Callaway

# GOVERNANCE PRESENTATION

September 2019

# IMPORTANT NOTICES

Forward-looking Statements: During the presentation, any comments made about future performance, events, prospects or circumstances, including estimated 2019 net sales, gross margins, operating expenses, adjusted EBITDA, and earnings per share (including estimated tax rate and share count), future growth, expansion plans, profitability, creation of shareholder value, strength of the Company's brands, market share, product launches and innovation, synergies and scale opportunities, operational efficiencies, strength of diversified supply chain, future industry or market conditions, future reinvestment or capital deployment, impact of the OGIO, TravisMathew, and Jack Wolfskin acquisitions, and the estimated capital expenditures and depreciation and amortization expenses, are forward-looking statements, subject to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are often characterized by the use of words such as "estimate," "expect," "anticipate," "project," "plan," "intend," "seek," "believe," "forecast," "foresee," "likely," "may," "should," "goal," "target," "might," "will," "could," "predict," "continue" and the negative or plural of these words and other comparable terminology. Such statements reflect our best judgment as of the time made based on then current market trends and conditions. Actual results could differ materially from those projected in the forward-looking statements as a result of certain risks and uncertainties applicable to the Company and its business. For details concerning these and other risks and uncertainties, you should consult our earnings release issued on August 8, 2019, as well as Part I, Item 1A of our most recent Annual Report on Form 10-K, together with the Company's other reports subsequently filed with the SEC from time to time. The Company undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Regulation G. In addition, in order to assist you with period-over-period comparisons on a consistent and comparable basis, today's presentation includes certain non-GAAP information. This information excludes non-cash purchase accounting adjustments associated with the acquisition of OGIO and TravisMathew in 2017 and Jack Wolfskin in January 2019, non-recurring transaction and transition costs associated with the Jack Wolfskin acquisition, and non-recurring advisory fees. This non-GAAP information may include non-GAAP financial measures within the meaning of Regulation G. These non-GAAP measures should not be considered as a substitute for any measure derived in accordance with GAAP. The non-GAAP information may also be inconsistent with the manner in which similar measures are derived or used by other companies. Management uses such non-GAAP information for financial and operational decision-making purposes and as a means to evaluate period-over-period comparisons and in forecasting the Company's business going forward. Management believes that the presentation of such non-GAAP information, when considered in conjunction with the most directly comparable GAAP information, provides additional useful comparative information for investors in their assessment of the underlying performance of the Company's business without regard to these items. The Company has provided reconciliations of such non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP. The reconciliations are included in this presentation or in the schedules to the Company's August 8, 2019 earnings release, which is available on the Investor Relations section of the Company's website located at http://ir.callawaygolf.com/.

# INVESTMENT HIGHLIGHTS

## Market Leadership in Stable Worldwide Golf Market

- #1 ranked club company; #2 ranked ball company
- Highest net brand rating and market leader in innovation and technology(1)
- Growth through technology-led innovation and operational efficiencies
- Global golf market expected to remain stable

## Expanding Scale Position in Complementary Growing Active Lifestyle Soft Goods

- Approx. $700 million scale position in Premium Active Lifestyle Soft Goods
- Clear opportunities to capture cost synergies and leverage complementary expertise in brand building, manufacturing, distribution, and marketing
- TravisMathew delivering double digit revenue growth year over year
- Margin accretive over the long-term
- Global outdoor apparel market expected to grow at 6% CAGR(2)

## Proven Ability to Deliver Innovation, Generate Growth and Capture Efficiencies

- Five-year TSR of 164%; Three-year TSR of 64%(3)
- Focus on operational efficiency; 54% CAGR in operating profit, 2016-2019(4)
- 36% increase in net sales year over year versus 2018; 116% in soft goods sales
- 25% growth in US golf ball market share and 3% growth in sticks, 2016-2019(5)
- Artificial Intelligence driven product innovations; industry-leading digital media and marketing
- Strategic investment in fast-growing TopGolf, a compelling financial asset
- Total Adjusted EBITDA growth of over 300% since 2016

