Client Id: 77

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

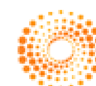
ELY - Q2 2017 Callaway Golf Co Earnings Call

EVENT DATE/TIME: AUGUST 03, 2017 / 9:00PM GMT

OVERVIEW:

Co. reported 2Q17 consolidated net sales of $305m and fully-diluted EPS of $0.33. Expects full-year 2017 non-GAAP net sales to be $980-995m and non-GAAP EPS to be $0.40-0.45.

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Client Id: 77

CORPORATE PARTICIPANTS

Brian P. Lynch *Callaway Golf Company - CFO, Senior VP, General Counsel & Secretary*

Oliver G. Brewer *Callaway Golf Company - CEO, President & Director*

Patrick Burke *Callaway Golf Company - VP of Finance & IR*

CONFERENCE CALL PARTICIPANTS

Andrew Shuler Burns *D.A. Davidson & Co., Research Division - Senior VP & Senior Research Analyst*

Casey Jay Alexander *Compass Point Research & Trading, LLC, Research Division - Analyst*

Daniel Ray Wewer *Raymond James & Associates, Inc., Research Division - U.S. Hard Line Goods Analyst*

David Michael King *Roth Capital Partners, LLC, Research Division - Senior Research Analyst*

George Arthur Kelly *Imperial Capital, LLC, Research Division - Analyst*

John David Kernan *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

Michael Arlington Swartz *SunTrust Robinson Humphrey, Inc., Research Division - Senior Analyst*

Randal J. Konik *Jefferies LLC, Research Division - Equity Analyst*

Susan Kay Anderson *FBR Capital Markets & Co., Research Division - VP of Consumer Research Group & Analyst*

PRESENTATION

Operator

Good day. My name is Skinner, and I'll be your conference operator. At this time, I would like to welcome everyone to the Q2 2017 Callaway Golf Earnings Conference Call. (Operator Instructions)

Thank you. I would now turn the call over to Patrick Burke, Head of Investor Relations.

Patrick Burke - *Callaway Golf Company - VP of Finance & IR*

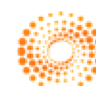
Thank you, Skinner, and good afternoon, everyone. Welcome to Callaway's Second Quarter 2017 Earnings Conference Call. I'm Patrick Burke, the company's Head of Investor Relations.

Joining me on today's call are Chip Brewer, our President and Chief Executive Officer; Brian Lynch, our Chief Financial Officer; and Jennifer Thomas, our Chief Accounting Officer.

Any comments made during the call about future performance, events, prospects or circumstances, including statements relating to estimated 2017 net sales, gross margins, operating expenses, taxes, earnings per share or estimated share count, future industry or market conditions, future profitability or performance, the creation of long-term shareholder value, the collectibility of accounts receivable and salability of inventory, estimated 2017 capital expenditures and depreciation and amortization expenses, the pending TravisMathew acquisition or the expected benefits, financial impact or contribution from that acquisition as well as 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 changes to or risks and uncertainties inherent in the company's business or factors affecting the company's business.

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Client Id: 77

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, 2016, 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: one, on a constant currency basis, which essentially applies the period exchange rates to the adjusted current or projected future period financial information as though such prior period rates were in effect during the current or future period; two, excluding the tax consequences related to the reversal of the valuation allowance or applying an assumed tax rate of 38.5% to 2016 results; three, excluding the gain on the second quarter 2016 sale of a small portion of the company's Topgolf investment; four, excluding the OGIO nonrecurring transaction and transition expenses; and five, excluding interest, taxes, depreciation and amortization expenses, the Topgolf gain and the OGIO nonrecurring 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 section of the company's website at www.callawaygolf.com.

Please note that in connection with our prepared remarks, there is an accompanying PowerPoint presentation that may make it easier for you to follow the call today. This earnings presentation is available for download on the Callaway Investor Relations website under Webcast and Presentations tab. Also on the same tab, you can join -- choose to join the webcast to listen to the call and view the slides.

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

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

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

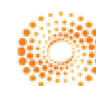
Starting on Page 4 of the presentation. And I hate to go back to the well on this one, but I just can't resist. I believe it's fair to say that Q2 is another epic quarter for our company. We are pleased to announce results that exceeded our expectations based on an outstanding reaction to the Jailbreak Technology on our EPIC Driver, continued growth in our golf ball business and the successful startup of our new business ventures, Callaway Apparel Japan and OGIO. Our business delivered strong performance across most product lines in all major regions with revenues up 24% for the quarter and 18% year-to-date.

On a market share basis, for both the quarter and year-to-date, we believe we are the #1 driver and #1 hard goods brand in the U.S., U.K., Europe and Japan. In addition to the strong revenue and market share performance, I believe we have strengthened our brand, partially by developing products like EPIC and Chrome Soft, which consumers rave about, and also reinvested back into the business in areas such as R&D, operations, marketing and tour and thus building a stronger foundation for the future. With highlights on Slide 5, our financial performance continues to trend positively as evidenced in our gross margin and earnings performance. Over the last 12 months, we successfully generated considerable free cash flow. Our adjusted EBITDA for this period was up 93%, and we believe we are in turn successful in deploying this increased cash flow for the long-term benefit of shareholders with the addition of new business ventures such as OGIO and our Japan apparel JV as well as strategic reinvestments in our core business and the selective repurchase of our own stock.

