Fourth Quarter 2017 Earnings Conference Call

February 7, 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 February 7, 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 non-recurring impacts of the recent 2017 Tax Cuts and Jobs Act and other non-recurring tax adjustments, the second quarter 2016 gain from the sale of a small portion of the Company's Topgolf investment, and the reversal in 2016 of most of the Company's deferred tax valuation allowance. The Company also provides certain information excluding interest, taxes, depreciation and amortization expenses, as well as the Topgolf gain and the acquisition deal-related expenses. For comparative purposes, certain non-GAAP earnings information assumes a 38.5% tax rate for certain interim periods. 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 February 7, 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

Q4 2017 Key ELY Takeaways

Another strong quarter for our company

- Strength in woods business
- Continued brand momentum
- Successful startup of new business ventures: Japan Apparel Joint Venture, OGIO and TravisMathew

Revenues up 17% for the quarter and 20% for the year, with particular strength in woods, balls and gear and accessories

We believe we are the **#1 Driver and #1 Club brand** in the U.S., United Kingdom, Europe and Japan

Widened our lead as the #1 club brand in the U.S. since 2015, including holding the #1 iron brand position for 35 consecutive months

Earned #1 position in 2017 driver dollar share on a global basis driven by Jailbreak technology

An EPIC 2017 for Callaway

Investing in Core Business and Growth Opportunities

<u>Significant investments in the core business</u> over the last two years; excited about results and long-term outlook

- Capital projects in Chicopee, MA ball plant
- Additions to Sales, Marketing, Tour and R&D

<u>Our strong financial position</u> with an ability and commitment to reinvest will help differentiate us

- Other companies exiting hard goods space or with limited ability to invest

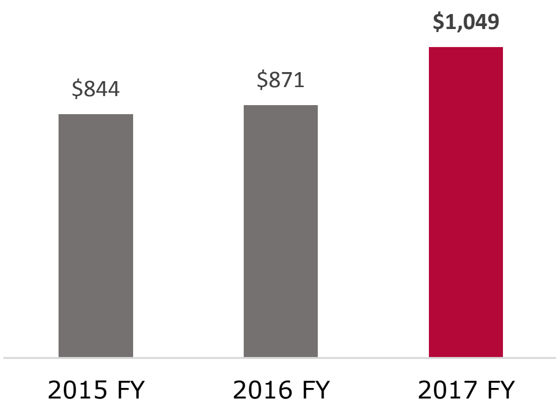
<u>Investments in outside growth</u> are all meeting or beating our expectations and should provide incremental growth and profitability

- Japan Apparel Joint Venture
- OGIO
- TravisMathew
- Incremental $20mm investment in Topgolf during Q4

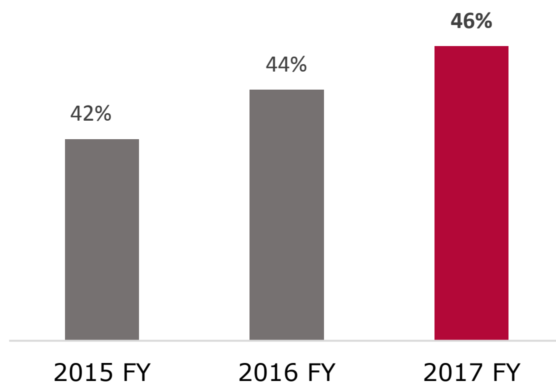
Creating Long-term Shareholder Value

2017 Full Year Performance Comparison

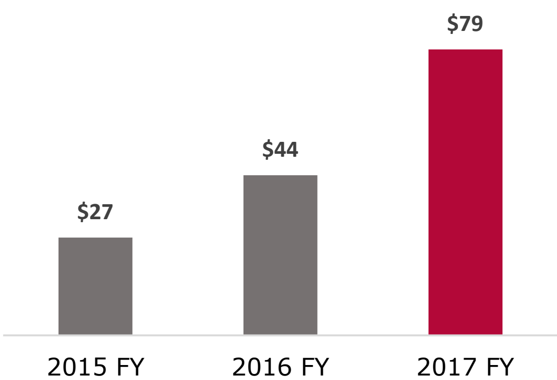
Net Sales (M)



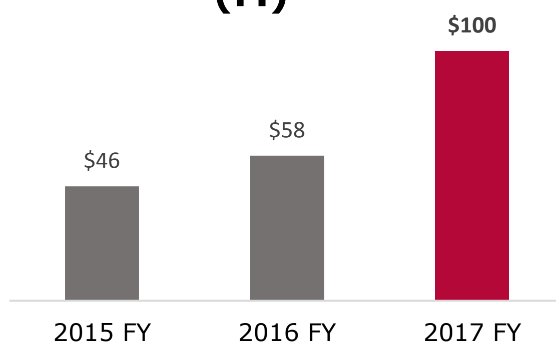
Gross Margin



Income from Operations (M)



