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EDITED TRANSCRIPT

ELY - Q4 2011 CALLAWAY GOLF EARNINGS CONFERENCE CALL

EVENT DATE/TIME: JANUARY 25, 2012 / 1:00PM GMT

OVERVIEW:

ELY reported 2011 pro forma consolidated sales of $887m. 4Q11 pro forma consolidated sales were $154m. Expects 1H12 net sales to be $610-630m.

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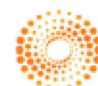

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Phil Anderson *Longbow Research - Analyst*

PRESENTATION

Operator

Good afternoon. My name is Kristen and I will be your Conference Operator today. At this time I would like to welcome everyone to the Q4 2011 Callaway Golf earnings call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks there will be a question-and-answer session. (Operator Instructions) Thank you.

At this time I'd like to turn the call over to your host and CFO of Callaway Golf, Brad Holiday. Please go ahead.

Brad Holiday - *Callaway Golf Company - CFO, PAO and SVP*

Thanks Kristen, and welcome everyone to Callaway Golf Company's fourth quarter 2011 earnings conference call. Joining me today is Tony Thornley, our President and CEO of Callaway Golf. During today's conference call, Tony will provide some opening remarks and I will provide an overview of the Company's financial results for the quarter. And we will then open the call for questions.

I would like to point out that any comments made about future performance, events, prospects or circumstances, including statements relating to estimated 2012 sales, gross margins, operating expenses, and the timing thereof between first and second quarters, the return to profitability in 2012, long-term prospects, profitability, market share, the estimated amount or timing of the charges or savings related to the Company's restructuring plan, the reinvestment of savings, estimated 2012 operating expenses, as well as the Company's estimated 2012 capital expenditures and depreciation and amortization expenses, are forward-looking statements subject to Safe Harbor protection under the federal securities laws.

Such statements reflect our best judgment today based on 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 risks and uncertainties, you should consult our earnings release issued today, as well as Part 1, Item 1A of our most recent Form 10-K filed for the year ended December 31, 2010 filed with the SEC. Together with the Company's other reports subsequently filed with the SEC from time to time.

In addition, during the call, in order to assist interested parties with period-over-period comparisons on a consistent and comparable basis, we will provide certain pro forma information as to the Company's performance. Excluding charges associated with the Company's global operations strategy, non-cash intangible asset impairment charges, non-cash tax adjustments including a deferred tax valuation allowance charge, restructuring charges, and the gain on the sale of three buildings. We will also provide information as to the Company's operating results on a currency neutral basis. And information on the Company's earnings excluding interest, taxes depreciation, amortization expenses, and the intangible asset charges. This pro forma information may include non-GAAP financial measures within the meaning of Regulation G. The information provided on the call today and the earnings release we issued today include a reconciliation of such non-GAAP financial measures to the most directly comparable

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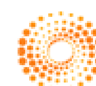

financial measures prepared in accordance with GAAP. The earnings release is available on the investor relations section of the Company's website at www.CallawayGolf.

I would like to now turn the call over to Tony for a few opening remarks.

Tony Thornley - *Callaway Golf Company - President, CEO*

Good morning, everyone. It's very good to be talking to you from the PGA show in Orlando. Where the excitement for the upcoming golf season is very high. There is optimism about the future for the game of golf which is, I think, unique in its impact on the development of outstanding citizens. And is a venue for development of strong lasting friendships. The world is a very fast-paced place, while golf offers serenity, the beauty of nature, and perspective on values. Why is this important in the context of an earnings call for Callaway? The answer is, Callaway is a company that lives by these values. And has the purpose of making golf an enjoyable experience for everyone who plays the game. This is Ely Callaway's legacy which we are very proud to carry on.

Since taking on the role of CEO at Callaway, I have received a lot of advice on how to get the Company back on track. Two things have been very clear to me as the strengths of the Company. The people inside the Company and technology capabilities at the Company. I've said in prior calls that Callaway has always had the best products, but we have failed to effectively tell the story to consumers, such that many more of them would choose to buy what we truly believe are the best-performing clubs and balls in almost all categories of products. I would say today that communication -- i.e. marketing -- was a major weakness. But we also did not read the market with regard to product trends as well as some of our competitors did.

2011 marked a low point for Callaway. Simply stated, we did not sell enough product at full price, which goes back to the fundamental points I just made for improvement in the business. Additionally we have tried to expand our product line over the past few years into areas where, at this juncture, we are losing money. We have zeroed in on these areas and have plans in place for each one to quickly achieve profitability, or in some cases long-term growth where we see major opportunities. Not all of these plans have yet been implemented. And there will probably be some costs associated with implementing them. But they are the right thing to do for the long-term and to place our primary focus on the core golf equipment sectors of our business.