As the next step in this process, we're proud to announce the intended acquisition of TravisMathew, a dynamic apparel brand that we'll talk about later during our call.

I'd like to take this chance to thank the Callaway Golf team for delivering these results. The team should be proud of what we've accomplished. I'm also sure they understand we have a lot more to do.

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Client Id: 77

Turning to Slide 6. Market conditions vary on a global basis, but I believe the overarching theme is one of improving industry fundamentals. The European market has been strong this year, and in the U.S., there are clear signs of more stable conditions, thanks to a reduction in field inventory and a healthier retail channel.

Average selling prices have been increasing, product life cycles have lengthened, and there is less overall unplanned promotional activity. There are also fewer participants on the OEM side. I am pleased with the trends and believe that the market corrections we have worked through over the last few years will benefit the industry in the long run.

Turning to Page 7. Let's now take a deeper look into our Q2 and year-to-date operational performance by region. In the U.S., our revenues were up 32.4% during Q2 and 21.2% for the first half, driven by the outstanding market reaction to our EPIC woods, strong performance at green grass and in custom products and the acquisition of OGIO. Our hard goods market share year-to-date through June was 26.4%, up 400 basis points year-over-year, and we held the #1 dollar market share position in total clubs, driver, fairway, hybrid and irons as well as the #1 unit position in putters. Our year-to-date ball market share was 13.4%, up 50 basis points versus last year, driven by growth in the green grass channel. The U.S. market for balls and clubs combined was down slightly year-to-date, with balls up slightly and clubs down slightly. We are anticipating improving market conditions through the balance of the year.

Turning to Page 8. Our Asia business also has had a strong quarter, led by Japan. Our revenues from the Japan market were up 18% during the quarter and are up 18.2% year-to-date, driven by the addition of our Callaway Apparel JV and strong market share performance in our core equipment business and partially offset by soft market conditions in Japan.

Through Q2, our year-to-date hard goods dollar share was 20.5%, up 510 basis points year-over-year, and we were both the #1 hard goods and the #1 driver brand in this market.

Moving to Page 9. In Europe, the team continued their track record of strong performance with currency-neutral year-over-year revenues up 24% for Q2 and 23.1% year-to-date. This has been driven by favorable market conditions in this region and strong market share growth. Year-to-date market share data through May for Europe shows us at 25.8% hard goods share, up 470 basis points year-over-year and the #1 driver, wood and hard goods brand in that market. It also shows considerable growth in our golf ball share.

Now on Slide 10. Looking forward, despite less planned product launch activity in the second half year-over-year, we are pleased to be able to raise guidance for the year based on the strong year-to-date operating performance and what we believe will be more stable and thus favorable year-over-year market conditions for the balance of the year.

Turning to Slide 11. We're excited to announce the planned acquisition of TravisMathew. TravisMathew is a dynamic apparel business based right up the road in Huntington Beach, California. It's a brand based on quality product with a distinct Southern California vibe. We believe the acquisition fits well with our business, brand and culture. Once completed, on a financial basis, the acquisition will provide attractive revenue growth and enhance our gross margins, operating margins, EBITDA and free cash flow. We think synergies will exist in brand development, operations, distribution, growth in golf channels and international presence. We spent considerable time getting to know the core management team at Travis, and we're looking forward to partnering with them to continue to develop their business.

Given our confidence in their team, we have no plans to consolidate the operations of this business but will instead continue to operate it as an independent brand and subsidiary. They have been growing at double-digit rates, and we believe are well positioned to continue on this path. The vast majority of their current revenue comes from inside the U.S. and primarily in golf distribution channels. We believe there is ample growth opportunity in these channels as well as significant potential outside of the U.S. and outside of golf-specific product and channels. That's all for now. As you can imagine, we're as confident as ever that our business is headed in the right direction and that we'll be successful in creating long-term shareholder value.

With that, I'd like to introduce you to our new and now official CFO, no longer interim, Brian Lynch. Brian, congrats on the new role. The board and I are excited to have you. It's a reflection on the quality of your work over 17 years with the company, and we're all very excited to have you in this new role. Take it away.

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Client Id: 77

Brian P. Lynch - *Callaway Golf Company - CFO, Senior VP, General Counsel & Secretary*

Thank you, Chip. As Chip mentioned, we are very pleased with our business performance this year and the manner in which our business is trending. The success of the EPIC line of products has exceeded our expectations and continues to be very well received by both the trade and consumers.

Overall, we had a very strong second quarter and are excited about the pending acquisition of TravisMathew. In evaluating our results for the second quarter and first half of the year, you should keep in mind some specific factors that affect year-over-year comparisons. First, during the second quarter of 2016, we recognized an $18 million pretax gain from the sale of a small portion of our investment in the Topgolf business. Second, in both the second quarter and first half of 2016, we did not recognize U.S. income tax expense because it was offset by deferred tax valuation allowance. Most of the valuation allowance was reversed in the fourth quarter of 2016, and we therefore recognized U.S. income tax expense in the first half of 2017. Third, in January 2017, we completed the acquisition of OGIO and incurred some nonrecurring transaction and transition expenses. When discussing our non-GAAP results today, we exclude the Topgolf pretax gain and the OGIO nonrecurring expenses, and we apply an estimated 38.5% tax rate to our 2016 results, that is how we evaluate our performance.

