FINAL TRANSCRIPT

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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 Callaway Golf Q3 Conference Call. (Operator Instructions) Thank you, at this time, I would like to turn the call over to our host, Mr. Brad Holiday. Please go ahead.

Brad Holiday - *Callaway Golf - CFO*

Welcome everyone, to Callaway Golf Company's Third 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 performances, events, prospects or circumstances including statements relating to estimated sales and losses for 2011, the estimated amount or timing of the charges, savings and benefits related to the Company's restructuring plan, the reinvestment of the savings, the return to profitability in 2012, and future sales growth or operating improvement as well as the Company's estimated 2011 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 can differ materially from those projected in the forward-looking statements as a result of certain risks and other 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 One, Item 1-A of our most recent Form 10-K 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 after the Company's performance excluding charges associated with the Company's global operations strategy, non-cash Top-Flite intangible asset impairment charge, non-cash tax adjustments, 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 Top-Flite intangible asset charge.

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 issue today include a reconciliation of such non-GAAP financial measures to the most directly comparable 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.com. I would like to now turn the call over to Tony for a few opening remarks.

Tony Thornley - *Callaway Golf - CEO*

Thanks Brad, and good afternoon, everybody. I've been in this position now for four months. I've had the opportunity to interact with a large number of the people who make Callaway a committed and energetic entity. It's always been passionate about the game of golf, and making the experience more fun for everyone who plays. This passion emanates from our founder, Ely Callaway, and from the people whom he hired.

I believe that the actions we've taken over the past few months have unlocked that pent-up passion and belief in the future of the Company. The golf equipment industry has suffered considerably since the financial crisis, and even before, in terms of rounds played and the overall size of the market for equipment. To offset those trends, Callaway has focused in recent years on expansion of the business to new geographic markets and on reducing the unit cost of equipment we sell.

Some of the new markets are developing well, notably China, although it is still a small business compared with historically-developed golf markets. Others are very small and will take a long time to contribute significantly to our bottom line.

The focus on cost reduction was appropriate in the circumstances but the missing link has been increasing profitable sales of core products in developed golf markets. The challenge for us then is to promote the value of our products to golf consumers in all the major global markets, thereby increasing our sales. This is why we have committed to substantially increase our investment in brand and demand creation initiatives.

We are working very hard on developing specific programs, however, for competitive reasons I am not going to share details with you at this time. However, we are very happy with our new agency and the creative work they are doing for us.

We intend to build on the core brand strengths of Callaway and Odyssey bringing to life the latent value of these brands and the specific value propositions of each new product. We have very exciting products for release in 2012 in all categories.

We strongly believe they will deliver the best performance relative to the competition. Our marketing efforts will convey the value of these new products to the golf consumer, and at the same time, establish why the Callaway brand is the most desirable and reliable name in golf.

Our organization is working together very well, spending time on the important elements of the business and eliminating many administrative tasks. Communication is rapid and open amongst the leadership group, and we are focused on actions that will make Callaway the preferred partner for all our customers.

Optimizing long-term cash flow is our guiding principle. That means we are going to launch products when we believe they will achieve optimal lifetime returns. It means we are applying the life cycles of our products to minimize discounts, while being sure we have sufficient supply to satisfy upside potential, which we hope will result from our marketing communications and sales programs. We clearly have room for improvement in these areas.

We validated the leadership of each product category in our organization. Each of the category leaders is charged with maximizing financial returns from their products. These individuals are very passionate about their segment of the business, and have a tremendous in-depth knowledge of their category. They are responsible for the longer-term planning of the business and developing substantive programs which will pay dividends in the future. They all understand the competitive nature of our business and they will focus attention on continuously improving productivity and profitability.

We've always enjoyed a good relationship with our retail partners, but we are sharpening our focus and planning effective ways to have Callaway and Odyssey be the brands of choice in their stores. We're taking a different approach to our suppliers. We are interested in a close partnership with them based on a win-win philosophy, as opposed to the somewhat transactional view we've had in recent years. We believe this will lead to even better future products and improved service levels for the golf consumer.

We are committed to providing services to golfers to increase their enjoyment of the game both on the course and post-round. Golf is a game that is retained in long-term memory, at least the good shots, and we plan to expand the post-game conversations through ongoing development of our uxplore website.