We believe we have improved our listening to the market significantly for 2012. As evidenced by winning Golf Digest's Editors Choice Award for driver with the adjustable RAZR Fit driver. And winning more medals than our competitors for all product categories. We are very excited about our top-of-the-line golf balls, as are all the golfers who have been lucky enough to get an early try. We have listened to the feedback on our golf balls, which is focused on durability. The new balls are likely to be lost before they are taken out of play. The new line of putters, which will be launched in spring with new phase technology, is also receiving very positive feedback.

We have also begun to strengthen our position on the professional tours, particularly the PGA tour where we declined over the past several years. The fact is, we have a strong position on the European and Japanese nation tours, as well as the LPGA with the Callaway brand and the strength in those this year. Alvaro Quiros won in Dubai at the end of 2011. And Branden Grace, a 23-year-old rookie, has won the last two tournaments on the European tour, including this week winning against a very strong field which included Ernie Els, who tied for second, playing both our new driver and our new ball.

Sang-Moon Bae won the Money List on the Japan tour last year and got his PGA tour card this year. He finished well in both the Sony and Humana tournaments. We also signed a leading money winner on the nationwide tour last year, JJ Killeen. And had Danny Lee promoted from the nationwide too. Building our strength in the PGA Tour is a multi-year project but I feel good about our overall position on the global scene. I must also mention Odyssey in this regard where we continue to lead the putter current on a global basis. Thanks to always innovating in new product technology as well as having an outstanding tour staff.

Our new organization is functioning well as a global unit. And the addition of category leaders have strengthened our focus on the long term, as well as addressing our strengths and weaknesses in the short-term. We have focused on the performance of all of our categories, and have been working improvement plans for the weaker elements of our business which will take effect through 2012.

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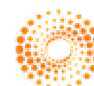

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We had a very expensive misstep with our GPS device in 2011. We had a compelling product plan but introduced the device before it was ready. And with challenges for consumers to register and download courses. We have addressed the organizational issues that caused this major problem and are ready to introduce new products in 2012 which will lead the category and enhance the golfer's experience on and off the course. We have also focused on improving lifecycle management of our products, given the very short life cycles of many of them. This will result in better gross margins in the future.

The past two years have seen major changes in our operations architecture, moving club assembly to Mexico and US distribution to a third party in Dallas. Our operations organization has done a remarkable job in managing these dramatic changes. We are now in a good position to deliver on the cost savings that drove those changes. I believe our retail partners have seen and appreciate the way we are approaching the business with them. And they are encouraged by our new products and our focus on the core business. They are clearly partners in driving our future success.

2011 was a very disappointing year in terms of financial performance. But we have made, or are making, the changes necessary to take Callaway back to a strong leadership position in the golf equipment industry. Our forecasting is already much improved. And our new marketing campaign that will launch in the near future, combined with our products and motivated organization, will give us much improved performance in 2012 and beyond. It is our intention to be profitable in 2012 as a base on which to build back to acceptable profit levels and increasing share of market in all core equipment categories in the next few years.

I'll now hand back to Brad to give you more details on 2011 and some information on our outlook for the first half of 2012.

Brad Holiday - *Callaway Golf Company - CFO, PAO and SVP*

Thanks Tony. As Tony mentioned, the Company has been through a significant amount of change over the past year. But we believe the actions we have taken position it for a return to profitability in 2012 and to generate sustainable long-term growth. One of the key actions we completed this past year was a restructuring targeted at reducing expenses by $50 million so we could reinvest a portion in marketing to grow sales. I would like to cover some of the details of this action which will hopefully help you better understand the timing and our 2012 expectations. The one-time charges associated with these actions totaled approximately $17 million, most of which were incurred in 2011. A small portion of these charges will carry over into 2012 operating expenses. But we will not be excluding these charges for pro forma purposes from reported results.

Of the $50 million in savings, $35 million affect operating expense, with the remaining $15 million impacting cost of goods sold. Of the $35 million affecting operating expenses, $7 million positively impacted 2011, with the remaining $28 million impacting 2012 results. Our targeted savings of $50 million were based on an annual operating expense projection last June of $382 million. So if you begin with this base, you would subtract $35 million in cuts, add approximately $25 million for the incremental investment in marketing spending, and add approximately $8 million of additional expense related to general inflation and incremental variable costs associated with increased sales. This should result in approximately $380 million in projected operating expenses in 2012.