Keep in mind also that our apparel joint venture in Japan did not start until the second half of 2016, and the OGIO acquisition closed in January 2017. As a result, the financial results for those new businesses are reflected in the first half of 2017 but not the first half of 2016.

Lastly, this is a reminder that we now have 3 operating segments as opposed to 2 in 2016. We have reclassified 2016 results to reflect the new segment classification and have provided the reclassified and original segment results for 2016 in the tables of the earnings release we issued today.

With all that said, and admittedly it was a lot, I will now provide some specific results.

Turning to Slide 14. Today, we are reporting consolidated second quarter 2017 net sales of $305 million compared to $246 million in the second quarter of 2016, an increase of 24%. This reflects an increase in net sales in all operating segments and in all reporting regions.

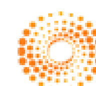
Foreign currency negatively impacted international net sales by $4 million in the second quarter. The significant improvement was primarily due to a 64% increase in wood products driven by the EPIC line of woods and a 74% increase in gear accessories and other, largely as a result of our new businesses, the Japan apparel joint venture and OGIO. The growth was partially offset by the irons business being down year-over-year due to launch timing.

As you can see on Slide 14, gross margin was 48.7% in the second quarter of 2017 compared to 45% in the prior year, which was better than we expected. The sizeable increase compared to 2016 reflects an overall favorable shift in sales price and product mix due to the success of the current year EPIC woods, the successful launch of the EPIC irons during the second quarter and less compensation and lower promotional activity. Higher gross margins were partially offset by the different economics of the Japan apparel joint venture and the OGIO businesses, which have lower gross margins and lower relative operating expenses as compared to the company's golf equipment business. Once the integration is complete, it is expected that the new businesses will have higher overall operating margins as compared to the company's core equipment business.

Operating expense was $99 million in the second quarter of 2017, which is a $9 million increase compared to $90 million in the second quarter of 2016, driven by operating expenses related to the new business ventures and the OGIO nonrecurring expenses, which were $2 million in the second quarter.

Other expense was $1.5 million in the second quarter of 2017 compared to other income of $15 million in the prior year. Excluding the $18 million of Topgolf gain, non-GAAP other expense would have been $2.5 million for the second quarter of 2016. The slightly lower other expense in the second quarter of 2017 as compared to the non-GAAP other expense in the second quarter of 2016 resulted from lower foreign currency hedging losses.

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Pretax income was $48 million in the second quarter of 2017 compared to pretax income of $36 million in the second quarter of 2016. When excluding the nonrecurring OGIO expenses and the Topgolf gain, non-GAAP pretax income for the second quarter of 2017 was $50 million, a 171% increase compared to 2016.

Fully diluted earnings per share was $0.33 on 96 million shares in the second quarter of 2017, which includes taxes of $16 million, compared to $0.36 for the second quarter of 2016, which includes only $2 million of taxes. The increase in U.S. income tax expense and the OGIO nonrecurring expenses account for all of this decrease in earnings per share. On a non-GAAP basis, excluding the nonrecurring OGIO expenses and Topgolf gain and applying an estimated 38.5% tax rate to normalized 2016 results, the company would have reported earnings per share for the second quarter of 2017 of $0.34 compared to earnings per share of $0.12 for the second quarter of 2016.

Turning now to Slide 15. I will cover certain key balance sheet and cash flow items. As you can see, cash and equivalents were down $6 million year-over-year to $62 million, which includes the impact of the OGIO acquisition completed in January 2017, that was financed primarily by cash on hand and includes a $16 million of stock repurchases in the first 6 months of 2017 as compared to $5 million for the first 6 months of 2016.

Regarding our asset-based loans, we have $6 million of borrowings at quarter end as compared to $5 million of borrowings a year ago. Available liquidity, which includes cash and equivalents plus borrowing capacity under the asset-based loans, was $230 million at quarter end, an increase of over 9% versus prior year. We are very pleased with this level of liquidity given our recent deployment of capital for the Japan joint venture, the OGIO acquisition and share repurchases. We believe we are demonstrating our ability to generate free cash flow in the core business and are finding good opportunities to deploy that excess capital in the core business and in tangential areas.

Our consolidated net accounts receivables were $225 million, an increase of 10% compared to 2016. Also, DSO decreased to 69 days compared to 76 days at the end of June 2016. We remain comfortable with the overall quality of our accounts receivable at this time.

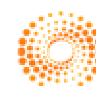
Also displayed on Slide 15, our inventory balance increased by 13% to $172 million at the end of the second quarter of 2017, which increase was driven primarily by the additional inventory from the Japan joint venture and OGIO. We remain comfortable with the quality of our inventory at this time. Depreciation and amortization expense was $8 million in the first half of 2017, which was about flat compared to the same period in 2016. Finally, through the first 6 months of 2017, the company repurchased 1.5 million shares of stock for approximately $16 million in cash. This includes both open market purchases and shares acquired through the settlement of equity awards.

