



Fourth Quarter and Full Year 2016 Earnings Conference Call

February 2, 2017

Important Notices



Forward-looking Statements: During the presentation, any comments made about future performance, events, prospects or circumstances, including estimated 2017 net sales, gross margins, operating expenses, and earnings per share (including estimated share count), future growth and performance, the creation of shareholder value, and the estimated OGIO transaction and transition costs, success of the company's products and the marketplace, are forward-looking statements, subject to Safe Harbor protection under the federal securities laws. 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 February 2, 2017, as well as Part I, Item 1A of our most recent Form 10-K for the year ended December 31, 2015, filed with the SEC, together with the Company's other reports subsequently filed with the SEC from time to time.

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 effects of changes in foreign currency rates. Additional non-GAAP information is provided that excludes the tax consequences from the reversal of the valuation allowance, the Topgolf gain, and the estimated OGIO transaction and transition expenses. The Company also provides certain information excluding interest, taxes, depreciation and amortization expenses. For comparative purposes, certain non-GAAP earnings information assumes a 38.5% tax rate. 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 the presentation or in the schedules to the Company's February 2, 2017 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



Q4 and Full Year 2016 Key Takeaways



Strong growth in revenues, margins and profitability for Q4 and Full Year 2016

Improved liquidity due to operating performance in core business

Strategic investments in core golf and tangential areas, for example:

- Toulon Design/Sean Toulon
- Rock Ishii
- Japan Joint Venture
- OGIO International, Inc.



2016 was an Excellent Year for Callaway Golf

U.S. Full Year 2016 Financial Highlights



Net Sales

- Roughly flat despite challenging market conditions (i.e. Golfsmith)
- Double-digit growth in green grass channel and custom product

Market Share

- Hard goods: 22.6%, up 150 bps year-over-year
- Sticks: 25.6%, up 180 bps year-over-year
- Golf ball: 13.8%, up 280 bps year-over-year

Outlook

- Well-positioned to outperform the industry at large



U.S. Had Strong Year in 2016 Despite Headwinds

Asia Full Year 2016 Financial Highlights



Net Sales

- Challenging market conditions but improved performance
- Japan joint venture was a highlight for the region

Market Share

- Hard goods: 15.7%, up 70 bps year-over-year

Outlook

- With the addition of joint venture in Japan, Japan and Asia region overall projected to be a source of growth in 2017



Asia Poised for Growth in 2017

Europe Full Year 2016 Financial Highlights



Net Sales

- Strong sales and margin growth that is partially masked by currency movements

Market Share

- Hard goods: 22.2%, up 140 bps year-over-year
- Record-setting hard goods share for Callaway
- #1 brand in the Europe market

Outlook

- Well-positioned to outperform the industry at large



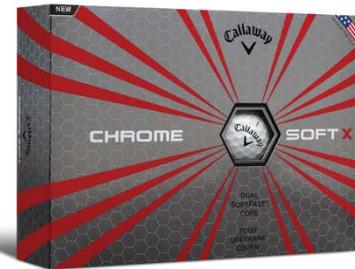
Europe Reached Record-Setting Market Shares for Callaway

Extensive New Product Line-up in 2017



Leading-edge innovation

- New EPIC driver with jailbreak technology
- New Odyssey O-works line with micro-hinge technology
- New Chrome Soft X golf ball with Dual SoftFast Core technology
- New irons, wedges, fairway woods, hybrids, and accessories (Callaway and OGIO)



Product Excellence is a Cornerstone of our Strategy

Well-Positioned for the Future

Operational excellence

- Well-rounded performance across product categories and functions (R&D, operations, distribution, marketing and Tour)
- Key growth areas: driver and putter share, golf ball business, robust gear and accessories offering (with addition of Japan joint venture and OGIO)

More rational marketplace

- Positive indicators: less promotional activity, less excess inventory and several competitors pulling back or exiting the space

Callaway increasingly well-positioned

- Advantage of momentum, scale, commitment, proven operating ability and strong capital structure
- Finding attractive opportunities in which to invest both internally and externally