Now let me turn to the pro forma operating results for the quarter and full year. All of the detailed financials are attached to our press release issued today, but let me add some color on our operating results. These results will be on a pro forma basis and exclude charges for our global operations strategy, non-cash impairment, restructuring, tax valuation allowances. And also excludes the gain on the sale of buildings that took place during the year. A schedule was included with our press release to bridge GAAP results to these pro forma results. And I encourage you to review this schedule.

For the fourth quarter consolidated sales totaled $154 million compared to $186 million last year. This decline was due in part to the fourth-quarter launch of the Diablo Octane products in 2010, with no comparable new product launch in 2011. The US represented 40% of total sales, with the balance coming from our international markets. The increase in the international mix is due primarily to the launch of the new Legacy Black line of products in Japan in connection with their second selling season. And not having a fourth-quarter woods launch in the US.

Foreign currency rates were favorable for the quarter and positively impacted sales by $3 million. Sales in the US declined 22% to $62 million in the quarter compared to $79 million last year. And international sales were $92 million, a decline of 14% compared to last year. Excluding the positive impact of currency rates international sales would have declined 16%. For the full year, consolidated sales declined 8% to $887 million,

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with 47% coming from the US and 53% from our international markets. Foreign currency rates positively impacted sales by $29 million for the year. Year-to-date sales in the US were $419 million, a decrease of 10% compared to the same period last year, due in part to no new woods being introduced during the fourth quarter of this year. International sales were $467 million, down 7% versus a year ago, largely due to the natural disasters in Japan, Australia and Southeast Asia. As well as no significant new product launch, as I just mentioned. Excluding the positive impact of currency rates, international sales would have declined 12%.

For product categories, 2011 wood sales were $213 million compared to $230 million last year. This decrease was primarily due to the absence of a fourth-quarter woods launch and the impact of the natural disasters I just mentioned, offset partially by the successful launch of the Legacy Black in Japan. Iron sales were $208 million for the year, a decrease of 9% compared to last year. This decrease is primarily due to the fact that 2010 included the launch of a limited offering of our X-24 Hot Irons, the impact of the natural disasters, as well as a push in 2010 to sell irons and wedges before the groove rule went into effect. Partially offsetting this decrease were strong sales of our RAZR line of irons which has performed very well this year.

Putter sales were $89 million for the year, a decline of 17% compared to last year. Due in part to a 4% category decline in the US, the adverse impact of the earthquake on Japan sales, and the fact that in 2010 we launched a new platform of putters in the White Ice line, compared to a limited number on new model updates this year. Golf ball sales for the year were $160 million compared to $180 million last year. Impacting sales was a decline in rounds played in the US of 4% through November. And the fact that we did not launch any new premium models in 2011. Combined with only modest investments in marketing and advertising around the brand or specific products. Data on rounds played in other markets is not as readily available as in the US. But anecdotally we understand the trends are the same, with rounds played down in almost all markets.

Accessories and other sales were $217 million, a decrease of 3% compared to last year due to lower sales of packaged sets and GPS devices, offset partially by increases in apparel and footwear sales. Pro forma gross margins for the quarter were 27% compared to 33% last year, due to unfavorable manufacturing absorption because of lower unit volumes. And inventory liquidation costs in Japan partially offset by improvement in mix and foreign currency. On a year-to-date basis, pro forma gross margins were 38% compared to 39% last year. Savings from our gross margin initiatives and a slight positive from foreign currency were offset by unfavorable manufacturing absorption due to lower unit volumes.

Pro forma operating expenses were $79 million for the quarter compared to $88 million last year due to the $7 million in savings from our restructuring actions. Year-to-date operating expenses totaled $373 million compared to $383 million last year. Other expense was $1 million for the quarter, $2 million favorable compared to last year due to gains on foreign currency contracts. Year-to-date other expense was $9 million, flat compared to last year.

Turning to our balance sheet, we ended the quarter with cash of $43 million compared to $55 million last year. And we have no outstanding borrowings against our credit facility and no long-term debt. Consolidated net receivables were $116 million compared to $145 million last year due to lower fourth-quarter sales. With DSOs improving to 69 days compared to 71 days last year. The overall quality of our accounts receivables remain good. Net inventories were $233 million, down 13% compared to last year. And as a percent of trailing 12-month sales, was 26.3% compared to 27.8% last year. Capital expenditures were $8 million for the quarter, $29 million for the full year. And depreciation and amortization expense was $10 million for the quarter and $39 million for the full year.