I'll now comment on our increases to 2017 guidance. As you can see on Slide 16, we're providing both GAAP and non-GAAP guidance, both of which exclude any effect from the acquisition announced earlier today. The non-GAAP guidance excludes approximately $7 million of nonrecurring expenses resulting from the OGIO acquisition. I will focus solely on the non-GAAP estimates in my comments.

As seen on Slide 16, 2017 net sales are estimated to be in the range of $982 million to $995 million, an increase of $109 million to $124 million over the prior year or 13% to 14% net sales growth. We currently estimate that changes in foreign currency rates will adversely affect projected 2017 net sales by approximately $12 million as compared to our most recent prior estimate of $16 million. We estimate the full year 2017 gross margin will increase to 45.8%, an improvement of 60 basis points compared to our previous guidance, driven by continued favorable pricing and mix as well as operational efficiencies. We estimate full year 2017 non-GAAP operating expenses to be $381 million, a decrease of $2 million compared to previous guidance.

Non-GAAP earnings per share are estimated to be $0.40 to $0.45, a year-over-year increase of $0.16 to $0.21 compared to 2016 pro forma results. These figures are all based on 96 million shares outstanding. We are also assuming a 34.5% tax rate for 2017, which is an improvement over the prior estimate, primarily due to better-than-expected tax benefits arising from stock compensation. Pro forma 2016 results exclude the Topgolf gain and the noncash benefit from the reversal of the deferred tax valuation allowance. We continue to estimate our capital expenditures in 2017 to be approximately $25 million to $30 million, although we are currently expecting to be closer to the high end of that range. Depreciation and amortization expense is still estimated to be approximately $18 million in 2017. Based on the current planned product launches for the remainder of 2017 and the year-over-year fourth quarter comparison with the 2016 Steelhead irons launch, the majority of the expected increase in net sales in the second half of 2017 is anticipated to occur in the third quarter. As Chip referenced earlier, the company also announced today that it has entered into a definitive agreement to acquire TravisMathew. We are very excited about this transaction, and I will now comment on the financial

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

aspects of the deal, which is detailed on Slide 17. The purchase will be an all cash transaction for $125.5 million, which is subject to a working capital adjustment. The transaction values TravisMathew at 11.8x projected 2017 adjusted EBITDA of $10.6 million. This multiple did not include the tax benefits that Callaway expects to realize. We estimate the present value of the tax benefit to be approximately $18 million.

In 2017, TravisMathew's net sales are expected to be in the range of $55 million to $60 million, of which approximately $10 million to $15 million will contribute to Callaway's 2017 financial results, assuming the transaction closes in the third quarter of 2017.

Including approximately $5 million of estimated transaction expenses and incremental noncash expense resulting from the acquisition purchase accounting adjustments, TravisMathew is expected to be approximately $0.04 dilutive to Callaway's 2017 earnings per share and approximately $0.01 accretive in 2018 after taking into account anticipated financing cost and incremental investment in the business to support future growth.

We will not be able to provide much more information today about the acquisition as it has not been closed yet and TravisMathew is a privately held company. We expect to fund the acquisition through cash on hand and borrowings under our credit facilities. We entered into an amendment to our primary ABL credit facility earlier this week to provide an incremental $60 million of liquidity to help fund the acquisition purchase price. This will be sufficient to fund the acquisition, and we will evaluate later this year whether to refinance all or a portion of the purchase price.

That concludes our prepared remarks today. We will now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Dave King from Roth Capital Partners.

David Michael King - *Roth Capital Partners, LLC, Research Division - Senior Research Analyst*

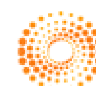
So I guess, first, I'll start on TravisMathew and we'll see if you can answer or not. And if not, I'll move on from there. So obviously 12x projected EBITDA, a pretty big multiple. Obviously, some of that's due to what sounds like a strong underlying growth there. I guess beyond that, where do you see sort of the valuation creation -- or value creation opportunity to the extent you can talk about it. It sounds like this growth in new areas, I think, for TravisMathew at one point, it was rumored they were going to get into tennis, they do things in skateboarding all the time and basketball. I guess where are sort of the opportunities, women's, and then is there an opportunity for tour sponsorships? How do you think about those things?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

Okay, Dave, it's Chip. The -- TravisMathew, we do think, is a dynamic brand that has been growing very quickly, and we have high expectations that, that growth will continue. We also think that there will be synergies through the combination of the companies, although we are going to keep TravisMathew as an independent brand and separate physical entity based up there in Huntington Beach. But certainly, within golf channels, we think we can help each other. We believe that from an international perspective, we can provide significant value as well. There are some select operational efficiencies that we'll be able to garner, and we think the brands overlap very strongly. And there'll be some brand development and advocates and such that will likely add value to each other going forward.

The TravisMathew brand right now is primarily golf-specific. It has a little bit of business in some channels that are not golf, but vast majority of the revenue is golf and golf channels. We believe strongly that the brand can grow outside of just that area, both domestically and internationally. So it's a very exciting opportunity that is tangential to our business in golf equipment, fits well, and we think it's going to be a strong brand and financial performer for us as we get this acquisition completed and then start operating together.