<u>2019 FY Guidance Provided on Aug 8th</u>

**Revenue: $1,685mm - $1,700mm**

**Non-GAAP EPS: $1.03 - $1.09**

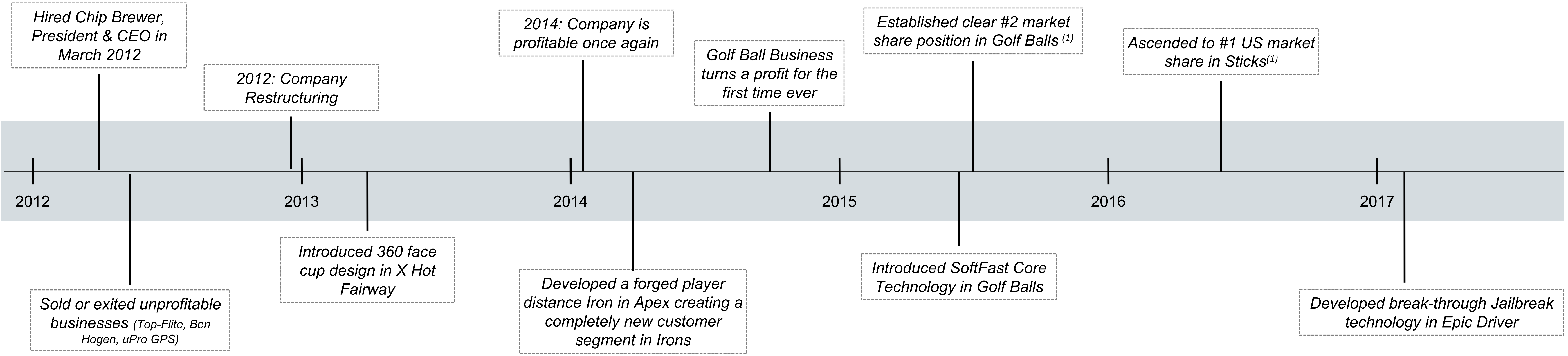
**Adj. EBITDA Margin: 12.5%** (midpoint)

**Adj. EBITDA: $208mm - $215mm**

*Notes:*
1) *per Golf Datatech's Spring 2019 Golf Product Attitude and Usage Study (GPAU) which is conducted twice per year covering golf sticks to its exclusive database of Serious Golfers.*
2) *per Euromonitor International, 2017 to 2022*
3) *as of 23-Sep-2019*
4) *per 2019 FY guidance provided in 8-Aug-2019 earnings release*
5) *per Golf Datatech market share reporting, 2016-2019*

