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CALLAWAY GOLF COMPANY
ANNOUNCES FULL YEAR 2017 FINANCIAL RESULTS, REFLECTING 20% SALES GROWTH AND SIGNIFICANT INCREASES IN OPERATING PERFORMANCE AND CASH GENERATION; AND PROVIDES 2018 FINANCIAL GUIDANCE

- Full year 2017 net sales of $1,049 million, a 20% increase compared to 2016.
- Full year 2017 operating income of $79 million, a 78% increase compared to $44 million of operating income in 2016.
- Full year 2017 cash from operations of $118 million, a 52% increase compared to $78 million in 2016.
- Projected full year 2018 net sales are estimated to increase 6% - 8% compared to 2017.

CARLSBAD, CA /February 7, 2018/ Callaway Golf Company (NYSE:ELY) announced today its full year 2017 financial results and provided financial guidance for 2018.

"2017 was another exciting year for Callaway Golf," commented Chip Brewer, President and Chief Executive Officer of Callaway Golf Company. "On a full year basis compared to 2016, our net sales increased $178 million (20%), our gross margins increased 160 basis points, and our Adjusted EBITDA increased 72% to $100 million. These results were fueled by the success of our 2017 product line, including the EPIC woods and irons, and reflect the benefits of our strategy of investing in areas tangential to golf as the OGIO and TravisMathew acquisitions led a $100+ million increase in net sales in our Gear, Accessories and Other operating segment."

Mr. Brewer continued, "Admittedly, our success in 2017 has made 2018 a high hurdle, but we believe we are up to the challenge. Looking ahead, we are encouraged not only by improving golf industry fundamentals but also by the strength of our 2018 product line. The initial enthusiasm surrounding the Rogue line of woods and irons has been strong due to the new and improved Jailbreak Technology that we incorporated into the driver as well as the fairway woods and hybrids. Our 2018 iron lineup is our strongest ever and we are also excited about the great leap in Graphene technology in our new Chrome Soft golf balls. Lastly, our brand momentum remains strong and we believe we continue to be the #1 golf club brand both in the U.S. and on a global basis."

GAAP and Non-GAAP Results

In addition to the Company's results prepared in accordance with GAAP, the Company provided information on a non-GAAP basis. The purpose of this non-GAAP presentation is to provide additional information to investors regarding the underlying performance of the Company's business without certain non-recurring items and on a more comparable tax basis as described below.

This non-GAAP information presents the Company's financial results for the fourth quarter and full year of 2017 excluding the non-recurring transaction and transition-related expenses for the OGIO and TravisMathew acquisitions ($2 million in Q4 and $11 million for the full year) and the non-recurring impacts of the recent 2017 Tax Cuts and Jobs Act (the "Tax Legislation") and other non-

recurring tax adjustments which collectively resulted in a net additional $3 million of tax expense for Q4 and the full year.

Additionally, the full year presentation of non-GAAP results excludes from the 2016 results a gain of $18 million from the sale of a small portion of the Company's Topgolf investment. Lastly, in order to make 2016 more comparable to 2017 for evaluation purposes, the Company has also presented Q4 and full year 2016 results on a non-GAAP basis by excluding the impact of the valuation allowance reversal and then using an annual effective tax rate of 41.3%. The Company also provided information concerning its earnings before interest, taxes, depreciation and amortization expense, the non-recurring OGIO and TravisMathew transaction and transition-related costs and the Topgolf gain ("Adjusted EBITDA").

The manner in which this non-GAAP information is derived is discussed further toward the end of this release, and the Company has provided in the tables to this release a reconciliation of the non-GAAP information to the most directly comparable GAAP information.

