THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

ELY - Q2 2015 Callaway Golf Co Earnings Call

EVENT DATE/TIME: JULY 29, 2015 / 9:00PM GMT

OVERVIEW:

Co. reported 2Q15 consolidated net sales of $231m, net income of $13m and EPS of $0.15. Expects 2015 GAAP net sales to be $830-840m and fully diluted EPS to be $0.01-0.06.

CORPORATE PARTICIPANTS

Patrick Burke *Callaway Golf Company - Head of IR*

Chip Brewer *Callaway Golf Company - President & CEO*

Robert Julian *Callaway Golf Company - CFO*

CONFERENCE CALL PARTICIPANTS

Lee Giordano *Sterne Agee CRT - Analyst*

Michael Swartz *Suntrust Robinson Humphrey - Analyst*

Casey Alexander *Gilford Securities, Inc. - Analyst*

Randy Konik *Jefferies - Analyst*

PRESENTATION

Operator

Good afternoon. I'd like to welcome everyone to the Q2 2015 Callaway Golf results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions). Thank you.

Patrick Burke, Head of Investor Relations, you may now begin your conference.

Patrick Burke - *Callaway Golf Company - Head of IR*

Thank you, Ian, and good afternoon, everyone. Welcome to Callaway's second quarter 2015 earnings conference call. I'm Patrick Burke, the Company's Head of Investor Relations. Joining me on today's call are Chip Brewer, our President and CEO, and Robert Julian, our Chief Financial Officer.

I would like to point out that any comments made during the call about future performance, events, prospects or circumstances, including statements related to estimated 2015 net sales, sales growth, gross margins, operating expenses, pre-tax income and earnings per share, future market conditions, foreign currency exchange rates, market share gains or brand momentum, the launch or success of the Company's future products, long-term profitability or the creation of long-term shareholder value, the collectability of accounts receivable and salability of inventory, estimated 2015 capital expenditures and depreciation and amortization expenses and other statements referring to future periods and identified by words such as believe, will, could, would, expect or anticipate, 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 these and other 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 for the year ended December 31, 2014 filed with the SEC, together with the Company's other reports subsequently filed with the SEC from time to time.

Also, during the call, in order to provide a better understanding of the Company's underlying operational performance, we will provide certain of the Company's results and projections on a constant currency basis, which essentially excludes all offsetting hedging gains and losses recorded during the applicable period and applies the prior period exchange rates to the adjusted current or future period financial information as though prior period rates were in effect during the current or future period.

We also provide information on the Company's earnings, excluding interest, taxes and depreciation and amortization expenses. This information may include non-GAAP financial measures within the meaning of Regulation G. The information provided on the call today and the earnings release and related schedules we issued today include a reconciliation of such non-GAAP financial information to the most directly comparable financial information prepared in accordance with GAAP. The earnings release and related schedules are available on the Investor Relations of the Company's website at www.callawaygolf.com.

I would now like to turn the call over to Chip.

Chip Brewer - *Callaway Golf Company - President & CEO*

Thanks, Patrick. That was very thorough.

Good afternoon, everybody, and thank you for joining us for today's call.

Q2 2015 was another good quarter for Callaway Golf. Highlights include strong performance in the US market, as well as continued improvements in our overall operating efficiencies. Partially offsetting these improvements were softer than anticipated market conditions in our international markets, especially Asia, combined with the global currency movements over the last year. Overall, we remain pleased with our progress and outlook.

With that said, I'll jump into some specifics. Revenues for Q2 were approximately flat on a GAAP basis, but up 6.5% on a currency-neutral basis. Our US business was up 8%, reflecting both market share gains and improved market conditions. The market has been less promotional and shows signs of stabilization in participation, as well as improvements in rounds played and retail sell-through.

Europe performed roughly consistent with expectations, reflecting continued challenging market conditions, but continuing the strengthening of our relative position.

Asia was a challenge to our Q2 with market conditions underperforming expectations on top of the continuing foreign exchange translation issues. Looking at Japan specifically, the market was down 5.7% through Q2 and our business there is also down year to date, but we were up 19% on a local currency basis in Q2. A portion of the challenges in Japan are due to an inventory correction at retail and we appreciate the necessity of this adjustment and believe it should be mostly worked through by the end of the year provided there is no further drop off in market conditions.

