



Callaway Golf Announces First Quarter Results

CARLSBAD, Calif., Apr 18, 2002 (BW SportsWire) --

Callaway Golf

Company (NYSE:ELY) today reported first quarter operating results for the three months ended March 31, 2002, announcing sales of \$256.4 million, compared to \$261.4 million during the same quarter in 2001. In constant dollars, sales would have increased slightly to a first quarter record of \$262.1 million. Net income during the period was \$30.7 million versus \$34.1 million last year. Earnings per diluted share were \$0.45, compared to \$0.47 last year, and were at the high end of the range of the Company's previous guidance.

"We are pleased with our first quarter results," said Ron Drapeau, Chairman, President and CEO. "We are particularly pleased with the sales results in light of the economic uncertainty entering the first quarter in the U.S., weakness in Japan, and the fact that this is a year where, due to our normal product cycles, we did not introduce a new line of premium priced titanium metal woods, as we did last year. Despite these obstacles, we have maintained our U.S. market share leadership position in woods, irons and putters, and have made significant gains in balls thanks to our new product introductions. Furthermore, expense management initiatives implemented last year, including a company-wide commitment to Six Sigma, yielded results during the quarter as operating expenses declined year-over-year. First quarter results also benefited from our global diversification as sales declines for our Japanese subsidiary and some of our foreign distributors, particularly in Asia, were offset by sales gains in the U.S. and our other operations."

"Our new product introductions for 2002 appear to be off to a good start," added Mr. Drapeau. "The Big Bertha(R) C4(TM) ("Compression Cured Carbon Composite") Driver, our first introduction of a product constructed from composite materials, has had a terrific and highly visible launch on the professional tours. Annika Sorenstam, the LPGA's Player of the Year for 2001, has already won three times this year with a C4 Driver, including the recent successful defense of her championship at the first Major of the year. We think that consumers will also see and appreciate the many benefits of this breakthrough technology as the golf season progresses. The Big Bertha Steelhead(TM) III line of stainless steel drivers and fairway woods has achieved an introductory market acceptance consistent with the two previous stainless steel metal wood product introductions in 1998 and 2000, despite heavy competition from other stainless steel and close-out titanium products. Odyssey(R) White Hot(R) "2 Ball" Putter demand has far exceeded our expectations and supply capabilities. Its U.S. market share as a single product is large enough to make it the third largest

putter company. The HX(TM) golf ball has received great response -- both at retail and on tour -- and contributed to a 95% increase in golf ball sales during the quarter. We remain committed to leveraging our industry leading research and development effort to continue developing products for all golfers."

First Quarter Sales by Product and Region

First Quarter - 2002

%Growth/(Decline) vs. 2001

Net Sales As Constant(1)

(\$ Millions) Reported Dollars

----- Woods \$105.6 (31%) (30%) Irons \$83.4 30% 33% Golf Balls \$22.5 95% 99% Putters, Accessories, Other \$44.9 38% 42%

----- TOTAL \$256.4 (2%) 0%

United States \$151.0 2% 2% International \$105.4 (7%) (2%)

----- TOTAL \$256.4 (2%) 0%

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(1) As measured by applying first quarter 2001 exchange rates to first quarter 2002 net sales.

Brad Holiday, Executive Vice-President and Chief Financial Officer stated, "First quarter gross margin declined year-over-year to 50% from 52%. This decline is primarily due to lower net prices on certain product lines and a shifting of product mix to a higher percent of stainless steel woods, irons, and golf balls, as compared to a year ago when we had introduced two new titanium wood products. The lower first quarter operating expenses, both in dollars and as a percent of sales, were primarily due to lower employee costs, a required change in goodwill amortization, and facilities consolidation. A portion of these savings were reinvested in additional selling and marketing initiatives. Looking forward, we expect to continue to benefit from these operating expense reductions."

In accordance with the Company's dividend practice, the next dividend will be determined by the Board of Directors at its May 6th, 2002 meeting.

BUSINESS OUTLOOK

In light of SEC Regulations, the Company elects to provide certain forward-looking information in this press release. These statements are based on current information and expectations, and actual results may differ materially. The Company undertakes no obligation to update this information. See further disclaimer below.

"While the economy appears to be rebounding in the United States, the economic and competitive concerns in Japan have been worse than expected," continued Mr. Holiday. "In the first quarter strong performance and growth in the U.S. and other markets offset a 24% sales decline in Japan. It is not clear whether conditions in Japan will stabilize,

improve or worsen, and there is no assurance that our other operations will be able to continue to offset any declines there. Therefore, in light of current market conditions, we are providing an estimate for second quarter sales of between \$240 and \$260 million and diluted earnings per share of between \$0.38 and \$0.48 to reflect the broad swing that could result depending upon how these factors develop during the quarter. Based on our ability so far to compensate for the weaker than expected conditions in Japan, we are reiterating our previous guidance for the year and expect net sales and operating earnings in 2002 to exceed 2001, absent further adverse or unexpected events."

