



First Quarter 2019 Earnings  
Conference Call

May 9, 2019

Forward-looking Statements: During the presentation, any comments made about future performance, events, prospects or circumstances, including estimated 2019 net sales, gross margins, operating expenses, adjusted EBITDA, and earnings per share (including estimated tax rate and share count), future growth or profitability, creation of shareholder value, strength of the Company's brands, future industry or market conditions, future reinvestment or capital deployment, impact of the OGIO, TravisMathew, and Jack Wolfskin 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 May 9, 2019, as well as Part I, Item 1A of our 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 non-cash expenses related to the purchase accounting associated with the acquisition of OGIO and TravisMathew in 2017 and Jack Wolfskin in January 2019, as well as non-recurring transaction and transition costs associated with the Jack Wolfskin acquisition. 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 without 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 May 9, 2019 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

# FIRST QUARTER RESULTS



<i>(\$ in millions)</i>	Q1 2019	Q1 2018	YOY Change	YOY Change (CC)
<b>TOTAL NET SALES</b>	<b>\$516.2</b>	<b>\$403.2</b>	<b>28.0%</b>	<b>31.8%</b>
Golf Equipment	\$323.6	\$312.4	3.6%	5.5%
Apparel, Gear and Other	\$192.6	\$90.8	112.0%	122.0%
<b>ADJUSTED EBITDA*</b>	<b>\$93.2</b>	<b>\$89.3</b>	<b>4.4%</b>	



**STRONG START TO THE YEAR IN ALL OPERATING SEGMENTS; INCREASING FULL YEAR EPS GUIDANCE**

\* See appendix for Adjusted EBITDA reconciliation

# OPERATING SEGMENT RESULTS



<b>NET SALES</b> (\$ in millions)	Q1 2019	Q1 2018	YOY Change	YOY Change (CC)
<b>Golf Equipment</b>	<b>\$323.6</b>	<b>\$312.4</b>	<b>3.6%</b>	<b>5.5%</b>
Golf Club	\$261.8	\$257.4	1.7%	3.6%
Golf Ball	\$61.8	\$54.9	12.6%	14.4%

- Record Q1 Golf Ball US Market Share<sup>(1)</sup>
- The New #1 Driver on Major World Wide Tours
- Continue to be #1 Putter on Tour
- Callaway Brand has highest Net Brand Rating & Total Brand Rating<sup>(2)</sup>
- Leader or statistically tied for the lead in Innovation & Technology<sup>(2)</sup>



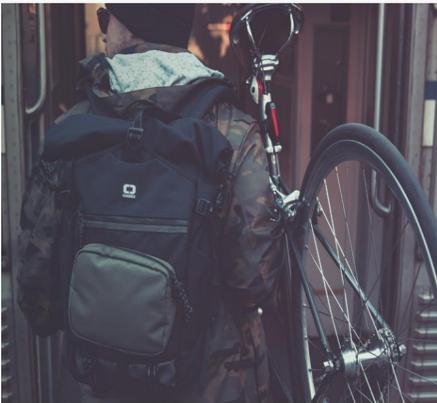
Notes:  
 (1) per Golf Datatech March 2019 Market Share Report  
 (2) per Golf Datatech's Golf Product Attitude and Usage Study (GPAU) which is conducted twice per year covering golf clubs to its exclusive database of Serious Golfers.  
 Callaway's lead in this category was within the GPAU's margin of error of +/-3.1%

# OPERATING SEGMENT RESULTS



<b>NET SALES</b> <i>(\$ in millions)</i>	Q1 2019	Q1 2018	YOY Change	YOY Change (CC)
<b>Apparel, Gear and Other</b>	<b>\$192.6</b>	<b>\$90.8</b>	<b>112.0%</b>	<b>122.0%</b>
Apparel	\$96.2	\$12.1	692.2%	737.3%
Gear and Other	\$96.3	\$78.7	22.4%	27.0%

- Addition of the Jack Wolfskin business in 2019 is driving significant growth
- Jack Wolfskin met expectations in the quarter
- TravisMathew continues to deliver double-digit growth
- Strong growth in the Callaway brand