# THE CALLAWAY TURNAROUND STORY

## LEADING GLOBAL MARKET SHARE AND A STRONG FINANCIAL POSITION

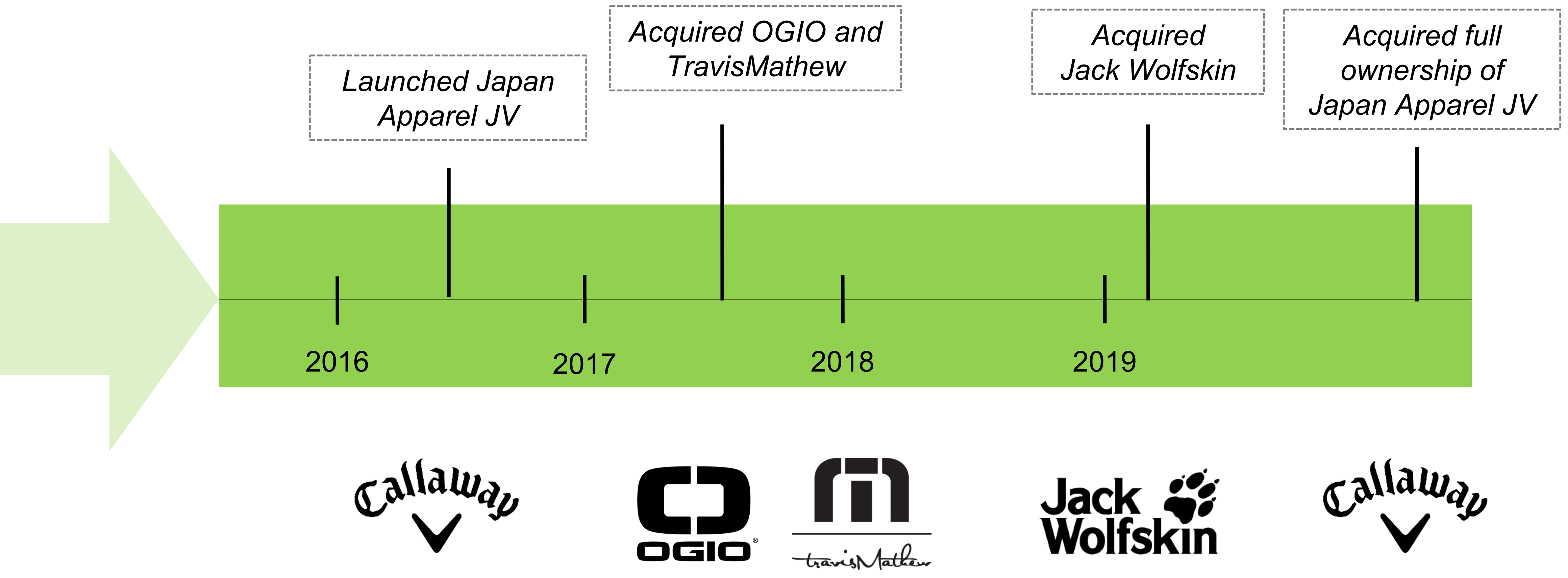



### Continuous Operational Improvements

- Eliminated excess manufacturing capacity and reduced overhead
- Rationalized supplier base
- Revamped supply chain
- Executed on plant optimization strategy
- Implemented S&OP process globally
- Improved vendor quality system
- Improved Made-to-Order systems and processes
- Stringent cost management

*Notes:*
*1) per Golf Datatech Market Share Report*

# BUILDING FROM STRENGTH TO CAPTURE GROWTH




**Builds on core strengths**

- Complementary consumers (outdoor, active, premium)
- Compelling synergies in supply chain, sourcing, warehousing, logistics, marketing, international expansion
- Global reach of ELY platform to bring brands into new markets
- Significant benefits of scale
- Leverage expertise branding, marketing, design and distribution to drive continued growth and expansion

**Creates a compelling opportunity in a growth market**

- Global outdoor apparel market of ~$25 billion growing at 6%[(1)]
- Consumers willing to pay premium for functional, sustainable solutions

**Delivers a clear path to shareholder value creation**

- Attractive margin profile, accretive to core business margins
- Significant driver of long-term revenue and Adjusted EBITDA growth
- Revenue diversity creates more stable earnings profile
- Steady Adjusted EBITDA growth
  - $67M in 2016 to $212M in 2019[(2)]

*Notes:*
1) *per Euromonitor International, 2017 to 2022*
2) *Midpoint of Aug 8, 2019 guidance*

# ATTRACTIVE INVESTMENT IN FAST-GROWING TOPGOLF


**High growth entertainment concept**

- Combines driving range, nightclub, and dining experience into one venue
- 55 locations globally; adding 8-10/year in U.S.
- 14 additional sites planned or announced, including 3 international sites
- Introduced TopGolf Swing Suites; 40 locations with an additional 8 planned

**Exclusive golf partner of TopGolf and ~14% owner**

- Built our position over past decade
- On balance sheet at $72.5M cost basis

**Opportunity to realize significant value creation through eventual monetization of TopGolf stake**

# CAPITAL DEPLOYMENT PRIORITIES

**Reinvest in the existing business to drive growth**

- Building team, tools, processes, and pipeline

**Continued focus on de-levering**

- Debt pay down is enabled by strong FCF and ongoing effective working capital management
- $30M of Term Loan B related to the Jack Wolfskin acquisition paid off in July ‘19

**Return capital to shareholders through buybacks and dividends**

- $17 million worth of shares repurchased in 2017
- $22 million worth of shares repurchased in 2018
- $27 million worth of shares repurchased in 2019
- Annual dividend payment of $0.04 per common share

**Selectively evaluate other investments**

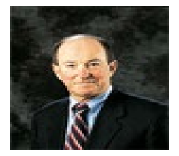
- Opportunities in soft goods and golf equipment businesses
- Access to attractive consumer segments or category adjacencies
- Clear synergies with existing portfolio
- Accretive to earnings in the near-to medium-term