Trailing 12 Months Adjusted EBITDA (M)*



Key Points

- Income from operations is up 78% year-over-year
- Income from operations has more than doubled excluding non-recurring deal-related expenses
- Trailing 12 months adjusted EBITDA is up 72% to $100 million

Continuing Strong Multi-Year Performance Trends

* 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 its most directly comparable GAAP measure.

Key Industry Trends

<u>Improving industry fundamentals</u> is the overarching theme

- European market has had a strong year
- U.S. and Japan markets up in the second half of 2017
- Fewer OEMs
- Reduction in field inventory

<u>Healthier retail channel</u> is exemplified in a number of positive trends

- Average selling prices have been increasing
- Product life cycles have lengthened
- Less overall unplanned promotional activity

<u>Benefit to industry in the long-run</u> despite, and in some cases due to, market corrections

Cautious Optimism Characterizes Recent Industry Trends

U.S. Q4 & FY 2017 Financial Highlights

Net Sales

- Net sales up 40% in Q4 and up 27% FY, with the core business generating more than half of the growth for the FY

Market Share (Full Year 2017)

- #1 dollar market share in Total Clubs, Driver, Fairway Woods, Hybrids and Irons and #1 in unit share for Putters
- Hard goods: 25.1%, up 250 bps year-over-year
- Golf ball: 14.3%, up 50 bps year-over-year

Outlook

- Improved market conditions

ELY Outperformed U.S. Market in 2017

Market Share Source: Golf Datatech

Asia Q4 & FY 2017 Financial Highlights

Net Sales

- Strong year led by Japan with net sales up 5% in Q4 and 17% FY
- Increases driven by Japan Apparel Joint Venture and strong market share performance in the core business

Japan Market Share (Full Year 2017)

- #1 in Clubs, Drivers and Putters
- Hard goods: 19.7%, up 400 bps year-over-year

Asia Region Continues to Perform

Market Share Source: GfK

Europe Q4 & FY 2017 Financial Highlights

Net Sales

- Net sales down 3% in Q4 (Launch timing), but up 14% Full Year (+17% Full Year FX Neutral)
- Driven by favorable market conditions and strong market share growth and only partially offset by currency

Market Share (Full Year 2017)

- Hard goods: 24.3%, up 200 bps year-over-year
- #1 in Total Hard Goods, Drivers, Fairway Woods, and Putters as well as the #2 ball brand with continued growth in our golf ball share

Europe Continues Significant Momentum and Market Shares Gains

Market Share Source: Golf Datatech

2018 Product Update

Rogue Woods and Irons should be hero of 2018 Club Business

- Woods built on Jailbreak technology, extended into fairway woods and hybrids, and improved to add more forgiveness
- Rogue irons come in three versions (Pro, Standard and X), which feature the latest in cup face design, internal tungsten weighting and a new technology called "Urethane Microspheres" for the ultimate in sound and feel

New line of Chrome Soft Golf Balls

- Featuring a new and larger "Graphene" infused core
  - Graphene is a nobel prize winning material which in our application allows us to make faster than ever while maintaining it's soft feel
- Exciting feedback from the Tour and early consumers
- Technology and performance benefits enabled by 2017 investment in Chicopee Ball Plant

New introductions across all our Categories

- Wedges, Putters, Callaway Soft Goods
- Exciting new product from OGIO and TravisMathews

Callaway launching new product across all categories

2018 Summary and Outlook

<u>Guidance for 2018 up versus 2017</u> based on continued core performance and brand momentum YTD as well as the addition of the TravisMathews brand

- Expect market conditions to show improvement
- Excited about breadth of core product launches this year
- Full year of TravisMathew brand as well as continued double-digit growth

<u>Confident in our strategy</u> based on our operating performance and early results from the investments we made over last few years

- Creating long-term shareholder value

2018 is Shaping up to be a Good Year for ELY

4Q & FY 2017 Financial Results

Brian Lynch

SVP, CFO and General Counsel

CFO Summary

<u>Pleased with our performance</u> this year and the trends in the business

- EPIC line of products exceeded our expectations
- Strong Q4 and FY 2017 results
- Excited about TravisMathew and OGIO opportunities moving forward