Looking outside of Japan, China has become a challenging market, primarily due to government policy decisions, and we have been working through a change in business and distribution models in the Southeast Asia markets of Thailand, Singapore and Malaysia. Fortunately, our brand position across Asia remains very strong and we remain optimistic for the balance of the year and the long term.

Turning to market share. In the US our year to date hard goods dollar market share through June was 21.4%, up 230 basis points year over year. This third-party data has us regaining the number one position in total clubs, as well as being the top-selling brand in the irons, fairway woods, hybrids and putter categories year to date. We have been the number one player in the putter category for some time, but the fairway wood, hybrid and irons positions represent improvements in our relative positions that have been realized over the last year or so. In addition, our golf ball sell-through share increased to 11.1%, up 140 basis points and moving us to the number two brand in this important category.

In Japan, our year to date hard goods share through June was 16.2%, up 110 basis points year over year. We remain the number one US brand in this market. In the UK, our year to date hard goods market share through June was 18.5%, up 50 basis points year over year. In Europe through May, which is our most recent data for that market, our share was 20.8%, up 220 basis points and sustaining our position as the number one hard goods brand in that market. Overall, we're very pleased with our market share growth and brand strength across the globe.

We remain pleased with our exposure on tour and these results continue to be a positive catalyst for our brand and market share growth. Our product pipeline remains robust and we anticipate several new product launches during the second half of this year. The quantity and timing of these launches will be roughly equivalent to last year. However, over the last year we've been transitioning to a new strategic launch cadence, splitting wood launches into spring and fall, and also moving to two-year cycles on almost all other products. We are pleased to be through the transition period and are optimistic the new launch cadence will benefit us going forward.

In addition, our golf ball business continues to strengthen and I view this as a category for future growth based primarily on the success of Chrome Soft and our SoftFast Core technology. One way of measuring our potential in this category is the consumer reaction to our product. To this end, Chrome Soft's net promoter score of 75% is one of the highest ratings we have ever seen for a Callaway product. We believe this bodes very well for us going forward.

Our cost management and overall operating efficiencies during Q2 were at expectations or better. In particular, our currency-neutral gross margins have increased significantly over the last few years. We are encouraged by this trend and I believe it bodes well for the long-term profitability of our business. Robert will have more color on this during his comments.

Foreign exchange continues to be a challenge. In concert with new product launches, we are starting to strategically raise prices in international markets. However, the adjustment process is going to take some time, probably multiple years to fully adjust and recover.

Turning now to balance of the year guidance. We are lowering our overall revenue targets for the full year but, more importantly, further increasing our earnings expectations. On the revenue side, I believe the market overall will be roughly flat for the second half of the year. Callaway should have roughly the same new product activity as last year and I believe we'll be able to sustain our brand momentum. As a result, for the balance of the year we're forecasting constant currency growth of 12%. On the earnings side, thanks to improvements in operating efficiencies and revenue quality, we are raising our EPS estimates to a range of positive $0.01 to a positive $0.06.

In closing, I am confident that Callaway Golf is in a much stronger position today that it has been in quite some time. The changes we have implemented are being noticed and are proving effective in driving increased consumer interest and improved operating efficiencies. International market conditions continue to be challenging, but the overall fundamentals of the industry appear to be improving, especially in the US market, with less promotional activity, less over-production, lower field inventories, as well as the general stabilization of participation and increased interest in the game as measured by TV ratings. As a result, I remain confident that we are on track with our overall plan and the plan will be lead to steadily improved performance and long-term shareholder value.

I look forward to continuing to keep you updated on our progress and appreciate your interest and support.

Robert, over to you.

Robert Julian - *Callaway Golf Company - CFO*

Thank you, Chip.

Today we are reporting consolidated Q2 2015 net sales of $231 million, compared to $232 million last year, a decrease of less than 1%. Foreign currency variances negatively impacted revenues by $17 million. So on a constant currency basis, year-over-year net sales increased by over 6%.

Looking at Q2 revenue on a regional basis, net sales in the US increased 8% to $122 million. International sales were $109 million in the quarter, a decrease of 9% on a GAAP basis. However, on a currency-neutral basis, Q2 international sales increased 5% year over year. Details by region are included in the attachment to today's press release.