*BALANCED APPROACH FOCUSED ON TOTAL SHAREHOLDER RETURN*

# DIRECTOR SKILLS MATRIX

## Key Characteristics of the Board

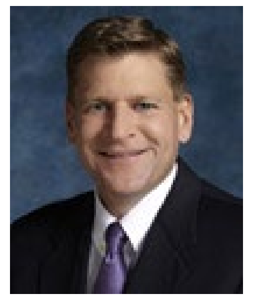
- Three new directors added in the past four years
- Focus on diversity with the addition of two highly qualified women over the past four years
- Diversity of skills and experience
- Committed to ongoing Board refreshment

| | Director | Independence | Senior Leadership Expertise (CEO/CFO) | Golf Industry | Consumer / Retail Industry | International Expertise | Investor/Capital Market Expertise | Finance / M&A Expertise | Public Board Expertise | Board Committees |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | **Skills Matrix** | | | | | | | |
|  | **Oliver G. "Chip" Brewer III** President & CEO | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
|  | **Ronald S. Beard** Chairman | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | A / C / NCG |
|  | **Samuel H. Armcost** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A / C |
|  | **John C. Cushman, III** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | C / NCG |
|  | **Laura J. Flanagan** | ✓ | ✓ | | ✓ | | | ✓ | ✓ | C |
|  | **Russell L. Fleischer** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A |
|  | **John F. Lundgren** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A / C |
|  | **Adebayo O. Ogunlesi** | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | A / NCG |
|  | **Linda B. Segre** | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | C / NCG |
|  | **Anthony S. Thornley** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A / NCG |
| | **Total** | **9 / 10** | **9 / 10** | **9 / 10** | **8 / 10** | **9 / 10** | **9 / 10** | **10 / 10** | **9 / 10** | |

***A = Audit Committee, C = Compensation and Management Succession Committee, NCG = Nominating and Corporate Governance Committee***

***= added to board within past four years***

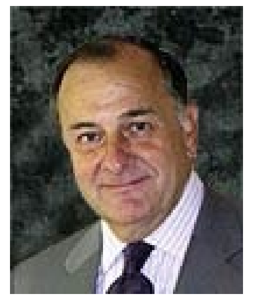
# BOARD OVERVIEW



**Oliver G. "Chip" Brewer III**
President & CEO, Callaway Golf Company (since 2012)
- Director of TopGolf International since 2012
- President and CEO of Adams Golf (2002-2012)

*Skills & Qualifications:*
- International Business/M&A
- Golf industry leadership

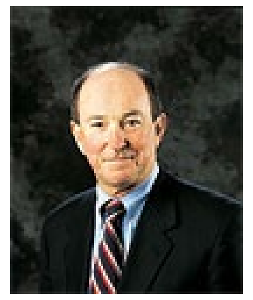
*Committees:*
- None



**Samuel H. Armacost**
Chairman Emeritus, SRI International (2010-2016)
- Chairman SRI (Stanford Research Institute) (1998-2010)
- Managing Director of Weiss, Peck & Greer (1990-98)
- Managing Director of Merrill Lynch (1987-90)
- Director of Franklin Resources (2004-2014)

*Skills & Qualifications:*
- Chief executive experience
- Extensive finance and banking background

*Committees:*
- Audit Committee (Chair)
- Comp. Committee



**Ronald S. Beard (Chairman)**
Partner, Zeughauser Group
- Former Chairman of Gibson, Dunn & Crutcher (1991-2001)

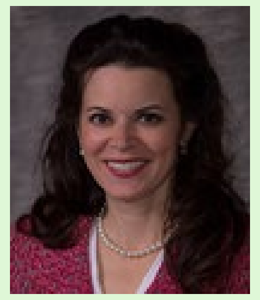
*Skills & Qualifications:*
- Chief executive experience
- Extensive legal experience

*Committees:*
- Audit Committee
- Comp. Committee
- Nom. & Gov. Committee

**John C. Cushman, III**
Chairman, Cushman & Wakefield (since 2001)
- CEO of Cushman Winery Corporation (since 1972)
- Director of D.A. Cushman Realty Corporation

*Skills & Qualifications:*
- Chief executive experience
- International Business/M&A

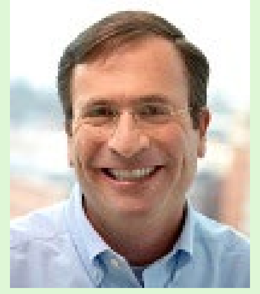
*Committees:*
- Comp. Committee
- Nom. & Gov. Committee



**Laura J. Flanagan**
CEO, Foster Farms (2016-19)
- President of Snacks Division of ConAgra Foods (2011-2014)
- Director of Core-Mark Holding Company

*Skills & Qualifications:*
- Chief executive experience
- Consumer industry leadership