<u>Non-recurring expenses</u> for OGIO, TravisMathew and tax charges related expense related to the 2017 Tax Cuts and Jobs Act plus other non-recurring tax adjustments are excluded in the non-GAAP results

<u>Reminder: Now three operating segments</u>, up from two in 2016; reclassifications are included in the tables to the earnings press release

An EPIC 2017 for Callaway

FY 2017 Financial Performance

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

CALLAWAY GOLF COMPANY
Supplemental Financial Information and Non-GAAP Reconciliation
(Unaudited)
(In thousands, except per share data)

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Total As Reported	Acquisition Costs(1)	Non-Cash Tax Adjustment(2)	Non-GAAP	Total As Reported	Topgolf Gain(3)	Release of Tax VA(4)	Non-GAAP
Net sales	$ 1,048,736	$ —	$ —	$ 1,048,736	$ 871,192	$ —	$ —	$ 871,192
Gross profit	480,448	(2,439)	—	482,887	385,011	—	—	385,011
% of sales	45.8%	—	—	46.0%	44.2%	—	—	44.2%
Operating expenses	401,611	8,825	—	392,786	340,843	—	—	340,843
Income (loss) from operations	78,837	(11,264)	—	90,101	44,168	—	—	44,168
Other income (expense), net	(10,782)	—	—	(10,782)	14,225	17,662	—	(3,437)
Income (loss) before income taxes	68,055	(11,264)	—	79,319	58,393	17,662	—	40,731
Income tax provision (benefit)	26,388	(4,118)	3,394	27,112	(132,561)	7,188	(156,588)	16,839
Net income (loss)	41,667	(7,146)	(3,394)	52,207	190,954	10,474	156,588	23,892
Less: Net income attributable to non-controlling interests	861	—	—	861	1,054	—	—	1,054
Net income (loss) attributable to Callaway Golf Company	$ 40,806	$ (7,146)	$ (3,394)	$ 51,346	$ 189,900	$ 10,474	$ 156,588	$ 22,838
Diluted earnings (loss) per share:	$0.42	($0.07)	($0.04)	$0.53	$1.98	$0.11	$1.63	$0.24
Weighted-average shares outstanding:	96,577	96,577	96,577	96,577	95,845	95,845	95,845	95,845

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

(3) Represents a gain on the sale of a small portion of the Company's Topgolf investment as well as the income tax impact on the gain due to the reversal of the Company's deferred tax valuation allowance in Q4 of 2016.

(4) Non-cash tax benefit due to the reversal of a significant portion of the Company's deferred tax valuation allowance in Q4 of 2016.

Strong Full Year, Including 20% Sales Growth

4Q 2017 Financial Performance

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

CALLAWAY GOLF COMPANY
Supplemental Financial Information and Non-GAAP Reconciliation
(Unaudited)
(In thousands, except per share data)

	Three Months Ended December 31, 2017				Three Months Ended December 31, 2016			
	Total As Reported	Acquisition Costs(1)	Non-Cash Tax Adjustment(2)	Non-GAAP	Total As Reported	Release of Tax VA(3)	Non-Cash Tax Adjustment(4)	Non-GAAP
Net sales	$ 191,657	$ —	$ —	$ 191,657	$ 163,695	$ —	$ —	$ 163,695
Gross profit	79,666	(1,641)	—	81,307	63,111	—	—	63,111
% of sales	41.6%	—	—	42.4%	38.6%	—	—	38.6%
Operating expenses	100,118	36	—	100,082	79,874	—	—	79,874
Loss from operations	(20,452)	(1,677)	—	(18,775)	(16,763)	—	—	(16,763)
Other income (expense), net	(2,678)	—	—	(2,678)	3,768	—	—	3,768
Loss before income taxes	(23,130)	(1,677)	—	(21,453)	(12,995)	—	—	(12,995)
Income tax (benefit) provision	(4,354)	(886)	3,394	(6,862)	(137,193)	(156,588)	24,762	(5,367)
Net income (loss)	(18,776)	(791)	(3,394)	(14,591)	124,198	156,588	(24,762)	(7,628)
Less: Net income attributable to non-controlling interests	610	—	—	610	927	—	—	927
Net income (loss) attributable to Callaway Golf Company	$ (19,386)	$ (791)	$ (3,394)	$ (15,201)	$ 123,271	$ 156,588	$ (24,762)	$ (8,555)
Diluted earnings (loss) per share:	($0.20)	($0.01)	($0.04)	($0.15)	$1.28	$1.63	($0.26)	($0.09)
Weighted-average shares outstanding:	94,573	94,573	94,573	94,573	96,316	96,316	96,316	96,316

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

(3) Non-cash tax benefit due to the reversal of a significant portion of the Company's deferred tax valuation allowance in Q4 of 2016.