Gross margins were 44.1% in Q2 2015 compared to 39.2% last year, an improvement of 490 basis points. This increase was driven by favorable price and mix variances associated with new product launches, along with continued operational improvements. This favorability was partially offset by increased costs related to new product technology and negative foreign currency variances. On a constant currency basis, gross margins would have improved 840 basis points to 47.6%.

Operating expenses were $83 million in Q2 2015, a 4% increase compared to last year. This increase was due to continued investment in marketing and tour and increases in employee costs associated with stock price appreciation. On a constant currency basis, operating expenses would have been $86 million, an increase of 8% compared to last year.

These results generated operating income of $19 million in Q2 2015 compared to $11 million last year. On a constant currency basis, operating income would have been $31 million, an improvement of 187% compared to last year.

We had other expense of $4 million in Q2 2015 compared to $6 million last year. This change was primarily due to the impact of changes in currency rates on outstanding foreign currency hedging contracts.

The Company generated net income of $13 million in Q2 2015 compared to $3 million in 2014. Earnings per share $0.15 on 95 million shares in Q2 2015, compared to $0.04 on 79 million shares in 2014. On a constant currency basis, Q2 2015 earnings per share would have been $0.30.

Returning to net sales, I would like to provide some more details by product category on a constant currency basis. Wood sales were $54 million in Q2 2015, an increase of 1% compared to last year. This was due to the success of our XR brand, particularly in the fairway woods and hybrid categories, which more than offset the drop off caused by a shift in our launch timing. On a year to date basis, Callaway is the number one fairway wood and hybrid for dollar market share in the US.

Iron sales were $63 million in Q2, a increase of 20% versus last year. This was driven by the successful launch of our XR Irons, as well as continued momentum in our Big Bertha and Apex irons. On a year to date basis, Callaway is the number one iron for dollar market share in the US.

Putter sales were $26 million in Q2, a decrease of 2% compared to last year. We had continued success with our inline putters driven by the success of our Odyssey Works putter line, offset by closeout volume of putters in Q2 of 2014, impacting the year-over-year comparisons. On a year to date basis, Odyssey is the number one putter for dollar market share in the US.

Golf ball sales were $43 million in Q2, an increase of 11% compared to last year. This was due to the successful launch of our new Chrome Soft golf ball and the continued success of our Super Soft line of balls. On a year to date basis, Callaway is the number two golf ball for dollar market share in the US.

Accessories and other sales were $60 million in Q2, an increase of 1% compared to last year, mostly driven by our golf bag business.

Turning to our balance sheet, we ended Q2 2015 with cash of $27 million, roughly equivalent to the $29 million for Q2 of last year. We had $43 million of outstanding borrowings on our ABL credit facilities at the end of Q2 2015 compared to $60 million in Q2 of last year. Available liquidity, including cash, improved to $143 million compared to $71 million last year. Our consolidated net receivables were $220 million at the end of Q2 2015, an increase of 12% compared to Q2 of last year. DSO increased to 87 days compared to 78 days last year due to a change in our standard terms, customer mix and new product launch timing. We remain comfortable with our overall quality of accounts receivables.

Our inventory balance was $171 million at the end of Q2 2015, a decrease of 18% compared to Q2 of last year. This reduction was due to continued improvements in forecasting and inventory management, as well as improved sell-through at retail. As a result, inventory as a percentage of trailing 12-month cost of sales improved to 35% compared to 38% in 2014. We remain comfortable with the quality of our inventory at this time.

Capital expenditures for Q2 2015 were $4 million compared to $2 million last year. We estimate approximately $15 million to $18 million for the full year 2015. Depreciation and amortization expense was $4 million in the quarter compared to $5 million last year. We estimate approximately $20 million for the full year 2015. Our trailing 12-month EBITDA at the end of Q2 was $39 million compared to $26 million last year, a 52% increase year over year.

I'll now comment on our 2015 full-year guidance. For the reasons Chip mentioned earlier, we are lowering our 2015 net sales estimate on a GAAP basis to a range of $830 million to $840 million, a decline of 5% to 6% compared to last year. On a constant currency basis, this new estimate would equate to a range of $880 million to $890 million, essentially flat compared to last year. Due to launch timing, we expect Q3 reported sales growth to be relatively flat versus prior year with higher sales growth in Q4.