CONTINUED STRONG PERFORMANCE ACROSS OUR SOFT GOODS BRANDS

- Reiterating full year 2019 net sales and adjusted EBITDA guidance
- Raising EPS guidance for the full year 2019
- Anticipate further strengthening in all the brands in our portfolio
- Re-investing in the business to set the stage for long-term revenue and earnings growth



EXPECTING RECORD FULL YEAR NET SALES AND ADJUSTED EBITDA



**Brian Lynch**  
*EVP, CFO*

First Quarter 2019  
Financial Results

# FIRST QUARTER 2019 FINANCIAL RESULTS



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

	Three Months Ended March 31,						
	2019				2018		
	As Reported	Non-Cash Purchase Accounting Adjustments <sup>(1)</sup>	Acquisition & Transition Related Costs <sup>(2)</sup>	Non-GAAP	As Reported	Non-Cash Purchase Accounting Adjustments <sup>(1)</sup>	Non-GAAP
Net sales	\$ 516,197	\$ —	\$ —	\$ 516,197	\$ 403,191	\$ —	\$ 403,191
Gross profit	238,433	(5,367)	—	243,800	200,462	—	200,462
% of sales	46.2%	—	—	47.2%	49.7%	—	49.7%
Operating expenses	168,797	1,208	4,723	162,866	114,478	254	114,224
Income (loss) from operations	69,636	(6,575)	(4,723)	80,934	85,984	(254)	86,238
Other expense, net	(11,579)	—	(3,896)	(7,683)	(6,034)	—	(6,034)
Income (loss) before income taxes	58,057	(6,575)	(8,619)	73,251	79,950	(254)	80,204
Income tax provision (benefit)	9,556	(1,512)	(1,982)	13,051	17,219	(58)	17,277
Net income (loss)	48,501	(5,063)	(6,637)	60,200	62,731	(196)	62,927
Less: Net loss attributable to non-controlling interest	(146)	—	—	(146)	(124)	—	(124)
Net income (loss) attributable to Callaway Golf Company	<u>\$ 48,647</u>	<u>\$ (5,063)</u>	<u>\$ (6,637)</u>	<u>\$ 60,346</u>	<u>\$ 62,855</u>	<u>\$ (196)</u>	<u>\$ 63,051</u>
Adjusted EBITDA	\$ 79,254	—	—	\$ 93,240	\$ 89,338	—	\$ 89,338
Diluted earnings (loss) per share:	\$ 0.50	\$ (0.06)	\$ (0.07)	\$ 0.63	\$ 0.65	\$ —	\$ 0.65
Weighted-average shares outstanding:	96,419	96,419	96,419	96,419	97,038	97,038	97,038

<sup>(1)</sup> Represents non-cash expenses related to the purchase accounting associated with the acquisitions of OGIO and TravisMathew in 2017, and Jack Wolfskin in January 2019.

<sup>(2)</sup> Represents non-recurring transaction and transition costs associated with the acquisition Jack Wolfskin.



travisMathew



# BALANCE SHEET & CASH FLOW



<i>(\$ in millions)</i>	As of end of March, 2019	As of end of March, 2018	YOY Change (%)
Available Liquidity	\$223	\$220	+1%
Net Accounts Receivables	\$286	\$265	+8%
Inventory	\$382	\$262	+46%

	3 months ending March, 2019	3 months ending March, 2018
Capital Expenditures	\$11	\$8
Depreciation & Amortization	\$8	\$5



INVENTORY INCREASE DRIVEN BY THE ADDITION OF THE JACK WOLFSKIN BUSINESS IN 2019



<i>(\$ in millions, except EPS)</i>	Current Pro Forma* Guidance Full Year 2019	Previous Pro Forma Guidance Full Year 2019	Current Pro Forma* Guidance 1H 2019	Previous Pro Forma Guidance 1H 2019
<b>Net Sales</b>	<b>\$1,670 - \$1,700</b>	<b>\$1,670 - \$1,700</b>	<b>\$933 - \$948</b>	<b>\$928 - \$948</b>
Gross Margin	47.0%	47.0%		
Operating Expense	\$630	\$630		
EPS	\$0.96 - \$1.06	\$0.93 - \$1.03	\$0.84 - \$0.89	\$0.71 - \$0.78
<b>Adjusted EBITDA</b>	<b>\$200 - \$215</b>	<b>\$200 - \$215</b>	<b>\$142 - \$148</b>	<b>\$132 - \$141</b>