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Client Id: 77

David Michael King - *Roth Capital Partners, LLC, Research Division - Senior Research Analyst*

Okay. Perfect. And then in terms of the legacy or the core business. In terms of EPIC, obviously, another great quarter there on drivers. How are the irons doing? Looks like those are down a bit, but I think that's due to launch timing. Anything related to EPIC and how to think about that, those irons?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

Sure. We're very happy with our overall business now. We're very happy with our iron business. Our iron business is down year-to-date, and that is strictly due to launch timing. Our market share in irons is very strong. Our brand position is as healthy as it's ever been. We're a leader in that category on a global basis, but we're going to launch less irons this year. And so when you look at the financial results, the iron dollar revenues are down and will likely be down for the full year. But our position, to the best of my knowledge, certainly for the last 5 years, it's never been better, and very bullish for the category going forward. The EPIC irons were new and are launched just at the tail end of Q2 in the U.S. It's a super-premium iron, with the EPIC franchise, we're excited about that in that super-premium category, it allows us to do some interesting technology, and reaction to them has been positive thus far.

Operator

Our next question comes from Dan Wewer from Raymond James.

Daniel Ray Wewer - *Raymond James & Associates, Inc., Research Division - U.S. Hard Line Goods Analyst*

Chip, just a follow-up on your comment about your iron launches this year. Should we be thinking about EPIC as replacing the expected upgrade or update, I guess, you could say of the Apex model? Is that the reason why there'll be fewer iron launches this year?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

One of those, Dan, so yes, we are not planning on launching -- replacing Apex later this year. We're extending that product through at least the first half of next year. And the timing would have been under a 2-year cycle to replace Apex later this year. So there is a change there. EPIC doesn't replace Apex, it's additive to the overall franchise. But the timing of launch is as such. We also had a pretty significant launch last fall of Steelhead irons, which essentially is not going to be anniversaried during the second half. But as you can see in our financials, the business is still expected to have a strong revenue performance during the second half of the year.

Daniel Ray Wewer - *Raymond James & Associates, Inc., Research Division - U.S. Hard Line Goods Analyst*

The iron business is terrific. Also want to follow-up on the TravisMathew acquisition, and if you can talk about what you find attractive about the lifestyle apparel business. It seems like that category has really amazing competition, whether it's from adidas, Nike, Under Armour, I guess there are some other specialty brands like TravisMathew out there as well, online competition. Maybe if you could talk about what's the upside that offset some of these business risks?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

There is no doubt, like many businesses, there is a lot of strong competition out there. And to separate yourself, you've got to really have a unique proposition. And it's no different in golf clubs as apparel I would assume. Apparel is attractive to us. It's tangential to our business. It provides the opportunity for growth in golf and outside of golf. We understand the business, and there are synergies that I have already discussed to be had there. But I want to emphasize, we're not just going after any apparel. This is a very selective opportunity, and we were very thoughtful about this because we have been looking at apparel as a potential growth opportunity for some time. The TravisMathew brand has a very distinctive vibe,

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Client Id: 77

and it is obviously very successful. We got very comfortable with the culture. They have very attractive gross margin and growth rates. And the core of that business is such that we don't think it will detract from our core business, but it might even be additive. And we again believe we provide some synergies there. So when you're selective looking at these types of opportunities, I think there are some real diamonds out there. And we're excited about TravisMathew, that it is indeed one of those, and that care and nurtureship of the Callaway Golf team can help them grow even greater heights.

Daniel Ray Wewer - *Raymond James & Associates, Inc., Research Division - U.S. Hard Line Goods Analyst*

And just one other real quick question. Does this change the way you think about Perry Ellis or any other licensee running your domestic apparel operations?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

Great question, Dan. And no, not at all. We're very selective, and we look at these different opportunities. If you look at it, we're in apparel in 3 different ways, in 3 different areas of the world right now, or at least, I was a little presumptive there, assuming we closed TravisMathew. The -- in Asia, we have a joint venture with TSI over there, and it was a unique opportunity and structure that fit that market in time, and it's going very well. We're very pleased with it. Back in 2012, we created the partnership with Perry Ellis that extends on the Callaway Apparel line both in the U.S. and Europe. And that has been very successful, and we're very positive on that and that ongoing relationship, and now, the TravisMathew opportunity. These are select approaches based on different circumstances, and I think all of them create the right opportunity, and we're bullish about each of them although they're different approaches.

Operator

Our next comment comes from Mike Swartz from SunTrust.

Michael Arlington Swartz - *SunTrust Robinson Humphrey, Inc., Research Division - Senior Analyst*

Brian, a question for you. Just wanted to confirm, when you gave guidance, you said that did exclude the TravisMathew acquisition?

Brian P. Lynch - *Callaway Golf Company - CFO, Senior VP, General Counsel & Secretary*

Yes.

Michael Arlington Swartz - *SunTrust Robinson Humphrey, Inc., Research Division - Senior Analyst*

Okay. And then as we think about next year, I think you said that acquisition would be $0.01 accretive. Does that include any type of top line or cost-related synergies?

Brian P. Lynch - *Callaway Golf Company - CFO, Senior VP, General Counsel & Secretary*

Yes, it includes synergies, and it includes -- it also includes reinvesting back in the business. Most -- it's not unusual for companies that are in a sale process to defer some investment. And so there is a little bit of investment that we're going to do and also to make up some to support future growth and also includes financing cost and some purchase accounting adjustments.