Summary of Full Year 2017 Financial Results

The Company announced the following GAAP and non-GAAP financial results for full year 2017 (*in millions, except gross margin and EPS*):

2017 RESULTS (GAAP)

	2017	2016	Change
Net Sales	$1,049	$871	$178
Gross Profit Gross Margin	$480 45.8%	$385 44.2%	$95 160 b.p.
Operating Expenses	$402	$341	$61
Operating Income	$79	$44	$35
Income Tax Provision/(Benefit)	$26	($133)	$159
Net Income	$41	$190	($149)
Diluted EPS	$0.42	$1.98	($1.56)

NON-GAAP PRESENTATION

2017 non-GAAP	2016 non-GAAP	Change
$1,049	$871	$178
$483 46.0%	$385 44.2%	$98 180 b.p.
$393	$341	$52
$90	$44	$46
$27	$17	$10
$51	$23	$28
$0.53	$0.24	$0.29

	2017	2016	Change
Adjusted EBITDA	$100	$58	$42

For the full year 2017, the Company's net sales increased $178 million to $1,049 million compared to $871 million for 2016. The 20% increase in net sales reflects increases in all operating segments and in all reporting regions, as well as market share gains in those regions. These increases are attributable to the strength of the Company's 2017 product line, including continued success of the current year EPIC driver and fairway woods, increased golf ball sales, and increased gear, accessories and other primarily as a result of the Company's acquisitions of TravisMathew and OGIO and the Company's apparel joint venture in Japan which was formed in July 2016.

For the full year 2017, the Company's gross margin increased to 45.8% compared to 44.2% for 2016. The 160 basis point increase was primarily due to a favorable shift in product mix toward the higher margin EPIC woods and irons combined with overall higher average selling prices, less discounting and lower promotional activity.

Operating expenses increased $61 million to $402 million for 2017 compared to $341 million for 2016. This increase is primarily due to the addition in 2017 of incremental operating expenses from the Japan apparel joint venture (which was formed in July 2016), higher variable expense due to the increase in sales, increased investment in marketing and tour, the consolidation of the OGIO and TravisMathew businesses, as well as $9 million in TravisMathew and OGIO non-recurring transaction and transition-related expenses.

For 2017, earnings per share was $0.42, compared to $1.98 for 2016. On a non-GAAP basis, which excludes the impact of the 2017 TravisMathew and OGIO non-recurring expenses, excludes the 2017 non-recurring, non-cash tax expenses, excludes the 2016 Topgolf gain and excludes the reversal of the valuation allowance in 2016 as discussed above, the Company would have reported earnings per share for 2017 of $0.53, compared to earnings per share of $0.24 for 2016.

<u>Summary of Fourth Quarter 2017 Financial Results</u>

The Company announced the following GAAP and non-GAAP financial results for the fourth quarter of 2017 (*in millions, except gross margin and EPS*):

2017 RESULTS (GAAP)

	Q4 2017	Q4 2016	Change
Net Sales	$192	$164	$28
Gross Profit Gross Margin	$80 41.6%	$63 38.6%	$17 300 b.p.
Operating Expenses	$100	$80	$20
Operating Income/(Loss)	($20)	($17)	($3)
Income Tax Provision/(Benefit)	($4)	($137)	$133
Net Income/(Loss)	($19)	$123	($142)
Diluted EPS	($0.20)	$1.28	($1.48)

NON-GAAP PRESENTATION

Q4 2017 non-GAAP	Q4 2016 non-GAAP	Change
$192	$164	$28
$81 42.4%	$63 38.6%	$18 380 b.p.
$100	$80	$20
($19)	($17)	($2)
($7)	($5)	($2)
($15)	($9)	($6)
($0.15)	($0.09)	($0.06)

	Q4 2017	Q4 2016	Change
Adjusted EBITDA	($15)	($10)	($5)

For the fourth quarter of 2017, the Company's net sales increased $28 million to $192 million compared to $164 million for the same period in 2016. The 17% increase in net sales is attributable to the continued success of the EPIC driver and fairway woods and increased net sales of gear, accessories and other primarily as a result of the Company's recent acquisitions of OGIO and TravisMathew.