*Committees:*
- Comp. Committee



**Russell L. Fleischer**
Partner, Battery Ventures (since 2014)
- Former CEO of HighJump Software, Healthvision Software, and TriSyn Group
- CFO of Adams Golf (2000-02)

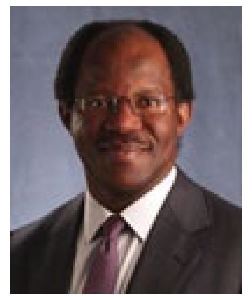
*Skills & Qualifications:*
- Golf industry leadership
- Extensive finance and M&A background

*Committees:*
- Audit Committee

**John F. Lundgren**
Chairman & CEO of Stanley Black & Decker (2004-16)
- CEO of Stanley Works (prior to merger with Black & Decker)
- Director of VISA

*Skills & Qualifications:*
- Chief executive experience
- Extensive finance and M&A background

*Committees:*
- Comp. Committee (Chair)
- Audit Committee



**Adebayo O. Ogunlesi**
Chairman & Managing Partner, Global Infrastructure Management (since 2006)
- Various roles, including Chief Client Officer and Global Head of Investment Banking of Credit Suisse
- Director of Goldman Sachs

*Skills & Qualifications:*
- Chief executive experience
- Extensive finance and M&A background

*Committees:*
- Nom. & Gov. Committee (Chair)
- Audit Committee

**Linda B. Segre**
EVP & Chief Strategy and People Officer, Diamond Foods (2009-16)
- Managing Director of Google.org and Boston Consulting Group's San Francisco Office
- Touring golf professional (1981-85)

*Skills & Qualifications:*
- Consumer industry leadership
- Unique perspective on golf business

*Committees:*
- Comp. Committee
- Nom. & Gov. Committee

**Anthony S. Thornley**
Interim President and CEO of Callaway Golf (2011-12)
- President and CEO of QUALCOMM (2002-05)
- CFO of QUALCOMM (1994-2002)
- Director of Cavium Networks (2006-2018)

*Skills & Qualifications:*
- Chief executive experience
- International Business/M&A

*Committees:*
- Audit Committee
- Nom. & Gov. Committee

***= added to board within past four years***

# BEST-IN-CLASS GOVERNANCE POLICIES

## THOUGHTFUL OVERSIGHT FOCUSED ON CREATING LONG TERM VALUE

### Committed to Giving Shareholders a Voice

- Directors open to regular shareholder engagement
- Shareholders can act by written consent

### Committed to Board Performance and Refreshment

- 9 out of 10 independent directors, with key new appointments to expand Board experience and skill base
- Two new directors added in past two years and three total in the past four years
- Clear focus on adding skills in line with strategic plan
- Annual assessment and evaluation of directors and committee performance

### Succession Planning

- Board routinely holds conversations related to development of next-generation of Callaway leadership
- Identified plan in place for unexpected or sudden change in leadership

### Recognized Shareholder Support

- ISS Governance QualityScore: 1(1)
- >97% Say-On-Pay Approval for 2017, 2018 & 2019
- >97% Support for each of the Directors for 2017, 2018 & 2019

*Notes*

*1) ISS QualityScore ranges from 1 to 10, with a score of 1 indicating lower governance risk while a score of 10 indicates higher governance risk*

# EXECUTIVE COMPENSATION

| Base Salary (14% of 2018 CEO Pay) | Annual Incentive (28% of 2018 CEO Pay) | Long-Term Incentive (58% of 2018 CEO Pay) |
|---|---|---|
| • Fixed cash compensation compensating day-to-day job responsibilities<br>• Reviewed annually and adjusted based upon individual performance, expanded duties and changes in the competitive marketplace | • Variable cash compensation based on performance against annually established targets and individual performance<br>• Intended to provide an incentive to drive a high level of corporate and individual performance without excessive risk taking | • Variable compensation; payable in the form of equity awards (RSUs and PRSUs)<br>• 55% of target award value in the form of performance-based awards; Designed to drive long-term Company performance, provide a means for retaining executives through long-term vesting, and align the interests of the executives with the interests of shareholders through stock-based incentives<br>• A multiple of the target number of PRSUs (0 to 200%) vest after three years based on achievement of performance goals over a three-year performance period, with the opportunity to bank a limited portion of the award based on interim performance<br>• RSUs vest ratably over three-years |

## Key Policies

- 86% of compensation “at risk”
- Double trigger change in control provisions
- 5x CEO stock ownership guideline
- Anti-hedging, pledging, and shorting policies
- Pay and performance strongly aligned
- PRSUs not paid dividends
- RSUs only pay dividends if the underlying award vests

# SUSTAINABILITY AND SOCIAL CONSIDERSATIONS

- Respecting human rights and environmental issues is embedded in the processes, agreements and policies across our supply chain.