(4) In the fourth quarter of 2016, the Company reversed a significant portion of its valuation allowance on its U.S. deferred tax assets. Also as a result of the reversal, the Company was required to retroactively recognize Federal U.S. income taxes for all of 2016. For comparability to the fourth quarter of 2017, the Company applied the Company's estimated annual effective tax rate (excluding the reversal of the valuation allowance) of 41.3% to calculate pro-forma results for the fourth quarter of 2016.

Strong Fourth Quarter, Including 17% Sales Growth

Balance Sheet and Cash Flow

(in millions, except percentages)	**As of Dec 31, 2017**	**As of Dec 31, 2016**	**Percentage Change**
Cash & Equivalents	$86	$126	-32%
Asset-based Loans	$88	$12	+633%
Available Liquidity	$239	$225	+6%
Net Accounts Receivable	$95	$128	-26%
Inventory	$262	$189	+39%
Cap Ex	$26	$16	
D&A	$18	$17	
Share Repurchase	$17	$5	

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 & Q1 Guidance (As of February 7, 2018)

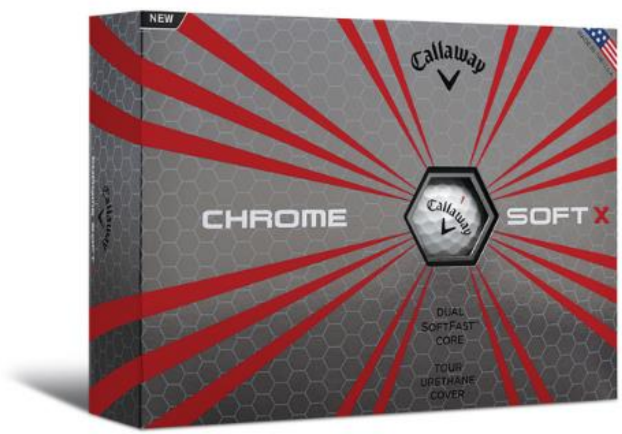
(in millions, except Gross Margin and EPS)	2018 FY GAAP Estimates	2017 Pro Forma FY Results[1,3]	2018 Q1 GAAP Estimates	2017 Pro Forma Q1 Results[2,3]
Net Sales	$1,115-$1,135	$1,049	$365-$375	$309
Gross Margin	46.5%	46.0%		
Operating Expenses	$426	$393		
EPS	$0.64-$0.70	$0.53	$0.48-$.052	$0.30
Shares O/S	97.0	96.6	97.0	95.9

FY 6-8% Net Sales growth, significant Net Sales growth in Q1 driven by launch timing

1) Excludes non-recurring deal-related expenses for the OGIO and TravisMathew acquisitions ($11 million) and the non-recurring impacts of the 2017 Tax Cuts and Jobs Act as well as other non-recurring tax adjustments ($3 million) for the full year 2017.
2) Excludes non-recurring deal-related expenses for the OGIO acquisition ($4 million).
3) 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 February 7, 2018 Earnings Press Release and the February 2, 2017 Earnings Press Release

	2017 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended				
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	Total
Net income (loss)	$ 25,689	$ 31,443	$ 3,060	$ (19,386)	$ 40,806
Interest expense, net	715	550	642	2,004	3,911
Income tax provision (benefit)	13,206	16,050	1,486	(4,354)	26,388
Depreciation and amortization expense	4,319	4,178	4,309	4,799	17,605
EBITDA	$ 43,929	$ 52,221	$ 9,497	$ (16,937)	$ 88,710
Gain on sale of Topgolf investments	—	—	—	—	—
OGIO and TravisMathew acquisition costs	3,956	2,254	3,377	1,677	11,264
Adjusted EBITDA	$ 47,885	$ 54,475	$ 12,874	$ (15,260)	$ 99,974

	2016 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended				
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	Total
Net income (loss)	$ 38,390	$ 34,105	$ (5,866)	$ 123,271	$ 189,900
Interest expense, net	621	347	431	348	1,747
Income tax provision (benefit)	1,401	1,937	1,294	(137,193)	(132,561)
Depreciation and amortization expense	4,157	4,180	4,204	4,045	16,586
EBITDA	$ 44,569	$ 40,569	$ 63	$ (9,529)	$ 75,672
Gain on sale of Topgolf investments	—	(17,662)	—	—	(17,662)
OGIO and TravisMathew acquisition costs	—	—	—	—	—
Adjusted EBITDA	$ 44,569	$ 22,907	$ 63	$ (9,529)	$ 58,010