So those are the results for 2011. At this time we would provide the following guidance for the first six months of 2012, which was also included in our press release today. Net sales are projected to range from $610 million to $630 million compared to $559 million in 2011. An increase of 9% to 13%. Sales are estimated to be slightly higher in the second quarter compared to the first quarter due to normal seasonality. But could vary between quarters somewhat depending on the actual timing of shipments to our customers.

Gross margins are projected to be approximately 44%, an increase of 140 basis points, compared to 42.6% in 2011. We expect margins will be positively impacted by product mix, favorable manufacturing utilization due to higher volumes, and the completion of our global operations initiatives, including our new assembly operation in Mexico and our new distribution model. Partially offsetting these positives are higher costs associated with new product technology and higher raw material costs. We estimate that gross margin as a percent of net sales should also be slightly higher in the second quarter compared to the first quarter.

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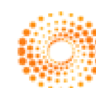

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Operating expenses are projected to be $214 million compared to $209 million in 2011. The increases is due to a higher investment in marketing, which is skewed more to the first half of the year or the peak of the golf season. As well as higher variable costs associated with the increase in sales. These increases are mostly offset by savings from the cost-savings initiatives taken in 2011. Operating expense is estimated to be incurred evenly between the first and second quarters.

As you are aware, because of the effects of the tax asset valuation that was established last year, GAAP tax rates will not correlate directly with the Company's pretax results. For this reason, we will be using a tax rate of 38.5% during the year as a pro forma rate for better comparisons to 2011 pro forma results. Earnings per share is estimated at $0.40 to $0.45 compared to $0.15 in 2011. And assumes shares outstanding at 84.6 million including the dilutive impact of the Company's outstanding preferred equity. CapEx for 2012 is estimated to range from $25 million to $30 million. With depreciation and amortization estimated to range from $35 million to $40 million.

One thing to note is that these estimates for 2012 do not include any adjustments for one-time expenses, as we have not yet finalized plans for further profit improvement that Tony mentioned earlier. 2011 results, which will be used during the year for comparative purposes, will be on a pro forma basis. And will continue to exclude charges that have been noted on our financials throughout the year.

We will now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Dan Wewer with Raymond James.

Dan Wewer - *Raymond James & Associates - Analyst*

Tony, I was wanting to see if you could give us an update on the CEO search. As I recall, you had hired, was it Spencer Stuart? -- in the fourth quarter of last year. But maybe give us a sense as to where they are on their search and how long you think it will take to complete that.

Tony Thornley - *Callaway Golf Company - President, CEO*

Yes, Don, we are progressing with that. We're being very careful. Committed to the Company that we will make sure that this is going to be a leader who's going to carry on the initiatives that we have put in place. But there are a lot of people interested for sure. So I think that we will conclude that here in the not-too-distant future.

Dan Wewer - *Raymond James & Associates - Analyst*

So you think that will take place during the current fiscal year 2012?

Tony Thornley - *Callaway Golf Company - President, CEO*

Yes.

Dan Wewer - *Raymond James & Associates - Analyst*

And then just also could you talk about what you see as the long-term prospects for Callaway? For example, does it make sense for a golf company nowadays to be a standalone public company? It looks like there is a ceiling in revenues at around $1 billion or $1.1 billion. Companies have

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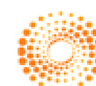

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obviously run a little bit less than that the last few years. But there just doesn't seem to be a lot of growth left in the industry. And as such, is it best for Callaway to remain a separate public company? Or would it be a better strategic fit with someone else?

Tony Thornley - *Callaway Golf Company - President, CEO*

That is a question that we certainly have asked ourselves over many years. But I don't particularly feel that the public aspect of our Company is a handicap. Obviously there are some costs associated with that. But beyond that I don't feel that you have to run the Company any differently. So I don't believe that that in itself is any reason why performance wouldn't be the same as if you were a private company.

Dan Wewer - *Raymond James & Associates - Analyst*

I was trying to think of long-term returns for shareholders beside some margin expansion this year.

Tony Thornley - *Callaway Golf Company - President, CEO*

I am just getting to that. In terms of whether it's right to be focused as a golf equipment company without other properties, a la some of our competitors who are integrated with clothing or shoe companies. Then they have some economies of scale. But I believe that Callaway does, indeed, have significant opportunity to grow in the future. It doesn't necessarily have to be just in the business that we are in today but in other golf-related businesses. So I think there are prospects for long-term growth in both top line and bottom line as an independent company.