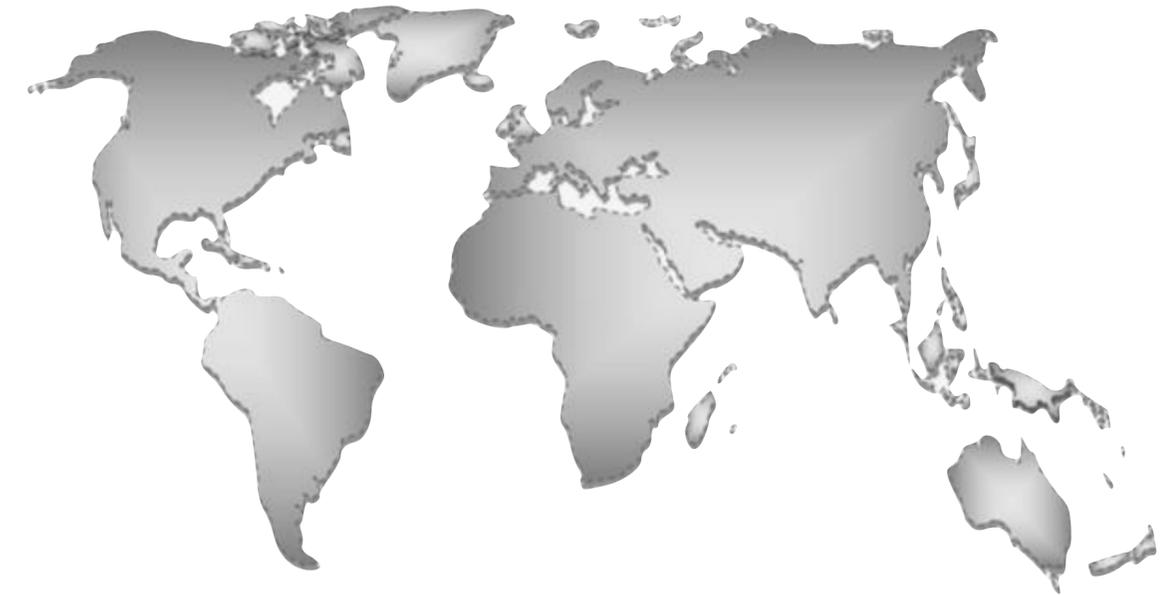


**REITERATING FULL YEAR NET SALES AND ADJ EBITDA GUIDANCE WHILE RAISING EPS GUIDANCE**

\* Refer to the appendix for a reconciliation of items excluded from Pro Forma metrics

# APPENDIX

<b>NET SALES</b> <i>(\$ in millions)</i>	Q1 2019	Q1 2018	YOY Change	YOY Change (CC)
United States	\$249.0	\$235.2	5.9%	5.9%
Europe	\$126.6	\$51.2	147.3%	167.3%
Japan	\$73.2	\$69.3	5.7%	7.5%
Rest of World	\$67.4	\$47.6	41.6%	49.1%