- At the Board's direction, the Company has adopted and implemented a "Supplier Code of Conduct." The Supplier Code of Conduct describes the business practices and employment standards applicable to the Company's direct suppliers on a global basis.

- The Company evaluates and enforces its policy across its supply chain through a number of methods including: Company and third-party audits, embedding terms in purchase order agreements and a corporate purchasing policy and regular questionnaires.

- The Board requires that the Company's enforcement activity and related disclosure practices maintain the highest ethical standards across the Company and its supply chain.

# INVESTOR PRESENTATION

September 2019

# APPENDIX

# COMPENSATION BEST PRACTICES

| What We Do | What We Do Not Do |
|---|---|
| ✓ Link annual incentive pay to objective, pre-established Company financial goals, while also taking into account individual executive performance | ✘ No excise tax gross ups in the Company's executive employment agreements |
| ✓ Grant a majority of the incentive awards with vesting contingent on achieving clearly defined and objective performance measures in both annual cash incentive program and PRSUs that are focused on drivers of shareholder value creation | ✘ No single trigger change-in-control severance payments under the Company's executive employment agreements |
| ✓ Grant equity awards under a policy that has strict controls on grant processes and timing | ✘ No single trigger accelerated vesting of equity awards in the event of a change-in-control under the Company's executive employment agreements |
| ✓ Include clawback provisions in executive employment agreements | ✘ No dividends on RSUs prior to vesting |
| ✓ Maintain stock ownership guidelines and holding requirements for executive officers and directors | ✘ No dividends on PRSUs |
| ✓ Engage an independent compensation consultant through the Compensation Committee | ✘ No pension benefits to executives |
| ✓ Engage with shareholders as appropriate and consider their input in the Company's executive compensation programs | ✘ No re-pricing of stock options without shareholder approval |
| ✓ Conduct an annual risk assessment of the Company's executive and broad-based compensation programs | |
| ✓ Prohibit hedging, short sales and pledging of Company stock by executive officers and directors | |

# DIVERSIFIED GROWTH CREATING VALUE

| | 2016 Non-GAAP | 2019 Non-GAAP[1] Based on August 8, 2019 Guidance |
|---|---|---|
| REVENUE | $871M | $1,693M |
| REVENUE MIX *(as % of total sales)* | Golf Equipment: 84% Gear, Accessories Other: 16% | Golf Equipment: 55% Gear, Accessories Other: 45% |
| INTERNATIONAL *(as % of total sales)* | 49% | ~55% |
| GROSS MARGIN | 44.2% | 46.7% |
| ADJ EBITDA[2] | $67M | $208M - $215M |
| EPS | $0.24 | $1.06 |

**Key Factors in Ongoing Value Creation**

- **Highly attractive, durable brand positioning in respective core markets delivering revenue and EBITDA growth**
  - Continued investment in brands through 2020
  - Strong revenue and EBITDA growth assumes minimal contribution from new market entry for soft good brands (including planned new market expansion for Jack Wolfskin)
- **Steady free cash flow enabling capital deployment optionality (ex. investment in brands, share repurchases, dividend, debt paydown, select other investments)**
- **Opportunity to realize significant value creation through eventual monetization of TopGolf stake**

*Notes*
1) *Based on midpoint of Company's guidance provided on August 8, 2019; Company is not updating this guidance at this time; See schedules later in the appendix for reconciliation to Non-GAAP metrics*
2) *2016 Adjusted EBITDA excludes $9M of non-cash stock compensation expenses*

# 2016 GAAP to Non-GAAP Reconciliation

**2016 GAAP to Non-GAAP Reconciliation**

| | GAAP | Topgolf Gain[2] | Release of Tax VA[3] | Non-GAAP |
|---|---|---|---|---|
| Net Sales | $871 | - | - | $871 |
| % of Sales | 44.2% | - | - | 44.2% |
| Operating Expenses | $341 | - | - | $341 |
| Net Income | $190 | $10 | $157 | $23 |
| EPS | $1.98 | $0.11 | $1.63 | $0.24 |
| Adjusted EBITDA[1] | $85 | $18 | - | $67 |

[1]Adjusted EBITDA excludes from the Net Income number above interest expense, taxes, depreciation & amortization and non-cash stock compensation expense.