Dan Wewer - *Raymond James & Associates - Analyst*

And then just one real quick question and I will hang up after this. But when you were giving your forecast of improved revenue growth for 2012, how are you penciling through Europe and the impact of the leveraging in Europe and how that might adversely impact revenues?

Tony Thornley - *Callaway Golf Company - President, CEO*

Yes, it's definitely a concern. But we have been making really good progress in our own business in Europe over the past couple of years. We have increased our business in the UK. We have grown as the market has grown in central Europe. And I think golf is actually in reasonable shape overall in Europe. The overall economy is an overhang, no doubt about it. But I really believe that things will improve in that overall economy in Europe in 2012. And that our business will actually do quite well. And that's what we are projecting.

Dan Wewer - *Raymond James & Associates - Analyst*

Great. Thank you.

Operator

Andrew Burns with D.A. Davidson.

Andrew Burns - *D.A. Davidson & Co. - Analyst*

First question is just on the new ball launch, the HEX Black Tour ball. How material could that be if there really takes off? I'm just trying to think about what is required to get that segment back to profitability from a revenue and margin perspective. Can that one be a needle mover? Thank you.

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Tony Thornley - *Callaway Golf Company - President, CEO*

Yes. In terms of the overall ball business, the Tour ball is a significant portion but it is only a part of the ball business. We think this launch of both the HEX Black Tour and the Chrome golf ball is going to be significant for growth in 2012. But really is a platform for ongoing growth in market share in the next several years. So it will aid us in getting back to overall profitability. In terms of the ball business itself, we are looking at that as also being profitable. Maybe will be in the breakeven level in 2012. But beyond that should be definitely contributing significantly to earnings.

Andrew Burns - *D.A. Davidson & Co. - Analyst*

Great, thank you. Tony, you mentioned improving the product lifecycle management in your commentary and potential boost for gross margin. Could you provide a little detail about the changes that have been implemented, the timing of potential margin improvement, and the magnitude should it prove successful? Thank you.

Tony Thornley - *Callaway Golf Company - President, CEO*

Yes. What we fundamentally are doing is we are timing the product launches with the seasons. It's slightly different in different markets. But we are doing it entirely based upon maximizing the cash flow. So we are looking for the initial launch of the products to be much more successful. The secret, really, of lifecycle management in the golf equipment business is to sell a lot initially in the after-product launch. This coincides with our increased -- significantly increased -- marketing spend, which is going to drive that initial product sale and improve margins. Post that, we have made changes in our operations. We have increased the flexibility of our supply chain. So we will have more capability to move that up and down than we have had in the past.

Andrew Burns - *D.A. Davidson & Co. - Analyst*

Great, thanks. I'll step offline. Good luck.

Operator

Casey Alexander with Gilford Securities.

Casey Alexander - *Gilford Securities - Analyst*

Normally at this time of the year your inventory is higher, and you even have some level of borrowing. It looks like you have some aggressive inventory management. Is it possible that if you catch a hot product somewhere the you might no have enough inventory available to service the demand?

Tony Thornley - *Callaway Golf Company - President, CEO*

Casey, it certainly is always a possibility. But what we have done, that's been a focus of our planning over the last six months. I've been calling it Planning for Success. So as I said, we have increased our flexibility in the supply chain. We are working very hard right now with the supply chain to deliver particularly the new drivers and the golf balls. The golf balls, we are making the tour balls ourselves, of course, having the capacity in place to meet the demand. But we are confident that we will be able to do that.

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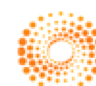

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Casey Alexander - *Gilford Securities - Analyst*

Does some of it have to do with your product life cycle planning, in that you are not bringing as much inventory on at this particular time because you have different launch dates in different markets?

Brad Holiday - *Callaway Golf Company - CFO, PAO and SVP*

This is Brad, Casey. I think a lot of what Tony talked about with better lifecycle management is one of the reasons we are down this past year. Because any of the closeout product that we might have had in the past we have been able to liquidate and manage that down. So I think, to Tony's point, the inventory is more of our current product. And we have the ability now to ramp up and hopefully meet the demand that we are going to generate from the new marketing. I think it is a combination of just tight inventory management and better lifecycle management.

Casey Alexander - *Gilford Securities - Analyst*

That leads right to my next question which is there have been a number of external shocks over the course of the last year. And so how does the inventory that is out there in the distribution channel look? I can understand that with Japan and Southeast Asia, with the rounds played it may have been tough to push things through. How does the existing inventory that's out there in the channel look?

