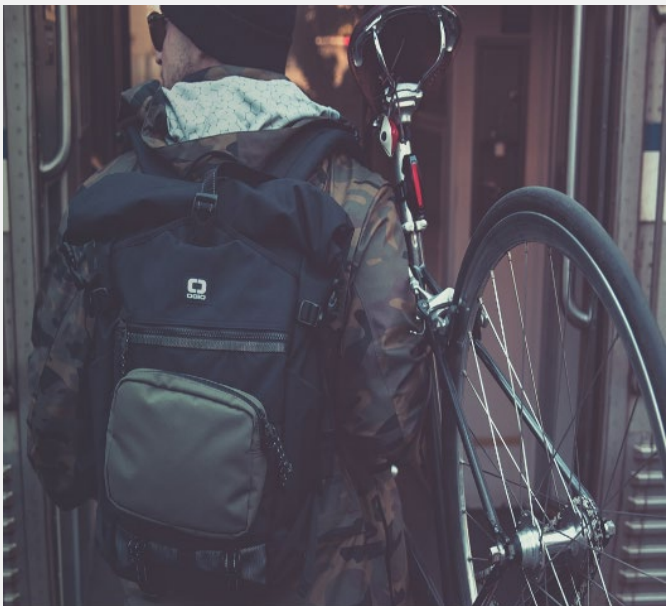
* See appendix for EBITDAS reconciliation

OPERATING SEGMENT RESULTS



| NET SALES (\$ in millions) | Q2 2020 | Q2 2019 | YOY Change | YOY Change (CC) |
|--------------------------------------|--------------|--------------|-------------|-----------------|
| Golf Equipment | \$210 | \$292 | -28% | -28% |
| Golf Club | \$156 | \$224 | -30% | -30% |
| Golf Ball | \$54 | \$68 | -21% | -21% |

| NET SALES (\$ in millions) | Q2 2020 | Q2 2019 | YOY Change | YOY Change (CC) |
|--------------------------------------|-------------|--------------|-------------|-----------------|
| Apparel, Gear & Other | \$87 | \$155 | -44% | -43% |
| Apparel | \$36 | \$74 | -51% | -50% |
| Gear & Other | \$51 | \$81 | -37% | -37% |





| NET SALES (\$ in millions) | Q2 2020 | Q2 2019 | YOY Change | YOY Change (CC) |
|--------------------------------------|---------|---------|------------|-----------------|
| United States | \$172 | \$247 | -30% | -30% |
| Europe | \$50 | \$82 | -39% | -38% |
| Japan | \$25 | \$56 | -56% | -57% |
| Rest of World | \$51 | \$62 | -18% | 15% |





| (\$ in millions) | 1H 2020 | 1H 2019 | YOY Change | YOY Change (CC) |
|-------------------------|---------|---------|------------|-----------------|
| TOTAL NET SALES | \$739 | \$963 | -23% | -23% |
| Golf Equipment | \$502 | \$616 | -19% | -18% |
| Apparel, Gear and Other | \$238 | \$347 | -32% | -31% |
| ADJUSTED EBITDAS* | \$89 | \$159 | -44% | |



FIRST HALF RESULTS NEGATIVELY IMPACTED BY COVID-19

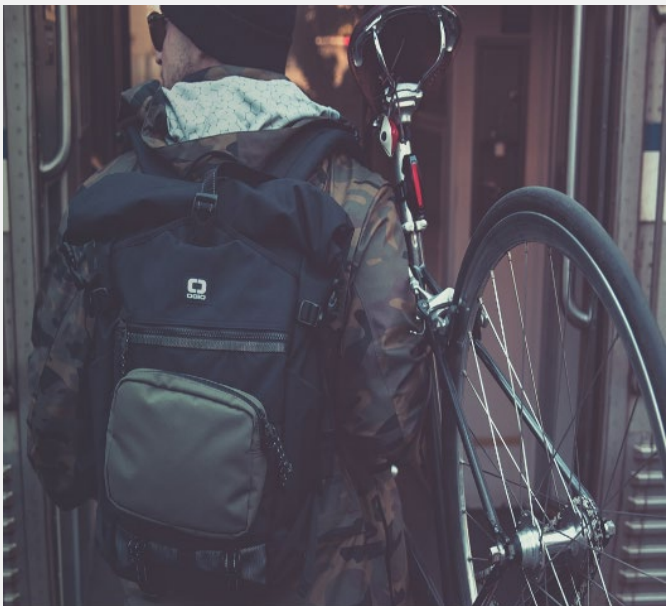
* See appendix for EBITDAS reconciliation