The Company will be holding a conference call at 2:00 p.m. PDT today, which will be hosted by Ron Drapeau, Chairman, CEO and President, and Brad Holiday, Executive Vice President and Chief Financial Officer. The call will be broadcast live over the Internet and can be accessed at www.callawaygolf.com. To listen to the call, please go to the web site at least 15 minutes before the call to register and for instructions on how to access the broadcast. A replay of the conference call will be available approximately one hour after the conclusion of the conference call. The replay may be accessed through the Internet at www.callawaygolf.com or by telephone by calling (877) 289-8525 toll free for calls originating within the United States or (416) 640-1917 for International calls. The replay pass code is 183958 and the replay will be available through 5:00 p.m. PDT, on Thursday, April 25, 2002.

Disclaimer: Statements used in this press release that relate to future plans, events, financial results or performance, including statements concerning future operating expenses and statements in the Business Outlook section of this press release relating to the Company's future prospects, and estimated sales and earnings, are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are based upon current information and expectations. Actual results may differ materially from those anticipated as a result of certain risks and uncertainties, including but not limited to adverse market and economic conditions, market acceptance of current and future products, including the Company's golf ball products and the Company's golf club products (not all of which conform to USGA rules), adverse weather conditions and seasonality, competitive pressures, fluctuations in foreign currency exchange rates, delays, difficulties or increased costs in the manufacturing of the Company's golf club or ball products, or in the procurement of materials or resources needed to manufacture the Company's golf club or ball products (including business interruptions or increased costs resulting from power outages or shortages), any actions taken by the USGA or other golf association that could have an adverse impact upon demand for the Company's products (such as the USGA's announcement that scores in rounds played with clubs that do not conform to USGA rules such as the Company's ERC(R) II Forged Titanium Driver may not be posted for USGA handicap purposes), and the effect of terrorist activity or armed conflict on the economy generally, on the level of demand for the Company's products or on the Company's ability to manage its supply and delivery logistics in such an environment. For additional information concerning these and other risks and uncertainties, see Part I, Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2001, as well as other risks and uncertainties detailed from time to time in the Company's periodic reports on Forms 10-K, 10-Q and 8-K subsequently filed from time to time with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. 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.

Callaway Golf Company makes and sells Big Bertha(R) Metal Woods and Irons, including Big Bertha C4(TM) Compression Cured Carbon Composite Drivers, Big Bertha ERC(R) II Forged Titanium Drivers, Big Bertha ERC Forged Titanium Fairway Woods, Big Bertha Hawk Eye(R) VFT(R) and Big Bertha Hawk Eye VFT Pro Series Titanium Drivers and Fairway Woods, Big Bertha Steelhead(TM) III Stainless Steel Drivers and Fairway Woods, Hawk Eye VFT Tungsten Injected(TM) Titanium Irons, Big Bertha Stainless Steel Irons, Steelhead X-14(R) and Steelhead X-14 Pro Series Stainless Steel Irons. Callaway Golf Company also makes and sells Odyssey(R) Putter, including White Hot(R), TriHot(TM), and Dual Force(R) Putter. Callaway Golf Company makes and sells the Callaway Golf(R) HX(TM) Blue and HX Red balls, Rule 35(R) Firmfeel(TM) and Softfeel(TM) balls, the CTU 30(TM) Blue and CTU 30 Red balls, and the CB1(TM) Blue and CB1 Red balls. For more information about Callaway Golf Company, please visit our Web sites at www.callawaygolf.com and www.odysseygolf.com.

(In thousands, except per share data)
Three Months Ended

	March 31, (unaudited)			
	2002		2001	
Net sales	\$ 256,380	100%	\$ 261,365	100%
Cost of goods sold	127,957	50%	124,458	48%
Gross profit	128,423	50%	136,907	52%
Operating expenses:				
Selling	57,270	22%	53,246	20%
General and administrative	13,420	5%	19,850	8%
Research and development	7,882	3%	8,933	3%
Total operating expenses	78,572	31%	82,029	31%
Income from operations	49,851	19%	54,878	21%
Other (expense) income, net	(83)		930	
Income before income taxes	49,768	19%	55,808	21%
Income tax provision	19,074		21,733	
Net income	\$ 30,694	12%	\$ 34,075	13%
Earnings per common share:				
Basic	\$0.46		\$0.49	
Diluted	\$0.45		\$0.47	
Common equivalent shares:				
Basic	67,345		70,010	
Diluted	68,619		72,453	

Callaway Golf Company
Consolidated Condensed Balance Sheet
(In thousands)

	March 31, 2002	December 31, 2001
	(unaudited)	(unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 66,924	\$ 84,263
Marketable securities	540	6,422
Accounts receivable, net	182,359	48,653
Inventories, net	148,278	167,760
Deferred taxes	26,867	27,266
Other current assets	14,731	20,327
Total current assets	439,699	354,691
Property, plant and equipment, net	131,716	133,250
Intangible assets, net	120,716	121,313
Other assets	39,547	38,348
	\$731,678	\$647,602
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 63,623	\$ 38,261
Accrued employee compensation and benefits	22,064	25,301

Accrued warranty expense	34,933	34,864
Note payable, current portion	2,566	2,374
Income taxes payable	25,964	1,074
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Total current liabilities	149,150	101,874
Long-term liabilities	29,302	31,379
Shareholders' equity	553,226	514,349
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	\$731,678	\$647,602
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