Full-year 2015 gross margins are estimated to be 42.0%, an improvement of 100 basis points from our previous estimate, due to better than expected Q2 results, continued improvements in our manufacturing operations and supply chain, and improved sales mix over the balance of the year.

Overall, this represents a 160 basis point improvement in gross margin compared to prior year on a GAAP basis. On a constant currency basis, gross margin is 45.0%, an improvement of 460 basis points.

Operating expenses are still estimated to be approximately $335 million for full-year 2015, consistent with previous guidance. This compares to $327 million in 2014. The increase primarily relates to additional investment in marketing and tour spending, as well as other employee-related costs and normal annual cost increases. On a constant currency basis, operating expenses are expected to be approximately $345 million, consistent with our previous plans and guidance.

2015 pre-tax income is estimated to range from $7 million to $12 million with a corresponding tax provision of $6.5 million. This compares to pre-tax income of $22 million and a corresponding tax provision of $5.6 million in 2014. On a constant currency basis, 2015 pre-tax income is estimated to range from $45 million to $50 million, or an increase of 105% to 127% compared to last year.

Finally, we are raising our 2015 earnings per share estimate on a fully-diluted basis to a range of $0.01 to $0.06 per share on 80 million shares outstanding. This compares to our previous estimate of a range from negative $0.03 to a positive $0.04 per share. On constant currency basis, our updated EPS estimate would range from $0.45 to $0.50 per share, an increase of 125% to 150% compared to last year's $0.20 per share on 78 million shares.

Before beginning the question-and-answer portion of the call, I would just like to add one personal note as this is my first earnings call as the new CFO of Callaway Golf. I would just like to say how excited and energized I am about joining the Callaway team and that I'm really looking forward to the opportunity to contribute and build on the momentum and success that this team has created and enjoyed under Chip's leadership and guidance. I also look forward to engaging in a more active way with our investor and shareholder communities, telling the Callaway story and driving shareholder value. It is certainly no exaggeration to say that I am absolutely thrilled to be here at Callaway Golf.

With that, we will now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator instructions). Lee Giordano, Sterne Agee CRT.

Lee Giordano - *Sterne Agee CRT - Analyst*

Thanks. Good afternoon, everybody.

Chip Brewer - *Callaway Golf Company - President & CEO*

Hi, Lee.

Lee Giordano - *Sterne Agee CRT - Analyst*

Chip, it would be helpful if we could get some of your thoughts on the impact of the success of the younger players on the PGA Tour that we're seeing, like Spieth and Rory and Fowler. How is that having any impact on consumer demand for golf equipment and the game itself? It sounds like we're seeing participation level out here and things seem to be getting better. And then secondly, can you update us on your efforts to strengthen the Callaway brand in the mind of younger players out there? Thanks.

Chip Brewer - *Callaway Golf Company - President & CEO*

Sure, Lee. Golf has been exciting over the last six months, if not longer. It really probably started last year. And players such as Rory McIlroy and now Jordan Spieth and others are really capturing the attention and excitement of young and old golf fans alike, and also casual participants that have not been as fully engaged. So, I can't really say I believe there's any immediate impact there. It probably helps, but quantifying that is very difficult. But, I do think it bodes very well for the long-term health of the sport and the industry and we're all very excited about it.

Callaway has had a lot of success on tour over an extended period of time, but certainly accentuated over the three years. And we've really strengthened our position on tour and with younger players. You see players such as Ryo Ishikawa and Kevin Kisner and Patrick Reed and Chris Kirk and many others showing up all the time now playing Callaway product and showing off the brand on tour and that was clearly part of our goal.

You also see us signing young, exciting players like this Ollie Schniederjans that we just announced signing and [Julie Brune], two young first team All American players that have joined the Callaway team going forward. Our marketing efforts are young and energetic and vibrant. They reach the traditional golfer, but we're also using digital and social media in an energetic and modern way that identifies with the young golfer. So, a lot of good things going on on that front, I think for the industry as well as Callaway.

Lee Giordano - *Sterne Agee CRT - Analyst*

Great. Thank you.

Operator

Michael Swartz, Suntrust.

Michael Swartz - *Suntrust Robinson Humphrey - Analyst*

Hey, good afternoon, guys.