OPERATING SEGMENT RESULTS



| NET SALES (\$ in millions) | 1H 2020 | 1H 2019 | YOY Change | YOY Change (CC) |
|--------------------------------------|--------------|--------------|-------------|-----------------|
| Golf Equipment | \$502 | \$616 | -19% | -18% |
| Golf Club | \$408 | \$486 | -16% | -16% |
| Golf Ball | \$94 | \$130 | -28% | -27% |

| NET SALES (\$ in millions) | 1H 2020 | 1H 2019 | YOY Change | YOY Change (CC) |
|--------------------------------------|--------------|--------------|-------------|-----------------|
| Apparel, Gear & Other | \$238 | \$347 | -32% | -31% |
| Apparel | \$114 | \$169 | -33% | -32% |
| Gear & Other | \$124 | \$178 | -30% | -29% |





| NET SALES (\$ in millions) | 1H 2020 | 1H 2019 | YOY Change | YOY Change (CC) |
|--------------------------------------|---------|---------|------------|--------------------|
| United States | \$389 | \$496 | -22% | -22% |
| Europe | \$147 | \$208 | -30% | -28% |
| Japan | \$102 | \$129 | -21% | -22% |
| Rest of World | \$101 | \$129 | -22% | -19% |



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

| | Three Months Ended June 30, | | | | | | | | | |
|--|-----------------------------|---|---|---|--------------|------------|--|--|--------------|--|
| | 2020 | | | | | 2019 | | | | |
| | GAAP | Non-Cash Intangible Amortization and Impairment Charges ⁽¹⁾ | Non-Cash Amortization of Discount on Convertible Notes ⁽²⁾ | Other Non- Recurring Charges ⁽³⁾ | Non- GAAP | GAAP | Non-Cash Acquisition Amortization ⁽¹⁾ | Acquisition & Other Non- Recurring Expenses ⁽⁴⁾ | Non- GAAP | |
| Gross profit | \$ 122,055 | \$ — | \$ — | \$ (3,314) | \$ 125,369 | \$ 206,817 | \$ (5,336) | \$ — | \$ 212,153 | |
| Operating expenses, net | 299,504 | 175,447 | — | 2,575 | 121,482 | 161,618 | 1,208 | 1,603 | 158,807 | |
| Other income (expense), net | 1,834 | — | (1,499) | — | 3,333 | (9,093) | — | — | (9,093) | |
| Income tax provision (benefit) | (7,931) | (8,195) | (345) | (1,355) | 1,964 | 7,208 | (1,505) | (369) | 9,082 | |
| Net income (loss) attributable to Callaway Golf Company | \$ (167,684) | \$ (167,252) | \$ (1,154) | \$ (4,534) | \$ 5,256 | \$ 28,931 | \$ (5,039) | \$ (1,234) | \$ 35,204 | |
| Diluted earnings (loss) per share: | \$ (1.78) | \$ (1.78) | \$ (0.01) | \$ (0.05) | \$ 0.06 | \$ 0.30 | \$ (0.05) | \$ (0.02) | \$ 0.37 | |

⁽¹⁾ Represents amortization expense of intangible assets from the acquisitions of OGIO, TravisMathew and Jack Wolfskin. In addition, 2020 includes an impairment charge of \$174.3 million related to Jack Wolfskin, and 2019 includes the amortization of the inventory step-up related to the Jack Wolfskin acquisition.

⁽²⁾ Represents the non-cash amortization of the debt discount on the convertible notes issued in May 2020.

⁽³⁾ Represents certain non-recurring costs, including costs associated with the Company's transition to its new North America Distribution Center and the implementation of new IT systems for Jack Wolfskin, as well as \$3.7 million of severance related to the Company's cost reduction initiatives.

⁽⁴⁾ Represents certain non-recurring and non-cash costs, including costs associated with the acquisition of Jack Wolfskin.