For the fourth quarter of 2017, the Company's gross margin was 41.6% compared to fourth quarter 2016 gross margin of 38.6%. The 300 basis point increase was primarily due to a favorable shift in product mix toward the higher margin EPIC woods combined with overall higher average selling prices.

Operating expenses increased $20 million to $100 million in the fourth quarter of 2017 compared to $80 million for the same period in 2016. This increase is primarily due to the addition in 2017 of operating expenses from the consolidation of the OGIO and TravisMathew businesses, higher variable expense due to the increase in sales and increased spend in research, marketing and tour.

Fourth quarter 2017 loss per share was ($0.20), compared to earnings per share of $1.28 for the fourth quarter of 2016. On a non-GAAP basis, which excludes the impact of the non-recurring OGIO and TravisMathew transaction and transition-related expenses, excludes the non-recurring, non-cash tax adjustments in 2017 and excludes the reversal of the valuation allowance in 2016 as discussed above, the Company would have reported a loss per share for the fourth quarter of 2017 of ($0.15), compared to a loss per share of ($0.09) for the fourth quarter of 2016.

Business Outlook for 2018

Basis for 2017 Non-GAAP Results. In order to make the 2018 guidance more comparable to 2017, as discussed above, the Company has presented 2017 results on a non-GAAP basis by excluding from 2017 the non-recurring expenses related to OGIO and TravisMathew. Furthermore, the Company excluded from full year 2017 the non-cash, non-recurring tax expense items mentioned above.

Full Year 2018

(in millions, except gross margin and EPS):

Full Year 2018	2018 GAAP Estimate	2017 Non-GAAP Results
Net Sales	$1,115 - $1,135	$1,049
Gross Margin	46.5%	46.0%
Operating Expenses	$426	$393
Earnings Per Share	$0.64 - $0.70	$0.53

The Company estimates full year 2018 net sales growth of 6% - 8%. The increase is driven by 2-3% growth in the core business with the balance coming from a full year of TravisMathew operating results as well as continued double digit growth in that business. This assumes a flat to slightly improving overall market and slight favorability in foreign currency rates.

The Company estimates that its 2018 gross margin will be approximately 50 basis points higher than 2017. This increase is being driven by continued pricing opportunities as well as a positive mix benefit of the TravisMathew business, which generally has higher gross margins than the Company's equipment business.

The Company estimates that its 2018 operating expenses will be approximately $33 million higher than the non-GAAP 2017 operating expenses. This increase is being driven primarily by the addition of a full year of expenses for the TravisMathew business as well as higher variable expense related to the projected increased sales and select investments in the core business including R&D, tour, selling, and marketing.

The Company's 2018 earnings per share estimate assumes an effective tax rate of approximately 26% due to the reduced tax rates under the Tax Legislation as compared to 2017 full year non-GAAP effective tax rate of 34%. These estimates also assume a base of 97 million shares in 2018, approximately flat with 2017.

First Quarter 2018

(in millions, except gross margin and EPS):

First Quarter 2018	2018 GAAP Estimate	2017 Non-GAAP Results
Net Sales	$365 - $375	$309
Earnings Per Share	$0.48 - $0.52	$0.30

The Company estimates first quarter 2018 net sales growth of 18% - 21%. The increase is driven by launch timing in the core business as well as the addition of the TravisMathew business. Along with launching the Rogue woods, the Company is also launching a full line of Rogue irons, new MD4 wedges and a new Chrome Soft line of golf balls.

Conference Call and Webcast

The Company will be holding a conference call at 2:00 p.m. PT today to discuss the Company's financial results, outlook and business. The call will be broadcast live over the Internet and can be accessed at http://ir.callawaygolf.com/. To listen to the call, and to access the Company's presentation materials, please go to the website 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 three hours after the call ends, and will remain available through 9:00 p.m. PT on February 14, 2018. The replay may be accessed through the Internet at http://ir.callawaygolf.com/.

Non-GAAP Information

The GAAP results contained in this press release and the financial statement schedules attached to this press release have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). To supplement the GAAP results, the Company has provided certain non-GAAP financial information as follows:

Constant Currency Basis. The Company provided certain information regarding the Company's financial results or projected financial results on a "constant currency basis." This information estimates the impact of changes in foreign currency rates on the translation of the Company's current or projected future period financial results as compared to the applicable comparable period. This impact is derived by taking the current or projected local currency results and translating them into U.S. Dollars based upon the foreign currency exchange rates for the applicable comparable period. It does not include any other effect of changes in foreign currency rates on the Company's results or business.

Adjusted EBITDA. The Company provides information about its results excluding interest, taxes, depreciation and amortization expenses, as well as non-recurring OGIO and TravisMathew transaction-related expenses and the second quarter 2016 gain realized from the sale of a small portion of the Company's Topgolf investment.

Other Adjustments. The Company presents certain of its financial results (i) excluding tax benefits received from the reversal of a significant portion of its deferred tax valuation allowance, (ii) excluding gains from the sale of a small portion of its Topgolf investment, (iii) excluding the non-recurring OGIO and TravisMathew transaction-related expenses and (iv) by applying an assumed estimated statutory tax rate of 38.5% to interim period results for 2016.

In addition, the Company has included in the schedules to this release a reconciliation of certain non-GAAP information to the most directly comparable GAAP information. The non-GAAP information presented in this release and related schedules should not be considered in isolation or 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 reconciling information in the attached schedules.

Forward-Looking Statements

Statements used in this press release that relate to future plans, events, financial results, performance or prospects, including statements relating to the Company's estimated 2018 sales, gross margins, operating expenses, and earnings per share (or related tax rate and share count), future industry or market conditions, and the assumed benefits to be derived from investments in the Company's core business or the OGIO and TravisMathew acquisitions, are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are based upon current information and expectations. Accurately estimating the forward-looking statements is based upon various risks and unknowns, including unanticipated delays, difficulties or increased costs in integrating the acquired OGIO and TravisMathew businesses or implementing the Company's growth strategy generally; any changes in U.S. trade, tax or other policies, including impacts of the 2017 Tax Cuts and Jobs Act or restrictions on imports or an increase in import tariffs; consumer acceptance of and demand for the Company's products; competitive pressures; the level of promotional activity in the marketplace; unfavorable weather conditions; future consumer discretionary purchasing activity, which can be significantly adversely affected by unfavorable economic or market conditions; future retailer purchasing activity, which can be significantly negatively affected by adverse industry conditions and overall retail inventory levels; and future changes in foreign currency exchange rates and the degree of effectiveness of the Company's hedging programs. Actual results may differ materially from those estimated or anticipated as a result of these risks and unknowns or other risks and uncertainties, including continued compliance with the terms of the Company's credit facilities; delays, difficulties or increased costs in the supply of components or commodities needed to manufacture the Company's products or in manufacturing the Company's products; the ability to secure professional tour player endorsements at reasonable costs; any rule changes or other actions taken by the USGA or other golf association that could have an adverse impact upon demand or supply of the Company's products; a decrease in participation levels in golf; and the effect of terrorist activity, armed conflict, natural disasters or pandemic diseases 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 that could affect these statements, the golf industry, and the Company's business, see the Company's Annual Report on Form 10-K for the year ended December 31, 2016 as well as other risks and uncertainties detailed from time to time in the Company's reports on Forms 10-K, 10-Q and 8-K subsequently filed 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.

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About Callaway Golf

Through an unwavering commitment to innovation, Callaway Golf Company (NYSE:ELY) creates products designed to make every golfer a better golfer. Callaway Golf Company manufactures and sells golf clubs and golf balls, and sells bags, accessories and apparel in the golf and lifestyle categories, under the Callaway Golf®, Odyssey®, OGIO and TravisMathew brands worldwide. For more information please visit www.callawaygolf.com, www.odysseygolf.com, www.OGIO.com, and www.travismathew.com.

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