Chip Brewer - *Callaway Golf Company - President & CEO*

Hey, Michael.

Michael Swartz - *Suntrust Robinson Humphrey - Analyst*

Just wanted to touch around -- Chip, I think you made the commentary about 12% growth in the back half of the year, obviously constant FX. Could you just give us a sense of how much of that is just the momentum you're seeing coming out of the first half versus some of the planned product launches in the second half?

Chip Brewer - *Callaway Golf Company - President & CEO*

We'll just give you a -- our market share in the US just so happens to be up 12% through the first half year to date so we're really seeing good, broad momentum in our business on a market share basis and optimistic that we'll be able to continue that momentum.

THOMSON REUTERS

Michael Swartz - *Suntrust Robinson Humphrey - Analyst*

Okay. And then just on the ball side of the business, I mean the profitability there in the quarter came in better than I would have expected. So thinking about the back half of the year, was that just due to a shift in the timing of some of the investments around Chrome Soft? I saw the commentary in the press release about some incremental investment there, so I guess help us understand that.

Chip Brewer - *Callaway Golf Company - President & CEO*

No, golf ball's just a significant upside opportunity for our business, both on revenue and on profitability. And our -- it's interesting because, on a GAAP basis, our dollar of sales in golf ball are down and even constant currency not as high as you would expect given our strength of market share. On top of that we've invested more in the golf ball business this year and we think this is going to pay off very nicely for us. The Chrome Soft product and the Super Soft product are resonating in the marketplace. The quality of our revenues and our market share are as high as I believe -- certainly is higher than they've been since I've been with the Company, maybe as high and as optimistic as we've been in the category for a long time and we think the second half and going forward is one that's ripe with opportunity.

Michael Swartz - *Suntrust Robinson Humphrey - Analyst*

Okay, great. Thanks a lot for the color.

Operator

Casey Alexander, Gilford Securities.

Casey Alexander - *Gilford Securities, Inc. - Analyst*

Hi. Good afternoon. As I look at your guidance and I think about the back half of the year, last year was when you sort of, as you say, changed the cadence of new product introduction and so Q3 came in revenues significantly higher than Q4. As I think about how to cut up the rest of the year, should I be looking at it the same way or is it going to come in in somewhat of a different balance?

Chip Brewer - *Callaway Golf Company - President & CEO*

It's going to come in a little different balance. We're going to be closer to level in Q3 and with the majority of the growth coming in Q4 the way we currently see it now, Casey.

Casey Alexander - *Gilford Securities, Inc. - Analyst*

Okay, that's very helpful. Secondly, are there any updates on TopGolf? I mean I know that you guys are intimately involved with them. Do you have any more on the TopGolf development pipeline -- timeline, excuse me? And also, has the Company made any further investments in Capital Golf since we last talked?

Robert Julian - *Callaway Golf Company - CFO*

So Casey, this is Robert. I'll take that question and I'll start with your second question which is about the further investment. So there's been no further investment in TopGolf in this past quarter. And I'll preface my comments by saying, as you know, TopGolf is a private company in which we hold a minority interest.

Casey Alexander - *Gilford Securities, Inc. - Analyst*

Sure.

Robert Julian - *Callaway Golf Company - CFO*

So, we can't comment in a lot of detail about their financial results, but there are some things that I can share with you. What I would tell you is this is a very exciting business and they are doing very, very well. They just opened three new sites more recently in San Antonio, Oklahoma City and Kansas City, which gives them now a total of 18, I believe, that are open. And they are planning 6 more sites this year so they'll end the year with about 24. Their normal cadence in terms of new sites is -- I think their plan is about 10 per year and it seems that they're still on track for that. Next year will include sort of a flagship opening in Las Vegas at some point. But we're very excited about our TopGolf investment here at Callaway and what this means for the Callaway shareholders.

Casey Alexander - *Gilford Securities, Inc. - Analyst*

Well, thank you, Robert. That's very helpful. And by the way, welcome to the Company and to the Company's conference calls.

Robert Julian - *Callaway Golf Company - CFO*

Thank you.