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

| | Six Months Ended June 30, | | | | | | | | | |
|--|---------------------------|---|---|---|--------------|------------|--|--|--------------|--|
| | 2020 | | | | | 2019 | | | | |
| | GAAP | Non-Cash Intangible Amortization and Impairment Charges ⁽¹⁾ | Non-Cash Amortization of Discount on Convertible Notes ⁽²⁾ | Other Non- Recurring Charges ⁽³⁾ | Non- GAAP | GAAP | Non-Cash Acquisition Amortization ⁽¹⁾ | Acquisition and Other Non- Recurring Expenses ⁽⁴⁾ | Non- GAAP | |
| Gross profit | \$ 317,729 | \$ — | \$ — | \$ (4,622) | \$ 322,351 | \$ 445,250 | \$ (10,703) | \$ — | \$ 455,953 | |
| Operating expenses | 454,498 | 176,626 | — | 2,816 | 275,056 | 330,415 | 2,416 | 6,326 | 321,673 | |
| Other income (expense), net | (801) | — | (1,499) | — | 698 | (20,672) | — | (3,896) | (16,776) | |
| Income tax provision (benefit) | 1,220 | (8,466) | (345) | (1,711) | 11,742 | 16,764 | (3,017) | (2,351) | 22,132 | |
| Net income (loss) attributable to Callaway Golf Company | \$ (138,790) | \$ (168,160) | \$ (1,154) | \$ (5,727) | \$ 36,251 | \$ 77,578 | \$ (10,102) | \$ (7,871) | \$ 95,551 | |
| Diluted earnings (loss) per share: | \$ (1.47) | \$ (1.78) | \$ (0.01) | \$ (0.06) | \$ 0.38 | \$ 0.81 | \$ (0.10) | \$ (0.08) | \$ 0.99 | |

⁽¹⁾ Represents amortization expense of intangible assets from the acquisitions of OGIO, TravisMathew and Jack Wolfskin. In addition, 2020 includes an impairment charge of \$174.3 million related to Jack Wolfskin, and 2019 includes the amortization of the inventory step-up related to the Jack Wolfskin acquisition.

⁽²⁾ Represents the non-cash amortization of the debt discount on the convertible notes issued in May 2020.

⁽³⁾ Represents certain non-recurring costs, including costs associated with the Company's transition to its new North America Distribution Center and the implementation of new IT systems for Jack Wolfskin, as well as \$3.7 million of severance related to the Company's cost reduction initiatives.

⁽⁴⁾ Represents certain non-recurring and non-cash costs, including costs associated with the acquisition of Jack Wolfskin.

EBITDAS RECONCILIATION



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

| | 2020 Trailing Twelve Month Adjusted EBITDAS | | | | | 2019 Trailing Twelve Month Adjusted EBITDAS | | | | |
|--|---|----------------------|-------------------|------------------|-------------------|---|----------------------|-------------------|------------------|-------------------|
| | Quarter Ended | | | | | Quarter Ended | | | | |
| | September 30, 2019 | December 31, 2019 | March 31, 2020 | June 30, 2020 | Total | September 30, 2018 | December 31, 2018 | March 31, 2019 | June 30, 2019 | Total |
| Net income (loss) | \$ 31,048 | \$ (29,218) | \$ 28,894 | \$ (167,684) | \$ (136,960) | \$ 9,517 | \$ (28,499) | \$ 48,647 | \$ 28,931 | \$ 58,596 |
| Interest expense, net..... | 9,545 | 9,049 | 9,115 | 12,163 | 39,872 | 1,056 | 704 | 9,639 | 10,260 | 21,659 |
| Income tax provision (benefit)..... | 2,128 | (2,352) | 9,151 | (7,931) | 996 | 1,335 | (9,783) | 9,556 | 7,208 | 8,316 |
| Depreciation and amortization expense | 8,472 | 9,480 | 8,997 | 9,360 | 36,309 | 4,996 | 5,186 | 7,977 | 9,022 | 27,181 |
| JW goodwill and trade name impairment | — | — | — | 174,269 | 174,269 | — | — | — | — | — |
| Non-cash stock compensation expense..... | 2,513 | 3,418 | 1,861 | 2,942 | 10,734 | 3,511 | 3,555 | 3,435 | 3,530 | 14,031 |
| EBITDAS | \$ 53,706 | \$ (9,623) | \$ 58,018 | \$ 23,119 | \$ 125,220 | \$ 20,415 | \$ (28,837) | \$ 79,254 | \$ 58,951 | \$ 129,783 |
| Acquisitions & other non-recurring costs, before taxes ⁽¹⁾ | 3,009 | 4,090 | 1,516 | 5,856 | 14,471 | 1,521 | (2,269) | 13,986 | 6,939 | 20,177 |
| Adjusted EBITDAS | \$ 56,715 | \$ (5,533) | \$ 59,534 | \$ 28,975 | \$ 139,691 | \$ 21,936 | \$ (31,106) | \$ 93,240 | \$ 65,890 | \$ 149,960 |

⁽¹⁾ In 2020, amounts represent certain non-recurring costs, including costs associated with the Company's transition to its new North America Distribution Center and the implementation of new IT systems for Jack Wolfskin, as well as \$3.7 million of severance related to the Company's cost reduction initiatives. In 2019, amounts represent certain 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 other non-recurring advisory fees.