Brad will give you more color on our third quarter results. They're clearly not what we would like to report, but the signs of improvement are there, particularly our ability to forecast more accurately which has always been a real challenge. I look forward to your questions after Brad's presentation.

Brad Holiday - *Callaway Golf - CFO*

Thanks, Tony. As Tony mentioned, our results for the quarter were down compared to last year, but in line with our lowered expectations as we continue the process of restructuring the Company.

We continue to implement actions this year to position the Company to a return to sustained profitability beginning in 2012. While this turnaround will take more than a year, it will begin with a return to profitability next year. We are on track to achieving the annualized targeted savings of $50 million we communicated last quarter. Our current estimate shows that approximately $35 million of these savings will affect operating expenses with the remaining $15 million impacting gross margins due to reductions in our cost of goods sold and sales discounts.

We estimate that approximately $9 million of the total savings will fall into 2011 results with the balance impacting 2012. Total restructuring costs are estimated to be between $15 million and $20 million, with the year-to-date cumulative expenses incurred of approximately $13 million.

As Tony mentioned, we remain committed to investing approximately half of these savings in brand and demand creation initiatives in 2012 and now have nearly completed the development of more specific plans as to how we will deploy these resources. Now, let me turn to the pro forma operating results for the quarter and first nine months of the year.

All of the detailed financials are attached to our press release, but let me add some color on the operating results. These results will be on a pro forma basis and exclude charges for our global operations strategy, non-cash impairment, restructuring, non-cash adjustment and also excludes the gain on the sale of the buildings that took place during the first quarter.

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 third quarter, consolidated sales totaled $173 million, basically flat with $176 million last year. The US represented 43% of total sales, with 57% coming from our international markets. The increase in the international mix was due primarily to the launch of the new Legacy Black line of products in Japan, in connection with their second selling season. Foreign currency rates were favorable for the quarter, and positively impacted sales by $7 million, so on a constant-currency basis, consolidated sales would have declined by 6%.

Sales in the US declined 3% to $74 million in the quarter, and international sales were flat to last year at $99 million. Excluding the positive impact of currency rates, international sales would have declined 7%.

Through the first nine months, consolidated sales declined 6% to $733 million with 49% coming from the US and 51% from our international markets. Foreign currency rates positively impacted sales by $26 million. On a constant-currency basis, consolidated sales would have declined by 10%.

Year-to-date sales in the US were $358 million, a decrease of 8% compared to the same period last year, and international sales were $375 million, down 5% versus a year ago, largely due to Japan, which experienced that devastating earthquake and tsunami earlier this year as well as a general decline in that market over the past couple of years.

Excluding the positive impact of currency rates, international sales would have declined 11%. On a product category basis through the first nine months, wood sales were $188 million, an increase of 2% compared to last year. This increase was primarily due to the introduction of Legacy Black in Japan, as well as strong sales of our RAZR Hawk line of woods products.

Iron sales were $169 million through September, a decrease of 4% compared to last year. This decrease is primarily due to the fact that last year included the launch of a limited offering of our X-24 Hot Irons, as well as a push to sell 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 $68 million, a decline of 23% compared to last year, due in part to 4% category decline in the US, the adverse impact of the earthquake on Japan sales, and the fact that last year we launched a new platform of putters in the White Ice line compared to fewer new model updates this year.

Golf ball sales were $132 million, a decrease of 9% compared to last year. Impacting sales is the decline in rounds played in the US at 3% through September and the fact that we have not launched any new premium models this year, and have invested modestly in marketing and advertising around a brand or specific products.

Data on rounds played in other markets is not as easily available as in the US, but anecdotally we understand the trends are the same with rounds played being down in almost all markets.

Accessory sales were $176 million, a decrease of 7% compared to last year, due to lower sales of package sets and GPS devices offset partially by increases in apparel and footwear sales.

Pro forma gross margins for the quarter were 31%, and flat compared to last year. Margins were positively affected by an improvement in mix and foreign currency, offset by unfavorable manufacturing and absorption due to lower unit volumes experienced earlier this year.

On a year-to-date basis, pro forma gross margins were 40%, down 70 basis points compared to last year. Savings from our gross margin initiatives and a slight positive from foreign currency were offset by unfavorable manufacturing absorption due to these lower unit volumes.