Casey Alexander - *Gilford Securities, Inc. - Analyst*

My last question is, looking at the balance sheet and comparing it to last year, I mean the improvement in the balance sheet on a year-to-year basis is terrific. I mean inventories year to year are down. I understand you made some changes in terms on the accounts receivable, but I would imagine during the third quarter that's going to be cash coming in and your credit facility is down year to year. Given that and $0.25 billion of working capital, how does the Company think about the outstanding convertible issue considering the fact that I think August 15th is a reasonably significant date coming up?

Robert Julian - *Callaway Golf Company - CFO*

Yes. Casey, this is Robert. I'll take that one, too. And just to get us a little bit grounded on the convertible debt, as you know it is callable at par after August 15th of this year with a face value of $112.5 million. You may also be aware that it has a coupon of 3.75%. So, our annual interest and expenses on that debt is about $5.5 million a year and the conversion price is $7.50.

So, what I can tell you about our strategy is that we are well aware of our options relative to the convertible debt and we're working with our bankers to devise a strategy. No final decision has been made at this time, but it's certainly on our radar screen. I can tell you that our current guidance assumes status quo relative to the convert. So, we haven't built any of that into the current guidance. But if and when anything changes relative to our approach to the convert, we will let you guys know.

Casey Alexander - *Gilford Securities, Inc. - Analyst*

Alright, great. Thank you . That's very helpful. And that's all I have right now. Thank you for taking my questions this afternoon.

Robert Julian - *Callaway Golf Company - CFO*

Thanks, Casey.

Operator

(Operator instructions). Randy Konik, Jefferies.

Randy Konik - *Jefferies - Analyst*

Hi. Can you hear me?

Chip Brewer - *Callaway Golf Company - President & CEO*

Yes. (Inaudible), Randy.

Randy Konik - *Jefferies - Analyst*

Alright, great. Thanks, guys. I was just curious around Asia. How do you think about Asia in comparing it and contrasting with the work you've done nicely in the US market in terms of inventory control and then followed by the improvement in the actual market or the actual geography? Kind of give us some color on how you think the Asia market shakes out over the next couple of years would be very helpful, from also the top line, but also from a margin standpoint. Thanks.

Chip Brewer - *Callaway Golf Company - President & CEO*

Sure, [Robert]. Our improvements in the business and our market share are really global, in an extent. It's one of the things that -- really pleased with and proud of on the business. So, we've seen momentum in the brand and improvements on a constant currency basis that have really spanned the globe, so that definitely includes Asia. The FX movements have been quite acute in different markets, particularly Japan, so that has a negative impact on the profitability of that market and puts a little pressure on the market. And as I mentioned, the Japan market is down year to date, or through June, about 5.7%. That was down a little more than what we expected; not tragic by any mean, but a softer market condition there than anticipated. Nothing really that we see to read into that. We're going to have to work through the FX issue there. All brands will. And other than that, no fundamental change.

China has been a little bit more problematic. There have been some government policy moves there that are contrary to the interests of golf. That has had a significant negative impact on business in China. However, our China business is relatively small for Callaway. So, there is a fundamental change in the China business, but it will probably resolve itself, but only over a long period of time or at whatever time the government is -- policy decisions shift. And they do have a tendency to shift, but I certainly can't predict when that might occur. We're committed to the market. We have a nice business there and optimistic over the long run we'll have a good business there.

Southeast Asia has also been a challenge for us and that's really -- we've been transitioning business models there and we're working through that. We'll have that resolved sometime between now and the end of the year and so that market should be back to normal for us. But we've had a little bit of headwinds from the Asia market first half of the year. The China one is a very small market for us. It's significant for the long term. There is a fundamental change there. The rest of it is not fundamentally much different or in Southeast Asia we'll have it worked through and the improvements are consistent with what we're seeing elsewhere in the world, other than the FX.

Does that make sense?

Randy Konik - *Jefferies - Analyst*

That's very helpful. Yeah, it's very helpful. Thank you.

Chip Brewer - *Callaway Golf Company - President & CEO*

Thank you.

Operator

And there are no further questions. I'll return the call to CEO, Chip Brewer.

Chip Brewer - *Callaway Golf Company - President & CEO*

Well, thank you very much everyone for calling in. We appreciate the interest and support in Callaway Golf and we'll look forward to speaking with you at the end of Q3. Thanks again.

Operator

This concludes today's conference call. You may now disconnect.

1