**GROWTH IN ALL REGIONS**

# EBITDA RECONCILIATION



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

	2019 Trailing Twelve Month Adjusted EBITDA					2018 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended					Quarter Ended				
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	Total	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	Total
Net income (loss) .....	\$ 60,867	\$ 9,517	\$ (28,499)	\$ 48,647	\$ 90,532	\$ 31,443	\$ 3,060	\$ (19,386)	\$ 62,855	\$ 77,972
Interest expense, net .....	1,661	1,056	704	9,639	13,060	550	642	2,004	1,528	4,724
Income tax provision (benefit) .....	17,247	1,335	(9,783)	9,556	18,355	16,050	1,486	(4,354)	17,219	30,401
Depreciation and amortization expense .....	5,029	4,996	5,186	7,977	23,188	4,178	4,309	4,799	4,737	18,023
Non-cash stock compensation expense .....	3,465	3,511	3,555	3,435	13,966	2,184	4,181	3,064	2,999	12,428
<b>Adjusted EBITDA</b> .....	<b>\$ 88,269</b>	<b>\$ 20,415</b>	<b>\$ (28,837)</b>	<b>\$ 79,254</b>	<b>\$ 159,101</b>	<b>\$ 54,405</b>	<b>\$ 13,678</b>	<b>\$ (13,873)</b>	<b>\$ 89,338</b>	<b>\$ 143,548</b>
Acquisitions related costs, before taxes .....	—	1,521	(2,269)	13,986	13,238	2,254	3,377	1,677	—	7,308
<b>Adjusted Pro Forma EBITDA</b> .....	<b>\$ 88,269</b>	<b>\$ 21,936</b>	<b>\$ (31,106)</b>	<b>\$ 93,240</b>	<b>\$ 172,339</b>	<b>\$ 56,659</b>	<b>\$ 17,055</b>	<b>\$ (12,196)</b>	<b>\$ 89,338</b>	<b>\$ 150,856</b>

**CALLAWAY GOLF COMPANY**  
**Supplemental Financial Information and Non-GAAP Guidance Reconciliation**  
**(Unaudited)**

	Diluted Loss Per Share		Diluted Earnings/(Loss) per	
	First Half 2019	Full Year 2019	First Half 2018	Full Year 2018
<b>Acquisition costs - Jack Wolfskin</b>				
Transaction/transition costs .....	\$ (0.05)	\$ (0.05)	\$ —	\$ (0.03)
Purchase price hedge (gain)/loss .....	(0.03)	(0.02)	—	0.04
	<u>\$ (0.08)</u>	<u>\$ (0.07)</u>	<u>\$ —</u>	<u>\$ 0.01</u>
<b>Amortization of purchase accounting items<sup>(1)</sup></b>				
TravisMathew/OGIO .....	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Jack Wolfskin .....	(0.10)	(0.12)	—	—
	<u>\$ (0.11)</u>	<u>\$ (0.13)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
<b>Total</b> .....	<u><u>\$ (0.19)</u></u>	<u><u>\$ (0.20)</u></u>	<u><u>\$ (0.01)</u></u>	<u><u>\$ —</u></u>

<sup>(1)</sup> 2018 and 2019 includes the amortization of intangible assets in connection with the Ogio and TravisMathew acquisitions completed in January and August 2017, respectively. 2019 also includes the amortization of intangible assets and inventory step-up in connection with the Jack Wolfskin acquisition completed in January 2019.

**CALLAWAY GOLF COMPANY**  
**Supplemental Financial Information and Non-GAAP Guidance Reconciliation**  
(Unaudited)  
(In millions)

<b>Amounts excluded from Adjusted EBITDA</b>	<b>First Half 2019</b>	<b>Full Year 2019</b>	<b>First Half 2018</b>	<b>Full Year 2018</b>
<b>Acquisition costs - Jack Wolfskin</b>				
Transaction/transition costs .....	\$ 6.1	\$ 6.4	\$ —	\$ 3.7
Purchase price hedge (gain)/loss .....	3.2	3.2	—	(4.4)
	<u>\$ 9.3</u>	<u>\$ 9.6</u>	<u>\$ —</u>	<u>\$ (0.7)</u>
<b>Amortization of purchase accounting items<sup>(1)</sup></b>				
TravisMathew/OGIO .....	\$ 0.5	\$ 1.0	\$ 0.9	\$ 1.8
Jack Wolfskin .....	12.9	14.1	—	—
	<u>\$ 13.4</u>	<u>\$ 15.1</u>	<u>\$ 0.9</u>	<u>\$ 1.8</u>
<b>Total</b> .....	<u>\$ 22.7</u>	<u>\$ 24.7</u>	<u>\$ 0.9</u>	<u>\$ 1.1</u>

<sup>(1)</sup> 2018 and 2019 includes the amortization of intangible assets in connection with the Ogio and TravisMathew acquisitions completed in January and August 2017, respectively. 2019 also includes the amortization of intangible assets and inventory step-up in connection with the Jack Wolfskin acquisition completed in January 2019.