Pro forma operating expenses were $85 million for the quarter compared to $87 million last year due to savings from our restructuring actions offset by unfavorable foreign currency effect and an increase in marketing expenses associated with the launch of our new Legacy Black line of products in Japan. Year-to-date operating expenses totaled $295 million, compared to $294 million last year. Once again, savings from our restructuring actions were offset by the adverse effect of foreign currency rates.

Other expense for the quarter was higher by about $1 million compared to last year, due to a decrease in interest income partially offset by an increase in foreign currency gains. Year-to-date, other expense was $3 million higher for the same reasons. Our hedging program overall is effective, limiting bottom-line impacts from foreign currency swings which have been quite significant in recent quarters.

Turning to our balance sheet, we ended the quarter with cash of $64 million compared to $111 million last year, and we have no outstanding borrowings against our credit facility and no long term debt.

Consolidated net receivables were $148 million compared to $152 million last year, with DSOs at 78 days compared to 79 days last year. The overall quality of our accounts receivables remain good.

Net inventories were $204 million, down 11% compared to last year, and as a percent of trailing 12-month sales, was 22.2% compared to 23.7% last year. This reduction was due to tight inventory management and the fact that we don't have any major fourth quarter product launches planned for this year like we did last year.

Capital expenditures for the quarter were $7 million and we estimate the full-year CapEx to be approximately $30 million. Depreciation and amortization expense was $9 million for the quarter and we estimate full-year to range from $35 million to $40 million.

So, those are the results for the first nine months. As we look forward, we are assessing all aspects of our business with a focus on setting up 2012 for a return to profitability and in establishing sustainable profitability for the future. We are evaluating new product launch timing, reviewing our inventory positions, taking into consideration current market conditions, and reviewing internal processes with an eye towards streamlining and simplification. It's pretty safe to say that we won't have any major product launches during the fourth quarter this year like we did last year, with our Octane line of woods. Instead, all major product launches will be targeted for early 2012.

To help you better align your models and forecasts, we have provided in our press release a full-year forecast for 2011. Based on what we know today, pro forma results excluding the same items I mentioned earlier, would be as follows. Full-year 2011 net sales are estimated to range from $880 million to $890 million, a pro forma pre-tax loss of $43 million to $48 million, and given the deferred tax valuation allowance that was established last quarter, we are assuming for comparative purposes a pro forma tax rate of 38.5% which results in an estimated pro forma net loss for 2011 of $27 million to $30 million.

We will now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question is from Dan Wewer with Raymond James.

Dan Wewer - *Raymond James - Analyst*

Thanks. Tony, it sounds like a lot of the [2012] plan to return to profitability depends on what you call demand creation, I guess. That's their term for marketing. Obviously, TaylorMade's been remarkably successful with their marketing efforts in the last year, and they seem to be very well entrenched with their core retailers. How do you go about changing your message to differentiate Callaway not only from the mistakes made in the past year, but also differentiate itself from competitors such as TaylorMade?

Tony Thornley - *Callaway Golf - CEO*

Hi, Dan. I think fundamentally we are actually in a very good position regarding our retail partners. So, despite the fact as you say, which I agree with, TaylorMade has established a very strong position in the market over the past year or two. Our retail partners are very keen for us to succeed, and are looking for us to partner with them closely. I'd say that our demand creation and our brand messaging that we have shared with some of them has been very well received, that fundamentally our problem has been marketing, it's been conveying the value of our products. Our new products for 2012 have clear differentiation across all categories, I believe. I say that again our retail partners agree with that, and so I feel very optimistic that our business will improve and grow in 2012, in all markets.

So, that's not just the US, but I think that's certainly true the Legacy Black introduction in Japan and Asia has been very well-received. So, I feel very optimistic about (multiple speakers).

Dan Wewer - *Raymond James - Analyst*

I know you're not going to share with us the new marketing message, but is it safe to say that Callaway's going to get away from maybe too much of a focus on things like fashion with the Lamborghini promotions, and try to become more authentic with your golfing customers?

Tony Thornley - *Callaway Golf - CEO*

We're going to try to convey the value of Callaway in total, yes. The products and services, and Callaway's authenticity in the golf market, yes.