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Michael Arlington Swartz - *SunTrust Robinson Humphrey, Inc., Research Division - Senior Analyst*

Okay. That's great. And then Chip, could you maybe give us -- your comments on the conference call kind of echoed what you've said since -- or I guess in the last conference call in terms of expecting market improvement in the second half and obviously, some of the data we track has been a little soft year-to-date. So I guess what gives you confidence in the market actually improving in the back half of the year?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

It's looking at the regions individually. So the European market is up nicely this year, and so we're expecting that to continue. Asia is down year-to-date as a market, and we're, in essence, expecting that to continue. The U.S. is down slightly through the first half of the year. But if you look at that, it's down significantly in the off course channel and up significantly at green grass. The down that is in the off course channel is in essence the exit of Golfsmith. And so you've seen that had a significant effect on the market as it should. Golfsmith was the largest specialty retailer. It went into distress last year during the second half of the year and essentially exited. We were fortunate that Dick's picked up a portion of that business. But it didn't pick up all of the locations. And you see that working to the favor of the remaining golf retailers, but the overall market size has decreased. As we go to the second half of the year, we're going to be entering a period where Golfsmith was in financial distress, and it won't have as big an impact. The overall economic situation in the U.S. is positive, and, hence, I think that you'll see improved results through the second half of the year.

Michael Arlington Swartz - *SunTrust Robinson Humphrey, Inc., Research Division - Senior Analyst*

Okay. Great. And then just final question on the EPIC Drivers. I think after the end of last quarter, you'd indicated there was a backlog, some shortages in the market as we were heading into the second quarter. Could you just give us an update on where you stand today? Is that backlog been worked through?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

I think it's mostly worked through, yes, Mike. It was -- we had a manageable level of backorders early in the year and, to a lesser degree, at the end of -- I guess going into Q2, we have some backorders. There's no doubt. And we're in a good position now, but also the product line continues to do well relative to its tenure in the marketplace.

Operator

Our next question comes from Susan Anderson from FBR & Co.

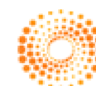
Susan Kay Anderson - *FBR Capital Markets & Co., Research Division - VP of Consumer Research Group & Analyst*

I was wondering if you could maybe just kind of give us your thoughts on market share. You guys have obviously had some really good gains there. But just kind of looking out over the next 3 to 5 years, where you think that could go in both balls and woods and iron?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

Susan, that's a toughy because we only give annual guidance. So clearly, if you look at our trends over the last few years, there have been ebbs and flows, but it has been directionally correct. And we have been able to strengthen the business and grow market share. We've also been investing back in the business. And I think we have an enviable structural position right now with the ability to continue to invest in areas such as R&D, operations, marketing and tour, that if done prudently, eventually leads to market success and market share growth. We're still a small player in the ball market, even though we've achieved a position that we're proud of, of being in the #2 golf ball market share position. We're not satisfied. And we also -- on the club side, we have some technology -- what we believe are technological advantages that are leading to the share and are

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



Client Id: 77

pleased with the pipeline. So I'm not going to get real specific, other than we understand our role here, and that's to continue to drive performance. And our goal is to build on positions we've established.

Susan Kay Anderson - *FBR Capital Markets & Co., Research Division - VP of Consumer Research Group & Analyst*

Got it. Okay, that's helpful. And then just a follow-up on the industry question. Maybe just give us your updated thoughts on how you feel inventory is out there right now from your competitor. Do you still feel that it's pretty healthy and pretty clean? And then last one, just on the sponsorship front, that's now Nike and adidas, the equipment business, have you guys seen any easing of pricing or anything there on the sponsorship side?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

Okay, on the inventory side, Susan, the inventories continue to rationalize and have really continued to drop. I believe they're down like 14% through the first half, based on the Datatech numbers. And quite frankly, it's remarkable, how much of a cleansing process has occurred on the inventory side over the last several years. It can only be perceived as healthy, and those trends have continued. On the sponsorship side, we have not seen an easing of prices, but we've been able to attract some very desirable talent, and pleased with our direction there.

Operator

Our next question comes from John Kernan from Cowen.

John David Kernan - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

So just I'm wondering, given all the momentum and a lot of the excitement in the golf community with the woods, the EPIC woods, I'm wondering what your guidance is for that segment kind of in the back half of the year. Because it seems like it's actually gaining momentum as we go into the back half of the year.

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

John, unfortunately, we're not going to break out the guidance by category. But I will tell you that EPIC continues to perform well in the marketplace, even through July and now early August. So it's been such a strong product, and I do think it has a technological advantage that is clearly resonating and should lengthen the time which it performs well in the marketplace. So we do have expectations around that. But I'm not going to be able to quantify anything further than that.

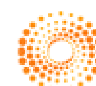
John David Kernan - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

Okay. And then, I guess, industry conditions obviously improving. There's a lot less inventory out there. Price points are moving up with the new technology infused. What's the outlook for ASP and gross margin not just for this year but over the next -- a multi-year cycle?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

I think the trends have been very clear on that, and the consumer is willing to pay for performance. And we're investing aggressively to be able to deliver on that desire, I guess. So you've seen average selling prices go up. We'll obviously be selective on that, but there is an opportunity if you deliver on expectations to continue on that trend. And on the margin front, we've done a nice job. They've grown, I think, significantly over the last several years. I'm sure a lot of the low-hanging fruit is already been harvested, but you get volume benefits, some of the new business ventures, this TravisMathew, if we close that, it will be accretive to gross and operating margin. And we're going to continue to look for and develop opportunities there as well. So I can really point you mostly to the trends and tell you that we feel it's our job to continue on that path.