[2]Represents a gain on the sale of a small portion of the Company's Topgolf investment.

[3]Represents a non-cash tax benefit due to the reversal of a significant portion of the Company's deferred tax valuation allowance.

# 2019 GAAP to Non-GAAP Reconciliation

**2019 FY Guidance GAAP to Non-GAAP Reconciliation issued on August 8, 2019**

| | GAAP | Non-Cash Purchase Accounting Adjustments[2] | Acquisition & Other Non-Recurring Expenses[3] | Non-GAAP |
|---|---|---|---|---|
| Net Sales | $1,685 - $1,700 | - | - | $1,685 - $1,700 |
| % of Sales | 46.1% | -0.6% | | 46.7% |
| Operating Expenses | $645 | ($5) | ($12) | $628 |
| Net Income | $75 - $81 | ($13) | ($12) | $100 - $106 |
| EPS | $0.78 - $0.84 | ($0.13) | ($0.12) | $1.03 - $1.09 |
| Adjusted EBITDA[1] | $177 - $184 | ($16) | ($15) | $208 - $215 |

[1]Adjusted EBITDA excludes from the Net Income number above interest expense, taxes, depreciation & amortization

[2]This includes amortization of intangible assets related to the OGIO, TravisMathew acquisitions as well as the amortization of intangible assets and the inventory step-uprelated to the Jack Wolfskin

[3]This represents non-recurring transaction and transition costs associated with the Jack Wolfskin acquisition, in addition to other non-recurring advisory fees.

# EPS GUIDANCE RECONCILIATION

**CALLAWAY GOLF COMPANY**
**Supplemental Financial Information and Non-GAAP Guidance Reconciliation**
**(Unaudited)**

| | Diluted Loss Per Share | Diluted Earnings /(Loss) per Share |
|---|---|---|
| | Full Year 2019 | Full Year 2018 |
| **Amortization of purchase accounting items**[1] | | |
| TravisMathew/OGIO | $ (0.01) | $ (0.01) |
| Jack Wolfskin | (0.12) | — |
| | $ (0.13) | $ (0.01) |
| **Acquisition and Other Non-Recurring Costs**[2] | | |
| Acquisition/Other | $ (0.09) | $ (0.03) |
| Purchase price hedge (gain)/loss | (0.03) | 0.04 |
| | $ (0.12) | $ 0.01 |
| Total | $ (0.25) | $ — |

(1) 2018 and 2019 includes the amortization of intangible assets in connection with the Ogio and TravisMathew acquisitions completed in January and August 2017, respectively. 2019 also includes the amortization of intangible assets and inventory step-up in connection with the Jack Wolfskin acquisition completed in January 2019.

(2) Represents non-recurring transaction and transition costs associated with the acquisition Jack Wolfskin, in addition to other non-recurring advisory fees.

# EBITDA GUIDANCE RECONCILIATION

**CALLAWAY GOLF COMPANY**
**Supplemental Financial Information and Non-GAAP Guidance Reconciliation**
**(Unaudited)**
**(In millions)**

| **Amounts excluded from Adjusted EBITDA** | **Full Year 2019** | **Full Year 2018** |
|---|---|---|
| **Amortization of purchase accounting items[1]** | | |
| TravisMathew/OGIO | $ 1.0 | $ 1.0 |
| Jack Wolfskin | 15.0 | — |
| | $ 16.0 | $ 1.0 |
| **Acquisition and Other Non-Recurring Costs[2]** | | |
| Acquisition/Other | $ 11.8 | $ 3.7 |
| Purchase price hedge (gain)/loss | 3.2 | (4.4) |
| | $ 15.0 | $ (0.7) |
| Total | $ 31.0 | $ 0.3 |

(1) 2018 and 2019 includes the amortization of intangible assets in connection with the Ogio and TravisMathew acquisitions completed in January and August 2017, respectively. 2019 also includes the amortization of intangible assets and inventory step-up in connection with the Jack Wolfskin acquisition completed in January 2019.

(2) Represents non-recurring transaction and transition costs associated with the acquisition Jack Wolfskin, in addition to other non-recurring advisory fees.