Dan Wewer - *Raymond James - Analyst*

And then just one other question I had relating to the timing of the new product launches. A few years ago, Callaway recognized the success that Ping was having with its second half product launches, and Callaway decided that might be the correct path to go down. I was curious as to why you're rethinking that strategy and waiting until after New Years?

Tony Thornley - *Callaway Golf - CEO*

Well, we feel that we can get the maximum return from focusing our marketing efforts, so last year with the Octane launch earlier, we somewhat diluted our overall message, we think. So, now we are going to focus in general around the early part of the year for launch. That's not true across the globe, and we have launched as we said, Legacy Black. We've introduced the XF Iron line, and we've introduced certain other products in the South Pacific, for instance, where there's, obviously, the seasons are different.

Dan Wewer - *Raymond James - Analyst*

Okay, great. Thanks.

Operator

Your next question is from the line of Andrew Burns with D.A. Davidson.

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

Hi, everyone. First question here, I think in Tony's prepared comments there was the mention of improved ability to forecast more accurately. Could you elaborate a bit more on what operational changes are enabling that improved forecasting? Thank you.

Tony Thornley - *Callaway Golf - CEO*

Yes, Andrew. Fundamentally, we've changed the basic principles on how we're managing the business, and I've established the principle that we really want to exceed forecasts. So, we're taking I think across-the-board, a harder view when we're making our estimates. Forecasting, however, is an art to a significant degree, so I'm not going to say that we got to 100% accuracy, but internally we've been beating our forecasts, and I think that's a very good sign.

I think the other thing is, the communication amongst the team has improved considerably, and so we've got closer connection between operations and the regions and I think that's helping us a lot, too.

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

Great, thanks. Brad, you mentioned manufacturing absorption as a headwind to gross margin. Could you talk about what sort of volume ramp would be required to get that to neutral from a margin perspective? Thank you.

Brad Holiday - *Callaway Golf - CFO*

Well, that's really dependent on the units and the products that you're talking about, but we have as you can see in our results, our unit volume is down pretty dramatically through the first nine months of the year. A lot of the third quarter absorption is due to the shortfall in volumes in the first half of the year, because they're usually delayed by about a quarter. But, it really kind of depends on the products that we're putting in there. It's a tough number to come out with, but obviously our sales being down, the unit volumes have been a negative unfavorable from an absorption perspective. So.

Tony Thornley - *Callaway Golf - CEO*

Yes, I mean, I'd add that this focus on each category and driving profitability in each category we're really taking a hard look at how we drive cost down, with a singular focus. It's been something that Callaway's been doing in terms of the GOS initiatives but now we're looking at what other measures we can take to improve margins. We've got our club assembly established, transferred to Monterrey, Mexico, which will give us cost benefits there. We as far as golf balls are concerned, we've certainly got multiple sources, Asia, here in the US, and we're looking at opportunities to further optimize that.

So, I think that in itself will help with the costs and therefore absorption.

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

Thanks a lot. Last question here, as you build out your game plan for 2012 in this marketing investment, what sort of run rate are you expecting from your competitors in terms of spend? Are you expecting the primary competitors are going to follow suit and increase marketing spend to combat your efforts? Thank you.

Tony Thornley - *Callaway Golf - CEO*

I expect that they will continue to invest as they have. I mean, I think that our main competitors have increased spend over the past year. I mean, I really have no idea whether they'll increase it further. I suspect not, but what we have to do is we have to focus on the quality of our message and the impact on the market. So, that's what we've been doing. We can only do really what's under our control and what the competitors do is not under our control. I think we will feel very good about the quality of the message that we're going to be delivering next year.

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

Thanks and good luck.

Tony Thornley - *Callaway Golf - CEO*

Thank you.

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

Your next question is from Craig Kennison with Robert W. Baird.

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

Good afternoon, thanks for taking my questions. Tony, you've been in the chair for four months as you said. You certainly knew what you were getting into given your seat on the Board, but what has surprised you in these four months?

Tony Thornley - *Callaway Golf - CEO*

Well, the positive surprise for sure has been the quality of our people, and I think that is fundamental bedrock. I'd rather -- of course I didn't know as many as I do now, and I've had the opportunity to travel around and meet a large number of people, particularly on the sales and marketing side around the world. I think a lot of them were frustrated before. I think now they are very optimistic about the future, not only because we're getting them more involved but because of our product lines that we're introducing next year. I really think that's the biggest positive surprise.