Balanced Approach Focused On Total Shareholder Return

Strategic Investments in Core Business



Tour and Player Development

- Added promising young players to our staff
 - Daniel Berger (Ranked #34 in World)
 - Patrick Rodgers
 - Michelle Wie
 - Mariah Stackhouse
- Continue to invest in Tour representation to drive shareholder value



Core Operations

- High-return capital plans for the Chicopee, MA ball manufacturing plant
- New store openings for Japan JV
- Investments to further momentum in green grass and custom fitting
- R&D, management talent

With Others Pulling Back or Exiting, we are Finding Investment Opportunities

2016 Summary and Outlook



Despite headwinds, 2016 was a strong year

- Delivered increased revenues and profitability
- Once again reaffirming our proven operating ability

We remain optimistic that we will continue creating long-term shareholder value

- Structurally improving market
- Strong product year
- Differentiating ourselves via market position (a structural advantage of proven operating ability, scale, momentum, commitment and capital structure)
- Attractive investment opportunities in both core and tangential areas

Our priorities for this year are twofold

- Continue to execute from an operational perspective
- Continue to identify and develop attractive investment opportunities in both core and tangential areas



Looking Forward to 2017 as Another Year to Create Shareholder Value



4Q & FY 2016 Financial Results

Robert Julian

Senior Vice President and Chief Financial Officer



4Q 2016 Financial Performance



Source: Schedules to the February 2, 2017 Earnings Press Release

	Three Months Ended December 31,				
	2016 As Reported	2016 Release of Tax VA ⁽¹⁾	2016 U.S. Tax Adjustment ⁽²⁾	2016 Non- GAAP	2015 As Reported
Net sales	\$ 163,695	\$ —	\$ —	\$ 163,695	\$ 153,331
Gross profit	63,111	—	—	63,111	51,068
% of sales	38.6%	—	—	38.6%	33.3%
Operating expenses	79,874	—	—	79,874	80,416
Income (loss) from operations	(16,763)	—	—	(16,763)	(29,348)
Other income (expense), net	3,768	—	—	3,768	(611)
Income (loss) before income taxes	(12,995)	—	—	(12,995)	(29,959)
Income tax provision (benefit)	(137,193)	(156,588)	15,974	3,421	493
Net income (loss)	124,198	156,588	(15,974)	(16,416)	(30,452)
Less: Net income attributable to non-controlling interests	927	—	—	927	—
Net income (loss) attributable to Callaway Golf Company	\$ 123,271	\$ 156,588	\$ (15,974)	\$ (17,343)	\$ (30,452)
Diluted earnings (loss) per share:	\$ 1.28	\$ 1.63	\$ (0.17)	\$ (0.18)	\$ (0.33)
Weighted-average shares outstanding:	96,316	96,316	96,316	96,316	92,272
EBITDA	\$ (9,521)			\$ (9,521)	\$ (25,062)

Strong Finish to 2016, Including 7% Revenue Growth

(1) Non-cash tax benefit due to the reversal of a significant portion of the Company's deferred tax valuation allowance.

(2) Additional U.S. tax provision recorded during the period due to the reversal of the Company's deferred tax valuation allowance.

Full Year 2016 Financial Performance



Source: Schedules to the February 2, 2017 Earnings Press Release

	Year Ended December 31,				
	2016 As Reported	2016 Release of Tax VA ⁽¹⁾	2016 U.S. Tax Adjustment ⁽²⁾	2016 Non- GAAP ⁽³⁾	2015 As Reported
Net sales	\$ 871,192	\$ —	\$ —	\$ 871,192	\$ 843,794
Gross profit	385,011	—	—	385,011	357,633
% of sales	44.2%	—	—	44.2%	42.4%
Operating expenses	340,843	—	—	340,843	330,690
Income (loss) from operations	44,168	—	—	44,168	26,943
Other income (expense), net	14,225	—	—	14,225	(6,880)
Income (loss) before income taxes	58,393	—	—	58,393	20,063
Income tax provision (benefit)	(132,561)	(156,588)	15,974	8,053	5,495
Net income (loss)	190,954	156,588	(15,974)	50,340	14,568
Less: Net income attributable to non-controlling interests	1,054	—	—	1,054	—
Net income (loss) attributable to Callaway Golf Company	\$ 189,900	\$ 156,588	\$ (15,974)	\$ 49,286	\$ 14,568
Diluted earnings per share:	\$ 1.98	1.63	(0.16)	\$ 0.51	\$ 0.17
Weighted-average shares outstanding:	95,845	95,845	95,845	95,845	84,611
EBITDA	\$ 75,680			\$ 58,018	\$ 45,787

Solid Year Sets Up Further Momentum Headed into 2017

(1) Non-cash tax benefit due to the reversal of a significant portion of the Company's deferred tax valuation allowance.

(2) Additional U.S. tax provision recorded during the period due to the reversal of the Company's deferred tax valuation allowance.

(3) The 2016 Non-GAAP results for the year ended December 31, 2016 include a \$17.7 million (\$0.18 per share) pre-tax gain on the sale of a small portion of the Company's investment in Topgolf.

Balance Sheet and Cash Flow

(in millions, except percentages)

	As of Dec. 31, 2016	As of Dec. 31, 2015	Percent Change
Cash & Equivalents	\$126	\$50	 +152%
Asset-based Loans	\$12	\$15	 (20%)
Available Liquidity⁽¹⁾	\$213	\$140	 +52%
Net Accounts Receivable	\$128	\$116	 +11%
Inventory	\$189	\$209	 (9%)
Cap Ex	\$16	\$14	+13%
D&A	\$17	\$17	(5%)
Share Repurchase	\$5	\$0	+100%

Continuing to Build Strength on Balance Sheet

1) Available liquidity includes cash on hand, total capacity less outstanding balances under the ABL facilities and letters of credit.

2017 Full Year Guidance



(in millions, except Gross Margins and EPS)

	2017 GAAP Estimates	2017 Pro Forma Estimates ⁽¹⁾	2017 Pro Forma Constant Currency Estimates ⁽²⁾	2016 Pro Forma Results ⁽³⁾
Net Sales	\$910 - \$935	\$910 - \$935	\$938 - \$963	\$871
Gross Margins	44.2%	44.2%	45.4%	44.2%
Operating Expenses	\$374	\$367	\$375	\$341
EPS⁴	\$0.17-\$0.23	\$0.21-\$0.27	\$0.31-\$0.37	\$0.24
Shares O/S	96	96	96	96

Margin and Profitability Improvement Remain in Focus

- 1) Excludes non-recurring transaction and transition expenses related to the OGIO acquisition, which is estimated to be approximately \$7 million for full year 2017.
- 2) Takes 2017 Pro-Forma Estimates and restates them based upon applicable 2016 foreign currency exchange rates.
- 3) Excludes (i) the \$157 million (\$1.63 per share) benefit from the reversal of the deferred tax valuation allowance and (ii) the \$10.5 million (\$0.11 per share) after-tax Topgolf gain, and applies a higher accrual tax rate for 2016 to make it more comparable to 2017 guidance.
- 4) 2017 EPS calculated using a 38.5% tax rate.

2017 First Quarter Guidance



(in millions, except EPS)

	2017 GAAP Estimates	2017 Pro Forma Estimates ⁽¹⁾	2017 Pro Forma Constant Currency Estimates ⁽²⁾	2016 Pro Forma Results ⁽³⁾
Net Sales	\$275 - \$285	\$275 - \$285	\$279 - \$289	\$274
EPS⁴	\$0.17 - \$0.20	\$0.19 - \$0.22	\$0.21 - \$0.24	\$0.26
Shares O/S	96	96	96	95

Net Sales Growth Projected for Q1

- 1) Excludes non-recurring transaction and transition expenses related to the OGIO acquisition, which is estimated to be approximately \$7 million for full year 2017.
- 2) Takes 2017 Pro-Forma Estimates and restates them based upon applicable 2016 foreign currency exchange rates.
- 3) Applies a higher accrual tax rate for 2016 to make it more comparable to 2017 guidance.
- 4) 2017 EPS calculated using a 38.5% tax rate.

Questions



Thank You



Time for Q&A