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Client Id: 77

Operator

Our next question comes from Andrew Burns from D.A. Davidson.

Andrew Shuler Burns - *D.A. Davidson & Co., Research Division - Senior VP & Senior Research Analyst*

Congrats on the results and the pending acquisition.

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

Thanks, Andrew.

Andrew Shuler Burns - *D.A. Davidson & Co., Research Division - Senior VP & Senior Research Analyst*

Last call, there are some mentions from you and competitors about some elevated promotional activity in the ball segment. It's really hard to really see that in your year-to-date performance. Maybe if you could just provide an update there in terms of the industry backdrop that you're competing in within the ball segment.

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

Sure. And we did comment on that -- or I did comment on that last call. The promotional activity that we saw in the quarter in the ball category was about as we expected, but it was really just 1 competitor, not the leader in the category. And it had less impact than we were worried about, I guess. So our position in ball continues to improve. Particularly pleased with the results and growth in the green grass channel. And I don't think that promotional activity that we were a little bit concerned about going into the quarter really materialized into anything.

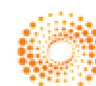
Andrew Shuler Burns - *D.A. Davidson & Co., Research Division - Senior VP & Senior Research Analyst*

Great. Good to hear. And a question on your cash deployment strategy going forward. I would imagine 2017 will be a bit of an unusual year. I would think the 2 acquisitions potentially over $200 million. I would imagine there's sort of a digestion period after that. But the core is going in the right direction, got acquisitions already in place. What is the cash deployment strategy going forward? Revisit the dividend policy or perhaps there's -- given the fundamental movement from some elevated marketing or athlete sponsorship investments that this type of success would bring about?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

Andrew, good questions. So you're exactly right. We've been very active over the last year as we really pivoted from turning the business around and focusing on the core to looking at growing our core business and looking at tangential investment opportunities. Over the last, in essence, 12 to 14 months, we found 3 significant opportunities, specifically the Japan apparel JV, OGIO and now, TravisMathew, and we've been able to act on all of those essentially based on our cash generation. And we'll likely digest this right now and make sure that we can operate effectively and efficiently and deliver the results as we expect to. The first 2, OGIO and the apparel JV have performed on planned or better. So we're optimistic on that front. As we work through that, and we expect to, be back to the same plan. We're very encouraged by the fact that we're finding attractive opportunities to invest back in the core business, and we've been doing that. We think that will be a differentiating factor for us because we don't know whether all of our competitors have that same conviction or ability right now. But we're actively but selectively reinvesting back in R&D, in tour and in marketing and in operations to create a stronger foundation and strength for the future. We have selectively looked at buying back stock, and you saw us act on that earlier in the year. And as we've said, that's going to be a selective strategy for us, and we are also looking for attractive outside investment opportunities as the 3 I mentioned. So that appears to be working thus far, and we're committed to continuing that.

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Client Id: 77

But for the next few months, just so Brian stays sane, I think, in his new role, we might slow it down just a little bit and digest what we've got on our plate.

Operator

Our next call, it is from George Kelly at Imperial Capital.

George Arthur Kelly - *Imperial Capital, LLC, Research Division - Analyst*

A couple of questions. First, on TravisMathew. I'm wondering if you could talk about the growth that you're seeing. What does that look like in the last couple of years? And then secondly on other distribution, how big -- how much do they focus on e-commerce? Is that a big channel for them?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

George, their growth has been double digits, so low to mid-double-digits. It's been very quite exceptional, but it's on a low base. And having said that, we expect them to continue to grow at a double-digit clip. So it's an attractive growth play, and we think a lot of the synergies will be growth-oriented. Currently, we don't break out much of their business by channel. It's not significant at this point. They're direct-to-consumer, but there is opportunity there. And they are very effectively working on that, and we look forward to partnering with them to further that growth.

George Arthur Kelly - *Imperial Capital, LLC, Research Division - Analyst*

Okay. And then on your full year guidance, I believe that your assumption around operating costs came down by a couple of million. What drove that change?

Brian P. Lynch - *Callaway Golf Company - CFO, Senior VP, General Counsel & Secretary*

Good question. And actually, if you think about it, it probably came down more than that because the revenues were going up, so that would have been more incremental variable operating expenses. But I think it's -- so actually, OpEx would have come down more than that. But it's really just we had some planned and some contingent spending during the first half and back half of the year that we have just not spent and are going to be able to push out and not do.

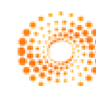
George Arthur Kelly - *Imperial Capital, LLC, Research Division - Analyst*

Okay. Okay. And then last question -- and Chip, you went through this earlier, but just wanted to make sure I understood properly. What is your expectation for U.S. industry growth in the second half of this year?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

Yes. The U.S. industry growth was basically down 4% through the first half according to most sources. That's measuring the channels of green grass and specialty retail. And it was up significantly at green grass and down significantly at retail. Although most retailers you talk to are doing quite well, and it was down because of the removal of Golfsmith, which was the largest player in that channel. I think that you're going to see in the second half because the second half -- an improvement on that number. I don't have a specific number for you. I think you're going to see continued strength at green grass, and I think that the Golfsmith effect, we were already starting to have that occur because Golfsmith, during the second half of the year, was in financial distress. Their stores and their practice, et cetera, will start to work its way out of the market, if you would. This is a very difficult year, just look at the data in its raw form and make sense out of it because of the removal -- or the influence of the Golfsmith business in the numbers.