Perhaps on the negative side, it would be the complexity of our internal processes which have made delivering to the consumer difficult, so that's why simplification and focus and communication around our themes is the key.

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

Thank you. And then certainly, you've had investors for a while that have been patient and I think would appreciate any milestones you could give with respect to the restructuring plan. What would you point to as key milestones in addition to reaching profitability next year?

Tony Thornley - *Callaway Golf - CEO*

Well, as far as the restructuring is concerned, essentially we've done that. So, now we're in the mode of continuous improvement, and I think there are lots of opportunities for improvements in many different areas. As I said, we're looking at each segment of the business very hard. We're looking at those segments of the business that are the least profitable and looking at what we can do to drive significant improvements there.

So, it's hard to give you more specifics at this point beyond that we believe strongly that we will get to profitability next year. We have a base plan. I told you exactly how the philosophy of establishing forecasts that we can beat, we're looking at programs to drive further growth, and we'll be looking at those here in the near future. Programs that may or may not require further investment to accelerate profitability and growth. But, it's really hard to say at this point, to give you more specifics. I appreciate you needing to know it and wanting to know it.

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

Thank you. And with respect to Japan, could you give us a feel for that market following the tragedy, and whether there might be any pent-up demand that could be released in 2012 or beyond? Thank you.

Tony Thornley - *Callaway Golf - CEO*

Yes, as Brad mentioned, the Japan market has declined really since the beginning of the financial crisis, going back to mid-2008. So, the question, the fundamental question is whether in 2012 that will turn around. I think if you want to be optimistic about Japan, you'd say that the economy as a whole will improve. That's in some economic forecasts, quite substantial growth, in fact which should then translate into the golf market. Beyond that, I'd say that what happened in 2011 has been that prices have been compressed because there was a lot of inventory on hand and demand was impacted severely by the earthquake and the tsunami. The question is, will we get back to normal pricing in 2012?

We're not assuming at this point that we will, and so again, in concert with being conservative, we think we're being fairly tough on what will happen in Japan in our outlook.

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

Thank you.

Operator

Your next question is from the line of Casey Alexander with Gilford Securities.

Casey Alexander - *Gilford Securities - Analyst*

Hi, good afternoon. I noticed that on a year-to-year basis, there's a $12 million decline in golf balls and it has a commensurate $8 million decline in profitability in golf balls, which kind of suggests that there's a lot of leverage in that golf ball business. Is that going to be a particular focus for the Company in the coming year?

Tony Thornley - *Callaway Golf - CEO*

Yes, Casey, it is. Not to say that we're also going to obviously the woods and irons we think is a real opportunity for us to either get back share, but golf balls in my opinion we've under-invested in. It's not quite as high gross margin as clubs and irons. We're looking for ways to improve the gross margin as well as drive sales. We've got I believe some great new products coming out next year, and we will be putting marketing investment behind those products, so yes, we think that there is considerable leverage in golf balls next year and looking into future years, too.

Casey Alexander - *Gilford Securities - Analyst*

Now, you just put the Legacy products into Japan, some of them during this quarter, so you're kind of in that initial sellthrough period. What kind of feedback are you getting from the market?

Tony Thornley - *Callaway Golf - CEO*

We're getting very good feedback on the Legacy Black woods. Those have sold through very well, at times, anyway they've been the number one selling product in the market. The Legacy Black irons are, we expected it to be a somewhat smaller segment in the market because they are for the better -- aimed at the better golfer, and those are doing reasonably well.

Casey Alexander - *Gilford Securities - Analyst*

There was some mention, I'm not sure if it was Brad or if it was you, about the -- did I hear this right, the new Callaway Explorer website?

Tony Thornley - *Callaway Golf - CEO*

I mentioned uxplore, which is the website that we introduced earlier this year.

Casey Alexander - *Gilford Securities - Analyst*

Okay, all right. Lastly, there was an instance for Brad, there was another tax write-down of $33 million which -- is that another valuation allowance? What is that? I'm not sure that I was expecting that.

