

PART I

Item 1. *Business Overview*

Callaway Golf Company (the “Company” or “Callaway Golf”) was incorporated in California in 1982 with the main purpose of designing, manufacturing and selling high quality golf clubs. The Company became a publicly traded corporation in 1992, and in 1999, reincorporated in the State of Delaware. The Company has evolved over time from a manufacturer of golf clubs to a leading manufacturer and distributor of premium golf equipment and active lifestyle apparel, equipment and accessories. Over the past two and a half years, the Company grew its golf apparel and accessories business with the completion of the golf apparel joint venture in Japan in July 2016. In January and August of 2017, the Company completed the acquisitions of OGIO international, Inc. (“OGIO”) and TravisMathew, LLC (“TravisMathew”), respectively, which expanded its soft goods business to include lifestyle product lines that are complimentary to golf. OGIO products offer premium storage gear for sport and personal use as well as performance outerwear. TravisMathew offers a full line of premium lifestyle apparel, footwear and accessories. Both these acquisitions provided a platform for the Company to grow its lifestyle products business. In January 2019, the Company completed the acquisition of JW Stargazer Holding GmbH, the owner of the international, premium outdoor apparel, footwear and equipment brand, Jack Wolfskin (“Jack Wolfskin”). This acquisition is expected to further enhance and grow the Company's lifestyle category and provide a platform for future growth in the active outdoor and urban outdoor categories. With these recent acquisitions, the Company is transforming the way it views its business as it carries out its plans to invest strategically in areas complimentary to golf, with a focus on establishing synergies and realizing efficiencies for the benefit of all of the Company's brands.

Financial Information about Segments and Geographic Areas

Information regarding the Company's segments and geographic areas in which the Company operates is contained in Note 18 in the Notes to the Company's Consolidated Financial Statements for the years ended December 31, 2018, 2017 and 2016, and is included as part of Item 8—“Financial Statements and Supplementary Data.”

The Company has three operating and reportable segments, namely Golf Clubs, Golf Balls and Gear, Accessories and Other as of December 31, 2018. The Golf Clubs operating segment consists of Callaway Golf woods, hybrids, irons and wedges, Odyssey putters, including Toulon Design putters by Odyssey, packaged sets and sales of pre-owned golf clubs. At the product category level, sales of packaged sets are included within irons, and sales of pre-owned golf clubs are included in the respective woods, irons and putters product categories. The Golf Balls segment consists of Callaway Golf and Strata golf balls that are designed, manufactured and sold by the Company. The Gear, Accessories and Other operating segment consist of soft goods products, which include golf apparel and footwear, golf bags, golf gloves, travel gear, headwear and other golf-related accessories, OGIO and TravisMathew branded products, and royalties from licensing of the Company's trademarks and service marks for various soft goods products. Due to the recent acquisition of Jack Wolfskin in January 2019, the Company is anticipating significant growth in its soft goods business, and as such, it will be evaluating its global business platform, including its management structure, operations, supply chain and distribution, which may result in changes in the composition of its operating and reportable segments.

Products

The Company designs, manufactures and sells a full line of high quality golf equipment, including golf clubs and golf balls. The Company designs its golf products to be technologically advanced and in this regard invests a considerable amount in research and development each year. The Company designs its golf products for golfers of all skill levels, both amateur and professional, and are generally designed to conform to the Rules of Golf as published by the United States Golf Association (“USGA”) and the ruling authority known as The R&A. In addition, the Company designs and develops a full line of high quality Callaway branded soft goods, including golf bags, apparel, footwear and other golf accessories, as well as OGIO and TravisMathew soft goods products as described above. The Company's soft goods under the Callaway, OGIO, and TravisMathew brands are designed and developed internally.