Tony Thornley - *Callaway Golf Company - President, CEO*

I think that, as Brad is saying, we've really taken care of most of that in 2011. We should also mention that, as I said, phasing of product launches is different in different markets. That is part of the reason, too, why inventory is lower. The Japan launches have changed phase from what they have been historically. So later in the year for the Japan-only products.

Casey Alexander - *Gilford Securities - Analyst*

All right. Nothing solves your problems like a full-priced sale. Good luck.

Operator

Craig Kennison with Robert W. Baird.

Craig Kennison - *Robert W. Baird & Company, Inc. - Analyst*

Would you please provide an update on your plans for the preferred stock? Is there any consideration to redeem those shares in the second half of the year?

Tony Thornley - *Callaway Golf Company - President, CEO*

We don't currently have any plans. We certainly are looking at that. But if we do have them we will certainly let you know.

Craig Kennison - *Robert W. Baird & Company, Inc. - Analyst*

Okay. And then just to follow-up on the CEO search. Could you shed any light on the qualities you are looking for? For example, do you need better operational expertise? Or are you looking for someone more visionary with respect to where you can take the brand and that type of characteristic?

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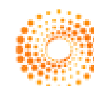

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Tony Thornley - *Callaway Golf Company - President, CEO*

I've always felt the key thing for Callaway Golf is someone with a strong marketing background. So that is a fundamental thing that we are looking for.

Craig Kennison - *Robert W. Baird & Company, Inc. - Analyst*

Very good. And lastly, it sounded as though, while you hoped to do this in 2012, it could be sooner rather than later. Could you shed any light on the potential timeframe?

Tony Thornley - *Callaway Golf Company - President, CEO*

No. As I say, I won't add to what I said before. But we are in process with the search.

Craig Kennison - *Robert W. Baird & Company, Inc. - Analyst*

Great. Good luck.

Operator

(Operator Instructions) Phil Anderson with Longbow Research.

Phil Anderson - *Longbow Research - Analyst*

Just real quickly, you said the operating expenses savings, the $35 million, $7 million of that was realized in 2011, $23 million is going to be realized in 2012?

Brad Holiday - *Callaway Golf Company - CFO, PAO and SVP*

$28 million.

Phil Anderson - *Longbow Research - Analyst*

I'm sorry, yes. And the $15 million in cost of goods sold, is that all in 2012?

Brad Holiday - *Callaway Golf Company - CFO, PAO and SVP*

A small portion would have been in '11 but a majority, once again, is in 2012.

Phil Anderson - *Longbow Research - Analyst*

Similar proportion as the OpEx savings?

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Brad Holiday - *Callaway Golf Company - CFO, PAO and SVP*

Probably a little bit more would be in '12.

Phil Anderson - *Longbow Research - Analyst*

Okay, very good. And then, just wondering with the 9% to 13% growth guidance for the first half of this year, could you give us any additional detail or insight into what your assumptions are with the various product categories as that plays out?

Tony Thornley - *Callaway Golf Company - President, CEO*

I think the thing that is going to drive it clearly is the launch of the new products. And we are launching a full line of woods and irons and the golf ball. So it's going to be all of the above.

Brad Holiday - *Callaway Golf Company - CFO, PAO and SVP*

And we also have, just to add to Tony on the product launches, remember, we have all of woods being launched this year versus the Octane which was launched a year ago this last fourth quarter. So we do have a full complement of products.

Phil Anderson - *Longbow Research - Analyst*

So just from a timing perspective that should make the woods launch stronger this year?

Tony Thornley - *Callaway Golf Company - President, CEO*

Yes. Again, as I mentioned, the Japan launch of the Japan-only products is somewhat out of phase with that, it's in the second half. They did launch the Legacy Black line of products in the second half of 2011 also.

Phil Anderson - *Longbow Research - Analyst*

Okay. Very good. Thank you.

Operator

At this time I would like to turn the call back over to Tony for any closing remarks.

Tony Thornley - *Callaway Golf Company - President, CEO*

Thanks Kristin. And thanks everyone for your questions and interest. As stated earlier, there are certainly challenges facing the Company, a lot of hard work ahead. But I truly believe that the foundation we have in place is solid. The restructuring plan and investments and demand creation that we have designed are right for the business. And the talent and the passion of our team will combine for a healthy turnaround of the business. And we look forward to working with you in the ongoing future.

Operator

Thank you. This does conclude today's conference call. You may now disconnect.

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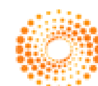

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