Brad Holiday - *Callaway Golf - CFO*

You know, that whole deferred tax asset allocation, Casey, affects every one of our tax accounts, and it was a very complicated calculation. So, we had some other assets, pre-paid assets on our books for taxes. As we went through this last quarter, realized should have been excluded to get in there, and also part of that addition is because we pro forma everything at 38.5% for comparable purposes, so the (multiple voices) --

Casey Alexander - *Gilford Securities - Analyst*

Right.

Brad Holiday - *Callaway Golf - CFO*

-- because there is no, there are no taxes per se in the United States, that it gets put into that account as kind of a catch-all because we're trying to assume a 38.5% for the rest of the business.

Tony Thornley - *Callaway Golf - CEO*

The pro forma.

Brad Holiday - *Callaway Golf - CFO*

Yeah, for pro forma.

Casey Alexander - *Gilford Securities - Analyst*

All right.

Brad Holiday - *Callaway Golf - CFO*

Otherwise, we would show no taxes on the operating results, and we don't think that's a good comparable basis to look at.

Casey Alexander - *Gilford Securities - Analyst*

All right, good enough, thank you.

Tony Thornley - *Callaway Golf - CEO*

Thank you.

Brad Holiday - *Callaway Golf - CFO*

Thanks.

Operator

(Operator Instructions). We do have a question from Dan Wewer with Raymond James.

Dan Wewer - *Raymond James - Analyst*

Thanks, just a few follow-up questions. Tony, first, Top-Flite and Ben Hogan brands, I think Ben Hogan's been more or less non-existent for you guys, Top-Flite very small presence in the market. How are you thinking about those two brands in fiscal year '12?

Tony Thornley - *Callaway Golf - CEO*

Yes Dan, you're right on Ben Hogan and also on Top-Flite. The sales have declined steadily since 2008 I think it was when we last made an investment in supporting the brand. So, we are looking at how to optimize contribution from those brands going forward and we're looking at different alternatives.

Dan Wewer - *Raymond James - Analyst*

Okay. Second question just going back to a previous question about frustration from investors. In each of the last three years, at the beginning of the year, the Company was projecting profits for that year, and every year the strategy pivoted around a strong product lineup, gross margin initiatives, cutting expenses. Why do you think that it'll be different in 2012?

Tony Thornley - *Callaway Golf - CEO*

Right. Well, fundamentally as I was saying in my opening remarks, it's around the fact that we had under-invested in marketing to support our developed markets. US, Japan, Europe, particularly the UK, we've under-invested there and our plan for 2012 is to invest the majority of that $25 million we're talking about against those markets. So, we think that it's the communication of the value. The value of the product has always been there, but we've not done a good job relative to the competition in convincing the golf buyer that that performance justifies them buying our products versus the competition. We think that our marketing and advertising campaigns this coming year will indeed be very different, and we're investing a lot more dollars in them.

Dan Wewer - *Raymond James - Analyst*

And this is the last follow-up question I had. I think in your prepared comments that you were talking about post-round satisfaction for the golfing customer. You're not getting into the adult beverage business, are you? (laughter)

Tony Thornley - *Callaway Golf - CEO*

It's a good idea, but we hadn't thought of that one, no, not yet.

Dan Wewer - *Raymond James - Analyst*

What was, I'm just curious, what was that alluding to? Was that going back to the website?

Tony Thornley - *Callaway Golf - CEO*

Yes.

Dan Wewer - *Raymond James - Analyst*

Is this the uPro website?

Tony Thornley - *Callaway Golf - CEO*

Yes, exactly. Our intention is to provide information to golfers, to allow them to have social interaction, post-round that -- so they can enjoy the round more.

Dan Wewer - *Raymond James - Analyst*

Okay, okay, thanks.

Operator

(Operator Instructions) I'm showing that there are no further questions at this time. Mr. Thornley, do you have any closing remarks?

Tony Thornley - *Callaway Golf - CEO*

Yes, thanks Kristen. Thanks everyone for your questions. As stated earlier, there are challenges facing the Company, a lot of hard work ahead. However, I truly believe that the foundation we have in place is solid and the restructuring plan and investments in demand creation that we have designed are right for the business. The talent and passion of our team will combine for a healthy turnaround in the business. I appreciate your patience very much, and understand how difficult patience is. We're very, very sensitive to that, but we believe that Callaway is indeed in a strong position and that this marketing investment we're going to make will indeed realize on that potential. Thank you again.

Operator

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