	2016 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended				
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	Total
Net income (loss)	$ 38,390	$ 34,105	$ (5,866)	$ 123,271	$ 189,900
Interest expense, net	621	347	431	348	1,747
Income tax provision (benefit)	1,401	1,937	1,294	(137,193)	(132,561)
Depreciation and amortization expense	4,157	4,180	4,204	4,045	16,586
EBITDA	$ 44,569	$ 40,569	$ 63	$ (9,529)	$ 75,672
Gain on sale of Topgolf investments	—	17,662	—	—	17,662
Adjusted EBITDA	$ 44,569	$ 22,907	$ 63	$ (9,529)	$ 58,010

	2015 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended				
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	Total
Net income (loss)	$ 35,819	$ 12,818	$ (3,617)	$ (30,452)	$ 14,568
Interest expense, net	2,021	1,936	3,520	868	8,345
Income tax provision (benefit)	1,638	1,817	1,547	493	5,495
Depreciation and amortization expense	4,703	4,454	4,193	4,029	17,379
EBITDA	$ 44,181	$ 21,025	$ 5,643	$ (25,062)	$ 45,787
Gain on sale of Topgolf investments	—	—	—	—	—
Adjusted EBITDA	$ 44,181	$ 21,025	$ 5,643	$ (25,062)	$ 45,787

2017 Full Year P&L Reconciliations

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

CALLAWAY GOLF COMPANY
Supplemental Financial Information and Non-GAAP Reconciliation
(Unaudited)
(In thousands, except per share data)

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Net sales	$ 1,048,736	$ —	$ —	$ 1,048,736	$ 871,192	$ —	$ —	$ 871,192
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% of sales	45.8%	—	—	46.0%	44.2%	—	—	44.2%
Operating expenses	401,611	8,825	—	392,786	340,843	—	—	340,843
Income (loss) from operations	78,837	(11,264)	—	90,101	44,168	—	—	44,168
Other income (expense), net	(10,782)	—	—	(10,782)	14,225	17,662	—	(3,437)
Income (loss) before income taxes	68,055	(11,264)	—	79,319	58,393	17,662	—	40,731
Income tax provision (benefit)	26,388	(4,118)	3,394	27,112	(132,561)	7,188	(156,588)	16,839
Net income (loss)	41,667	(7,146)	(3,394)	52,207	190,954	10,474	156,588	23,892
Less: Net income attributable to non-controlling interests	861	—	—	861	1,054	—	—	1,054
Net income (loss) attributable to Callaway Golf Company	$ 40,806	$ (7,146)	$ (3,394)	$ 51,346	$ 189,900	$ 10,474	$ 156,588	$ 22,838
Diluted earnings (loss) per share:	$0.42	($0.07)	($0.04)	$0.53	$1.98	$0.11	$1.63	$0.24
Weighted-average shares outstanding:	96,577	96,577	96,577	96,577	95,845	95,845	95,845	95,845

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(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.

(3) Represents a gain on the sale of a small portion of the Company's Topgolf investment as well as the income tax impact on the gain due to the reversal of the Company's deferred tax valuation allowance in Q4 of 2016.

(4) Non-cash tax benefit due to the reversal of a significant portion of the Company's deferred tax valuation allowance in Q4 of 2016.

2017 Q1 P&L Reconciliations

Source: Tables to the May 4, 2017 Earnings Press Release

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

	Three months ended March 31, 2017		
	As Reported	Ogio Acquisition Costs[1]	Non-GAAP
Net sales	$ 308,927	$ —	$ 308,927
Gross profit	147,715	—	147,715
% of sales	47.8%	NA	47.8%
Operating expenses	103,508	3,956	99,552
Income (loss) from operations	44,207	(3,956)	48,163
Other expense, net	(5,121)	—	(5,121)
Income (loss) before income taxes	39,086	(3,956)	43,042
Income tax provision (benefit)	13,206	(1,337)	14,543
Net income (loss)	25,880	(2,619)	28,499
Less: Net income attributable to non-controlling interests	191	—	191
Net income (loss) attributable to Callaway Golf Company	$ 25,689	$ (2,619)	$ 28,308
Diluted earnings (loss) per share:	$ 0.27	$ (0.03)	$ 0.30
Weighted-average shares outstanding:	95,948	95,948	95,948

[1] Represents transaction costs as well as one-time transition costs associated with the acquisition of Ogio International, Inc in January 2017.