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Client Id: 77

Operator

Our next question comes from Casey Alexander from Compass.

Casey Jay Alexander - *Compass Point Research & Trading, LLC, Research Division - Analyst*

A couple of questions. First of all, given your growth at green grass and the fact that market share as a percentage of the market, are you surprised that your ball business is only up 50 basis points, given the fact that you've increased your presence at green grass and Nike is out of the market this year?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

No, Casey, and the reason is because we were so strong at Golfsmith and...

Casey Jay Alexander - *Compass Point Research & Trading, LLC, Research Division - Analyst*

But it's a percentage of the market, what you were at Golfsmith shouldn't matter.

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

But last year, just the removal of Golfsmith out of the numbers, when you overskew in a big customer. And so at off course, we are actually down because the Golfsmith, we were so strong, whereas green grass, we are up. Given the quality of the share and the overall growth in the business that I'm seeing, I'm very comfortable with it. But the numbers are such, Golfsmith was a major, major factor in the total Datatech numbers and by far the largest influence in the off course portion of it.

Casey Jay Alexander - *Compass Point Research & Trading, LLC, Research Division - Analyst*

Okay, I get it. Secondly, and maybe I'm just old, but the history of hard goods companies buying soft goods companies has not been a robust one. Convince me that this is a good idea.

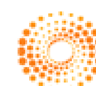
Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

Casey, my ability to convince you of most things is not high. I'm not -- but I also know -- we can offline talk about some examples of hard goods companies that are running very successful soft goods companies and -- that you cover. So when you look at it, it's about a management and a select opportunity here. Others have struggled with it. We're hiring here a business that's got a very strong team. It's a select opportunity, and obviously, we're quite bullish on it. The -- but everybody can have their own opinion on that one. We're not the same operators as others, and I think our track record would indicate that there is reason to believe when we say we're going to be operating something successfully.

Operator

Our final question comes from Randy Konik from Jefferies.

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Client Id: 77

Randal J. Konik - *Jefferies LLC, Research Division - Equity Analyst*

I guess, first, Chip, if you would, I think in the past, you've talked about an ability for operating margins to, I think, settle at around a high single-digit rate. The gross margin had performed very nicely. You talked about these trends of firmer pricing of the golfer or the consumer going to pay for performance, and you've gotten nice market share gains to accelerate top line. How should we be thinking about that long-term run rate or natural margin-ability in the business from both a gross margin and SG&A rate size, recognizing some of the acquisitions will require some spending to help nurture and grow their businesses, their potential, just curious.

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

Sure. Randy, I don't really -- our gross margin performance has exceeded our expectations. So we have been able to grow the gross margins of the business faster and to higher levels than what I anticipated 2, 3, 4 years ago. The scale of the industry, on the other hand, has not been growing as much as I thought it would at that time. And those almost offset. We're very comfortable at this point that we're going to be able to create a profitable and larger enterprise. We're finding attractive businesses to acquire. We're finding attractive investment opportunities, and we're delivering on our operating promises with those investment opportunities. I don't have any new thoughts as it relates to long-term op margin goals. I am pleased with the direction of the business. Our fundamental long-term trend of performance, finding opportunities to invest in, and we think the industry fundamentals are improving. And relative to our position -- our relative position in the industry continues to strengthen. So feel good about all of those and believe that's going to create shareholder value, and the individual metrics, not a lot of change, in my view, on the op margin side.

Randal J. Konik - *Jefferies LLC, Research Division - Equity Analyst*

That's helpful. And then if I think about your acquisition kind of strategy, some very interesting acquisitions. Forget the numerical value or guidance around those kind of those acquisitions. How do you think about the holistic nature of these acquisitions? Are you looking to more -- look to build product velocity and innovation at these acquired companies or amplify distribution? How do you think about the potential from a nonfinancial perspective in what attracts these types of companies that help build the diversified portfolio you're going after today?

Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

Sure. We look for opportunities that we have a core understanding of, tangential and that we believe we can add value to, that create some mutual synergies. And we do -- sometimes, that can be through innovation. We have a culture here of that. It sometimes can be through distribution, et cetera. So we're highly selective on this, and we need to look -- we're looking for growth. We're looking for growth both inside golf and outside golf. But we also believe very strongly, it's a business opportunity that has to have good fit and that there will be synergies, or more succinctly, we will help create value together.

Operator

And there are no more questions in queue.

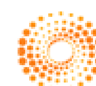
Oliver G. Brewer - *Callaway Golf Company - CEO, President & Director*

Well, thank you, everybody, for calling in. We appreciate your interest and attention and look forward to talking to you at the end of Q3.

Operator

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

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Client Id: 77

DISCLAIMER

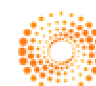
Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2017, Thomson Reuters. All Rights Reserved.

©2017 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS