UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF**

1934 for the transition period from to

Commission File Number: 001-37935

Acushnet Holdings Corp.

(Exact name of registrant as specified in its charter)

Delaware	**45-2644353**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

333 Bridge Street
Fairhaven, Massachusetts 02719
(Address of principal executive offices)
(800) 225-8500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Non-accelerated filer	☐	Smaller reporting company	☐
Accelerated filer	☐			Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2018), the aggregate market value of the registrant's common stock held by non-affiliates was approximately $827.3 million . The registrant's common stock trades on the New York Stock Exchange under the symbol "GOLF".

The registrant had 75,029,111 shares of common stock outstanding as of February 22, 2019 .

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A relating to the Registrant's Annual General Meeting of Shareholders, to be held on June 3, 2019, will be incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13 and 14 of Part III. The definitive proxy statement will be filed with the SEC not later than 120 days after the registrant's fiscal year ended December 31, 2018 .

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In this Annual Report on Form 10-K, the terms "Acushnet," "we," "us," "our" and the "Company" refer to Acushnet Holdings Corp. and its consolidated subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which are subject to the “safe harbor” created by that section. These forward-looking statements are included throughout this report, including in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We have used the words “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “future,” “will,” “seek,” “foreseeable” and similar terms and phrases to identify forward-looking statements in this report, although not all forward-looking statements use these identifying words.

The forward-looking statements contained in this report are based on management’s current expectations and are subject to uncertainty and changes in circumstances. We cannot assure you that future developments affecting us will be those that we have anticipated. Actual results may differ materially from these expectations due to changes in global, regional or local economic, business, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that these factors include, but are not limited to those identified in the section entitled “Risk Factors.”

These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, our actual results may vary in material respects from those projected in these forward-looking statements.

Any forward-looking statement made by us in this report speaks only as of the date of this report. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, investments or other strategic transactions we may make. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws.

INDUSTRY AND MARKET DATA

Within this Annual Report on Form 10-K, we reference information and statistics regarding the golf industry and the golf equipment, wear and gear markets. We have obtained certain of this information and statistics from various independent third-party sources, including independent industry publications, reports by market research firms and other independent sources for the most recent available date. We believe that these external sources and estimates are reliable, but have not independently verified them. Certain of this information and statistics are based on our good faith, reasonable estimates, which are derived from our review of internal surveys and independent sources. In addition, projections, assumptions and estimates of the future performance of the golf industry and our future performance are necessarily subject to uncertainty and risk due to a variety of factors, including those described in “Risk Factors” and “Forward-Looking Statements.” These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

WEBSITE DISCLOSURE

We use our website (www.acushnetholdingscorp.com) as a channel of distribution of company information. The information we post through this channel may be material. Accordingly, investors should monitor this channel, in addition to following our press releases, Securities and Exchange Commission (“SEC”) filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about Acushnet Holdings Corp. when you enroll your e-mail address by visiting the “Resources” section of our website at https://www.acushnetholdingscorp.com/investors/resources. In addition, on our website, we post the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our annual reports on Form 10-K, our proxy statements, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. The contents of our website are not, however, a part of this report.

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

This Annual Report on Form 10-K includes trademarks, trade names and service marks that we either own or license, such as “Titleist,” “FootJoy,” “Pro V1,” “Pro V1x,” "AVX," “FJ,” “Pinnacle,” “Scotty Cameron,” "TS," and “Vokey Design” which are protected under applicable intellectual property laws. Solely for convenience, trademarks, trade names and service marks referred to in this report may appear without the ®, ™ or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks, trade names and service marks. This report may also contain trademarks, trade names and service marks of other parties, and we do not intend our use or display of other parties’ trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

PART I

ITEM 1. BUSINESS

Overview

We are the global leader in the design, development, manufacture and distribution of performance-driven golf products, which are widely recognized for their quality excellence. Our mission—to be the performance and quality leader in every golf product category in which we compete—has remained consistent since we entered the golf ball business in 1932. Today, we are the steward of two of the most revered brands in golf—Titleist, one of golf's leading performance equipment brands, and FootJoy, one of golf's leading performance wear brands. Titleist has been the #1 ball in professional golf for 70 years and FootJoy has been the #1 shoe on the PGA Tour for over six decades.

Our target market is dedicated golfers, who are the cornerstone of the worldwide golf industry. These dedicated golfers are avid and skill-biased, prioritize performance and commit the time, effort and money to improve their game. We believe our focus on innovation and process excellence yields golf products that represent superior performance and consistent product quality, which are the key attributes sought after by dedicated golfers. Many of the game's professional players, who represent the most dedicated golfers, prefer our products thereby validating our performance and quality promise, while also driving brand awareness. We seek to leverage a pyramid of influence product and promotion strategy, whereby our products are the most played by the best players, creating aspirational appeal for a broad range of golfers who want to emulate the performance of the game's best players.

Dedicated golfers view premium golf shops, such as on-course golf shops and golf specialty retailers, as preferred retail channels for golf products of superior performance and product quality. As a result, we have committed to being one of the preferred and trusted partners to premium golf shops worldwide. We believe this commitment provides us a retail environment where our product performance and quality advantage can most effectively be communicated to dedicated golfers. In addition, we also service other qualified retailers that sell golf products to consumers worldwide.

Our vision is to consistently be regarded by industry participants, from dedicated golfers to the golf shops that serve them, as the best golf company in the world. We have established leadership positions across all major golf equipment and golf wear categories under our globally recognized brands.

For the year ended December 31, 2018 , we recorded net sales of $1,633.7 million , net income attributable to Acushnet Holdings Corp. of $99.9 million and Adjusted EBITDA of $230.8 million . See "Management's Discussion and Analysis of Financial Condition and Results of Operations," Item 7 of Part II, included elsewhere in this report, for a reconciliation of Adjusted EBITDA to net income attributable to Acushnet Holdings Corp., the most directly comparable GAAP financial measure.

Corporate History

Acushnet Company was originally founded as "Acushnet Process Company" in Acushnet, Massachusetts by Phil "Skipper" Young in 1910 and our golf business was established in 1932. In 1976, Acushnet Company was acquired by American Brands, Inc. (the predecessor company of Beam Suntory, Inc. ("Beam")). We acquired FootJoy in 1985. On July 29, 2011, Acushnet Holdings Corp. (at the time known as Alexandria Holdings Corp.), an entity owned by Fila Korea and certain financial investors, acquired Acushnet Company from Beam. We completed an initial public offering of our common stock in November 2016. See "Notes to Consolidated Financial Statements-Note 1 -Description of Business," Item 8 of Part II, included elsewhere in this report, for disclosures related to our initial public offering and other related transactions.

Our Core Focus

Dedicated Golfers

Our target market is dedicated golfers, who are avid and skill-biased, prioritize performance and commit the time, effort and money to improve their game. We believe that dedicated golfers are generally the most consistent and voluminous purchasers of golf products as we believe they are the most discerning and most likely to invest in premium performance equipment and golf wear.

Product Platform

Leveraging the success of our golf ball and golf shoe businesses, while maintaining the core values of the Titleist and FootJoy brands, we have strategically entered into product categories such as golf clubs, wedges, putters, golf gloves, golf gear and golf wear with an objective of being the performance and quality leader.

Since the dedicated golfer views each performance product category on its own merits, we have approached each category on its own terms by committing the necessary resources to become a performance and quality leader in each product category where we participate. As a result, we have built an industry leading platform across all performance product categories, driving a market-differentiating mix of consumable products, which we consider to be golf balls and golf gloves, which collectively represented 39% of our net sales in 2018 , and more durable products, which we consider to be golf clubs, golf shoes, golf apparel and golf gear, which collectively represented 61% of our net sales in 2018 .

We operate under the following four reportable segments: Titleist golf balls; Titleist golf clubs; Titleist golf gear; and FootJoy golf wear, which represented approximately 32% , 27% , 9% and 27% , respectively, of net sales in 2018 . For further information surrounding the principal products of each reportable segment, see “Our Products” further below. Financial information for our segments, including sales by geographic area, is included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” Item 7 of Part II, included elsewhere in this report and in “Notes to Consolidated Financial Statements – Note 21 – Segment Information,” Item 8 of Part II, included elsewhere in this report.

Pyramid of Influence

The game of golf is learned by observation and imitation, and golfers improve their own performance by attempting to emulate highly skilled golfers. Golfers are influenced not only by how other golfers swing but also with what they swing and at what they swing. This is the essence of golf’s pyramid of influence, which is deeply ingrained in the mindset of the dedicated golfer. At the top of the pyramid is the most dedicated golfer, who attempts to make a living playing the game professionally. Adoption by most of the best golfers, whose professional success depends on their performance, validates the quality, features and benefits of using the best performing products. This, in turn, creates aspirational appeal for golfers who want to emulate the performance of the best players. Our primary marketing strategy is for our products to be the most played by the best players, including both professional and amateur golfers. We believe this strategy has proven to be enduring and effective in the long-term and is not dependent on the transient success of a few elite players at any given point in time.

Innovation Leadership

We believe innovation is critical to dedicated golfers as they depend on the ability of new and innovative products to drive improved performance. We currently employ an R&D team of approximately 190 scientists, chemists, engineers and technicians. We also introduce new product innovations at a cadence that best aligns with the typical dedicated golfer’s replacement cycle within each product category.

Operational Excellence

The requirements of the game lead the dedicated golfer to seek out products of maximum performance and consistency. We own or control the design, sourcing, manufacturing, packaging and distribution of our products. In doing so, we are able to exercise control over every step of the manufacturing process and supply chain operations, thereby setting the standard for quality and consistency. We have developed and refined distinct and independently managed supply chains for each of our product categories.

Route to Market Leadership

As one of the preferred partners to premium golf shops, we seek to ensure that the performance benefits derived from using our products are showcased and our products are properly merchandised. As we see our retail partners as a critical connection to dedicated golfers, we place great emphasis on building strong relationships and trust with them. This is the reason our sales associates are expected not simply to be salespeople, but to function as golf experts and enthusiasts in their respective territories who advise and assist our retail partners to better serve their customers. We help generate golfer demand and sell-through via in-shop merchandising, promotions and advertising, and also provide product education to club professionals, coaches and instructors. Lastly, we place a strong focus on consumer engagement, starting with fitting and trial initiatives across our balls, clubs and shoes categories. We offer custom products across categories that we believe are better aligned with golfers’ personal styles, skill levels and preferences.

Market Overview and Opportunity

Market Overview

In 2018, there were over 50 million golfers worldwide playing over 800 million rounds annually on over 31,000 golf courses, and our addressable market, comprised of golf equipment, golf wear and golf gear, represented approximately $12 billion in retail sales and approximately $8 billion in wholesale sales. The United States accounted for over 40% of our addressable market, followed by Japan and Korea collectively accounting for over 30% of our addressable market, each in 2018. We believe the number of rounds of golf played by our target market of dedicated golfers has remained stable over the past few years.

We view emerging economies, such as the markets in Southeast Asia, as attractive long-term opportunities based on our assessment of the five collectively necessary and sufficient conditions for a country to embrace golf: (1) sizeable middle-class population; (2) educational infrastructure; (3) places to play and practice; (4) professional success that inspires the local golfers; and (5) corporate support.

We believe the golf industry is mainly driven by golfer demographics, dedicated golfers, weather and economic conditions.

Golfer Demographics. Golf is a recreational activity that requires time and money. The golf industry has been principally driven by the age cohort of 30 and above, currently “gen-x” (age 39 to 54) and “baby boomers” (age 55 to 73), who have the time and money to engage in the sport. Since a significant number of baby boomers have yet to retire, we anticipate growth in spending from this demographic, as it has been demonstrated that rounds of play increase significantly as those in this cohort reach retirement. Further, we also believe that the percentage of women golfers will continue to grow, as a higher percentage of new golfers in recent years has been women. Beyond the gen-x and baby boomer generation, another promising development in golf has been the generational shift with millennial golfers making their marks at both professional and amateur levels and, in 2018, accounting for 26% of golfers overall in the U.S.

Dedicated Golfers. Dedicated golfers are largely older millennials, gen-x and baby boomers who have demonstrated the propensity to pay a premium for products that help them perform better. We believe dedicated golfers, who comprise our target market, will continue to be a key driver for the global golf industry.

Weather Conditions. Weather conditions determine the number of playable days in a year and thus influence the amount of time people spend on golf. Weather conditions in most parts of the world, including our primary geographic markets, generally restrict golf from being played year-round, with many of our on-course customers closed during the cold weather months. Therefore, favorable weather conditions generally result in more playable days in a given year and more golf rounds played, which generally results in increased demand for all golf products.

Economic Conditions. The state of the economy influences the amount of money people spend on golf. Golf equipment, including clubs, shoes, balls and accessories, is recreational in nature and is therefore a discretionary purchase for consumers. Consumers are generally more willing to make discretionary purchases of golf products when economic conditions are favorable and when consumers are feeling confident and prosperous.

Our Growth Strategies

We plan to continue to pursue organic growth initiatives across all product categories, brands, geographies and marketing channels.

Introduce New Products and Extend Market Share Leadership in Equipment Categories. We expect to sustain our strong performance in our core categories of golf balls, golf clubs and golf shoes through several targeted strategies:

- *Titleist Golf Balls*. We continually invest in design innovation and process technology to deliver the highest performance and quality golf balls in the game. We strive to strengthen our sell-in and sell-through route to market capabilities by focusing on enhancing our sales team's skills, supporting trade partners in those channels where dedicated golfers shop, and educating golfers on Titleist golf ball performance and quality excellence. We also offer custom imprinting for country clubs, tournaments, corporate logos and personalization. My Titleist, an online golf shop launched in early 2018, provides golfers with the opportunity to create and purchase their own golf balls with special play numbers, logos or personalization.

- *Titleist Clubs, Wedges and Putters*. We intend to continue to launch innovative, high performance golf clubs by further leveraging Titleist clubs' R&D platform. We believe concept and specialty products and premium quality digital content will further drive customer awareness and market share gains across all premium club categories. To enhance trial and fitting, we plan to continue our consumer connection initiatives, grow our fitting network in opportunistic markets and further promote the utilization of our distinctive fitting operations. We are also executing several initiatives to further elevate Vokey Design wedges and Scotty Cameron putters as golf's leaders in short-game performance, technology, craftsmanship and selection.

- *FootJoy Footwear*. We continue to invest in design and innovation to bring golf-specific performance advancements to the footwear category. With the launch of several new models in 2019, we plan to enrich our consumer connection initiatives with digital content, product trial and fit experiences in key global markets. Additionally, we have enhanced our MyJoys personalization platform, which supports millions of unique design combinations, to provide unique, personalized experiences for golfers around the world.

Increase Penetration in Golf Gear and Wear Categories. We intend to build on the brand loyalty that the dedicated golfer has developed for our Titleist ball and club categories and FootJoy shoe, glove and apparel categories in order to increase our penetration in the adjacent categories of golf gear and golf wear. We expect to continue to drive growth across these categories by employing the following initiatives:

- *Titleist Golf Gear*. We are committed to providing dedicated golfers with golf gear—including golf bags, headwear, gloves, travel gear, head covers and other accessories—of performance and quality excellence that is faithful to the Titleist brand promise. We are making significant investments in design and engineering resources and are leveraging dedicated player research methodologies and insights to drive innovation in this product category. We also plan to expand our custom and special edition product offerings and, in 2018, we launched direct to consumer sales of golf gear via our My Titleist online golf shop.

- *FootJoy Apparel*. We remain committed to bringing style, performance, and innovation to the golf apparel category. In addition to our seasonal apparel collections, we plan to launch new outerwear products to meet the performance expectations of the most demanding players and "make every day playable." We plan to continue to work with select players on the PGA and European PGA Tour who trust the FJ brand to perform at the highest levels.

- *FootJoy eCommerce Launch*. We launched eCommerce websites for FootJoy in the U.S. in 2016 and in Canada and certain European markets in 2017. We also launched an eCommerce website for FootJoy's luxury brand, FJ1857.com, in the U.S. in 2018. Over 7,000 SKUs are offered across all FootJoy categories, including shoes, gloves and apparel. The eCommerce initiative is expected to yield incremental sales and profitability, and enriched data on preferences and trends, as well as foster a deeper and more real time connection with dedicated golfers.

Strategically Pursue Global Growth. The Titleist and FootJoy brands are both global brands. While we believe that a majority of the near-term growth will be driven by the developed economies, emerging economies, such as the markets in Southeast Asia, represent longer-term growth opportunities. To meet future demand, we are ensuring that local capabilities and expertise in sales, customer service, merchandising, online presence, golf education and fitting initiatives are in place to support our operations. We continue to hire local talent across all functions in order to better position Titleist and FootJoy products in those markets where participation and popularity of the sport are expected to increase.

Our Products

We design, manufacture and market a broad range of products under the Titleist and FootJoy brands. Both brands are recognized as industry leaders in performance, quality, innovation and design. Our products include golf balls, golf clubs, wedges and putters, golf shoes, golf gloves, golf gear and golf outerwear and apparel.

Titleist Golf Balls	*Titleist Golf Clubs, Wedges and Putters*	*Titleist Golf Gear*
● Pro V1	● Drivers	● Golf bags
● Pro V1x	● Fairways	● Headwear
● AVX	● Hybrids	● Golf gloves
● Tour Soft	● Irons	● Travel gear
● Velocity	● Vokey Design wedges	● Head covers
● DT TruSoft	● Scotty Cameron putters	● Other golf gear
● Pinnacle		

FootJoy Shoes	*FootJoy Gloves*	*FootJoy Outerwear and Apparel*
● Traditional	● Leather construction	● Performance outerwear
● Spikeless	● Synthetic	● Performance golf apparel
● Athletic	● Leather/synthetic combination	● Golfleisure women’s apparel
● Casual	● Specialty	

Titleist

We design, manufacture and sell golf balls, golf clubs, wedges and putters and golf gear under the Titleist brand. Net sales of Titleist products for the years ended December 31, 2018 , 2017 and 2016 were $1,194.0 million , $1,122.8 million , and $1,139.2 million , respectively, in each case approximately 73% of our total net sales.

Titleist Golf Balls

Titleist is the #1 ball in golf. The Titleist golf ball was founded with the purpose of designing and manufacturing a golf ball that was performance superior and quality superior to all other balls available in the market. We believe the golf ball is the most important piece of equipment in the game, as it is the only piece of equipment used by every player for each shot in the round. The golf ball category also generates the largest portion of our sales and profits. Since its introduction in 2000, the Titleist Pro V1 has been the best selling golf ball globally. Launched on the PGA Tour in October 2000 and introduced to the consumer market in December 2000, the first Pro V1 golf ball represented the coalescence of three of Titleist's industry leading technologies: large solid core; multi-component construction; and high performance, thermoset cast urethane elastomer covers. In its first four months, the Pro V1 golf ball became the best selling golf ball and holds that position to this day. In 2003, the first Pro V1x golf ball was brought to market and with its four-piece, dual core design, produced higher launch characteristics and a different spin profile than Pro V1. Both Pro V1 and Pro V1x are designed to provide total performance for golfers at every level of the game and best demonstrate Titleist's design, innovation and technology leadership.

In 2019, we introduced new versions of Pro V1 and Pro V1x, both designed to leave the clubface with more ball speed and lower long game spin for more distance, while providing the best short game control that helps golfers shoot lower scores. We believe that golfers will benefit from the improvements of more speed, precision and consistency, along with soft feel and long lasting durability. Complementing Pro V1 and Pro V1x is a new high performance golf ball in the Titleist product line, AVX. After a test market in U.S. sunbelt markets in the fall of 2017, Titleist introduced AVX globally in mid-2018 to resounding golfer acceptance. AVX delivers lower spin, lower flight and softer feel than our Pro V1 models and provides golfers with a premium performance alternative.

We also provide best-in-class performance with the Tour Soft, Velocity and DT TruSoft models which were newly launched in 2018. Through technology and process innovations, these models meet different performance needs as well as preferences such as feel, color, play number and price. Tour Soft is designed to deliver better feel and better distance than the

competitive set. Velocity is designed to maximize distance on every shot in the bag. DT TruSoft is Titleist's softest compression golf ball and provides excellent distance and greenside control. The Pinnacle brand completes the Acushnet golf ball portfolio with its two major models, Rush and Soft. Competing in the price segment, the Pinnacle brand allows the Titleist brand to focus on the premium performance and performance segments of the market. It also helps to support the thousands of golf shops that choose to exclusively stock Titleist and Pinnacle golf balls and offer golf balls in each market segment to their golfers.

Net sales of Titleist golf balls for the years ended December 31, 2018 , 2017 and 2016 were $524.0 million , $512.0 million , and $513.9 million , respectively, in each case approximately 32% of our total net sales.

We are also a leader in custom imprinted golf balls. This includes printing high quality reproductions of corporate logos, tournament logos, country club or resort logos, and personalization on Titleist and Pinnacle golf balls. Our service includes design capabilities, special packaging options and fast turnaround times. The majority of custom imprinting is done for corporate logos, as there has long been a strong connection between the business community and golf. Custom imprinted golf balls represented approximately 30% of our global net golf ball sales for the year ended December 31, 2018 .

Titleist Golf Clubs, Wedges and Putters

We design, assemble and sell golf clubs (drivers, fairways, hybrids and irons) under the Titleist brand, wedges under the Vokey Design brand and putters under the Scotty Cameron brand. The mission of our golf club business is to design and develop the best performing golf clubs in the world for dedicated golfers. We believe dedicated golfers do not buy brands across categories but seek out best-in-class products in each category. This is the reason we have partnered with dedicated engineers and craftsmen such as Bob Vokey and Scotty Cameron, who understand the nuances, subtleties and impact mechanics of their respective golf club categories. Titleist golf clubs, Vokey Design wedges and Scotty Cameron putters are widely used by professional and competitive amateur players, which validates the products' performance and quality excellence. We are also committed to a leading club fitting and trial platform to maximize dedicated golfers' performance experience.

We view and operate the Titleist golf club business in three distinct categories: clubs (which includes drivers, fairways, hybrids and irons), wedges and putters. Our products are generally priced at or above the premium price points in the marketplace, driven by higher-end technologies (including design, materials and processes) we employ to generate superior quality and performance. We have different models within each category to address the distinct performance needs of our dedicated golfer target audience.

Net sales of Titleist golf clubs, wedges and putters for the years ended December 31, 2018 , 2017 and 2016 were $445.3 million , $398.0 million , and $431.0 million , respectively, in each case approximately 27% of our total net sales.

Titleist Clubs

Our current global club line consists of the TS product line of drivers and fairways, the 818 product line of hybrids and the 718 product line of irons. Every product in our club line features premium, tour-proven stock shafts and grips, complemented by a broad range of custom options.

Titleist TS drivers and fairways are designed to deliver superior performance through tour-proven technologies that increase ball speed, decrease spin, and optimize flight without sacrificing forgiveness. We design our drivers and fairways to deliver complete performance with tour-preferred looks, sound and feel, and we offer the ability to precisely fit individual golfers' needs.

Titleist 818 hybrids generate long game performance through advanced technology. The advanced features of our hybrids aim to facilitate precision fitting and generate high ball speed, low spin and high launch for increased distance and forgiveness.

Titleist 718 irons are innovative, technologically advanced products designed to deliver distance, forgiveness, proper shot control and feel. While we offer stock set configurations for our iron sets, a significant portion of our worldwide iron sales are custom fit to help deliver a better fit and performance.

Vokey Design Wedges

Bob Vokey champions the Titleist wedge effort by creating high performance wedges to meet the demands of dedicated golfers and the best players in the world. The Vokey Design wedge product offering is a compilation of the most popular wedges resulting from Bob Vokey's hands-on work with golf's best players to develop shapes and soles that address varying techniques and course conditions. In total, we offer 23 unique loft, sole grind and bounce combinations and three unique finishes to create golf's most complete wedge product performance range. In addition, Vokey's online Wedgeworks

program promotes limited edition models and allows golfers to customize and personalize their wedges. Vokey Design wedges are the most played wedges by tour professionals.

Scotty Cameron Putters

Scotty Cameron Fine Milled Putters are developed through a specialized and iterative process that blends art and science to create high performance putters. Scotty's design inspiration begins with studying the best players in the world and working with them to identify the consistent strengths and attributes of their putting. Scotty Cameron encourages a selection process that identifies the putter length, toe flow and appearance to deliver proper balance, shaft flex and feel to golfers and to encourage proper technique. Scotty Cameron putters consist of a range of products for each of these key selection criteria.

Using the scottycameron.com website as an information and services hub, we offer the opportunity to connect more closely with the Scotty Cameron brand. Golfers can customize and personalize their putter(s) in the online Scotty Cameron Custom Shop. Through the popular "Club Cameron" loyalty program and Scotty's online "Studio Store," brand fans can purchase unique Scotty Cameron accessories. In 2014, we also opened the Scotty Cameron Gallery in Encinitas, California, and in 2016, we entered into a license agreement whereby a third party opened and operates a similar facility in Tokyo, Japan. Each of these facilities is a premium retail boutique which offers consumers the ability to experience the tour fitting process as well as purchase unique accessory items.

Titleist Golf Gear

We offer a diversified portfolio of Titleist-branded performance golf gear. Our golf gear is focused on superior performance and quality excellence, which is the mission of any product bearing the Titleist brand name.

Titleist golf gear products are designed and engineered using premium materials, paying particular attention to superior performance, function and style. We focus on the design and development of golf bags, headwear, golf gloves, travel gear, head covers and other golf gear. We provide customization and/or personalization within each category of Titleist golf gear, as well as certain licensed products, in order to meet the needs of the dedicated golfer and as part of our service to our accounts. We believe the golf gear business represents a sizable but highly fragmented opportunity with numerous competitors in each product category and geographical market.

Titleist golf gear accounted for net sales of $146.1 million , $142.9 million and $136.2 million for the years ended December 31, 2018 , 2017 and 2016 , respectively, in each case approximately 9% of our total net sales.

FootJoy Golf Wear

FootJoy is one of golf's leading performance wear brands, which consists collectively of golf shoes, gloves and apparel. Net sales of FootJoy products for the years ended December 31, 2018 , 2017 and 2016 were $439.7 million , $437.5 million , and $433.1 million , respectively, in each case approximately 27% of our total net sales.

FootJoy Golf Shoes

FootJoy is the #1 shoe in golf and has been the #1 shoe on the PGA Tour for over six decades. With an exclusive focus on golf, FootJoy shoes are designed, developed and manufactured for all golfers in all golf shoe categories, including traditional, casual, athletic and spikeless.

The golf shoe category is one of the most demanding of all wearables, as golf shoes must perform in all weather conditions, including extreme temperature and moisture exposure; be resistant to pesticides and fungicides; withstand frequent usage and extensive rounds of play; and provide consistent comfort, support and protection to the golfer in an average of over five miles in a walked round. Hence, golf shoes require extensive knowledge and expertise in foot morphology, walking and swing biomechanics, material science and application and sophisticated manufacturing and construction techniques.

Golf shoes are also a style and fashion driven category. FootJoy offers a large assortment of styles to suit the needs and tastes of all golfers. The breadth and scope of the FootJoy product line is commensurate with its leading sales position. To maintain and grow this leadership position in the category, new product launches and new styles comprise approximately 50% of its offerings each year in all significant markets around the world.

In addition to its stock offerings, FootJoy is a leader in the customization of golf shoe styles and designs. FootJoy's MyJoys custom golf shoe portal provides individual choices for style, color, personal IDs and team logos that are produced to order for golfers around the world. We believe it is the largest choice offering in the golf shoe category and provides a service and personal expression capability that creates brand loyalty and repeat purchases.

FootJoy Gloves

FootJoy is the #1 glove in golf. FootJoy is the leader in sales for all sub-categories of the glove business, including leather construction, synthetic, leather/synthetic combinations and all specialty gloves, including rain and winter specific offerings.

FootJoy Outerwear and Apparel

FootJoy's most recent brand extensions have been the entry into the golf outerwear and golf apparel markets. FootJoy's goal for outerwear is to "make every day playable" and extend the golf season by providing products for rain, wind and cold conditions. FootJoy entered the outerwear category in 1996 with innovative designs and materials, became the leader in net sales in the United States by 2005 and still holds this position today.

FootJoy more broadly entered the U.S. women's golf apparel market in early 2016 under the trademark GolfLeisure. The styling is appropriate for golf and inspired by the current athleisure segment of women's apparel in other categories and uses.

Product Launch Cycles

We maintain differentiated and disciplined product launch cycles across our portfolio, which we believe has contributed to stable and resilient growth over the long-run. This approach gives our R&D teams a period of time we believe is necessary to develop superior performing products versus prior generation models. As a result, we are able to manage our product transitions and inventory from one generation to the next more efficiently and effectively, both internally and with our trade partners.

Product introductions generally stimulate net sales as the golf retail channel takes on inventory of new products. Reorders of these new products then depend on the rate of sell-through. Announcements of new products can often cause our customers to defer purchasing additional golf equipment until our new products are available. The varying product introduction cycles may cause our results of operations to fluctuate as each product line has different volumes, prices and margins.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Key Factors Affecting our Results of Operations – Product Life Cycles," Item 7 of Part II to this report, for further information surrounding our product launch cycles.

Manufacturing

Our manufacturing processes and management of supply chain operations ensure consistency of product performance and quality. We own or control the design, sourcing, manufacturing, packaging and distribution of our products.

Our manufacturing network is comprised of our owned facilities and partners around the globe. Our scale and global reach are intended to enable us to maximize cost efficiency, reduce lead time, provide regional customization and gain insights into local markets.

We have three company-owned and operated golf ball manufacturing facilities, two located in the United States and one in Thailand, encompassing approximately 600,000 total square feet with sufficient production capacity to meet anticipated growth. We also have local custom golf ball imprinting operations in the United States, Japan, Canada, the United Kingdom (servicing the U.K., Ireland and continental Europe), Korea and China. We utilize local vendors for imprinting capabilities in other geographic markets.

We assemble clubs at six global locations, allowing us to provide custom fitted golf clubs with regional customization with efficient turnaround times. Each of our six custom manufacturing locations is responsible for supply chain execution for golf clubs and wedges, from forecast generation to component procurement to club assembly and distribution, allowing each region to respond to market specific needs or trends. Scotty Cameron putters are assembled solely at our Carlsbad, California manufacturing facility.

We own and operate the largest golf glove manufacturing operation in the world in Chonburi, Thailand, where we manufacture both FootJoy and Titleist golf gloves. The factory produces over 10 million FootJoy and Titleist gloves annually.

Nearly all of our FootJoy golf shoes are manufactured in a 525,000 square foot facility in Fuzhou, China, owned by a joint venture in which we have a 40% interest with the remaining 60% owned by our long-standing Taiwan supply partners. In our consolidated financial statements, we consolidate the accounts of this joint venture, which is a variable interest entity, or VIE. The joint venture was established in 1995 and has been in its current facility since 2000. The sole purpose of the joint

venture is to manufacture our golf shoes and as such we are deemed to be the primary beneficiary of the VIE as defined by ASC 810. The multi-floor/multi-building complex owned by the joint venture is devoted exclusively to FootJoy golf shoes, has production capacity of nearly five million pairs per annum. See “Notes to Consolidated Financial Statements– Note 2– Summary of Significant Accounting Policies – Variable Interest Entities,” Item 8 of Part II included elsewhere in this report, for a discussion of our FootJoy golf shoe joint venture and the material terms of the agreement which governs such joint venture arrangement.

Sales and Distribution

Our accounts consist of premium golf shops, which include on-course golf shops and golf specialty retailers, as well as other qualified retailers that sell golf products to consumers worldwide. We have a selective sales and distribution strategy, differentiated by product line and geography, which focuses on effectively serving those accounts that provide best access to our dedicated golfer target market in each geographic market.

We operate, and have our own field sales representation, in those countries that represent the substantial majority of golf equipment and wearable sales, including the United States, Japan, Korea, the United Kingdom, Canada, Germany, Sweden, France, Greater China, Australia, New Zealand, Thailand, Singapore and Malaysia. In other countries in which we sell our products, we rely on select distributors in order to deepen our reach into those markets. Each country administers its own in-country channel of distribution strategy given the unique characteristics of each market.

Our sales and distribution takes a “category management” approach that encompasses all aspects of customer service and fulfillment, including product selection; space and display planning; sales staff training; and inventory control and replenishment. Each sales representative advises on topics such as shop layout, merchandise display techniques and effective use of signage and product information and methods of improving inventory turns and sales conversions through merchandising. Our sales force has been recognized worldwide for its professionalism and service excellence.

We employ nearly 390 sales representatives worldwide, who are compensated through a combination of salary and a performance bonus. We currently service nearly 28,000 direct accounts worldwide. In both our direct sales and distributor markets, our trade partners are subject to our redistribution policy.

Supplementing our core field sales partnerships are Internet-based initiatives. In the U.S. in 2016, we launched FootJoy and Titleist eCommerce websites. In Canada and certain European markets in 2017, we launched FootJoy eCommerce websites. In the U.S. in 2018, we launched an eCommerce website for FootJoy's luxury brand, FJ1857.com and, in the United Kingdom and Japanese markets, we launched eCommerce websites for Titleist golf balls.

Marketing

Throughout our history, we believe our commitment to marketing has helped further elevate our brands and strengthen our reputation for product performance and quality, with a particular focus on the perception of dedicated golfers. Our strategy is to deliver equipment that is superior in performance and quality, validated by the pyramid of influence. It is best-in-class performance and quality products that earn and maintain dedicated golfers’ loyalty and trust. Our marketing strategy, developed and refined over many years, is to reinforce this loyalty and trust, driving connectivity with our brands.

Raw Materials

Our highest raw material consumption for golf balls, in order, is polybutadiene, ionomers, zinc diacrylate, urethane, and coatings. We use multiple suppliers or multiple production facilities, some with geographic separation, to reduce the risk of raw material shortages. We source the raw materials for our golf glove and golf shoe businesses, and certain of the components for our golf shoe business, from third-party suppliers. Our golf club team employs the primary materials of steel, titanium, and aluminum and has five custom manufacturing locations around the globe with each being responsible for supply chain execution, allowing each region to respond to market specific needs or trends. For our golf gear and FootJoy apparel businesses, we source the finished products from select third-party vendors that have the necessary quality capabilities.

Seasonality

Weather conditions in most parts of the world, including our primary geographic markets, generally restrict golf from being played year-round, with many of our on-course customers closed during the cold weather months. In general, during the first quarter, we begin selling our products into the golf retail channel for the new golf season. This initial sell-in generally continues into the second quarter. Our second-quarter sales are significantly affected by the amount of sell-through, in particular the amount of higher value discretionary purchases made by customers, which drives the level of reorders of the products sold during the first quarter. Our third-quarter sales are generally dependent on reorder business, and are generally lower than the second quarter, as many retailers begin decreasing their inventory levels in anticipation of the end of the golf

season. Our fourth-quarter sales are generally less than the other quarters due to the end of the golf season in many of our key markets, but can also be affected by key product launches, particularly golf clubs. This seasonality, and therefore quarter to quarter fluctuations, can be affected by many factors, including the timing of new product introductions as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Key Factors Affecting our Results of Operations – Product Life Cycles," Item 7 of Part II to this report, as well as weather conditions. This seasonality affects sales in each of our reportable segments differently. In general, however, because of this seasonality, a majority of our sales and most of our profitability generally occurs during the first half of the year.

Research and Product Development

Innovating within a highly regulated environment presents unique challenges and opportunities that require a significant investment in people, facilities and financial resources, with separate dedicated R&D teams for each product category. We have six R&D facilities and/or test centers supported by approximately 190 scientists, chemists, engineers and technicians in aggregate. We are committed to continuous improvement and each R&D team is tasked to develop technology that will deliver better quality and performance products in each generation.

For the years ended December 31, 2018 , 2017 and 2016 we invested $51.5 million , $47.2 million and $48.1 million , respectively, in R&D.

Patents, Trademarks and Licenses

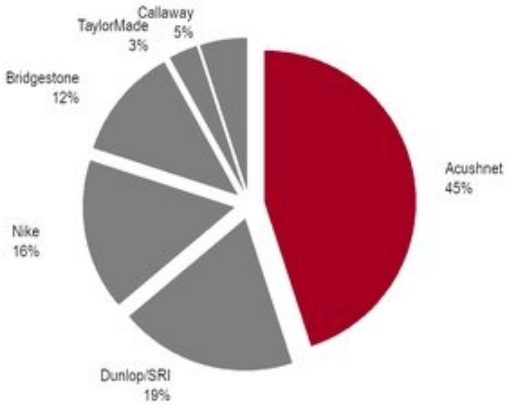
We consider our patents and trademarks to be among our most valuable assets. We are dedicated to protecting the innovations created by our R&D teams by developing broad and deep patent and trademark portfolios across all product categories.

As a result, we have strong patent positions across our product categories and innovation spaces in which we operate, and have become the leader in obtaining golf ball and golf club patents worldwide. In addition, we believe we have more combined golf shoe and golf glove utility patents than all competitors combined. We have over 1,250 U.S. utility patents in golf balls, nearly 350 U.S. utility patents in golf clubs, wedges and putters and approximately 300 patents (including ex-U.S. and design patents) in golf shoes and gloves.

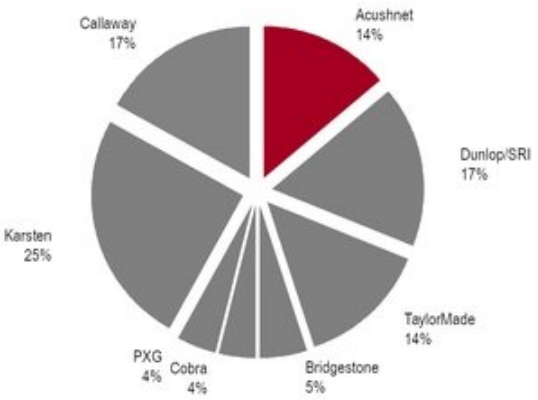
The following charts show our percentage of golf ball and golf club patents obtained in the last five years compared to our peers.

Utility Patents: 2014-2018

Golf Ball (971 Patents)



Golf Club (1,394 Patents)



We own or license a large portfolio of trademarks, including for Titleist, Pro V1, Pro V1x, AVX, Pinnacle, AP1, AP2, TS, Vokey Design, Scotty Cameron, FootJoy, FJ, DryJoys, StaSof and ProDry. We protect our trademarks by obtaining registrations where appropriate and opposing or cancelling material infringements. We also have rights in several common law marks.

Competition

There are unique aspects to the competitive dynamic in each of our product categories.

The golf ball business is highly competitive. There are a number of well-established and well-financed competitors, including Callaway, SRI Sports Limited (Dunlop and Srixon brands) and Bridgestone (Bridgestone and Precept brands).

The golf club, wedge and putters markets in which we compete are also highly competitive and are served by a number of well-established and well-financed companies with recognized brand names, including Callaway, TaylorMade and Ping.

For golf balls and golf clubs, wedges and putters, we generally compete on the basis of technology, quality, performance and customer service.

In the golf gear market, there are numerous competitors in each product category and geographical market. Titleist golf gear generally competes on the basis of quality, performance, styling and customer service.

FootJoy's significant worldwide competitors in golf shoes include Nike, Adidas and Ecco. FootJoy's primary worldwide competitors in golf gloves include Callaway, Nike, TaylorMade and Adidas and a significant number of smaller companies with regional offerings and specialized golf glove products. In the golf apparel category, FootJoy has numerous competitors in each geographical market, including Nike, Adidas and Under Armour. FootJoy products generally compete on the basis of quality, performance, styling and price.

Environmental Matters

Our operations and properties are subject to federal, state and local environmental laws and regulations that impose limitations on the discharge of pollutants into the environment and establish standards for the handling, generation, emission, release, discharge, treatment, storage and disposal of certain materials, substances and wastes and the remediation of environmental contaminants. In the ordinary course of our manufacturing processes, we use paints, chemical solvents and other materials, and generate waste by-products that are subject to these environmental laws. We have incurred expenses in connection with environmental compliance.

We are also involved in ongoing investigations with federal and state environmental protection agencies and expect to incur future costs for past and current environmental issues relating to certain sites. See "Risk Factors - We are subject to environmental, health and safety laws and regulations, which could subject us to liabilities, increase our costs or restrict our operations in the future."

Regulation

The Rules of Golf

The Rules of Golf set forth the rules of play and the rules for equipment used in the game of golf. The first documented rules of golf date to 1744 and the modern Rules of Golf have been in place for over 100 years. Dedicated golfers respect the traditions of the game and play by the Rules of Golf. As a result, premium-positioned products are designed and manufactured to conform to the Rules of Golf.

The United States Golf Association, or the USGA, is the governing body for golf in the United States and Mexico. The USGA, in conjunction with the Royal and Ancient, or R&A, in St. Andrews, Scotland, writes, interprets and maintains the Rules of Golf. The R&A is the governing body for golf in all jurisdictions outside of the United States and Mexico. The R&A jointly writes, interprets and maintains the Rules of Golf with the USGA.

In addition to their role as rule makers, both the USGA and R&A conduct national championships and are involved in other efforts to maintain the history of golf and promote the health of the game.

The Rules of Golf set the standards and establish limitations for the design and performance of all balls and clubs. Many new regulations on golf balls and golf clubs have been introduced in the past 10 to 15 years, which we believe was one of the most active periods for golf equipment regulation in the history of golf.

Golf Balls

Historically, the USGA and R&A have regulated the size, weight, spherical symmetry, initial velocity and overall distance performance of golf balls. The overall distance standard was last revised in 2004.

Golf Clubs

The USGA and R&A have also focused on golf club regulations. In 1998, a limitation was placed on the spring-like effect of driver faces. In 2003, limits were placed on club head dimensions and volume, as well as shaft length. In 2007, club head moment of inertia was limited. A rule change to allow greater adjustability in golf clubs went into effect on January 1, 2008. In August 2008, the USGA and R&A adopted a rule change further restricting golf club grooves by reducing the groove volume and limiting the groove edge angle allowable on irons and wedges. This rule change will not apply to most golfers until January 1, 2024. It was implemented on professional tours beginning in 2010 and was implemented in elite amateur competitions beginning in 2014. All products manufactured after December 31, 2010 must comply with the new groove specifications.

Our Position

In response to this regulatory dynamic, our senior management and R&D teams spend significant time and effort in developing and maintaining relationships with the USGA and R&A. We are an active participant in discussions with the ruling bodies regarding potential new rules and the rule making process. More importantly, our R&D teams are driven to innovate and continuously improve product technology and performance within the Rules of Golf. The development and protection of these innovations through aggressive patenting are essential to competing in the current market. As a long-time industry participant and market leader, we are well-positioned to continue to outperform the market in a rules constrained environment.

Employees

As of December 31, 2018 , we employed 5,209 associates worldwide. The geographic concentration of associates is as follows: 2,348 in the Americas, 468 in EMEA, and 2,393 employed in Asia Pacific. None of our associates are represented by a union. We believe that relations with our associates are positive.

ITEM 1A. RISK FACTORS

You should carefully consider each of the following risk factors, as well as the other information in this report, including our consolidated financial statements and the related notes and "– Management's Discussion and Analysis of Financial Condition and Results of Operations," Item 7 of Part II, included elsewhere in this report. If any of the following risks actually occurs, our business, financial condition and results of operations could be materially adversely affected. In that event, the market price of our common stock could decline significantly and you could lose all or part of your investment. The risks described below are not the only risks we face. Additional risks we are not presently aware of or that we currently believe are immaterial could also materially adversely affect our business, financial condition and results of operations.

Risks Related to Our Business and Industry

A reduction in the number of rounds of golf played or in the number of golf participants could materially adversely affect our business, financial condition and results of operations.

We generate substantially all of our sales from the sale of golf-related products, including golf balls, golf clubs, golf shoes, golf gloves, golf gear and golf apparel. The demand for golf-related products in general, and golf balls in particular, is directly related to the number of golf participants and the number of rounds of golf being played by these participants. If golf participation or the number of rounds of golf played declines, sales of our products may be adversely impacted, which could materially adversely affect our business, financial condition and results of operations.

Unfavorable weather conditions may impact the number of playable days and rounds played in a given year.

Weather conditions in most parts of the world, including our primary geographic markets, generally restrict golf from being played year-round, with many of our on-course customers closed during the cold weather months and, to a lesser extent, during the hot weather months. Unfavorable weather conditions in our major markets, such as a particularly long winter, a cold and wet spring, or an extremely hot summer, would impact the number of playable days and rounds played in a given year, which would result in a decrease in the amount spent by golfers and golf retailers on our products, particularly with respect to consumable products such as golf balls and golf gloves. In addition, unfavorable weather conditions and natural disasters can adversely affect the number of custom club fitting and trial events that we can perform during the key selling period. Unusual or severe weather conditions throughout the year, such as storms or droughts or other water shortages, can negatively affect

golf rounds played both during the events and afterward, as weather damaged golf courses are repaired and golfers focus on repairing the damage to their homes, businesses and communities. Consequently, sustained adverse weather conditions, especially during the warm weather months, could impact our sales, which could materially adversely affect our business, financial condition and results of operations. Adverse weather conditions may have a greater impact on us than other golf equipment companies as we have a large percentage of consumable products in our product portfolio, and the purchase of consumable products is generally more dependent on the number of rounds played in a given year.

Consumer spending habits and macroeconomic factors may affect the number of rounds of golf played and related spending on golf products.

Our products are recreational in nature and are therefore discretionary purchases for consumers. Consumers are generally more willing to spend their time and money to play golf and make discretionary purchases of golf products when economic conditions are favorable and when consumers feel confident and prosperous. Discretionary spending on golf and the golf products we sell is affected by consumer spending habits as well as by many macroeconomic factors, including general business conditions, stock market prices and volatility, corporate spending, housing prices, interest rates, the availability of consumer credit, taxes and consumer confidence in future economic conditions. Consumers may reduce or postpone purchases of our products as a result of shifts in consumer spending habits as well as during periods when economic uncertainty increases, disposable income is lower, or during periods of actual or perceived unfavorable economic conditions. A future significant or prolonged decline in general economic conditions or uncertainties regarding future economic prospects that adversely affects consumer discretionary spending, whether in the United States or in our international markets, could result in reduced sales of our products, which could materially adversely affect our business, financial condition and results of operations.

Demographic factors may affect the number of golf participants and related spending on our products.

Golf is a recreational activity that requires time and money and different generations and socioeconomic and ethnic groups use their leisure time and discretionary funds in different ways. Golf participation among younger generations and certain socioeconomic and ethnic groups may not prove to be as popular as it is among the current “gen-x” (age 39 – 54) and “baby boomer” (age 55 – 73) generations. If golf participation or the number of rounds of golf played declines, due to factors such as demographic changes in the United States and our international markets or lack of interest in the sport among young people or certain socioeconomic and ethnic groups, sales of our products could be negatively impacted, which could materially adversely affect our business, financial condition and results of operations.

A significant disruption in the operations of our manufacturing, assembly or distribution facilities could materially adversely affect our business, financial condition and results of operations.

We rely on our manufacturing facilities in the United States, Thailand and China and assembly and distribution facilities in many of our major markets, certain of which constitute our sole manufacturing facility for a particular product category, including our joint venture facility in China where substantially all of our golf shoes are manufactured and our facility in Thailand where we manufacture the majority of our golf gloves. Because substantially all of our products are manufactured and assembled in and distributed from a few locations, our operations could be interrupted by events beyond our control, including:

- power loss or network connectivity or telecommunications failure or downtime;
- equipment failure;
- human error or accidents;
- sabotage or vandalism;
- physical or electronic security breaches;
- floods, fires, earthquakes, hurricanes, tornadoes, tsunamis or other natural disasters;
- political unrest;
- labor difficulties, including work stoppages or slowdowns;
- water damage or water shortage;
- government orders and regulations;
- pandemics and other health and safety issues; and
- terrorism.

Our manufacturing, assembly and distribution capacity is also dependent on the performance of services by third parties, including vendors, landlords and transportation providers. If we encounter problems with our manufacturing, assembly and distribution facilities, our ability to meet customer expectations, manage inventory, complete sales and achieve objectives for operating efficiencies could be harmed, which could materially adversely affect our business, financial condition and results of operations. We maintain business interruption insurance, but it may not adequately protect us from the adverse effects that could result from significant disruptions to our manufacturing, assembly and distribution facilities, such as the long-term loss of customers or an erosion of our brand image.

Our manufacturing, assembly and distribution networks include computer processes, software and automated equipment that may be subject to a number of risks related to security or computer viruses, the proper operation of software and hardware, electronic or power interruptions or other system failures.

Many of our raw materials or components of our products are provided by a sole or limited number of third-party suppliers and manufacturers.

We rely on a sole or limited number of third-party suppliers and manufacturers for many of our raw materials and the components in our golf balls, golf clubs, golf gloves and certain of our other products. We also use specialized sources for certain of the raw materials used to make our golf gloves and other products, and these sources are limited to certain geographical locations. Furthermore, many of these materials are customized for us and some of our products require specially developed manufacturing techniques and processes which make it difficult to identify and utilize alternative suppliers quickly. If we were to experience any delay or interruption in such supplies, we may not be able to find adequate alternative suppliers at a reasonable cost or without significant disruption to our business, which could materially adversely affect our business, financial condition and results of operations.

A disruption in the operations of our suppliers could materially adversely affect our business, financial condition and results of operations.

Our ability to continue to select reliable suppliers who provide timely deliveries of quality materials and components will impact our success in meeting customer demand for timely delivery of quality products. If we experience significantly increased demand, or if, for any reason, we need to replace an existing manufacturer or supplier, there can be no assurance that additional supplies of raw materials or additional manufacturing capacity will be available when required on terms that are acceptable to us, or at all, or that any new supplier or manufacturer would allocate sufficient capacity to us in order to meet our requirements. In addition, should we decide to transition existing manufacturing between third-party manufacturers or should we decide to transition existing in-house manufacturing to third-party manufacturers, the risk of such a problem could increase. Even if we are able to expand existing or find new manufacturing sources, we may encounter delays in production and added costs as a result of the time it takes to train our suppliers and manufacturers in our methods, products and quality control standards. Any material delays, interruption or increased costs in the supply of raw materials or components of our products could impact our ability to meet customer demand for our products, which could materially adversely affect our business, financial condition and results of operations.

In addition, there can be no assurance that our suppliers and manufacturers will continue to provide raw materials and components that are consistent with our standards and that comply with all applicable laws and regulations. We have occasionally received, and may in the future receive, shipments of supplies or components that fail to conform to our quality control standards. In that event, unless we are able to obtain replacement supplies or components in a timely manner, we risk the loss of sales resulting from the inability to manufacture our products and could incur related increased administrative and shipping costs, and there also could be a negative impact to our brands, any of which could materially adversely affect our business, financial condition and results of operations.

While we do not control our suppliers or their labor practices, negative publicity regarding the management of facilities, production methods of or materials used by any of our suppliers could adversely affect our reputation, which could materially adversely affect our business, financial condition and results of operations and may force us to locate alternative suppliers. In addition, our suppliers may not be well capitalized and they may not be able to fulfill their obligations to us or go out of business. Furthermore, the ability of third-party suppliers to timely deliver raw materials or components may be affected by events beyond their control, such as work stoppages or slowdowns, transportation issues, changes in trade or tariff laws, or significant weather and health conditions.

The cost of raw materials and components could affect our operating results.

The materials and components used by us, our suppliers and our manufacturers involve raw materials, including polybutadiene, urethane and Surlyn for the manufacturing of our golf balls, titanium and steel for the manufacture of our golf clubs, leather and synthetic fabrics for the manufacturing of our golf shoes, golf gloves, golf gear and golf apparel, and resin and other petroleum-based materials for a number of our products. Significant price fluctuations or shortages in such raw materials or components, including the costs to transport such materials or components of our products, the uncertainty of currency fluctuations against the U.S. dollar, increases in labor rates, trade duties or tariffs, and/or the introduction of new and expensive raw materials, could materially adversely affect our business, financial condition and results of operations.

Our operations are conducted worldwide and our results of operations are subject to currency transaction risk and currency translation risk that could materially adversely affect our business, financial condition and results of operations.

For the year ended December 31, 2018 , $807.6 million of our net sales were generated outside of the United States by our non-U.S. subsidiaries. Sales by geographic area are included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, Item 7 of Part II, and in “Notes to Consolidated Financial Statements –Note 21 – Segment Information.”, Item 8 of Part II, included elsewhere in this report. Substantially all of these net sales generated outside of the United States were generated in the applicable local currency, which include, but are not limited to, the Japanese yen, the Korean won, the British pound sterling, the euro and the Canadian dollar. In contrast, substantially all of the purchases of inventory, raw materials or components by our non-U.S. subsidiaries are made in U.S. dollars. For the year ended December 31, 2018 , approximately 84% of our cost of goods sold incurred by our non-U.S. subsidiaries was denominated in U.S. dollars. Because our non-U.S. subsidiaries incur substantially all of their cost of goods sold in currencies that are different from the currencies in which they generate substantially all of their sales, we are exposed to transaction risk attributable to fluctuations in such exchange rates, which can impact the gross profit of our non-U.S. subsidiaries. If the U.S. dollar strengthens against the applicable local currency, more local currency will be needed to purchase the same amount of cost of goods sold denominated in U.S. dollars, which could materially adversely affect our business, financial condition and results of operations.

We have entered and expect to continue to enter into various foreign currency exchange contracts in an effort to protect against adverse changes in foreign exchange rates and attempt to minimize foreign currency transaction risk. Our hedging activities can reduce, but will not eliminate, the effects of foreign currency transaction risk on our financial results. The extent to which our hedging activities mitigate foreign currency transaction risks varies based upon many factors, including the amount of transactions being hedged. Other factors that could affect the effectiveness of our hedging activities include accuracy of sales forecasts, volatility of currency markets, the availability of hedging instruments and limitations on the duration of such hedging instruments. Since the hedging activities are designed to reduce volatility, they not only reduce the negative impact of a stronger U.S. dollar but could also reduce the positive impact of a weaker U.S. dollar. We are also exposed to credit risk from the counterparties to our hedging activities and market conditions could cause such counterparties to experience financial difficulties. As a result, our efforts to hedge these exposures could prove unsuccessful and, furthermore, our ability to engage in additional hedging activities may decrease or become more costly.

Because our consolidated accounts are reported in U.S. dollars, we are also exposed to currency translation risk when we translate the financial results of our consolidated non-U.S. subsidiaries from their local currency into U.S. dollars. For the year ended December 31, 2018 , 49% of our sales were denominated in foreign currencies. In addition, for the year ended December 31, 2018 , 32% of our operating expenses were denominated in foreign currencies (which amounts represent substantially all of the operating expenses incurred by our non-U.S. subsidiaries). Fluctuations in foreign currency exchange rates may positively or negatively affect our reported financial results and can significantly affect period-over-period comparisons. A strengthening of the U.S. dollar relative to our foreign currencies could materially adversely affect our business, financial condition and results of operations.

We may not successfully manage the frequent introduction of new products or satisfy changing consumer preferences, quality and regulatory standards.

The golf equipment and golf wear industries are subject to constantly and rapidly changing consumer demands based, in large part, on performance benefits. Our golf ball and golf club products generally have launch cycles of two years, and our sales in a particular year are affected by when we launch such products. We generally introduce new product offerings and styles in our golf wear and gear businesses each year and at different times during the year. Factors driving these short product launch cycles include the rapid introduction of competitive products and consumer demands for the latest technology, style or fashion. In this marketplace, a substantial portion of our annual sales are generated each year by new products.

These marketplace conditions raise a number of issues that we must successfully manage. For example, we must properly anticipate consumer preferences and design products that meet those preferences, while also complying with significant restrictions imposed by the Rules of Golf (see further discussion of the Rules of Golf below under "– Changes to the Rules of Golf with respect to equipment could materially adversely affect our business, financial condition and results of operations"), or our new products will not achieve sufficient market success to compensate for the usual decline in sales experienced by products already in the market. Second, our R&D and supply chain groups face constant pressures to design, develop, source and supply new products—many of which incorporate new or otherwise untested technology, suppliers or inputs—that perform better than their predecessors while maintaining quality control and the authenticity of our brands. Third, for new products to generate equivalent or greater sales than their predecessors, they must either maintain the same or higher sales levels with the same or higher pricing, or exceed the performance of their predecessors in one or both of those areas. Fourth, the relatively short window of opportunity for launching and selling new products requires great precision in forecasting demand and assuring that supplies are ready and delivered during the critical selling periods. Finally, the rapid changeover in products creates a need to monitor and manage the closeout of older products both at retail and in our own inventory. If we do not successfully manage the frequent introduction of new products or satisfy consumer demand, it could adversely affect our business, financial condition and results of operations.

Failure to successfully innovate and offer high-quality products may adversely affect our ability to compete in the market for our products.

Technical innovation and quality control in the design and manufacturing processes of our products is essential to our commercial success. R&D plays a key role in technical innovation. We rely upon experts in various fields to develop and test cutting edge performance products. If we fail to introduce technical innovation in our products, consumer demand for our products could decline, and if we experience problems with the quality of our products, we may incur substantial expense to remedy the problems, any of which could materially adversely affect our business, financial condition and results of operations.

Changes to the Rules of Golf with respect to equipment could materially adversely affect our business, financial condition and results of operations.

Golf's most regulated categories are golf balls and golf clubs. We seek to have our new golf ball and golf club products conform with the Rules of Golf published by the United States Golf Association, or the USGA, and The Royal and Ancient Golf Club of St. Andrews, or The R&A, because these rules are generally followed by golfers, both professional and amateur, within their respective jurisdictions. The USGA publishes rules that are generally followed in the United States and Mexico, and The R&A publishes rules that are generally followed in most other countries throughout the world. The Rules of Golf as published by The R&A and the USGA are virtually the same and are intended to be so pursuant to a Joint Statement of Principles issued in 2001. The Rules of Golf set the guidelines and establish limitations for the design and performance of all golf balls and golf clubs.

Many new regulations on golf balls and golf clubs have been introduced in the past 10 to 15 years, which we believe was one of the most active periods for golf equipment regulation in the history of golf. The USGA and R&A have historically regulated the size, weight and initial velocity of golf balls. More recently, the USGA and R&A have specifically focused on regulating the overall distance of a golf ball. The USGA and R&A have also focused on golf club regulations, including limiting the size and spring-like effect of driver faces and club head moment of inertia. In the future, existing USGA and/or R&A rules may be altered in ways that adversely affect the sales of our current or future products. If a change in rules was adopted and caused one or more of our current or future products to be nonconforming, sales of such products would be impacted and we may not be able to adapt our products promptly to such rule change, which could materially adversely affect our business, financial condition and results of operations. In addition, changes in the Rules of Golf may result in an increase in the costs of materials that would need to be used to develop new products as well as an increase in the costs to design new products that conform to such rules.

Failure to adequately enforce and protect our intellectual property rights could materially adversely affect our business, financial condition and results of operations.

We own numerous patents, trademarks, trade secrets, copyrights and other intellectual property and hold licenses to intellectual property owned by others, which in the aggregate are important to our business. We rely on a combination of patent, trademark, copyright and trade secret laws in our core geographic markets and other jurisdictions, to protect the innovations, brands, proprietary trade secrets and know-how related to certain aspects of our business. Certain of our intellectual property rights, such as patents, are time-limited, and the technology underlying our patents can be used by any third party, including competitors, once the applicable patent terms expire.

We seek to protect our confidential proprietary information, in part, by entering into confidentiality and invention assignment agreements with our employees, consultants, contractors, suppliers and others. While these agreements are designed to protect our proprietary information, we cannot be certain that such agreements have been entered into with all relevant parties, and we cannot be certain that our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. We also seek to preserve the integrity and confidentiality of our proprietary information by maintaining physical security of our premises and physical and electronic security of our information technology systems, but it is possible that these security measures could be breached. If we are unable to prevent disclosure to third parties of our material proprietary and confidential know-how and trade secrets, our ability to establish or maintain a competitive advantage in our markets may be adversely affected.

We selectively and strategically pursue patent and trademark protection in our core geographic markets, but our strategy has been to not perfect certain patent and trademark rights in some countries. For example, we focus primarily on securing patent protection in those countries where the majority of our golf ball and golf club industry production takes place. Accordingly, we may not be able to prevent others, including competitors, from practicing our patented inventions, including by manufacturing and selling competing products, in those countries where we have not obtained patent protection. Further, the laws of some foreign countries do not protect proprietary rights to the same extent or in the same manner as the laws of the United States. As a result, we may encounter significant problems in protecting, enforcing and defending our intellectual property outside of the United States. In some foreign countries, where intellectual property laws or law enforcement practices do not protect our intellectual property rights as fully as in the United States, third-party manufacturers may be able to manufacture and sell imitation products and diminish the value of our brands as well as infringe our rights, despite our efforts to prevent such activity.

The golf ball and golf club industries, in particular, have been characterized by widespread imitation of popular ball and club designs. We have an active program of monitoring, investigating and enforcing our proprietary rights against companies and individuals who market or manufacture counterfeits and “knockoff” products. We assert our rights against infringers of our patents, trademarks, trade dress and copyrights. However, these efforts may be expensive, time-consuming, divert management’s attention, and ultimately may not be successful in reducing sales of golf products by these infringers. The failure to prevent or limit such infringers or imitators could adversely affect our reputation and sales. Additionally, other golf ball and golf club manufacturers may be able to produce successful golf balls or golf clubs which imitate our designs without infringing any of our patents, trademarks, trade dress or copyrights, which could limit our ability to maintain a competitive advantage in our marketplace.

If we fail to obtain enforceable patents, trademarks and trade secrets, fail to maintain our existing patent, trademark and trade secret rights, or fail to prevent substantial unauthorized use of our patents, trademarks and trade secrets, we risk the loss of our intellectual property rights and competitive advantages we have developed, which may result in lost sales. Accordingly, we devote substantial resources to the establishment and protection of our trademarks, patents and trade secrets or know-how, and we continuously evaluate the utility of our existing intellectual property and the new registration of additional trademarks and patents, as appropriate. However, we cannot guarantee that we will have adequate resources to continue to effectively establish, maintain and enforce our intellectual property rights. We also cannot guarantee that any of our pending applications will be approved by the applicable governmental authorities. Moreover, even if the applications will be registered during the registration process, third parties may seek to oppose, limit, or otherwise challenge these applications or registrations.

We may be involved in lawsuits to protect, defend or enforce our intellectual property rights, which could be expensive, time consuming and unsuccessful.

Our success depends in part on our ability to protect our trademarks, patents and trade secrets from unauthorized use by others. To counter infringement or unauthorized use, we may be required to file infringement or misappropriation claims, which can be expensive and time-consuming and could materially adversely affect our business, financial condition and results of operations, even if successful. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe or misappropriate their intellectual property rights or that we have engaged in anti-competitive conduct. Moreover, our involvement in litigation against third parties asserting infringement of our intellectual property rights presents some risk that our intellectual property rights could be challenged and invalidated. In addition, in an infringement proceeding, whether initiated by us or another party, a court may refuse to stop the other party in such infringement proceeding from using the technology or mark at issue on the grounds that our patents do not cover the technology in question or misuse our trade secrets or know-how. An adverse result in any litigation or defense proceedings, including proceedings at the patent and trademark offices, could put one or more of our patents or trademarks at risk of being invalidated, held unenforceable or interpreted narrowly, and could put any of our patent or trademark applications at risk of not

being issued as a registered patent or trademark, any of which could materially adversely affect our business, financial condition and results of operations.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential proprietary information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could materially adversely affect the price of our common stock.

Our products may infringe the intellectual property rights of others, which may cause us to incur unexpected costs or prevent us from selling our products.

From time to time, third parties have challenged our patents, trademark rights and branding practices, or asserted intellectual property rights that relate to our products and product features. We cannot assure you that our actions taken to establish and protect our technology and brands will be adequate to prevent others from seeking to block sales of our products or to obtain monetary damages, based on alleged violation of their patents, trademarks or other proprietary rights. We may be required to defend such claims in the future, which, whether or not meritorious, could result in substantial costs and diversion of resources and could materially adversely affect our business, financial condition and results of operations.

If we are found to infringe a third party's intellectual property rights, we could be forced, including by court order, to cease developing, manufacturing or commercializing the infringing product. Alternatively, we may be required to obtain a license from such a third party in order to use the infringing technology and continue developing, manufacturing or marketing such technology. In such a case, license agreements may require us to pay royalties and other fees that could be significant, or we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. A finding of infringement could prevent us from commercializing our products or force us to cease some of our business operations, or to redesign or rename some of our products to avoid future infringement liability. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent. Claims that we have misappropriated the confidential information or trade secrets of third parties could also materially adversely affect our business, financial condition and results of operations. See also "—We may be involved in lawsuits to protect, defend or enforce our intellectual property rights, which could be expensive, time consuming and unsuccessful." Any of the foregoing could cause us to incur significant costs and prevent us from manufacturing or selling certain of our products.

Changes to patent laws could adversely affect our ability to protect our intellectual property.

Patent reform legislation may increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. For example, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, which was adopted in September 2011, includes a number of significant changes to the U.S. patent laws, such as, among other things, changing from a "first to invent" to a "first inventor to file" system, establishing new procedures for challenging patents and establishing different methods for invalidating patents. Some of these changes or potential changes may not be advantageous to us, and it may become more difficult to obtain adequate patent protection or to enforce our patents against third parties. These changes or potential changes could increase the costs and uncertainties surrounding the prosecution of our patent applications and adversely affect our ability to protect our intellectual property which could materially adversely affect our business, financial condition and results of operations. Furthermore, the U.S. Supreme Court and the U.S. Court of Appeals for the Federal Circuit have made, and may in the future make, changes in how the patent laws of the United States are interpreted. Similarly, foreign courts have made, and may in the future make, changes in how the patent laws in their respective jurisdictions are interpreted. We cannot predict future changes in the interpretation of patent laws or changes to patent laws that might be enacted into law by United States and foreign legislative bodies. Those changes may materially affect our patents or patent applications and our ability to obtain and enforce or defend additional patent protection in the future.

We face intense competition in each of our markets and if we are unable to maintain a competitive advantage, loss of market share, sales or profitability may result.

The markets for golf balls, clubs, gear and wear are highly competitive and there may be low barriers to entry in many of our markets. Pricing pressures, reduced profit margins or loss of market share or failure to grow in any of our markets, due to competition or otherwise, could materially adversely affect our business, financial condition and results of operations.

We compete against large-scale global sports equipment and apparel players, Japanese industrials, and more specialized golf equipment and golf wear players, including Callaway, TaylorMade, Ping, Bridgestone, Nike, Adidas and Under Armour. Many of our competitors have significant competitive strengths, including long operating histories, a large and broad consumer base, established relationships with a broad set of suppliers and customers, an established regional or local presence,

strong brand recognition and greater financial, R&D, marketing, distribution and other resources than we do. There are unique aspects to the competitive dynamic in each of our product categories and markets. We are not the market leader with respect to certain categories or in certain markets.

Golf Balls. The golf ball business is highly competitive. There are a number of well-established and well-financed competitors. We and our competitors continue to incur significant costs in the areas of R&D, advertising, marketing, tour and other promotional support to be competitive.

Golf Clubs. The golf club markets in which we compete are also highly competitive and are served by a number of well-established and well-financed companies with recognized brand names. New product introductions, price reductions, consignment sales, extended payment terms, “closeouts,” including closeouts of products that were recently commercially successful, and significant tour and advertising spending by competitors continue to generate intense market competition and create market disruptions. Our competitors in the golf club market have in the past and may continue to introduce their products on an accelerated cycle which could lead to market disruption and impact sales of our products.

Golf Gear. The golf gear market is fragmented and served by a number of well-established and well-financed competitors as well as a number of smaller competitors. We face significant competition in every region with respect to each of our golf gear product categories.

Golf Wear. In the golf wear markets, we compete with a number of well-established and well-financed companies with recognized brand names. These competitors may have a large and broad consumer base, established relationships with a broad set of suppliers and customers, strong brand recognition and significant financial, R&D, marketing, distribution and other resources which may exceed our own.

Our competitors may be able to create and maintain brand awareness and market share more quickly and effectively than we can. Our competitors may also be able to increase sales in new and existing markets faster than we do by emphasizing different distribution channels or through other methods, and many of our competitors have substantial resources to devote towards increasing sales. If we are unable to grow or maintain our competitive position in any of our product categories, it could materially adversely affect our business, financial condition and results of operations.

We may have limited opportunities for future growth in sales of golf balls, golf shoes and golf gloves.

We already have a significant share of worldwide sales of golf balls, golf shoes and golf gloves and the golf industry is very competitive. As such, gaining incremental market share quickly or at all may be limited given the competitive nature of the golf industry and other challenges to the golf industry. In the future, the overall dollar volume of worldwide sales of golf equipment, wear and gear may not grow or may decline which could materially adversely affect our business, financial condition and results of operations.

A severe or prolonged economic downturn could adversely affect our customers’ financial condition, their levels of business activity and their ability to pay trade obligations.

We primarily sell our products to golf equipment retailers, such as on-course golf shops, golf specialty stores and other qualified retailers, directly and to foreign distributors. We perform ongoing credit evaluations of our customers’ financial condition and generally require no collateral from these customers. However, a severe or prolonged downturn in the general economy could adversely affect the retail golf equipment market, which in turn would negatively impact the liquidity and cash flows of our customers, including the ability of such customers to obtain credit to finance purchases of our products and to pay their trade obligations. This could result in increased delinquent or uncollectible accounts for our customers as well as a decrease in orders for our products by such customers. A failure by our customers to pay a significant portion of outstanding accounts receivable balances on a timely basis or a decrease in orders from such customers could materially adversely affect our business, financial condition and results of operations.

A decrease in corporate spending on our custom logo golf balls could materially adversely affect our business, financial condition and results of operations.

Custom imprinted golf balls, a majority of which are purchased by corporate customers, represented approximately 30% of our global net golf ball sales for the year ended December 31, 2018 . There has long been a strong connection between the business community and golf, but corporate spending on custom logoed balls has remained at lower levels since the 2008 financial crisis. If such corporate spending decreases further, it could impact the sales of our custom imprinted golf balls.

We depend on retailers and distributors to market and sell our products, and our failure to maintain and further develop our sales channels could materially adversely affect our business, financial condition and results of operations.

We primarily sell our products through retailers and distributors and depend on these third parties to market and sell our products to consumers. Any changes to our current mix of retailers and distributors could adversely affect our sales and could negatively affect both our brand image and our reputation. Our sales depend, in part, on retailers adequately displaying our products, including providing attractive space and merchandise displays in their stores, and training their sales personnel to sell our products. If our retailers and distributors are not successful in selling our products, our sales would decrease. Our retailers frequently offer products and services of our competitors in their stores. In addition, our success in growing our presence in existing and expanding into new international markets will depend on our ability to establish relationships with new retailers and distributors. If we do not maintain our relationship with existing retailers and distributors or develop relationships with new retailers and distributors, our ability to sell our products would be negatively impacted.

On a consolidated basis, no one customer that sells or distributes our products accounted for more than 10% of our consolidated net sales in the year ended December 31, 2018 . However, our top ten customers accounted for 19% of our consolidated net sales in the year ended December 31, 2018 . Accordingly, the loss of a small number of our large customers, or the reduction in business with one or more of these customers, could materially adversely affect our business, financial condition and results of operations. We do not currently have minimum purchase agreements with these large customers.

For example, in September 2016, one of our largest customers in recent years, a golf specialty retailer, announced bankruptcy proceedings, resulting in a significant interruption to our business in the second half of 2016 and the full year of 2017. Similar matters may materially adversely affect our business, financial condition and results of operations.

Consolidation of retailers or concentration of retail market share among a few retailers may increase and concentrate our credit risk, put pressure on our margins and impair our ability to sell products.

The sporting goods and off-course golf equipment retail markets in some countries, including the United States, are dominated by a few large retailers. Certain of these retailers have in the past increased their market share and may continue to do so in the future by expanding through acquisitions and construction of additional stores. Industry consolidation and correction has occurred in recent years and additional consolidation and correction is possible. These situations may result in a concentration of our credit risk with respect to our sales to such retailers, and, if any of these retailers were to experience a shortage of liquidity or other financial difficulties, or file for bankruptcy or receivership protection, it would increase the risk that their outstanding payables to us may not be paid. This consolidation may also result in larger retailers gaining increased leverage which may impact our margins. In addition, increasing market share concentration among one or a few retailers in a particular country or region increases the risk that if any one of them substantially reduces their purchases of our products, we may be unable to find a sufficient number of other retail outlets for our products to sustain the same level of sales. Any reduction in sales by our retailers could materially adversely affect our business, financial condition and results of operations.

Our business depends on strong brands, and if we are not able to maintain and enhance our brands we may be unable to sell our products.

Our brands have worldwide recognition and our success depends on our ability to maintain and enhance our brand image and reputation. In particular, we believe that maintaining and enhancing the Titleist and FootJoy brands is critical to maintaining and expanding our customer base. Maintaining, promoting and enhancing our brands may require us to make substantial investments in areas such as product innovation, product quality, intellectual property protection, marketing and employee training, and these investments may not have the desired impact on our brand image and reputation. Our business could be adversely impacted if we fail to achieve any of these objectives or if the reputation or image of any of our brands is tarnished or receives negative publicity. In addition, adverse publicity about regulatory or legal action against us could damage our reputation and brand image, undermine consumer confidence in us and reduce long-term demand for our products, even if the regulatory or legal action is unfounded or not material to our operations. Also, as we seek to grow our presence in existing and expand into new geographic or product markets, consumers in these markets may not accept our brand image and may not be willing to pay a premium to purchase our products as compared to other brands. We anticipate that as our business continues to grow our presence in existing and expand into new markets, maintaining and enhancing our brands may become increasingly difficult and expensive. If we are unable to maintain or enhance the image of our brands, it could materially adversely affect our business, financial condition and results of operations.

Our business operations are subject to seasonal fluctuations, which could result in fluctuations in our operating results and stock price.

Our business is subject to seasonal fluctuations because golf is played primarily on a seasonal basis in most of the regions where we do business. In general, during the first quarter, we begin selling our products into the golf retail channel for the new golf season. This initial sell-in generally continues into the second quarter. Our second-quarter sales are significantly affected by the amount of sell-through, in particular the amount of higher value discretionary purchases made by customers, which drives the level of reorders of our products sold-in during the first quarter. Our third-quarter sales are generally dependent on reorder business, and are generally less than the second quarter as many retailers begin decreasing their inventory levels in anticipation of the end of the golf season. Our fourth-quarter sales are generally less than the other quarters due to the end of the golf season in many of our key markets, but can also be affected by key product launches, particularly golf clubs. Accordingly, our results of operations are likely to fluctuate significantly from period to period. This seasonality affects sales in each of our reportable segments differently. In general, however, because of this seasonality, a majority of our sales and most of our profitability generally occurs during the first half of the year. Results of operations in any period should not be considered indicative of the results to be expected for any future period. The seasonality of our business could be exacerbated by the adverse effects of unusual or severe weather conditions as well as by severe weather conditions caused or exacerbated by climate change.

Our business and results of operations are also subject to fluctuations based on the timing of new product introductions.

Our sales can also be affected by the launch timing of new products. Product introductions generally stimulate sales as the golf retail channel takes on inventory of new products. Reorders of these new products then depend on the rate of sell-through. Announcements of new products can often cause our customers to defer purchasing additional golf equipment until our new products are available. Our varying product introduction cycles, which are described under “Item 7. – Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations – Cyclicality,” may cause our results of operations to fluctuate as each product line has different volumes, prices and margins.

We have significant international operations and are exposed to risks associated with doing business globally.

We sell and distribute our products directly in many key international markets in Europe, Asia, North America and elsewhere around the world. These activities have resulted and will continue to result in investments in inventory, accounts receivable, employees, corporate infrastructure and facilities. In addition, in the United States there are a limited number of suppliers of certain raw materials and components for our products as well as finished goods that we sell, and we have increasingly become more reliant on suppliers and vendors located outside of the United States. The operation of foreign distribution in our international markets, as well as the management of relationships with international suppliers and vendors, will continue to require the dedication of management and other resources. We also manufacture certain of our products outside of the United States, including some of our golf balls and substantially all of our golf gloves in Thailand and substantially all of our golf shoes through our joint venture in China.

The current U.S. administration has publicly supported certain potential tax, trade and tariff proposals, modifications to international trade policy and other changes which may affect U.S. trade relations with other countries. In addition, economic and political uncertainty continue to arise out of the June 23, 2016 vote in the United Kingdom that resulted in the decision to leave the European Union. It is possible that these or other changes, if enacted, may impact or require us to modify our current business practices. At the present time, it is unclear as to the ultimate impact of these changes, policies or proposals and, as such, we are unable to determine the effect, if any, that such changes, policies or proposals would have on our business.

As a result of the aforementioned international business, we are exposed to increased risks inherent in conducting business outside of the United States. In addition to the uncertainty and the foreign currency risks discussed above under “—Our operations are conducted worldwide and our results of operations are subject to currency transaction risk and currency translation risk that could materially adversely affect our business, financial condition and results of operations,” these risks include:

- increased difficulty in protecting our intellectual property rights and trade secrets;
- unexpected government action or changes in legal, trade, tax or regulatory requirements;
- social, economic or political instability;
- the effects of any anti-American sentiments on our brands or sales of our products;

- increased difficulty in ensuring compliance by employees, agents and contractors with our policies as well as with the laws of multiple jurisdictions, including but not limited to the U.S. Foreign Corrupt Practices Act, or the FCPA, and similar anti-bribery and anti-corruption laws, local and international environmental, health and safety laws, and increasingly complex regulations relating to the conduct of international commerce;
- increased difficulty in controlling and monitoring foreign operations from the United States, including increased difficulty in identifying and recruiting qualified personnel for its foreign operations; and
- increased exposure to interruptions in air carrier or ship services.

Any violation of our policies or any applicable laws and regulations by our suppliers or manufacturers could interrupt or otherwise disrupt our sourcing, adversely affect our reputation or damage our brand image. While we do not control these suppliers or manufacturers or their labor practices, negative publicity regarding the management of facilities by, production methods of or materials used by any of our suppliers or manufacturers could adversely affect our reputation and sales and force us to locate alternative suppliers or manufacturing sources, which could materially adversely affect our business, financial condition and results of operations.

Failure to comply with laws, regulations and policies, including the FCPA or other applicable anti-corruption legislation, could result in fines and criminal penalties and materially adversely affect our business, financial condition and results of operations.

A significant risk resulting from our global operations is compliance with a wide variety of U.S. federal and state and non-U.S. laws, regulations and policies, including laws related to anti-corruption, export and import compliance, anti-trust and money laundering. The FCPA, the U.K. Bribery Act of 2010 and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons. There has been an increase in anti-bribery law enforcement activity in recent years, with more frequent and aggressive investigations and enforcement proceedings by both the U.S. Department of Justice and the SEC, increased enforcement activity by non-U.S. regulators, and increases in criminal and civil proceedings brought against companies and individuals. We operate in parts of the world that are recognized as having governmental and commercial corruption and in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We cannot assure you that our internal control policies and procedures have protected or will always protect us from improper conduct of our employees or business partners. To the extent that we learn that any of our employees do not adhere to our internal control policies, we are committed to taking appropriate remedial action. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable laws, including anti-corruption laws, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, and detecting, investigating and resolving actual or alleged violations can be expensive and require significant time and attention from senior management. Any violation of U.S. federal and state and non-U.S. laws, regulations and policies could result in substantial fines, sanctions, civil and/or criminal penalties, and curtailment of operations in the U.S. or other applicable jurisdictions. In addition, actual or alleged violations could damage our reputation and ability to do business. Any of the foregoing could materially adversely affect our business, financial condition and results of operations.

Our business, financial condition and results of operations could be materially adversely affected if professional golfers do not endorse or use our products.

We establish relationships with professional golfers in order to use, validate and promote Titleist and FootJoy branded products. We have entered into endorsement arrangements with members of the various professional tours, including the PGA Tour, the Champions Tour, the LPGA Tour, the European PGA Tour, the Japan Golf Tour and the Korean PGA Tour. We believe that professional usage of our products validates the performance and quality of our products and contributes to retail sales. We therefore spend a significant amount of money to secure professional usage of our products. Many other companies, however, also aggressively seek the patronage of these professionals and offer many inducements, including significant cash incentives and specially designed products. There is a great deal of competition to secure the representation of tour professionals. As a result, it is expensive to attract and retain such tour professionals and we may lose the endorsement of these individuals, even prior to the expiration of the applicable contract term. The inducements offered by other companies could result in a decrease in usage of our products by professional golfers or limit our ability to attract other tour professionals. A decline in the level of professional usage of our products, or a significant increase in the cost to attract or retain endorsers, could materially adversely affect our business, financial condition and results of operations.

The value of our brands and sales of our products could be diminished if we, the golfers who use our products or the golf industry in general are associated with negative publicity.

We sponsor a variety of golfers and feature those golfers in our advertising and marketing materials. We establish these relationships to develop, evaluate and promote our products, as well as establish product authenticity with consumers. Actions taken by golfers or tours associated with our products that harm the reputations of those golfers could also harm our brand image and impact our sales. We may also select golfers who may not perform at expected levels or who are not sufficiently marketable. If we are unable in the future to secure prominent golfers and arrange golfer endorsements of our products on terms we deem to be reasonable, we may be required to modify our marketing platform and to rely more heavily on other forms of marketing and promotion, which may not prove to be as effective or may result in additional costs.

If we inaccurately forecast demand for our products, we may manufacture insufficient or excess quantities, which could materially adversely affect our business, financial condition and results of operations.

To reduce purchasing costs and ensure supply, we place orders with our suppliers in advance of the time period we expect to deliver our products. In addition, we plan our manufacturing capacity based upon the forecasted demand for our products. Forecasting the demand for our products is very difficult given the number of SKUs we offer and the amount of specification involved in each of our product categories. For example, in our golf shoe business, we offer a large variety of models as well as different styles and sizes for each model, including over 2,900 SKUs available for men in the United States alone. The nature of our business makes it difficult to adjust quickly our manufacturing capacity if actual demand for our products exceeds or is less than forecasted demand. Factors that could affect our ability to accurately forecast demand for our products include, among others:

- changes in consumer demand for our products or the products of our competitors;
- new product introductions by us or our competitors;
- failure to accurately forecast consumer acceptance of our products;
- failure to anticipate consumer acceptance of new technologies;
- inability to realize revenues from booking orders;
- negative publicity associated with tours or golfers we endorse;
- unanticipated changes in general market conditions or other factors, which may result in cancellations of advance orders or a reduction or increase in the rate of reorders placed by retailers;
- weakening of economic conditions or consumer confidence in future economic conditions, which could reduce demand for discretionary items, such as our products;
- terrorism or acts of war, or the threat thereof, which could adversely affect consumer confidence and spending or interrupt production and distribution of products and raw materials;
- abnormal weather patterns or extreme weather conditions including hurricanes, floods and droughts, among others, which may disrupt economic activity; and
- general economic conditions.

If actual demand for our products exceeds the forecasted demand, we may not be able to produce sufficient quantities of new products in time to fulfill actual demand, which could limit our sales.

Any inventory levels in excess of consumer demand may result in inventory write-downs and/or the sale of excess inventory at discounted prices.

We may experience a disruption in the service, or a significant increase in the cost, of our primary delivery and shipping services for our products and component parts or a significant disruption at shipping ports.

We use FedEx Corporation, or FedEx, for substantially all ground shipments of products to our U.S. customers. We use ocean shipping services and air carriers for most of our international shipments of products. In addition, many of the components we use to manufacture and assemble our products are shipped to us via ocean shipping and air carrier. If there are changes in trade or tariff laws which result in customs processing delays or any significant interruption in service by such providers or at shipping ports or airports, we may be unable to engage alternative suppliers or to receive or ship goods through

alternate sites in order to deliver our products or components in a timely and cost-efficient manner. As a result, we could experience manufacturing delays, increased manufacturing and shipping costs, and lost sales as a result of missed delivery deadlines and product introduction and demand cycles. Any significant interruption in FedEx services, ship services, at shipping ports or air carrier services could materially adversely affect our business, financial condition and results of operations. Furthermore, if the cost of delivery or shipping services were to increase significantly and the additional costs could not be covered by product pricing it could materially adversely affect our business, financial condition and results of operations.

We rely on complex information systems for management of our manufacturing, distribution, sales and other functions. If our information systems fail to perform these functions adequately or if we experience an interruption in our operations, including a breach in cybersecurity, our business, financial condition and results of operations could be materially adversely affected.

All of our major operations, including manufacturing, distribution, sales and accounting, are dependent upon our complex information systems. Our information systems are vulnerable to damage or interruption from:

- earthquake, fire, flood, hurricane and other natural disasters;
- power loss, computer systems failure, Internet and telecommunications or data network failure; and
- hackers, computer viruses, unauthorized access, software bugs or glitches.

Any damage or significant disruption in the operation of such systems or the failure of our information systems to perform as expected would disrupt our business, which may result in decreased sales, increased overhead costs, excess inventory or product shortages which could materially adversely affect our business, financial condition and results of operations.

Cybersecurity risks could disrupt our operations and negatively impact our reputation.

There is growing concern over the security of personal and corporate information transmitted over the Internet, consumer identity theft and user privacy due to increasingly diverse and sophisticated threats to network, systems and data security. While we have implemented security measures, our computer systems may be susceptible to electronic or physical computer break-ins, viruses and other disruptions and security breaches. Any perceived or actual unauthorized or inadvertent disclosure of personally-identifiable information regarding visitors to our websites or otherwise or other breach or theft of the information we control, whether through a breach of our network by an unauthorized party, employee theft, misuse or error or otherwise, could harm our reputation, impair our ability to attract website visitors, or subject us to claims or litigation and require us to repair damages suffered by consumers, and materially adversely affect our business, financial condition and results of operations.

If the technology-based systems that give consumers the ability to shop with us online do not function effectively, our ability to grow our eCommerce business globally could be adversely affected.

We are increasingly using websites and social media to interact with consumers and as a means to enhance their experience with our products, including through Vokey.com and ScottyCameron.com. We launched our FootJoy and Titleist eCommerce initiatives in the U.S. in 2016. In Canada and certain European markets, we launched eCommerce websites for FootJoy in 2017. More recently in the U.S. in 2018, we launched an eCommerce website for FootJoy's luxury brand, FJ1857.com and, in the United Kingdom and Japanese markets, we launched eCommerce websites for Titleist golf balls. In our eCommerce services, we process, store and transmit customer data. We also collect consumer data through certain marketing activities. Failure to prevent or mitigate data loss or other security breaches, including breaches of our vendors' technology and systems, could expose us or consumers to a risk of loss or misuse of such information, result in litigation or potential liability for us and otherwise materially adversely affect our business, financial condition and results of operations. Further, our eCommerce business is subject to general business regulations and laws, as well as regulations and laws specifically governing the Internet, eCommerce and electronic devices. Existing and future laws and regulations, or new interpretations of these laws, may adversely affect our ability to conduct our eCommerce business.

Any failure on our part to provide private, secure, attractive, effective, reliable, user-friendly eCommerce platforms that offer a wide assortment of merchandise with rapid delivery options and that continually meet the changing expectations of online shoppers could place us at a competitive disadvantage, result in the loss of eCommerce and other sales, harm our reputation with consumers, have an adverse impact on the growth of our eCommerce business globally and could materially adversely affect our business, financial condition and results of operations.

Risks specific to our eCommerce business also include diversion of sales from our trade partners' brick and mortar stores, difficulty in recreating the in-store experience through direct channels and liability for online content. Our failure to successfully respond to these risks might adversely affect sales in our eCommerce business, as well as damage our reputation and brands.

Goodwill and identifiable intangible assets represent a significant portion of our total assets and any impairment of these assets could negatively impact our results of operations and shareholders' equity.

Our goodwill and identifiable intangible assets, which consist of goodwill from acquisitions, trademarks, patents, completed technology, customer relationships, licensing fees, and other intangible assets, represented 41% of our total assets as of December 31, 2018 .

Accounting rules require the evaluation of our goodwill and intangible assets with indefinite lives for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Such indicators include a significant adverse change in customer demand or business climate that could affect the value of an asset; general economic conditions, such as increasing Treasury rates or unexpected changes in gross domestic product growth; a change in our market shares; budget-to-actual performance and consistency of operations margins and capital expenditures; a product recall or an adverse action or assessment by a regulator; or changes in management or key personnel.

Goodwill and identifiable intangible assets are deemed impaired when their carrying value exceeds their fair value. If a significant amount of our goodwill and identifiable intangible assets were deemed to be impaired, our business, financial condition and results of operations could be materially adversely affected.

Our current senior management team and other key employees are critical to our success and if we are unable to attract and/or retain key employees and hire qualified management, technical and manufacturing personnel, our ability to compete could be harmed.

Our ability to maintain our competitive position is dependent to a large degree on the efforts and skills of our senior management team and our other key employees. Our executives are experienced and highly qualified with strong reputations and relationships in the golf industry, and we believe that our management team enables us to pursue our strategic goals. Our other key sales, marketing, R&D, manufacturing, intellectual property protection and support personnel are also critical to the success of our business. The loss of the services of any of our senior management team or other key employees could disrupt our operations and delay the development and introduction of our products which could materially adversely affect our business, financial condition and results of operations. We do not have employment agreements with any of the members of our senior management team, except for David Maher, our President and CEO. In addition, we do not have "key person" life insurance policies covering any of our officers or other key employees.

Our future success depends upon our ability to attract and retain our executive officers and other key sales, marketing, R&D, manufacturing, intellectual property protection and support personnel and any failure to do so could materially adversely affect our business, financial condition and results of operations.

Additionally, we compete with many mature and prosperous companies that have far greater financial resources than we do and thus can offer current or perspective employees more lucrative compensation packages than we can.

Sales of our products by unauthorized retailers or distributors could adversely affect our authorized distribution channels and harm our reputation.

Some of our products find their way to unauthorized outlets or distribution channels. This "gray market" for our products can undermine authorized retailers and foreign wholesale distributors who promote and support our products, and can injure the image of our company in the minds of our customers and consumers. While we have taken some lawful steps to limit commerce of our products in the "gray market" in both the United States and abroad, we have not been successful in halting such commerce.

We may not be successful in our efforts to grow our presence in existing international markets and expand into additional international markets.

We intend to grow our presence in and continue to expand into select international markets where there are the necessary and sufficient conditions in place to support such expansion. These growth and expansion plans will require significant management attention and resources and may be unsuccessful. In addition, to achieve satisfactory performance in international locations, it may be necessary to locate physical facilities, such as regional offices, in the foreign market and to hire employees who are familiar with such foreign markets while also being qualified to market our products. We may not be

successful in growing our presence in or expanding into any such international markets or in generating sales from such foreign operations.

We have historically grown our business by expanding into additional international markets, but such growth does not always work out as anticipated and there is no assurance that we will be successful in the existing international markets where we are currently seeking to grow our presence, including China, or the new international markets we plan to enter. Our business, financial condition and results of operations could be materially adversely affected if we do not achieve the international growth that we anticipate.

We are exposed to a number of different tax uncertainties, including potential changes in tax laws, unanticipated tax liabilities and limitations on utilization of tax attributes after any change of control, which could materially adversely affect our business, financial condition and results of operations.

We are subject to income taxes in the U.S. (federal and state) and numerous foreign jurisdictions. Tax laws, regulations, and administrative practices in various jurisdictions may be subject to significant change, with or without notice, due to economic, political, and other conditions, and significant judgment is required in evaluating and estimating our provision and accruals for these taxes. Changes to or promulgation of new tax laws, interpretive regulations, other tax or accounting guidance could significantly impact how we are taxed on both U.S. and foreign earnings. Transactions that we have arranged in light of current tax rules could have adverse consequences if those tax rules change, and the imposition of any new or increased tariffs, duties and taxes could materially adversely affect our business, financial condition and results of operations.

Our effective tax rates in the future could be adversely affected by a number of factors, including changes in the expected geographic mix of earnings in countries with differing statutory tax rates, changes in the valuation and realizability of deferred tax assets and liabilities, changes to or issuance of new tax laws, interpretive regulations, notices or other administrative practices, principles, or guidance, changes to or issuance of new accounting guidance, changes in foreign currency exchange rates, entry into new businesses and geographies, changes to our existing businesses and operations, acquisitions (including integrations) and investments and how they are financed, changes in our stock price, and the outcome of income tax audits in various jurisdictions around the world. Finally, foreign governments may enact tax laws in response to the recently enacted U.S. tax reform legislation, commonly referred to as the U.S. Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”) that could result in further changes to global taxation and materially affect our financial position and results of operations.

The 2017 Tax Act significantly changed how the U.S. taxes corporations. The 2017 Tax Act requires complex computations to be performed that were not previously required in U.S. tax law, judgments to be made in interpretation of the provisions of the 2017 Tax Act, estimates in calculations, and the preparation and analysis of information not previously relevant or regularly produced. The U.S. Treasury Department, the Internal Revenue Service (“IRS”), and other standard-setting bodies could interpret or issue guidance on how provisions of the 2017 Tax Act will be applied or otherwise administered that is different from our interpretation.

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as foreign tax credits and research tax credits, to offset its post-change income and taxes may be limited. In general, an “ownership change” generally occurs if there is a cumulative change in our ownership by “5-percent shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules apply under state tax laws. We may experience an ownership change from future transactions in our stock, some of which may be outside our control. As a result, if we earn net taxable income, our ability to use pre-change net operating loss carryforwards or other pre-change tax attributes to offset U.S. federal and state taxable income and taxes may be subject to incremental limitations.

We are engaged in a number of intercompany transactions across multiple tax jurisdictions. Although we believe that these transactions reflect the accurate economic allocation of profit and that the proper transfer pricing documentation is in place, the profit allocation and transfer pricing terms and conditions may be scrutinized by local tax authorities during an audit and any resulting changes may impact our mix of earnings in countries with differing statutory tax rates.

We are also subject to the audit or examination of our tax returns by the IRS and other tax authorities whereby tax authorities could impose additional tariffs, duties, taxes, penalties and interest on us. The determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our estimates are reasonable and our tax provisions are adequate, the final determination of tax audits and any related disputes could be materially different from our historical income tax provisions and accruals. The results of audits or related disputes could have an adverse effect on our financial statements and our financial results for the period or periods for which the applicable final determinations are made.

Portions of our operations are subject to a reduced tax rate or are free of tax under various tax holidays and rulings that expire in whole or in part from time to time. These tax holidays and rulings may be extended when certain conditions are met, or terminated if certain conditions are not met. If the tax holidays and rulings are not extended, or if we fail to satisfy the conditions of the reduced tax rate, then our effective tax rate would increase in the future.

Changes to the overall international tax environment, as well as changes to some of the tax laws of the foreign jurisdictions in which we operate, are expected as a result of the Base Erosion and Profit Shifting project ("BEPS"), undertaken by the Organisation for Economic Co-operation and Development ("OECD"). The OECD, which represents a coalition of member countries that encompass many of the jurisdictions in which we operate, has promulgated recommended changes to numerous long standing international tax principles through its BEPS project. It is expected that jurisdictions in which we do business may continue to react to the BEPS initiative by enacting tax legislation, and our business could be materially impacted. Our transfer pricing arrangements and principles are reviewed annually; changes may need to be incorporated as the BEPS principles are fully implemented on a global basis.

Our insurance policies may not provide adequate levels of coverage against all claims and we may incur losses that are not covered by our insurance.

We maintain insurance of the type and in amounts that we believe is commercially reasonable and that is available to businesses in our industry. We carry various types of insurance, including general liability, auto liability, workers' compensation, cyber and excess umbrella, from highly rated insurance carriers on all of our properties. We believe that the policy specifications and insured limits are adequate for foreseeable losses with terms and conditions that are reasonable and customary for similar businesses and are within industry standards. Nevertheless, market forces beyond our control could limit the scope of the insurance coverage that we can obtain in the future or restrict our ability to buy insurance coverage at reasonable rates. We cannot predict the level of the premiums that we may be required to pay for subsequent insurance coverage, the level of any deductible and/or self-insurance retention applicable thereto, the level of aggregate coverage available or the availability of coverage for specific risks.

In the event of a substantial loss, the insurance coverage that we carry may not be sufficient to compensate us for the losses we incur or any costs for which we are responsible. In addition, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure. For example, we maintain business interruption insurance, but there can be no assurance that the coverage for a severe or prolonged business interruption would be adequate and the deductibles for such insurance may be high. These losses, if they occur, could materially adversely affect our business, financial condition and results of operations.

We are subject to product liability, warranty and recall claims, and our insurance coverage may not cover such claims.

Our products expose us to warranty claims and product liability claims if products we manufacture, sell or design actually or allegedly fail to perform as expected, or the use of those products results, or is alleged to result, in personal injury, death or property damage. Further, we or one or more of our suppliers might not adhere to product safety requirements or quality control standards, and products may be shipped to retail partners before the issue is identified. If this occurs, we may have to recall our products to address performance, compliance or other safety related issues. The financial costs we may incur in connection with these recalls typically would include the cost of the product being replaced or repaired and associated labor and administrative costs and, if applicable, governmental fines and/or penalties.

Product recalls can harm our reputation and cause us to lose customers, particularly if those recalls cause consumers to question the performance, quality, safety or reliability of our products. Substantial costs incurred or lost sales caused by future product recalls could materially adversely affect our business, financial condition and results of operations. Conversely, not issuing a recall or not issuing a recall on a timely basis can harm our reputation and cause us to lose customers for the same reasons as expressed above. Product recalls, withdrawals, repairs or replacements may also increase the amount of competition that we face.

There is no assurance that we can successfully defend or settle all product liability cases. Our insurance policies provide coverage against claims resulting from alleged injuries arising from our products sustained during the respective policy periods, subject to policy terms and conditions. There can be no assurance that this coverage will be renewed or otherwise remain available in the future, that our insurers will be financially viable when payment of a claim is required, that the cost of such insurance will not increase, or that this insurance will ultimately prove to be adequate under our various policies. Furthermore, future rate increases might make insurance uneconomical for us to maintain. These potential insurance problems or any adverse outcome in any liability suit could create increased expenses which could harm our business. We are unable to predict the nature of product liability claims that may be made against us in the future with respect to injuries, diseases or other illnesses resulting from the use of our products or the materials incorporated in our products.

Our actual product warranty obligations could materially differ from historical rates, which would oblige us to revise our estimated warranty liability accordingly. Adverse determinations of material product liability and warranty claims made against us could materially adversely affect our business, financial condition and results of operations and could harm the reputation of our brands.

We may be subject to litigation and other regulatory proceedings which may result in the expense of time and resources and could materially adversely affect our business, financial condition and results of operations.

From time to time, we are involved in lawsuits and regulatory actions relating to our business, including those relating to intellectual property, antitrust, commercial and employment matters. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the likelihood of such lawsuits or regulatory proceedings occurring or the ultimate outcome of any such proceedings. An unfavorable outcome could materially adversely affect our business, financial condition and results of operations. In addition, any such proceeding, regardless of its merits, could divert management's attention from our operations and result in substantial legal fees.

We are subject to environmental, health and safety laws and regulations, which could subject us to liabilities, increase our costs or restrict our operations in the future.

Our properties and operations are subject to a number of environmental, health and safety laws and regulations in each of the jurisdictions in which we operate. These laws and regulations govern, among other things, air emissions, water discharges, handling and disposal of solid and hazardous substances and wastes, soil and groundwater contamination and employee health and safety. Our failure to comply with such environmental, health and safety laws and regulations could result in substantial civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring remedial or corrective measures, installation of pollution control equipment or other actions.

We may also be subject to liability for environmental investigations and cleanups, including at properties that we currently or previously owned or operated, even if such contamination was not caused by us, and we may face claims alleging harm to health or property or natural resource damages arising out of contamination or exposure to hazardous substances. We may also be subject to similar liabilities and claims in connection with locations at which hazardous substances or wastes we have generated have been stored, treated, otherwise managed, or disposed.

We use certain substances and generate certain wastes that may be deemed hazardous or toxic under environmental laws, and we from time to time have incurred, and in the future may incur, costs related to cleaning up contamination resulting from historic uses of certain of our current or former properties or our treatment, storage or disposal of wastes at facilities owned by others. The costs of investigation, remediation or removal of such materials may be substantial, and the presence of those substances, or the failure to remediate a property properly, may impair our ability to use, transfer or obtain financing regarding our property. Liability in many situations may be imposed not only without regard to fault, but may also be joint and several, so that we may be held responsible for more than our share of the contamination or other damages, or even for the entire amount.

Environmental conditions at or related to our current or former properties or operations, and/or the costs of complying with current or future environmental, health and safety requirements (which have become more stringent and complex over time) could materially adversely affect our business, financial condition and results of operations.

We may require additional capital in the future and we cannot give any assurance that such capital will be available at all or available on terms acceptable to us and, if it is available, additional capital raised by us may dilute holders of our common stock.

We may need to raise additional funds through public or private debt or equity financings in order to:

- fund ongoing operations;
- take advantage of opportunities, including expansion of our business or the acquisition of complementary products, technologies or businesses;
- develop new products; or
- respond to competitive pressures.

Any additional capital raised through the sale of equity or securities convertible into equity will dilute the percentage ownership of holders of our common stock. Capital raised through debt financing would require us to make periodic interest payments and may impose restrictive covenants on the conduct of our business. Furthermore, additional financings may not be

available on terms favorable to us, or at all, especially during periods of adverse economic conditions, which could make it more difficult or impossible for us to obtain funding for the operation of our business, for making additional investments in product development and for repaying outstanding indebtedness. Our failure to obtain additional funding could prevent us from making expenditures that may be required to grow our business or maintain our operations.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our financial condition and results of operations could be adversely affected.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations," Item 7 of Part II, included elsewhere in this report. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, allowance for doubtful accounts, inventory reserves, impairment of goodwill, indefinite-lived and long-lived assets, pension and other post-retirement benefits, provisions for income taxes, valuation allowances for deferred tax assets, share-based compensation and derivatives. Our financial condition and results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the price of our common stock.

Terrorist activities and international political instability may decrease demand for our products and disrupt our business.

Terrorist activities and armed conflicts could have an adverse effect upon the United States or worldwide economy and could cause decreased demand for our products. If such events disrupt domestic or international air, ground or sea shipments, or the operation of our suppliers or our manufacturing facilities, our ability to obtain the materials necessary to manufacture products and to deliver customer orders would be harmed, which could materially adversely affect our business, financial condition and results of operations. Such events can negatively impact tourism, which could adversely affect our sales to retailers at resorts and other vacation destinations. In addition, the occurrence of political instability and/or terrorist activities generally restricts travel to and from the affected areas, making it more difficult in general to manage our global operations.

Our business could be harmed by the occurrence of natural disasters or pandemic diseases.

The occurrence of a natural disaster, such as an earthquake, tsunami, fire, flood or hurricane, or the outbreak of a pandemic disease, could materially adversely affect our business, financial condition and results of operations. A natural disaster or a pandemic disease could adversely affect both the demand for our products as well as the supply of the raw materials or components used to make our products. Demand for golf products also could be negatively affected if consumers in the affected regions restrict their recreational activities and discretionary spending and as tourism to those areas declines. If our suppliers experience a significant disruption in their business as a result of a natural disaster or pandemic disease, our ability to obtain the necessary raw materials or components to make products could be materially adversely affected. In addition, the occurrence of a natural disaster or the outbreak of a pandemic disease generally restricts travel to and from the affected areas, making it more difficult in general to manage our global operations.

Risks Related to Our Indebtedness

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or in our industry, expose us to interest rate risk to the extent of our variable rate debt, and prevent us from meeting our obligations under our indebtedness.

As of December 31, 2018 , we had $385.8 million of indebtedness. As of December 31, 2018 , we had available borrowings under our revolving credit facility of $263.6 million after giving effect to $11.4 million of outstanding letters of credit and we had available borrowings remaining under our local credit facilities of $62.6 million . As of December 31, 2018, we have outstanding interest rate swap contracts to hedge the interest rate risk on $185.0 million of our variable rate debt.

Our high degree of leverage could have important consequences for us, including:

- requiring us to utilize a substantial portion of our cash flows from operations to make payments on our indebtedness, reducing the availability of our cash flows to fund working capital, capital expenditures, product development, acquisitions, general corporate and other purposes;
- increasing our vulnerability to adverse economic, industry, or competitive developments;
- exposing us to the risk of increased interest rates because substantially all of our borrowings are at variable rates of interest;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including financial maintenance covenants and restrictive covenants, could result in an event of default under the agreements governing our indebtedness;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions, and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who, therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting.

Servicing our indebtedness will require a significant amount of cash. Our ability to generate sufficient cash depends on many factors, some of which are not within our control.

Our ability to make payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. To a certain extent, this is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control. If we are unable to generate sufficient cash flows to service our debt and meet our other commitments, we may need to restructure or refinance all or a portion of our debt, sell material assets or operations, or raise additional debt or equity capital. We may not be able to effect any of these actions on a timely basis, on commercially reasonable terms, or at all, and these actions may not be sufficient to meet our capital requirements. In addition, any refinancing of our indebtedness could be at a higher interest rate, and the terms of our existing or future debt arrangements may restrict us from affecting any of these alternatives. Our failure to make the required interest and principal payments on our indebtedness would result in an event of default under the agreement governing such indebtedness, which may result in the acceleration of some or all of our outstanding indebtedness.

Despite our high indebtedness level, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the agreements governing our indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial.

Our credit agreements contain restrictions that limit our flexibility in operating our business.

The agreements governing our outstanding indebtedness contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit the ability of our subsidiaries to, among other things:

- incur, assume, or permit to exist additional indebtedness or guarantees;
- incur liens;
- make investments and loans;
- pay dividends, make payments, or redeem or repurchase capital stock;
- engage in mergers, liquidations, dissolutions, asset sales, and other dispositions (including sale leaseback transactions);
- amend or otherwise alter terms of certain indebtedness or certain other agreements;
- enter into agreements limiting subsidiary distributions or containing negative pledge clauses;
- engage in certain transactions with affiliates;
- alter the nature of the business that we conduct;
- change our fiscal year or accounting practices; or
- enter into a transaction or series of transactions that constitutes a change of control.

The covenants contained in the credit agreement governing our senior secured credit facilities (which we refer to in this report as “our credit agreement”) also restrict the ability of Acushnet Holdings Corp. to engage in certain mergers or consolidations or engage in any activities other than permitted activities. A breach of any of these covenants, among others, could result in a default under one or more of these agreements, including as a result of cross default provisions, and, in the case of our secured credit facility, following any applicable cure period, would permit the lenders thereunder to, among other things, declare the principal, accrued interest and other obligations thereunder to be immediately due and payable and declare the commitment of each lender thereunder to make loans and issue letters of credit to be terminated.

We utilize derivative financial instruments to reduce our exposure to market risks from changes in interest rates on our variable rate indebtedness and we are exposed to risks related to counterparty credit worthiness or non-performance of these instruments.

We enter into pay-fixed interest rate swaps to limit our exposure to changes in variable interest rates. Such instruments may result in economic losses should interest rates decline to a point lower than our fixed rate commitments. We are exposed to credit-related losses, which could impact the results of operations in the event of fluctuations in the fair value of the interest rate swaps due to a change in the credit worthiness or non-performance by the counterparties to the interest rate swaps.

Risks Related to the Magnus Term Loan

Fila Korea Co. Ltd. ("Fila Korea") and Magnus Holdings Co., Ltd. ("Magnus") have obligations under the New Magnus Loans (as defined below), including the satisfaction of a Loan-to-Value covenant, and Fila Korea and/or Magnus may have obligations under any equity or debt used to refinance the New Magnus Loans, that may be satisfied by a sale, foreclosure, liquidation or other transfer of our common stock, which could materially decrease the market value of our common stock and may result in a change of control of our company.

On September 22, 2017, Magnus entered into a loan agreement (the "New Magnus Loan Agreement") with certain Korean financial institutions (the "New Magnus Lenders") which provides for (i) three year term loans in an aggregate amount of Korean Won 399.2 billion (equivalent to approximately $358.1 million , using an exchange rate of $1.00 = Korean Won 1,114.76 as of December 31, 2018) (the "New Magnus Term Loans") and (ii) a revolving credit loan of Korean Won 10.0 billion (equivalent to approximately $9.0 million , using an exchange rate of $1.00 = Korean Won 1,114.76 as of December 31, 2018) (the "New Magnus Revolving Loan" and, together with the New Magnus Term Loans, the "New Magnus Loans"). The New Magnus Loans are secured by a pledge on all of our common stock owned by Magnus, which consists of 39,345,151 shares (the "Magnus Shares"), or 52.6% of our outstanding common stock as of December 31, 2018 . The shares of our common stock owned by Magnus are its only assets.

Under the New Magnus Loan Agreement, Magnus is required to maintain a specified loan-to-value ratio ("LTV Ratio"), which is tested monthly, based on (1) the amount outstanding under the New Magnus Loans on each applicable calculation date divided by (2)(a) the trading-volume-weighted arithmetic mean of the closing price of shares of our common stock on the New York Stock Exchange during the applicable calculation period multiplied by (b) the number of shares of our common stock that are subject to the pledge multiplied by (c) the average exchange rate between U.S. dollars and Korean Won announced by Seoul Money Brokerage during the applicable calculation period. If the LTV Ratio as of any applicable calculation date exceeds 75%, which may occur due to fluctuations in the price of our common stock and/or fluctuations in the exchange rate between U.S. dollars and Korean Won, either of which may be due to events outside our control, Magnus will be in breach of the New Magnus Loan Agreement. Any such breach may, subject to applicable grace periods and cure rights, result in an event of default that gives the New Magnus Lenders the right to accelerate the maturity of the New Magnus Loans. See our Current Report on Form 8-K filed on September 22, 2017 for a description of the terms of the New Magnus Loans.

It is expected that a portion of the interest payments on the New Magnus Loans, and potential future dividend or interest obligations under any equity or debt used to refinance the New Magnus Loans, will be funded using proceeds from dividends, if any, received on our common stock. See "Item 5. – Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities – Dividend Policy." There can be no assurance that we will be able to make such dividend payments on our common stock. See "Risks Related to Ownership of Our Common Stock— We cannot assure you that we will pay dividends on our common stock, and our indebtedness and other factors could limit our ability to pay dividends on our common stock" below. There can be no assurance that Magnus will be able to make the interest payments on the New Magnus Loans, or any potential future dividend or interest obligations under any equity or debt used to refinance the New Magnus Loans. If Magnus is unable to pay interest on the New Magnus Loans on an interest payment date, the principal and accrued interest on the New Magnus Loans becomes automatically due and payable. At maturity (or an earlier date if subject to acceleration), Magnus will be required to raise additional funds to pay the additional amounts of interest incurred, which it may be unable to do. There may be similar obligations under any financing used to refinance the New Magnus Loans in the future.

If the LTV Ratio covenant or other applicable provisions of the New Magnus Loan Agreement are breached and the New Magnus Loans are accelerated, or if Fila Korea or Magnus are unable to make payments on the New Magnus Loans when due or are unable to raise the funds necessary to pay the amounts owed on the New Magnus Loans at maturity (or an earlier date if subject to acceleration), or if Magnus otherwise fails to pay the amounts due on the New Magnus Loans at maturity (or an earlier date if subject to acceleration), the New Magnus Lenders can foreclose on the Magnus Shares. Any such foreclosure may be undertaken in accordance with Korean law and may result, under certain circumstances, in the sale or other transfer of up to 52.6% of our common stock. See "The creditor and insolvency laws of Korea are different from U.S. laws and the outcome of any foreclosure, liquidation, bankruptcy or other restructuring proceeding may be unpredictable" below. Any such sale could have a significant impact on our shareholding structure and our corporate governance and could materially decrease the market price of shares of our common stock. In addition, the perception that such a sale could occur could materially depress the market price of shares of our common stock. See "Risks Related to Ownership of Our Common Stock—Future sales, or the perception of future sales, by us or our existing shareholders in the public market could cause the market price for our common stock to decline" below. There may be similar obligations under any financing used to refinance the New Magnus Loans in the future and failure to satisfy such obligations could result in the same consequences as discussed above.

In addition, prior to any foreclosure, Fila Korea may decide to sell or otherwise transfer all, or a significant portion, of our common stock owned by Magnus in order to meet the obligations of Magnus under the New Magnus Loans, including to satisfy the LTV Ratio covenant, or under any future financing used to refinance the New Magnus Loans. Any such sale, or the perception that such a sale could occur, could have a significant impact on our shareholding structure and our corporate governance and could materially decrease the market price of shares of our common stock. In connection with our initial public offering, we entered into a registration rights agreement with Magnus and certain other pre-IPO shareholders. The New Magnus Lenders will assume Magnus' rights under the registration rights agreement in the event of a foreclosure or other transfer of the pledged shares of our common stock pursuant to the New Magnus Loans. See "Certain Relationships and Related Party Transactions—Registration Rights Agreement" in our Definitive Proxy Statement on Schedule 14A filed on April 28, 2017.

Any of the potential sales, foreclosures, liquidations or other transfers of our common stock discussed above may result in a change of control under certain outstanding agreements, including as a result of the acquisition of a significant portion of our common stock by any individual, entity or group, which could result in a default under such agreements. Under our credit agreement, it is a change of control if any person (other than certain permitted parties, including Fila Korea) becomes the beneficial owner of 35% or more of our outstanding common stock. In the event of a foreclosure on the pledged shares of our common stock under the New Magnus Loans, if, in the reasonable opinion of the New Magnus Lenders, foreclosure of 35% of our outstanding common stock less one share of our common stock (the "Foreclosure Threshold Amount") will be sufficient to fully satisfy the principal and interest of the New Magnus Loans, only the Foreclosure Threshold Amount will be permitted for such foreclosure. If the Foreclosure Threshold Amount is insufficient to fully satisfy the principal and interest of the New Magnus Loans, there will be no limitation on the amount of our pledged shares of common stock that may be foreclosed. As a result, if the New Magnus Lenders or a third party were to acquire beneficial ownership of 35% or more of our outstanding common stock pursuant to an event of default under the New Magnus Loans, it would result in a change of control under our credit agreement, which is an event of default that could result in the acceleration of all outstanding indebtedness and the termination of all commitments under our credit agreement and would allow the lenders under our credit agreement to enforce their rights with respect to the collateral granted by us, including the stock of our subsidiary, Acushnet Company. Upon the exercise of such rights, it is uncertain whether we and our subsidiary, Acushnet Company, would be able to refinance the indebtedness and replace the commitments under our credit agreement on comparable terms or at all. If we are unable to refinance our credit agreement, we may need to dispose of assets or operations or issue equity to obtain necessary funds to repay the outstanding indebtedness under our credit agreement. The resulting impairment of our liquidity position could also materially depress our stock price. In addition, a change of control under our outstanding equity award agreements and other employment arrangements may result in the vesting of outstanding equity awards and the acceleration of benefits or other payments under certain employment arrangements. A change of control may also result in a default or other negative consequence under our other outstanding agreements or instruments. See Item 7. of Part II "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Magnus' ability to pay the amounts owed on, or to refinance, the New Magnus Loans on or prior to maturity may be affected by general economic, financial, competitive, legislative, regulatory, business, geopolitical and other factors beyond its control. We cannot assure you that future borrowings or equity financing will be available for the payment or refinancing of the New Magnus Loans by Magnus. If Magnus is unable to pay the amounts owed on, or to refinance, the New Magnus Loans on or prior to maturity, it could have a material adverse effect on our business, financial condition, results of operations and the market price of our common stock. In addition, any inability by Magnus to take affirmative steps to refinance the New Magnus Loans as the maturity date nears could also have a material adverse effect on our business, financial condition, results of operations and the market price of our common stock.

The interests of Magnus, Fila Korea and the New Magnus Lenders may conflict with other holders of our common stock.

As of December 31, 2018 , Magnus, which is wholly-owned by Fila Korea, beneficially owns approximately 52.6% of our common stock. Fila Korea is able to control the election and removal of our directors and thereby effectively determine, among other things, the payment of dividends, our corporate and management policies, including potential mergers or acquisitions or asset sales, amendment of our amended and restated certificate of incorporation or amended and restated bylaws, and other significant corporate transactions for so long as Magnus retains significant ownership of us. So long as Magnus continues to own a significant amount of our voting power, even if such amount is less than 50%, Fila Korea will continue to be able to strongly influence or effectively control our decisions. The interests of Fila Korea and Magnus may not coincide with the interests of other holders of our common stock.

By controlling the election and removal of our directors, Fila Korea is able to effectively determine the payment of dividends on our common stock. In light of its interest obligations under the New Magnus Loans, and potential future dividend or interest obligations under any equity or debt used to refinance the New Magnus Loans, Magnus may cause us to pay dividends on our common stock at times or in amounts that may not be in the best interest of us or other holders of our common

stock. See “Risks Related to Ownership of our Common Stock—We cannot assure you that we will pay dividends on our common stock, and our indebtedness and other factors could limit our ability to pay dividends on our common stock” below.

In the ordinary course of its business activities, Fila Korea and its affiliates may engage in activities where their interests conflict with our interests or those of our shareholders. Except as may be limited by applicable law, Fila Korea and its affiliates will not have any duty to refrain from competing directly with us or engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. Fila Korea and its affiliates also may pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. In addition, Fila Korea and its affiliates may have an interest in us pursuing acquisitions, divestitures and other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to you.

In addition, the concentration of our ownership held by Magnus may delay, deter or prevent possible changes in control of the company or a change in the composition of our board of directors and could preclude any unsolicited acquisition of us, which may reduce the value of an investment in our common stock.

Furthermore, the New Magnus Lenders, as lenders under the New Magnus Loans, and any potential future lenders of debt used to refinance the New Magnus Loans, may also become direct owners of our common stock as a result of their exercise of remedies or otherwise. The interests of the New Magnus Lenders, or such potential future lenders, may not coincide with the interests of other holders of our common stock.

We and our board of directors will have no power to direct or influence the affairs of Magnus. In particular, we will have no power with respect to the disposition of shares of our common stock by Fila Korea, Magnus or the New Magnus Lenders (whether in connection with any exercise of remedies by the New Magnus Lenders or otherwise).

Fila Korea has in the past pledged the common stock of Magnus to its lenders and Fila Korea may pledge or borrow against shares of the common stock of Magnus in the future.

In the past, in order to fund the operations of or otherwise provide financing for its own business, Fila Korea has pledged its interest in the common stock of Magnus, and Fila Korea may pledge or borrow against shares of the common stock of Magnus in the future. If Fila Korea defaults under any such pledge or borrowing and the lenders foreclose on the pledged shares of Magnus common stock, they may seek to sell the pledged shares of Magnus common stock, or seek to acquire and to sell a portion of our common stock owned by Magnus. Any such sale, or the perception that such a sale could occur, could alter the voting power of Magnus directly and of us indirectly, and/or decrease the market price of shares of our common stock. The interests of the secured parties who exercise foreclosure may differ from those of other holders of our common stock.

The creditor and insolvency laws of Korea are different from U.S. bankruptcy laws and the outcome of any foreclosure, liquidation, bankruptcy or other restructuring proceeding may be unpredictable.

Fila Korea and Magnus are organized under the laws of the Republic of Korea. The creditor, bankruptcy, insolvency and other relevant laws of Korea are materially different from those of the United States. Any foreclosure, liquidation, bankruptcy or other restructuring proceeding involving Fila Korea or Magnus may be unpredictable and would not involve the same timing or procedures, and may not result in the same outcome, as a proceeding under U.S. law.

We are a "controlled company" within the meaning of the rules of the NYSE. As a result, we will qualify for exemptions from certain corporate governance requirements that would otherwise provide protection to shareholders of other companies.

Under the corporate governance standards of the NYSE rules, a company of which more than 50% of the voting power is held by an individual, group, or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of our board of directors consist of "independent directors" as defined under the rules of the NYSE;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement for an annual performance evaluation of the compensation and nominating and corporate governance committees.

Magnus, which is wholly-owned by Fila Korea, controls 39,345,151 shares, or approximately 52.6% , of our common stock as of December 31, 2018 . As a result, we qualify as a "controlled company" within the meaning of the corporate governance standards of the NYSE. Although we do not currently avail ourselves of exemptions available to controlled companies and do not currently expect to avail ourselves of these exemptions, we may utilize one or more of these exemptions in the future. As a result, we may not have a majority of independent directors, our nominating/corporate governance committee and compensation committee may not consist entirely of independent directors, and such committees will not be subject to annual performance evaluations. Accordingly, you may not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of the NYSE.

In addition, the NYSE adopted listing standards, which were approved by the SEC in 2013, that impose additional requirements pertaining to compensation committee independence and the role and disclosure of compensation consultants and other advisers to the compensation committee that require, among other things, that:

- a compensation committee be composed of fully independent directors, as determined pursuant to new independence requirements;
- a compensation committee be explicitly charged with hiring and overseeing compensation consultants, legal counsel, and other committee advisors; and
- a compensation committee be required to consider, when engaging compensation consultants, legal counsel, or other advisors, certain independence factors, including factors that examine the relationship between the consultant or advisor's employer and us.

Although we do not currently avail ourselves of the exemptions from these compensation committee requirements or intend to do so, as a "controlled company," we are not subject to these compensation committee independence requirements.

Risks Related to Ownership of Our Common Stock

The market price of shares of our common stock may be volatile, which could cause the value of your investment to decline.

The market price of our common stock may be highly volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of shares of our common stock in spite of our operating performance. In addition, our results of operations could be below the expectations of public market analysts and investors due to a number of potential factors, including variations in our quarterly results of operations, additions or departures of key management personnel, failure to meet analysts' earnings estimates, publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business or the golf industry, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies or speculation in the press or investment community, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments, adverse publicity about our industry in or individual scandals, and in response the market price of shares of our common stock could decrease significantly.

In the past few years, stock markets have experienced significant price and volume fluctuations. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

If we are unable to maintain effective internal controls over financial reporting, we may not be able to produce timely and accurate financial statements, which could have a material adverse effect on our business and stock price.

If we fail to maintain effective internal controls over financial reporting or if we identify additional material weaknesses in our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial statements which could cause the market price of our common stock to decline, and we could become subject to sanctions or investigations by the stock exchange upon which our common stock is listed, the SEC or other regulatory authorities, and we could be delayed in delivering financial statements, which could result in a default under the agreements governing our indebtedness.

We cannot assure you that we will pay dividends on our common stock, and our indebtedness and other factors could limit our ability to pay dividends on our common stock.

We intend to pay cash dividends on our common stock, subject to the discretion of our board of directors and our compliance with applicable law, and depending on, among other things, our results of operations, capital requirements, financial condition, contractual restrictions, restrictions in our debt agreements and in any equity securities, business prospects and other factors that our board of directors may deem relevant. Because we are a holding company and have no direct operations, we expect to pay dividends, if any, only from funds we receive from our subsidiaries, which may further restrict our ability to pay dividends as a result of the laws of their jurisdiction of organization, agreements of our subsidiaries or covenants under any existing and future outstanding indebtedness we or our subsidiaries incur. Certain of our existing agreements governing indebtedness, including our credit agreement, restrict our ability to pay dividends on our common stock. We expect that any future agreements governing indebtedness will contain similar restrictions. For more information, see Item 5. of Part II – "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities – Dividend Policy" and Item 7. Part II – "Management's Discussion and Analysis of Financial Condition and Results of Operations— Liquidity and Capital Resources."

Our dividend policy entails certain risks and limitations, particularly with respect to our liquidity. By paying cash dividends rather than investing that cash in our business or repaying debt, we risk, among other things, slowing the pace of our growth and having insufficient cash to fund our operations or unanticipated capital expenditures or limiting our ability to incur additional borrowings.

Although we expect to pay dividends according to our dividend policy, we may not pay dividends according to our policy, or at all, if, among other things, we do not have the cash necessary to pay our intended dividends.

The declaration and payment of dividends will be determined at the discretion of our board of directors, acting in compliance with applicable law and contractual restrictions. However, our board of directors is determined by Magnus, which is wholly-owned by Fila Korea, which controls a majority of the voting power of all outstanding shares of our common stock. Accordingly, the decision to declare and pay dividends on our common stock in the future, as well as the amount of each such dividend payment, may also depend on the amounts Magnus needs to fund the interest payments on the Magnus Term Loan,

other amounts due in connection with the Magnus Term Loan or any potential future dividend or interest obligations under any equity or debt used to refinance the Magnus Term Loan.

Acushnet Holdings Corp. is a holding company with no operations of its own and, as such, it depends on its subsidiaries for cash to fund all of its operations and expenses, including future dividend payments, if any.

Our operations are conducted almost entirely through our subsidiaries and our ability to generate cash to make future dividend payments, if any, is highly dependent on the earnings and the receipt of funds from our subsidiaries via dividends or intercompany loans, which may be restricted as a result of the laws of the jurisdiction of organization of our subsidiaries, agreements of our subsidiaries or covenants under any existing and future outstanding indebtedness we or our subsidiaries incur.

You may be diluted by the future issuance of additional common stock in connection with our incentive plans, acquisitions or otherwise.

As of December 31, 2018 , we had 425,239,938 shares of common stock authorized but unissued. Our amended and restated certificate of incorporation authorizes us to issue these shares of common stock and securities convertible into, exchangeable for, or exercisable into our common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. We have 7,523,536 shares reserved for issuance under our 2015 Incentive Plan. Any shares of common stock that we issue, under our 2015 Incentive Plan or other equity incentive plans that we may adopt in the future, dilute the percentage ownership held by our existing shareholders.

Future sales, or the perception of future sales, by us or our existing shareholders in the public market could cause the market price for our common stock to decline.

The sale of substantial amounts of shares of our common stock in the public market, or the perception that such sales could occur, including sales by us or our shareholders, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These factors could also make it more difficult for us to raise additional funds through future offerings of our shares of common stock or other securities.

Anti-takeover provisions in our organizational documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the merger or acquisition of the Company more difficult without the approval of our board of directors. Among other things:

- although we do not have a stockholder rights plan, these provisions would allow us to authorize the issuance of undesignated preferred stock in connection with a stockholder rights plan or otherwise, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;
- these provisions require advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;
- these provisions prohibit stockholder action by written consent;
- these provisions provide for the removal of directors only upon affirmative vote of holders of at least 66⅔% of the shares of common stock entitled to vote generally in the election of directors if Magnus and its affiliates hold less than 50% of our outstanding shares of common stock; and
- these provisions require the amendment of certain provisions only by the affirmative vote of at least 66⅔% of the shares of common stock entitled to vote generally in the election of directors if Magnus and its affiliates hold less than 50% of our outstanding shares of common stock.

Further, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our shareholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of the Company, including actions that our shareholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

If securities analysts do not publish research or reports about our business or if they downgrade our stock or our sector, our stock price and trading volume could decline.

The trading market for our common stock relies in part on the research and reports that industry or financial analysts publish about us or our business or industry. We do not control these analysts. Furthermore, if one or more of the analysts who do cover us downgrade our stock or our industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business or industry, the price of our stock could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, we could lose visibility in the market, which in turn could cause our stock price or trading volume to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our material facilities are located worldwide as shown in the table below.

Location	Type	Facility Size(1)	Leased/Owned
Fairhaven, Massachusetts	Headquarters and Golf Ball R&D	222,720	Owned
Golf Balls			
North Dartmouth, Massachusetts	Golf ball manufacturing	179,602	Owned
New Bedford, Massachusetts	Golf ball manufacturing	244,091	Owned
Amphur Pluakdaeng Rayong, Thailand	Golf ball manufacturing	230,003	Owned
New Bedford, Massachusetts	Golf ball customization and distribution center	438,007	Owned
Fairhaven, Massachusetts	Golf ball packaging	49,580	Owned
New Bedford, Massachusetts	Golf ball advanced engineering and ball cavity manufacturing	34,000	Leased
Golf Clubs, Wedges and Putters			
Carlsbad, California	Golf club assembly and R&D	165,485	Leased
San Marcos, California	Putter research	19,200	Leased
Encinitas, California	Putter fitting and sales	3,754	Leased
Tochigi, Japan	Golf club assembly	20,376	Leased
FootJoy			
Fuzhou, Fujian, China (40% owned joint venture)	Golf shoe manufacturing and distribution center	525,031	Building Owned/Land Leased
Brockton, Massachusetts	Golf shoe R&D, custom glove assembly, apparel embroidery and distribution center	146,000	Owned
Sriracha Chonburi, Thailand	Golf glove manufacturing	112,847	Building Owned/Land Leased
Sales Offices and Distribution Centers (used by multiple reportable segments)			
Fairhaven, Massachusetts	East Coast distribution center	185,370	Owned
Vista, California	West Coast distribution center and golf bag embroidery	102,319	Leased
Cambridgeshire, United Kingdom	Sales office and distribution center, as well as golf club assembly and golf ball customization	156,326	Owned
Helmond, The Netherlands	Sales office and distribution center	69,965	Leased
Victoria, Australia	Sales office and distribution center, as well as golf club assembly	37,027	Leased
Ontario, Canada	Sales office and distribution center, as well as golf ball customization	102,057	Leased
Randburg, South Africa	Sales office and distribution center, as well as golf club assembly	25,060	Leased
Yongin-shi, Korea	Distribution center, golf ball customization and golf club assembly	174,982	Leased
Product Testing and Fitting Centers (Golf Balls and Golf Clubs)			
Acushnet, Massachusetts	East Coast product testing and fitting for golf balls and golf clubs	22 acres total, including 7,662 square foot building	Owned
Oceanside, California	West Coast product testing and fitting for golf balls and golf clubs (Titleist Performance Institute)	30 acres total, including 20,539 square foot building	Owned

(1) Facility size represents square footage of the building, unless otherwise noted.

We have additional sales offices and facilities in Hawaii, New Zealand, Malaysia, Singapore, Hong Kong, Taiwan, Japan, Korea, Thailand, Sweden, France, Germany and Switzerland. In the opinion of our management, our properties are adequate and suitable for its business as presently conducted and are adequately maintained.

ITEM 3. LEGAL PROCEEDINGS

We are defendants in lawsuits associated with the normal conduct of our businesses and operations. It is not possible to predict the outcome of the pending actions, and, as with any litigation, it is possible that some of these actions could be decided unfavorably.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive Officers

Set forth below is information concerning the Company's executive officers as of February 28, 2019 .

Name	Age	Position
David Maher	51	President and Chief Executive Officer
Mary Lou Bohn	58	President, Titleist Golf Balls
Steven Pelisek	58	President, Titleist Golf Clubs
John (Jay) Duke, Jr.	50	President, Titleist Golf Gear
Christopher Lindner	50	President, FootJoy
Thomas Pacheco	50	Executive Vice President, Chief Financial Officer and Chief Accounting Officer
Brendan Gibbons	43	Executive Vice President, Chief Legal Officer and Corporate Secretary
Brendan Reidy	41	Senior Vice President, Chief Human Resources Officer

David Maher **,** 51, joined the company in 1991 and was appointed President and Chief Executive Officer of Acushnet Company in 2018. Prior to that, Mr. Maher was Chief Operating Officer from June 2016 to December 2017, Senior Vice President, Titleist Worldwide Sales and Global Operations from February 2016 to June 2016 and Vice President, Titleist U.S. Sales from 2001 to January 2016.

Mary Lou Bohn, 58, joined the company in 1987 and was appointed President, Titleist Golf Balls in June 2016. Prior to that, Ms. Bohn was Executive Vice President, Titleist Golf Balls and Titleist Communications from February 2016 to June 2016, Vice President, Golf Ball Marketing and Titleist Communications from 2010 to January 2016 and Vice President, Advertising and Communications from 2000 to 2010.

Steven Pelisek, 58, joined the company in 1993 and was appointed President, Titleist Golf Clubs in March 2016. From 2008 to March 2016, he was General Manager, Titleist Golf Clubs. Prior to that, Mr. Pelisek served as Vice President, Club Sales for both the Titleist and Cobra Club brands.

John (Jay) Duke, Jr., 50, joined the company in 2014 and was appointed President, Titleist Golf Gear in 2014. Prior to that, Mr. Duke worked at Hasbro, Inc., a multinational toy and board game company, from 2012 to 2014 where he was Vice President and Global Franchise Leader for Transformers Global Brand. Prior to Hasbro, Mr. Duke was President of Karhu Holdings BV from 2008 to 2012 and prior to that he held senior general management and strategy positions with Karhu Holdings BV and Converse Inc. (a subsidiary of NIKE, Inc.). Mr. Duke also spent time earlier in his career working for Morgan Stanley's Investment Banking Division and in general management positions with Reebok International Ltd.

Christopher Lindner, 50, joined the company in August 2016 as President, FootJoy. Prior to that, Mr. Lindner worked at Wolverine World Wide Inc., an American footwear manufacturer, from 2010 to August 2016 where he was President of Keds from 2014 to August 2016 and Chief Marketing Officer and Senior Vice President of North America Sales for Saucony from 2010 to 2014. Prior to 2010, Mr. Lindner held various positions with NIKE, including as Vice President of Global Marketing for Converse and Vice President of Global Marketing for Bauer Hockey (both NIKE subsidiaries), and leadership roles with Electronic Arts and Rollerblade.

Thomas Pacheco, 50, joined the company in 2017 and was appointed Executive Vice President, Chief Financial Officer and Chief Accounting Officer in January 2019. Prior to that, Mr. Pacheco was Senior Vice President, Finance and Chief Accounting Officer from April 2017 to December 2018 and Senior Vice President, Finance and Chief Audit Executive of Dell Technologies from September 2016 to March 2017. Prior to September 2016, Mr. Pacheco served as Senior Vice President, Finance and Chief Accounting Officer at EMC until it was acquired by Dell Technologies. He joined EMC in 2005

and held several roles in Finance including Assistant Corporate Controller, CFO - Cloud Services Division and Senior Director of Corporate Accounting and Reporting.

Brendan Gibbons, 43, joined the company in December 2017 as Executive Vice President, Chief Legal Officer and Corporate Secretary. Mr. Gibbons was Senior Vice President, General Counsel and Secretary of Wolverine World Wide, Inc. from April 2014 to November 2017. Prior to that, Mr. Gibbons served as Senior Vice President of Legal and Corporate Affairs, General Counsel and Secretary of Carter's, Inc.

Brendan Reidy, 41, joined the company in January 2019 as Senior Vice President, Chief Human Resources Officer. Prior to that, Mr. Reidy was Vice President, Human Resources - Organizational Effectiveness from April 2018 to December 2018 and Vice President, Human Resources - Research & Development & Corporate Functions of Biogen, Inc. from January 2015 to April 2018. Prior to that, Mr. Reidy served in a number of leadership roles at Biogen, Inc. from May 2011 to January 2015. Mr. Reidy also spent time earlier in his career working for both Procter & Gamble and The Gillette Company in human resources positions from September 2002 to May 2011.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has been listed on the New York Stock Exchange (the "NYSE") under the symbol "GOLF" since October 28, 2016.

On February 22, 2019 , the last reported sales price of our common stock on the NYSE was $24.36 per share and there were four record holders of our common stock.

Performance Graph

Recent Sales of Unregistered Securities

None.

Dividend Policy

We paid a total of $39.1 million and $35.7 million in dividends on our common stock during the years ended December 31, 2018 and 2017 . We did not declare or pay any dividends on our common stock during the year ended December 31, 2016 . We expect to pay future quarterly cash dividends on our common stock, subject to the discretion of our board of directors and our compliance with applicable law, and depending on, among other things, our results of operations, capital requirements, financial condition, contractual restrictions, restrictions in our debt agreements and in any equity securities, business prospects and other factors that our board of directors may deem relevant. Our dividend policy may be changed or terminated in the future at any time without advance notice. For a description of the restrictions on our ability to pay dividends under our senior secured credit facilities, see "Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" and "Notes to Consolidated Financial Statements – Note 10 – Debt and Financing Arrangements– Senior Secured Credit Facility."

Issuer Purchases of Equity Securities

On June 7, 2018, our Board of Directors authorized us to repurchase up to an aggregate of $20.0 million of our issued and outstanding common stock from time to time. On February 14, 2019, our Board of Directors authorized us to repurchase up to an additional $30.0 million of our issued and outstanding common stock bringing the total authorization up to $50.0 million. During the fourth quarter ended December 31, 2018 , there were no share repurchases made under this program.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

You should read the selected consolidated financial data below together with the consolidated financial statements and related notes thereto appearing elsewhere in this report, as well as “Item 7. – Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the other financial information included elsewhere in this report.

We have derived the consolidated statement of operations data for the years ended December 31, 2018 , 2017 and 2016 and the consolidated balance sheet data as of December 31, 2018 and 2017 presented below from our audited consolidated financial statements included elsewhere in this report. We have derived the consolidated statement of operations data for the years ended December 31, 2015 and 2014 and our consolidated balance sheet data as of December 31, 2016, 2015 and 2014 presented below from our audited consolidated financial statements which are not included in this report. Our historical audited results are not necessarily indicative of the results that should be expected in any future period. Certain prior period amounts have been reclassified to conform to current year presentation.

During the fourth quarter of 2018 , we determined that in 2011 we did not record a required deferred income tax liability on the difference between the book and tax basis of intangible assets resulting from the 2011 acquisition of Acushnet Company. This deferred tax liability should have been remeasured during the fourth quarter of 2017 based upon the change in tax rates resulting from the U.S. Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”). We have corrected these errors as a revision to the previously issued financial statements. The correction of these errors resulted in a decrease in income tax expense of $6.6 million , an increase in net income of $6.6 million and an increase in both basic and diluted net income per common share of $0.09 for the year ended December 31, 2017. The correction also resulted in a decrease in deferred income tax assets of $10.9 million , an increase in goodwill of $17.5 million , an increase in total assets of $6.6 million and an increase in total shareholders' equity of $6.6 million as of December 31, 2017. The impact of this revision has been reflected throughout these financial statements, including the related footnotes, and is not material to the consolidated financial statements for the year ended December 31, 2017. See further discussion in “Notes to Consolidated Financial Statements –Note 2 – Summary of Significant Accounting Policies.”, Item 8 of Part II, included elsewhere in this report.

	Year ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands, except share and per share data)				
Consolidated Statements of Operations Data:					
Net sales	$ 1,633,721	$ 1,560,258	$ 1,572,275	$ 1,502,958	$ 1,537,610
Income from operations	172,335	169,828	142,501	117,431	105,562
Net income	103,072	103,201	49,515	4,156	25,366
Less: Net income attributable to noncontrolling interests	(3,200)	(4,506)	(4,503)	(5,122)	(3,809)
Net income (loss) attributable to Acushnet Holdings Corp.	99,872	98,695	45,012	(966)	21,557
Dividends earned by preferred shareholders	—	—	(11,576)	(13,785)	(13,785)
Allocation of undistributed earnings to preferred shareholders	—	—	(10,247)	—	(3,866)
Net income (loss) attributable to common shareholders-basic	99,872	98,695	23,189	(14,751)	3,906
Net income (loss) attributable to common shareholders-diluted [1]	99,872	98,695	39,664	(14,751)	3,906
Per Share Data:					
Net income (loss) per common share attributable to Acushnet Holdings Corp.-basic [2]	$ 1.34	$ 1.33	$ 0.74	$ (0.74)	$ 0.23
Net income (loss) per common share attributable to Acushnet Holdings Corp.-diluted [3]	1.32	1.32	0.62	(0.74)	0.23
Weighted average number of common shares-basic [2]	74,766,176	74,399,836	31,247,643	19,939,293	16,716,825
Weighted average number of common shares-diluted [3]	75,472,342	74,590,999	64,323,742	19,939,293	16,716,825
Cash dividends declared per common share:	0.52	0.48	—	—	—
Balance Sheet Data:					
Unrestricted Cash [4]	$ 29,006	$ 45,411	$ 76,058	$ 54,409	$ 47,667
Current assets less current liabilities, excluding the current portion of our long term debt and EAR plan liability	404,759	407,012	372,684	345,114	339,301
Total assets	1,691,621	1,733,905	1,736,171	1,758,973	1,762,703
Common stock warrant liability	—	—	—	22,884	1,818
Long-term debt, net of discount, including current portion, and long-term capital lease obligations [5]	382,578	443,689	367,098	797,151	873,542
EAR plan liability, including current portion [6]	—	—	151,511	169,566	122,013
Total liabilities	764,637	879,932	967,348	1,434,431	1,442,747
Convertible Preferred Stock	—	—	—	131,036	131,036
Total equity attributable to Acushnet Holdings Corp.	894,872	821,309	735,865	160,251	156,587
Total shareholders' equity	926,984	853,973	768,823	193,506	188,920

(1) Reflects the impact to net income (loss) attributable to common shareholders of dilutive securities. Diluted net income (loss) attributable to common shareholders for each of the years ended December 31, 2015 and 2014 does not include the effects of (i) the conversion of our Series A 7.5% redeemable convertible preferred stock (the "Convertible Preferred Stock") to common shares, which Convertible Preferred Stock automatically converted into an aggregate of 16,542,243 shares of our common stock prior to the closing of our initial public offering, (ii) the conversion of our 7.5% convertible notes due 2021 (the "Convertible Notes") to common shares, which Convertible Notes automatically converted into an aggregate of 32,624,820 shares of our common stock prior to the closing of our initial public offering, (iii) the exercise by Fila Korea of our common stock warrants into an aggregate of 3,105,279 shares of our common stock which occurred in July 2016 or (iv) the exercise of then outstanding stock options, as the inclusion of these instruments would have been anti-dilutive for each of the years ended December 31, 2015 and 2014.

(2) Basic net income (loss) per common share attributable to Acushnet Holdings Corp. is computed by dividing (A) net income (loss) attributable to Acushnet Holdings Corp. after adjusting for (i) dividends earned by preferred shareholders and (ii) allocations of undistributed earnings to preferred shareholders, by (B) basic weighted average common shares outstanding during the period.

(3) Diluted net income (loss) per common share attributable to Acushnet Holdings Corp. is computed by dividing (A) net income (loss) attributable to Acushnet Holdings Corp. after adjusting for (i) dividends earned by preferred shareholders, (ii) allocations of undistributed earnings to preferred shareholders and (iii) the impact to net income (loss) of any potentially dilutive securities, by (B) the weighted-average number of dilutive shares outstanding during the period, which has been adjusted to include any potentially dilutive securities. Diluted net income (loss) per common share attributable to Acushnet Holdings Corp. for the years ended December 31, 2018, 2017 and 2016 includes the potential dilutive securities associated with our restricted stock units ("RSUs") and performance stock units ("PSUs"). Diluted net income (loss) per common share attributable to Acushnet Holdings Corp. for each of the years ended December 31, 2015 and 2014 does not include the effects of (i) the conversion of the Convertible Preferred Stock to common shares,

(ii) the conversion of the Convertible Notes to common shares, (iii) the exercise of our then outstanding common stock warrants or (iv) the exercise of then outstanding stock options, as the inclusion of these instruments would have been anti-dilutive for each of the years ended December 31, 2015 and 2014.

(4) Includes cash of $7.6 million , $12.1 million , $13.0 million, $10.0 million, and $7.7 million as of December 31, 2018, 2017, 2016, 2015, and 2014, respectively, related to our FootJoy golf shoe joint venture. See "Notes to Consolidated Financial Statements – Note 2 – Summary of Significant Accounting Policies," Item 8 of Part II, included elsewhere in this report, for further details on our FootJoy golf shoe joint venture.

(5) Long-term debt, net of discount, including current portion, and long-term capital lease obligations consists of (i) long-term debt and long-term capital lease obligations and (ii) the portion of any long-term debt that is classified as a current liability on our balance sheet, in each case net of any unamortized discount on such outstanding amounts.

(6) The Equity Appreciation Rights ("EAR") as structured did not qualify for equity accounting treatment. As such, the liability was re-measured at each reporting period based on our then-current projection of our Common Stock Equivalent ("CSE") value. The EAR plan expired on December 31, 2016 and the outstanding EAR liability of $151.5 million was settled in full by a cash payment to participants during the first quarter of 2017.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains management's discussion and analysis of our financial condition and results of operations and should be read together with "Item 1A – Risk Factors" and our audited consolidated financial statements and the notes thereto included elsewhere in this Annual Report. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs and involve numerous risks and uncertainties, including but not limited to those described in the "Risk Factors" section of this report. Actual results may differ materially from those contained in any forward-looking statements. You should carefully read "Forward-Looking Statements" following the Table of Contents.

Overview

We are the global leader in the design, development, manufacture and distribution of performance-driven golf products, which are widely recognized for their quality excellence. Today, we are the steward of two of the most revered brands in golf—Titleist, one of golf's leading performance equipment brands, and FootJoy, one of golf's leading performance wear brands.

Our target market is dedicated golfers, who are the cornerstone of the worldwide golf industry. These dedicated golfers are avid and skill-biased, prioritize performance and commit the time, effort and money to improve their game. We seek to leverage a pyramid of influence product and promotion strategy, whereby our products are the most played by the world's best players, creating aspirational appeal for a broad range of golfers who want to emulate the performance of the game's best players.

Our differentiated focus on performance and quality excellence, enduring connections with dedicated golfers, and favorable and market-differentiating mix of consumable and durable products have been the key drivers of our solid financial performance, despite challenges related to demographic, macroeconomic, industry disruptions and weather related conditions.

We were incorporated in Delaware on May 9, 2011 as Alexandria Holdings Corp., an entity owned by Fila Korea Co., Ltd. ("Fila Korea"), a leading sport and leisure apparel and footwear company which is a public company listed on the Korea Exchange, and a consortium of financial investors. We acquired Acushnet Company, our operating subsidiary, from Beam Suntory, Inc. (at the time known as Fortune Brands, Inc.) ("Beam") on July 29, 2011 (the "Acquisition"). We completed an initial public offering of our common stock in November 2016. See "Notes to Consolidated Financial Statements– Note 1 – Description of Business," Item 8 of Part II, included elsewhere in this report, for disclosures related to our initial public offering and other related transactions.

Basis of Presentation

The accompanying results have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") and include the accounts of the Company, our wholly- owned subsidiaries and less than wholly-owned subsidiaries, including a variable interest entity ("VIE") in which we are the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

During 2018, we adopted ASU 2017-07, *"Compensation—Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post Retirement Benefit Cost"* requiring us to reclassify the non-service cost component of net periodic benefit cost from cost of goods sold and operating expenses to other expense, net on the consolidated statement of operations for 2017 and 2016. As a result, certain prior period amounts have been reclassified to conform to current year presentation, including restatement of our segment operating income for 2017 and 2016.

During the fourth quarter of 2018, we determined that in 2011 we did not record a required deferred income tax liability on the difference between the book and tax basis of intangible assets resulting from the 2011 acquisition of Acushnet Company. This deferred tax liability should have been remeasured during the fourth quarter of 2017 based upon the change in tax rates resulting from the U.S. Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act"). We have corrected these errors as a revision to the previously issued financial statements. The correction of these errors resulted in a decrease in income tax expense of $6.6 million and an increase in net income of $6.6 million. The impact of this revision has been reflected throughout these financial statements, including the related footnotes, and is not material to the consolidated financial statements for the year ended December 31, 2017. See further discussion in "Notes to Consolidated Financial Statements –Note 2 – Summary of Significant Accounting Policies.", Item 8 of Part II, included elsewhere in this report.

We have four reportable segments. These segments include Titleist golf balls, Titleist golf clubs, Titleist golf gear and FootJoy golf wear. Segment operating income includes directly attributable expenses and certain shared costs of corporate administration that are allocated to the reportable segments, but excludes interest expense, net; the non-service cost component of net periodic benefit cost; equity appreciation rights ("EAR") expense; losses on the fair value of common stock warrants; transaction fees and other non-operating gains and losses as we do not allocate these to the reportable segments.

Key Factors Affecting Our Results of Operations

Rounds of Play

We generate substantially all of our sales from the sale of golf-related products, including golf balls, golf clubs, golf shoes, golf gloves, golf gear and golf apparel. The demand for golf-related products in general, and golf balls in particular, is directly related to the number of golf participants and the number of rounds of golf being played by these participants.

Weather Conditions

Weather conditions in most parts of the world, including our primary geographic markets, generally restrict golf from being played year-round, with many of our on-course customers closed during the cold weather months and, to a lesser extent, during the hot weather months. Unfavorable weather conditions in our major markets, such as a particularly long winter, a cold and wet spring, or an extremely hot summer, would reduce the number of playable days and rounds played in a given year, which would result in a decrease in the amount spent by golfers and golf retailers on our products, particularly with respect to consumable products such as golf balls and golf gloves. In addition, unfavorable weather conditions and natural disasters can adversely affect the number of custom club fitting and trial events that we can perform during the key selling period. Unusual or severe weather conditions throughout the year, such as storms or droughts or other water shortages, can negatively affect golf rounds played both during the events and afterward, as weather damaged golf courses are repaired and golfers focus on repairing the damage to their homes, businesses and communities. Consequently, sustained adverse weather conditions, especially during the warm weather months, could impact our sales. Adverse weather conditions may have a greater impact on us than other golf equipment companies as we have a large percentage of consumable products in our product portfolio, and the purchase of consumable products are more dependent on the number of rounds played in a given year.

Economic Conditions

Our products are recreational in nature and are therefore discretionary purchases for consumers. Consumers are generally more willing to spend their time and money to play golf and make discretionary purchases of golf products when economic conditions are favorable and when consumers feel confident and prosperous. Discretionary spending on golf and the golf products we sell is affected by consumer spending habits as well as by many macroeconomic factors, including general business conditions, stock market prices and volatility, corporate spending, housing prices, interest rates, the availability of consumer credit, taxes and consumer confidence in future economic conditions. Consumers may reduce or postpone purchases of our products as a result of shifts in consumer spending habits as well as during periods when economic uncertainty increases, disposable income is lower, or during periods of actual or perceived unfavorable economic conditions.

Demographic Factors

Golf is a recreational activity that requires time and money. The golf industry has been principally driven by the age cohort of 30 and above, currently “gen-x” (age 39 to 54) and “baby boomers” (age 55 to 73), who have the time and money to engage in the sport. Since a significant number of baby boomers have yet to retire, we anticipate growth in spending from this demographic as it has been demonstrated that rounds of play increase significantly as those in this cohort reach retirement. Further, we also believe that the percentage of women golfers will continue to grow, as a higher percentage of new golfers in recent years have been women. Beyond the gen-x and baby boomer generation, another promising development in golf has been the generational shift with millennial golfers making their marks at both professional and amateur levels and, in 2018, accounting for 26% of golfers overall in the U.S.

Golf participation among younger generations and certain socioeconomic and ethnic groups may not prove to be as popular as it is among the current gen-x and baby boomer generations. In such case, sales of our products could be negatively impacted.

Seasonality

Weather conditions in most parts of the world, including our primary geographic markets, generally restrict golf from being played year-round, with many of our on-course customers closed during the cold weather months. In general, during the first quarter, we begin selling our products into the golf retail channel for the new golf season. This initial sell-in generally continues into the second quarter. Our second-quarter sales are significantly affected by the amount of sell-through, in particular the amount of higher value discretionary purchases made by customers, which drives the level of reorders of our products sold-in during the first quarter. Our third-quarter sales are generally dependent on reorder business, and are generally less than the second quarter as many retailers begin decreasing their inventory levels in anticipation of the end of the golf season. Our fourth-quarter sales are generally less than the other quarters due to the end of the golf season in many of our key markets, but can also be affected by key product launches, particularly golf clubs. This seasonality, and therefore quarter to quarter fluctuations, can be affected by many factors, including weather conditions as discussed above under "—Weather Conditions" and the timing of new product introductions as discussed below under "—Cyclicality." This seasonality affects sales in each of our reportable segments differently. In general, however, because of this seasonality, a majority of our sales and most of our profitability generally occurs during the first half of the year.

Cyclicality

Our sales can also be affected by the launch timing of new products. Product introductions generally stimulate sales as the golf retail channel takes on inventory of new products. Reorders of these new products then depend on the rate of sell-through. Announcements of new products can often cause our customers to defer purchasing additional golf equipment until our new products are available. The varying product introduction cycles described below may cause our results of operations to fluctuate as each product line has different volumes, prices and margins.

Product Life Cycles

Titleist Golf Balls Segment

We launch new Titleist golf ball models on a two-year cycle, with new product launches of our premium performance models, Pro V1 and Pro V1x, generally occurring in the first quarter of odd-numbered years, and AVX, in the first quarter of even-numbered years. New product launches of our performance models that include Tour Soft and Velocity, generally occurring in the first quarter of even-numbered years, and DT TruSoft occurring in the third quarter in odd-numbered years. For new golf ball models, sales occur at a higher rate in the year of the initial launch than in the second year. Given the Pro V1 franchise is our highest volume and our highest priced product in this product category, we typically have higher net sales in our Titleist golf ball segment in odd-numbered years.

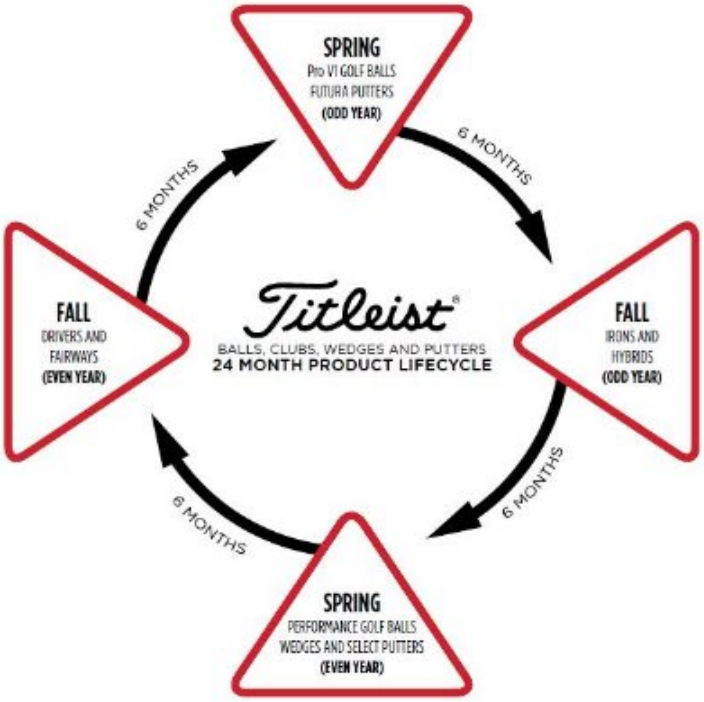
Titleist Golf Clubs Segment

We generally launch new Titleist golf club models on a two-year cycle. Since the fall of 2014, we have generally used the following product launch cycle, and at present we anticipate continuing to use this product launch cycle going forward because we believe it aligns our launches with the purchase habits of dedicated golfers. In general, we launch:

- drivers and fairways in the third or fourth quarter of even-numbered years, which typically results in an increase in sales of drivers and fairways during such quarters because retailers take on initial supplies of these products as stock inventory, with increased sales generated by such new products continuing the following spring and summer of odd-numbered years;
- irons and hybrids in the third or fourth quarter of odd-numbered years, with the majority of sales generated by such new products occurring in the following spring and summer of even-numbered years because a higher percentage of our new irons and hybrids as compared to our drivers and fairways are sold through on a custom fit basis and the spring and summer is when golfers tend to make such custom fit purchases;
- Vokey Design wedges in the first quarter of even-numbered years, with the majority of sales generated by such new products occurring in the spring and summer of such even-numbered years; and
- Scotty Cameron putters in the first quarter, with the Select models launched in even-numbered years and the Futura models launched in odd-numbered years, with the majority of sales generated by such new products occurring in the spring and summer of the year in which they are launched.

As a result of this product launch cycle, we generally expect to have higher net sales in our Titleist golf clubs segment in even-numbered years due to the following factors:

- the majority of sales generated by new irons and hybrids launched in the third or fourth quarter of odd-numbered years is expected to occur in the spring and summer of the following even-numbered years;
- the majority of sales generated by new Vokey Design wedges launched in the first quarter of even-numbered years is expected to occur in such even-numbered years;
- the majority of sales generated by new Scotty Cameron Select line of putters launched in the first quarter of even-numbered years is expected to occur in such even-numbered years; and
- the increase in sales of new drivers and fairways launched in the third or fourth quarter of even-numbered years due to the initial sell-in of these products during such quarters.



Titleist Golf Gear and FootJoy Golf Wear Segments

Our FootJoy golf wear and Titleist golf gear businesses are not subject to the same degree of cyclical fluctuation as our golf ball and golf club businesses as new product offerings and styles are generally introduced each year and at different times during the year.

Foreign Currency

In each of the years ended December 31, 2018 , 2017 and 2016 , 49% of our net sales were generated outside of the United States by our non-U.S. subsidiaries. Substantially all of these net sales generated outside of the United States were generated in the applicable local currency, which include, but are not limited to, the Japanese yen, the Korean won, the British pound sterling, the euro and the Canadian dollar. In contrast, substantially all of the purchases of inventory, raw materials or components by our non-U.S. subsidiaries are made in U.S. dollars. For the year ended December 31, 2018 , approximately 84% of our cost of goods sold incurred by our non-U.S. subsidiaries was denominated in U.S. dollars. Because our non-U.S. subsidiaries incur substantially all of their cost of goods sold in currencies that are different from the currencies in which they generate substantially all of their sales, we are exposed to transaction risk attributable to fluctuations in such exchange rates, which can impact the gross profit of our non-U.S. subsidiaries.

In an effort to protect against adverse fluctuations in foreign exchange rates and minimize foreign currency transaction risk, we take an active approach to currency hedging, which includes among other things, entering into various foreign currency exchange contracts, with the primary goal of providing earnings and cash flow stability. As a result of our active approach to currency hedging, we are able to take a longer term view and more flexible approach towards pricing our products and making cost-related decisions. In taking this active approach, we coordinate with the management teams of our key non-U.S. subsidiaries on an ongoing basis to share our views on anticipated currency movements and make decisions on securing foreign currency exchange contract positions that are incorporated into our business planning and forecasting processes. Because our hedging activities are designed to reduce volatility, they reduce not only the negative impact of a stronger U.S. dollar but could also reduce the positive impact of a weaker U.S. dollar.

Because our consolidated accounts are reported in U.S. dollars, we are also exposed to currency translation risk when we translate the financial results of our consolidated non-U.S. subsidiaries from their local currency into U.S. dollars. For the year ended December 31, 2018 , 49% of our sales were denominated in foreign currencies. In addition, for the year ended December 31, 2018 , 32% of our total operating expenses were denominated in foreign currencies (which amounts represent substantially all of the operating expenses incurred by our non-U.S. subsidiaries). Fluctuations in foreign currency exchange rates may positively or negatively affect our reported financial results and can significantly affect period-over-period comparisons. A strengthening of the U.S. dollar relative to our foreign currencies could materially adversely affect our business, financial condition and results of operations.

2016 Customer Event

In September 2016, Golfsmith International Holdings LP, a specialty golf retailer and, at that time, one of our largest customers, announced bankruptcy proceedings. The Golfsmith bankruptcy resulted in a significant disruption to our business in the second half of 2016 and full year 2017, with the reorganization activities and store closures resulting in less product sell-in to retail. In addition, our 2017 sales were also impacted as a result of liquidation activities and lower retail sell-in resulting from the reduced store count.

Key Performance Measures

We use various financial metrics to measure and evaluate our business, including, among others: (i) net sales on a constant currency basis, (ii) Adjusted EBITDA on a consolidated basis, (iii) Adjusted EBITDA margin on a consolidated basis and (iv) segment operating income.

Since a significant percentage of our net sales are generated outside of the United States, we use net sales on a constant currency basis to evaluate the sales performance of our business in period over period comparisons and for forecasting our business going forward. Constant currency information allows us to estimate what our sales performance would have been without changes in foreign currency exchange rates. This information is calculated by taking the current period local currency sales and translating them into U.S. dollars based upon the foreign currency exchange rates for the applicable comparable prior period. This constant currency information should not be considered in isolation or as a substitute for any measure derived in accordance with U.S. GAAP. Our presentation of constant currency information may not be consistent with the manner in which similar measures are derived or used by other companies.

We primarily use Adjusted EBITDA on a consolidated basis to evaluate the effectiveness of our business strategies, assess our consolidated operating performance and make decisions regarding pricing of our products, go to market execution and costs to incur across our business. We present Adjusted EBITDA as a supplemental measure of our operating performance because it excludes the impact of certain items that we do not consider indicative of our ongoing operating performance. We define Adjusted EBITDA in a manner consistent with the term “Consolidated EBITDA” as it is defined in our credit agreement. Adjusted EBITDA represents net income (loss) attributable to Acushnet Holdings Corp. plus interest expense, income tax expense, depreciation and amortization, the expenses relating to the Acushnet Company Equity Appreciation Rights Plan, as amended (the “EAR plan”), share-based compensation expense, a one-time executive bonus, restructuring charges, certain transaction fees, indemnification expense (income) from Beam, executive pension settlement, losses on the fair value of our common stock warrants, certain other non-cash (gains) losses, net and the net income relating to noncontrolling interests. Adjusted EBITDA is not a measurement of financial performance under U.S. GAAP. It should not be considered an alternative to net income (loss) attributable to Acushnet Holdings Corp. as a measure of our operating performance or any other measure of performance derived in accordance with U.S. GAAP. In addition, Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items, or affected by similar non-recurring items. Adjusted EBITDA has limitations as an analytical tool, and you should not consider such measure either in isolation or as a substitute for analyzing our results as reported under U.S. GAAP. Our definition and calculation of Adjusted EBITDA is not necessarily comparable to other similarly titled measures used by other companies due to different methods of calculation. For a

reconciliation of Adjusted EBITDA to net income (loss) attributable to Acushnet Holdings Corp., see "—Results of Operations" below.

We also use Adjusted EBITDA margin on a consolidated basis, which measures our Adjusted EBITDA as a percentage of net sales, because our management uses it to evaluate the effectiveness of our business strategies, assess our consolidated operating performance and make decisions regarding pricing of our products, go to market execution and costs to incur across our business. We present Adjusted EBITDA margin as a supplemental measure of our operating performance because it excludes the impact of certain items that we do not consider indicative of our ongoing operating performance. Adjusted EBITDA margin is not a measurement of financial performance under U.S. GAAP. It should not be considered an alternative to any measure of performance derived in accordance with U.S. GAAP. In addition, Adjusted EBITDA margin should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items, or affected by similar non-recurring items. Adjusted EBITDA margin has limitations as an analytical tool, and you should not consider such measure either in isolation or as a substitute for analyzing our results as reported under U.S. GAAP. Our definition and calculation of Adjusted EBITDA margin is not necessarily comparable to other similarly titled measures used by other companies due to different methods of calculation.

Lastly, we use segment operating income to evaluate and assess the performance of each of our reportable segments and to make budgeting decisions.

Results of Operations

The following table sets forth, for the periods indicated, our results of operations.

	Year ended December 31,		
	2018	2017	2016
	(dollars in thousands)		
Net sales	$ 1,633,721	$ 1,560,258	$ 1,572,275
Cost of goods sold	791,370	758,401	773,275
Gross profit	842,351	801,857	799,000
Operating expenses:			
Selling, general and administrative	611,883	578,289	600,092
Research and development	51,489	47,241	48,126
Intangible amortization	6,644	6,499	6,608
Restructuring charges	—	—	1,673
Income from operations	172,335	169,828	142,501
Interest expense, net	18,402	15,709	49,908
Other expense, net	3,629	2,443	3,371
Income before income taxes	150,304	151,676	89,222
Income tax expense	47,232	48,475	39,707
Net income	103,072	103,201	49,515
Less: Net income attributable to noncontrolling interests	(3,200)	(4,506)	(4,503)
Net income attributable to Acushnet Holdings Corp.	$ 99,872	$ 98,695	$ 45,012
Adjusted EBITDA:			
Net income attributable to Acushnet Holdings Corp.	$ 99,872	$ 98,695	$ 45,012
Income tax expense	47,232	48,475	39,707
Interest expense, net	18,402	15,709	49,908
Depreciation and amortization	40,496	40,871	40,834
EAR Plan(a)	—	—	6,047
Share-based compensation	18,563	15,285	14,494
One-time executive bonus(b)	—	—	7,500
Restructuring charges(c)	—	—	1,673
Transaction fees	599	686	16,817
Beam indemnification (income) expense (d)	(258)	177	(2,174)
Executive pension settlement(e)	2,543	—	—
Losses on the fair value of our common stock warrants(f)	—	—	6,112
Other non-cash (gains) losses, net	177	(1,036)	(592)
Non-recurring income(g)	—	—	(1,467)
Net income attributable to noncontrolling interests	3,200	4,506	4,503
Adjusted EBITDA	$ 230,826	$ 223,368	$ 228,374
Adjusted EBITDA margin	14.1%	14.3%	14.5%

(a) Reflects expenses related to the EARs granted under our EAR Plan and the remeasurement of the liability at each reporting period based on the then-current projection of our common stock equivalent value (as defined in the EAR Plan). The EAR Plan expired on December 31, 2016.

(b) In the first quarter of 2016, our former Chief Executive Officer ("CEO") was awarded a cash bonus in the amount of $7.5 million as consideration for past performance.

(c) Reflects restructuring charges incurred in connection with the reorganization of certain of our operations.

(d) Reflects the non-cash charges related to the indemnification obligations owed to us by Beam that are included when calculating net income (loss) attributable to Acushnet Holdings Corp.

(e) In the third quarter of 2018, our former CEO received lump-sum pension benefit payments in connection with his retirement, which resulted in a non-cash settlement expense of $2.5 million.

(f) Fila Korea exercised all of our outstanding common stock warrants in July 2016 and we used the proceeds from such exercise to redeem all of our outstanding 7.5% bonds due 2021.

(g) Reflects legal judgment in favor of us associated with the Beam value-added tax dispute recorded in other (income) expense.

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

Net sales by reportable segment is summarized as follows:

	Year ended December 31,		Increase/(Decrease)		Constant Currency Increase/(Decrease)	
	2018	2017	$ change	% change	$ change	% change
	(dollars in thousands)					
Titleist golf balls	$ 523,967	$ 512,041	$ 11,926	2.3%	$ 6,052	1.2 %
Titleist golf clubs	445,341	397,987	47,354	11.9%	41,833	10.5 %
Titleist golf gear	146,067	142,911	3,156	2.2%	444	0.3 %
FootJoy golf wear	439,681	437,455	2,226	0.5%	(6,209)	(1.4)%

Segment operating income by reportable segment is summarized as follows:

	Year ended December 31,		Increase/(Decrease)	
	2018	2017	$ change	% change
	(dollars in thousands)			
Titleist golf balls	$ 78,973	$ 78,419	$ 554	0.7 %
Titleist golf clubs	45,156	32,084	13,072	40.7 %
Titleist golf gear	15,430	16,803	(1,373)	(8.2)%
FootJoy golf wear	17,974	27,038	(9,064)	(33.5)%

Net sales information by region is summarized as follows:

	Year ended December 31,		Increase/(Decrease)		Constant Currency Increase/(Decrease)	
	2018	2017	$ change	% change	$ change	% change
	(dollars in thousands)					
United States	$ 826,111	$ 789,879	$ 36,232	4.6 %	$ 36,232	4.6 %
EMEA	219,803	205,200	14,603	7.1 %	2,573	1.3 %
Japan	199,107	201,264	(2,157)	(1.1)%	(5,690)	(2.8)%
Korea	221,146	200,394	20,752	10.4 %	13,696	6.8 %
Rest of world	167,554	163,521	4,033	2.5 %	2,014	1.2 %
Total net sales	$ 1,633,721	$ 1,560,258	$ 73,463	4.7 %	$ 48,825	3.1 %

Net Sales

Net sales increased by $73.4 million or 4.7% , to $1,633.7 million for the year ended December 31, 2018 compared to $1,560.3 million for the year ended December 31, 2017 . On a constant currency basis, net sales would have increased by $48.8 million , or 3.1% , to $1,609.1 million . The increase in net sales on a constant currency basis was driven by an increase of $41.8 million in net sales of Titleist golf clubs due to higher sales volumes of drivers and fairways resulting from our newly introduced TS models, which were launched in the third quarter of 2018 and wedges which were launched in the first quarter of 2018.

Net sales in the United States increased by $36.2 million , or 4.6% , to $826.1 million for the year ended December 31, 2018 compared to $789.9 million for the year ended December 31, 2017 . This increase in net sales in the United States was primarily driven by an increase of $27.9 million in net sales of Titleist golf clubs and an increase of $4.7 million in net sales of Titleist golf balls despite unfavorable weather conditions which negatively impacted rounds of play.

Our sales in regions outside of the United States increased by $37.3 million , or 4.8% , to $807.6 million for the year ended December 31, 2018 compared to $770.4 million for the year ended December 31, 2017 . On a constant currency basis, net sales in such regions would have increased by $12.6 million , or 1.6% , to $783.0 million , driven by an increase of $13.9 million in net sales of Titleist golf clubs, partially offset by a decrease of $7.2 million in net sales of FootJoy golf wear and a decrease of $2.2 million in net sales of Titleist golf gear. The remaining change in net sales was primarily due to sales volume growth of products that are sold in regions outside the United States and that are not allocated to one of our four reportable segments.

Gross Profit

Gross profit increased by $40.5 million to $842.4 million for the year ended December 31, 2018 compared to $801.9 million for the year ended December 31, 2017 . Gross margin increased to 51.6% for the year ended December 31, 2018 compared to 51.4% for the year ended December 31, 2017 . The increase in gross profit was largely driven by a $26.3 million increase in gross profit in Titleist golf clubs primarily due to a sales volume increase in newly introduced drivers, fairways and wedges and an increase of $5.6 million in Titleist golf balls driven by higher average selling prices.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $33.6 million to $611.9 million for the year ended December 31, 2018 compared to $578.3 million for the year ended December 31, 2017 . This increase was primarily due to an increase of $16.7 million in selling expenses across all segments, an increase of $5.4 million in advertising and promotion expenses primarily related to the new product launches in Titleist golf clubs, a $2.7 million increase in information technology related costs and an increase of $2.8 million in share-based compensation. Overall SG&A included a $5.3 million unfavorable impact of changes in foreign currency exchange rates across all expense categories and segments.

Research and Development

R&D expenses increased by $4.3 million to $51.5 million for the year ended December 31, 2018 compared to $47.2 million for the year ended December 31, 2017 . This increase was mainly attributable to employee related costs. As a percentage of consolidated net sales, R&D expenses were 3.2% , up from 3.0% for the year ended December 31, 2017 .

Intangible Amortization

Intangible amortization expenses were $6.6 million for the year ended December 31, 2018 , compared to $6.5 million for the year ended December 31, 2017 .

Interest Expense, net

Interest expense, net increased by $2.7 million to $18.4 million for the year ended December 31, 2018 compared to $15.7 million for the year ended December 31, 2017 . This increase was primarily due to higher average interest rates on outstanding borrowings during the year ended December 31, 2018 .

Other Expense, net

Other expense, net increased by $1.2 million to $3.6 million for the year ended December 31, 2018 compared to $2.4 million for the year ended December 31, 2017 . This increase was primarily due to a $2.5 million non-cash settlement expense resulting from a lump sum benefit payment to our former CEO associated with his retirement, offset in part by an increase in expected return on pension plan assets of $1.0 million.

Income Tax Expense

Income tax expense decreased by $1.3 million to $47.2 million for the year ended December 31, 2018 compared to $48.5 million for the year ended December 31, 2017 . Our effective tax rate ("ETR") was 31.4% for the year ended December 31, 2018 , compared to 32.0% for the year ended December 31, 2017 . The decrease in ETR was primarily driven by the partial release of our valuation allowance on deferred tax assets, offset by the net impact of changes resulting from the 2017 Tax Act, including incremental guidance issued in 2018, and changes to our geographic mix of earnings.

Net Income Attributable to Acushnet Holdings Corp.

Net income attributable to Acushnet Holdings Corp. increased by $1.2 million to $99.9 million for the year ended December 31, 2018 compared to $98.7 million for the year ended December 31, 2017 , primarily as a result of an increase in income from operations.

Adjusted EBITDA

Adjusted EBITDA increased by $7.4 million to $230.8 million for the year ended December 31, 2018 compared to $223.4 million for the year ended December 31, 2017 . Adjusted EBITDA margin decreased to 14.1% for the year ended December 31, 2018 compared to 14.3% for the year ended December 31, 2017 .

Segment Results

Titleist Golf Balls Segment

Net sales in our Titleist golf balls segment increased by $12.0 million , or 2.3% , to $524.0 million for the year ended December 31, 2018 compared to $512.0 million for the year ended December 31, 2017 . On a constant currency basis, net sales in our Titleist golf balls segment would have increased by $6.1 million , or 1.2% , to $518.1 million . This increase was primarily driven by higher sales volumes attributed to our new AVX premium performance golf balls and our performance golf balls launched in the second quarter and first quarter, respectively, partially offset by a sales volume decline in Pro V1 and Pro V1x golf balls which were in their second model year and unfavorable weather conditions which negatively impacted rounds of play.

Titleist golf balls segment operating income increased by $0.6 million , or 0.7% , to $79.0 million for the year ended December 31, 2018 compared to $78.4 million for the year ended December 31, 2017 primarily due to an increase in gross profit of $5.6 million which was partially offset by higher operating expenses. The increase in gross profit was primarily driven by higher average selling prices. Operating expenses increased primarily due to a $2.3 million increase in selling expenses mainly attributable to employee related costs and a $2.2 million increase in research and development expenses.

Titleist Golf Clubs Segment

Net sales in our Titleist golf clubs segment increased by $47.3 million , or 11.9% , to $445.3 million for the year ended December 31, 2018 compared to $398.0 million for the year ended December 31, 2017 . On a constant currency basis, net sales in our Titleist golf clubs segment would have increased by $41.8 million , or 10.5% , to $439.8 million . This increase was primarily driven by higher sales volumes of our newly introduced TS drivers and TS fairways launched in the third quarter of 2018 and our wedges launched in the first quarter of 2018, partially offset by lower sales volume of our previous generation hybrids.

Titleist golf clubs segment operating income increased by $13.1 million , or 40.7% , to $45.2 million for the year ended December 31, 2018 compared to $32.1 million for the year ended December 31, 2017 . The increase in operating income was primarily driven by higher gross profit of $26.3 million partially offset by higher operating expenses. The increase in gross profit was driven by the sales volume increases discussed above. Higher operating expenses were primarily due to an increase of $4.9 million in advertising and promotion expenses related to the new product launches and $4.7 million in selling costs.

Titleist Golf Gear Segment

Net sales in our Titleist golf gear segment increased by $3.2 million , or 2.2% , to $146.1 million for the year ended December 31, 2018 compared to $142.9 million for the year ended December 31, 2017 . On a constant currency basis, net sales in our Titleist golf gear segment would have increased by $0.4 million , or 0.3% , to $143.3 million . This increase was primarily due to higher average selling prices across all categories of the gear business, largely offset by a sales volume decline in travel gear.

Titleist golf gear segment operating income decreased by $1.4 million , or 8.2% , to $15.4 million for the year ended December 31, 2018 compared to $16.8 million for the year ended December 31, 2017 . The decrease in operating income was largely the result of an increase of $4.1 million in operating expenses primarily as a result of increased selling expenses and allocated administration expenses, partially offset by a $2.7 million increase in gross profit.

FootJoy Golf Wear Segment

Net sales in our FootJoy golf wear segment increased by $2.2 million , or 0.5% , to $439.7 million for the year ended December 31, 2018 compared to $437.5 million for the year ended December 31, 2017 . On a constant currency basis, net sales in our FootJoy golf wear segment would have decreased by $6.2 million , or 1.4% , to $431.3 million . This decrease primarily resulted from a sales volume decline in footwear, partially offset by higher average selling prices across all FootJoy categories and a sales volume increase in apparel.

FootJoy golf wear segment operating income decreased by $9.0 million , or 33.5% , to $18.0 million for the year ended December 31, 2018 compared to $27.0 million for the year ended December 31, 2017 . The decrease in operating income was a result of higher operating expenses of $10.3 million, partially offset by higher gross profit. The increase in gross profit was primarily driven by higher average selling prices as discussed above and higher sales volumes in apparel partially offset by lower sales volumes in footwear. Higher operating expenses were primarily due to an increase of $4.5 million in selling expense, an increase of $2.1 million in advertising and promotion expenses and increased allocated administration expenses.

Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

Net sales by reportable segment is summarized as follows:

	Year ended December 31,		Increase/(Decrease)		Constant Currency Increase/(Decrease)	
	2017	2016	$ change	% change	$ change	% change
	(dollars in thousands)					
Titleist golf balls	$ 512,041	$ 513,899	$ (1,858)	(0.4)%	$ (310)	(0.1)%
Titleist golf clubs	397,987	430,966	(32,979)	(7.7)%	(29,805)	(6.9)%
Titleist golf gear	142,911	136,208	6,703	4.9 %	7,120	5.2 %
FootJoy golf wear	437,455	433,061	4,394	1.0 %	8,643	2.0 %

Segment operating income by reportable segment is summarized as follows:

	Year ended December 31,		Increase/(Decrease)	
	2017	2016	$ change	% change
	(dollars in thousands)			
Titleist golf balls	$ 78,419	$ 76,954	$ 1,465	1.9 %
Titleist golf clubs	32,084	51,003	(18,919)	(37.1)%
Titleist golf gear	16,803	12,212	4,591	37.6 %
FootJoy golf wear	27,038	19,305	7,733	40.1 %

Net sales information by region is summarized as follows:

	Year ended December 31,		Increase/(Decrease)		Constant Currency Increase/(Decrease)	
	2017	2016	$ change	% change	$ change	% change
	(dollars in thousands)					
United States	$ 789,879	$ 804,516	$ (14,637)	(1.8)%	$ (14,637)	(1.8)%
EMEA	205,200	210,088	(4,888)	(2.3)%	2,003	1.0 %
Japan	201,264	219,021	(17,757)	(8.1)%	(10,007)	(4.6)%
Korea	200,394	175,956	24,438	13.9 %	19,919	11.3 %
Rest of world	163,521	162,694	827	0.5 %	(410)	(0.3)%
Total net sales	$ 1,560,258	$ 1,572,275	$ (12,017)	(0.8)%	$ (3,132)	(0.2)%

Net Sales

Net sales decreased by $12.0 million , or 0.8% , to $1,560.3 million for the year ended December 31, 2017 compared to $1,572.3 million for the year ended December 31, 2016 . On a constant currency basis, net sales would have decreased by $3.1 million, or 0.2%, to $1,569.2 million. The decrease in net sales on a constant currency basis resulted from a decrease of $29.8 million in net sales of Titleist golf clubs primarily resulting from lower sales volumes of drivers and fairways, coupled with wedges which were in their second model year. These net sales decreases were partially offset by an increase of $8.6 million in FootJoy golf wear driven by sales volume increases in FootJoy apparel and an increase of $7.1 million in net sales of Titleist golf gear primarily due to higher average selling prices across all product categories. The remaining change in net sales was primarily due to sales volume growth of products sold in regions outside the United States and that are not allocated to one of our four reportable segments.

Net sales in the United States decreased by $14.6 million, or 1.8%, to $789.9 million for the year ended December 31, 2017 compared to $804.5 million for the year ended December 31, 2016. This decrease in net sales in the United States resulted from a decrease of $10.5 million in net sales of Titleist golf clubs and a decrease of $3.3 million in net sales of Titleist golf balls. Net sales in the United States were impacted by a reduced store count as a result of the continued impact of retail channel disruptions that occurred in 2016 as well as unfavorable weather conditions which negatively impacted both rounds of play and golf club fitting and trial activities.

Our sales in regions outside of the United States increased by $2.6 million, or 0.3%, to $770.4 million for the year ended December 31, 2017 compared to $767.8 million for the year ended December 31, 2016. On a constant currency basis, net sales in such regions would have increased by $11.5 million, or 1.5%, to $779.3 million, driven by an increase of $10.4 million in net sales of FootJoy golf wear, an increase of $6.2 million in net sales of Titleist golf gear, and an increase of $3.0 million in net sales of Titleist golf balls, largely offset by a decrease of $19.3 million in net sales of Titleist golf clubs. The remaining increase in net sales was due to sales volume growth of products that are sold in regions outside the United States and that are not allocated to one of our four reportable segments.

Gross Profit

Gross profit increased by $2.9 million to $801.9 million for the year ended December 31, 2017 compared to $799.0 million for the year ended December 31, 2016. Gross margin increased to 51.4% for the year ended December 31, 2017 compared to 50.8% for the year ended December 31, 2016. The increase in gross profit was largely driven by an increase in gross profit from our products not allocated to one of our four reportable segments and a $5.6 million increase in gross profit in FootJoy golf wear primarily due to sales volume increase in apparel. These increases were largely offset by a decrease of $17.9 million in Titleist golf clubs primarily resulting from lower sales volumes of drivers and fairways, coupled with wedges which were in their second model year. The increase in gross margin was primarily driven by a gross margin increase in the FootJoy golf wear segment and from our products not allocated to one of our four reportable segments.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by $21.8 million to $578.3 million for the year ended December 31, 2017 compared to $600.1 million for the year ended December 31, 2016. This decrease primarily resulted from the absences of $16.8 million in transaction costs primarily related to our initial public offering, a $7.5 million one-time executive bonus and a $5.6 million expense associated with our EAR plan, all recorded in the year ended December 31, 2016 and a $6.2 million reduction in bad debt expense in the year ended December 31, 2017. This was partially offset by an increase

of $9.2 million driven by higher consulting, legal and administrative costs and an increase of $6.2 million in selling expenses primarily due to our products not allocated to one of our four reportable segments and from FootJoy golf wear.

Research and Development

R&D expenses decreased by $0.9 million to $47.2 million for the year ended December 31, 2017 compared to $48.1 million for the year ended December 31, 2016. This decrease primarily resulted from the absence of a $0.3 million expense associated with our EAR plan. As a percentage of consolidated net sales, R&D expenses were 3.0% , down from 3.1% for the year ended December 31, 2016.

Intangible Amortization

Intangible amortization expenses were $6.5 million for the year ended December 31, 2017, compared to $6.6 million for the year ended December 31, 2016.

Restructuring Charges

There were no restructuring charges for the year ended December 31, 2017, compared to restructuring charges of $1.7 million for the year ended December 31, 2016.

Interest Expense, net

Interest expense decreased by $34.2 million to $15.7 million for the year ended December 31, 2017 compared to $49.9 million for the year ended December 31, 2016. This decrease primarily resulted from lower average outstanding borrowings during the year ended December 31, 2017 as a result of the conversion of our 7.5% Convertible Notes to common shares prior to the closing of our initial public offering and the redemption of $34.5 million of the principal of our outstanding 7.5% bonds using the proceeds of the exercise of a portion of our outstanding common stock warrants in July 2016. In addition, the average interest rate on outstanding borrowings was lower during the year ended December 31, 2017.

Other Expense, net

Other expense, net decreased by $1.0 million to $2.4 million for the year ended December 31, 2017 compared to $3.4 million for the year ended December 31, 2016 . This decrease primarily resulted from the recognition of a loss of $6.1 million on the fair value measurement of common stock warrants prior to the final exercise of common stock warrants during the year ended December 31, 2016. This decrease was partially offset by a $2.4 million decrease in income tax indemnification income, a $1.9 million increase in the non-service cost components of net periodic benefit cost and a $1.5 million decrease in other income related to a favorable legal judgment recorded during the year ended December 31, 2016.

Income Tax Expense

Income tax expense increased by $8.8 million to $48.5 million for the year ended December 31, 2017 compared to $39.7 million for the year ended December 31, 2016 . Our ETR was 32.0% for the year ended December 31, 2017 , compared to 44.5% for the year ended December 31, 2016 . The decrease in ETR primarily resulted from decreases in non-deductible transaction costs, non-cash fair value losses on common stock warrants which are not tax effected, and indemnified tax obligations, offset by the impact due to the reduced U.S. Federal tax rate on deferred tax assets and liabilities and the impact of the U.S. transition tax, both as provided for by the 2017 Tax Act and changes to the geographical mix of earnings.

Net Income Attributable to Acushnet Holdings Corp.

Net income attributable to Acushnet Holdings Corp. increased by $53.7 million to $98.7 million for the year ended December 31, 2017 compared to $45.0 million for the year ended December 31, 2016 . This change was primarily a result of lower interest expense and higher income from operations partially offset by higher income tax expense, as discussed in more detail above.

Adjusted EBITDA

Adjusted EBITDA decreased by $5.0 million to $223.4 million for the year ended December 31, 2017 compared to $228.4 million for the year ended December 31, 2016. Adjusted EBITDA margin decreased to 14.3% for the year ended December 31, 2017 compared to 14.5% for the year ended December 31, 2016.

Segment Results

Titleist Golf Balls Segment

Net sales in our Titleist golf balls segment decreased by $1.9 million, or 0.4%, to $512.0 million for the year ended December 31, 2017 compared to $513.9 million for the year ended December 31, 2016. On a constant currency basis, net sales in our Titleist golf balls segment would have decreased by $0.3 million, or 0.1%, to $513.6 million. This decrease primarily resulted from a sales volume decline of our performance golf ball models which were in their second year of the two-year product life cycle and was largely offset by a sales volume increase of our newly introduced Pro V1 and Pro V1x golf balls. In the United States, sales volumes were impacted by a reduced store count as a result of the continued impact of retail channel disruptions that occurred in 2016, unfavorable weather conditions, which negatively impacted rounds of play, as well as increased competitive promotional activity in the marketplace.

Titleist golf balls segment operating income increased by $1.4 million , or 1.9% , to $78.4 million for the year ended December 31, 2017 compared to $77.0 million for the year ended December 31, 2016. The increase in operating income was driven by a decrease in operating expenses. Operating expenses decreased primarily resulting from the absence of a $2.9 million expense related to the segment allocation of the one-time executive bonus recorded in the first quarter of 2016 and a decrease of $2.4 million in bad debt expense, partially offset by an increase of $3.2 million in the segment allocation of consulting, legal and administrative costs.

Titleist Golf Clubs Segment

Net sales in our Titleist golf clubs segment decreased by $33.0 million, or 7.7%, to $398.0 million for the year ended December 31, 2017 compared to $431.0 million for the year ended December 31, 2016. On a constant currency basis, net sales in our Titleist golf clubs segment would have decreased by $29.8 million, or 6.9%, to $401.2 million. This decrease primarily resulted from lower sales volumes of drivers and fairways launched in 2016, coupled with wedges which were in their second model year, partially offset by the launch of our new irons in September of 2017. In the United States, sales volumes were impacted by a reduced store count as a result of the continued impact of retail channel disruptions that occurred in 2016 as well as unfavorable weather conditions which negatively impacted golf club fitting and trial activities. This decrease was partially offset by an increase in average selling prices across all product categories.

Titleist golf clubs segment operating income decreased by $18.9 million , or 37.1% , to $32.1 million for the year ended December 31, 2017 compared to $51.0 million for the year ended December 31, 2016. This decrease primarily resulted from lower gross profit of $17.9 million primarily as a result from decreased sales volumes as discussed above. Operating expenses were up, driven by an increase of $3.0 million in the segment allocation of consulting, legal and administrative costs and an increase of $0.8 million in research and development costs, largely offset by the absence of a $1.8 million expense related to the segment allocation of the one-time executive bonus recorded in the first quarter of 2016 and a decrease of $1.5 million in bad debt expense.

Titleist Golf Gear Segment

Net sales in our Titleist golf gear segment increased by $6.7 million, or 4.9%, to $142.9 million for the year ended December 31, 2017 compared to $136.2 million for the year ended December 31, 2016. On a constant currency basis, net sales in our Titleist golf gear segment would have increased by $7.1 million, or 5.2%, to $143.3 million. This increase was primarily driven by higher average selling prices in all categories of the gear business and higher sales volume growth in travel gear.

Titleist golf gear segment operating income increased by $4.6 million , or 37.6% , to $16.8 million for the year ended December 31, 2017 compared to $12.2 million for the year ended December 31, 2016. This increase was driven by higher gross profit on the increased sales as discussed above as well as higher gross margin resulting from higher average selling prices, as discussed above.

FootJoy Golf Wear Segment

Net sales in our FootJoy golf wear segment increased by $4.4 million, or 1.0%, to $437.5 million for the year ended December 31, 2017 compared to $433.1 million for the year ended December 31, 2016. On a constant currency basis, net sales in our FootJoy golf wear segment would have increased by $8.6 million, or 2.0%, to $441.7 million. This increase was primarily driven by sales volume increases in apparel, partially offset by a sales volume decline in footwear.

FootJoy golf wear segment operating income increased by $7.7 million , or 40.1% , to $27.0 million for the year ended December 31, 2017 compared to $19.3 million for the year ended December 31, 2016. This increase was driven by higher gross profit and lower operating expenses. The higher gross profit was primarily driven by the increase in apparel sales volumes discussed above coupled with higher average selling prices. Gross margin increased, primarily as a result from lower product

costs in apparel and our gloves categories and a favorable mix shift in the footwear category. The decrease in operating expenses primarily resulted from a decrease of $2.6 million in advertising and promotion costs, the absence of a $2.1 million expense related to the segment allocation of the one-time executive bonus recorded in the first quarter of 2016, and a decrease of $1.8 million in bad debt expense, partially offset by an increase of $2.1 million in the segment allocation of consulting, legal and administrative costs and an increase of $2.0 million in selling expense.

Liquidity and Capital Resources

Our primary cash needs relate to working capital, capital expenditures, servicing of our debt, paying dividends and pension contributions. We expect to rely on cash flows from operations and borrowings under our revolving credit facility and local credit facilities as our primary sources of liquidity.

Our liquidity is cyclical as a result of the general seasonality of our business. Our accounts receivable balance is generally at its highest starting at the end of the first quarter and continuing through the second quarter, and declines during the third and fourth quarters as a result of both an increase in cash collections and lower sales. Our inventory balance also fluctuates as a result of the seasonality of our business. Generally, our buildup of inventory starts during the fourth quarter and continues through the first quarter and into the beginning of the second quarter in order to meet demand for our initial sell-in in the first quarter and reorders in the second quarter. Both accounts receivable and inventory balances are impacted by the timing of new product launches.

As of December 31, 2018 , we had $29.0 million of unrestricted cash (including $7.6 million attributable to our FootJoy golf shoe joint venture). As of December 31, 2018 , 91.7% of our total unrestricted cash was held at our non-U.S. subsidiaries. We manage our worldwide cash requirements by monitoring the funds available among our subsidiaries and determining the extent to which we can access those funds on a cost effective basis. We are not aware of any restrictions on repatriation of these funds and, subject to foreign withholding taxes, those funds could be repatriated, if necessary. We have repatriated, and intend to repatriate, funds to the United States from time to time to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs related to debt service requirements.

On June 7, 2018, we amended our credit agreement, resulting in the restrictive covenant governing the payment of dividends, the making of certain other payments and the redemption or repurchase of capital stock being amended to permit an additional $150.0 million of such payments, redemptions and/or repurchases, subject to certain conditions. As of December 31, 2018 , we had $263.6 million of availability under our revolving credit facility after giving effect to $11.4 million of outstanding letters of credit and we had $62.6 million available under our local credit facilities. See “Notes to Consolidated Financial Statements- Note 10 -Debt and Financing Arrangements,” Item 8 of Part II included elsewhere in this report, for a description of our credit facilities.

Our credit agreement contains customary affirmative and restrictive covenants, including, among others, financial covenants based on our leverage and interest coverage ratios. The credit agreement includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations to be immediately due and payable. As of December 31, 2018 , we were in compliance with all covenants under the credit agreement. See "Notes to Consolidated Financial Statements- Note 10 - Debt and Financing Arrangements," Item 8 of Part II included elsewhere in this report, for a description of our covenants.

We made $32.8 million of capital expenditures in the year ended December 31, 2018 primarily related to maintenance projects, as well as, investments in innovation and technology to drive continued market leadership and future growth. Capital expenditures for fiscal 2019 are expected to be approximately $36.0 million , although the actual amount may vary depending upon a variety of factors, including the timing of implementation of certain capital projects. We expect the majority of these capital expenditures in fiscal 2019 will be primarily related to investments to support the manufacturing and distribution of products, our go to market activities and continued investments in information technology to support our global strategic initiatives.

We believe that cash expected to be provided by operating activities, together with our cash on hand and the availability of borrowings under our revolving credit facility and our local credit facilities will be sufficient to meet our liquidity requirements for at least the next 12 months, subject to customary borrowing conditions. Our ability to generate sufficient cash flows from operations is, however, subject to many risks and uncertainties, including future economic trends and conditions, demand for our products, foreign currency exchange rates and other risks and uncertainties applicable to our business, as described under “Item 1A. – Risk Factors.”

Cash Flows

The following table presents the major components of net cash flows used in and provided by operating, investing and financing activities for the periods indicated:

	Year ended December 31,		
	2018	2017	2016
	(in thousands)		
Cash flows provided by (used in):			
Operating activities	$ 163,733	$ (27,037)	$ 104,269
Investing activities	(49,703)	(18,845)	(19,175)
Financing activities	(128,883)	9,255	(62,663)
Effect of foreign exchange rate changes on cash	(1,855)	5,209	(2,425)
Net increase (decrease) in cash	$ (16,708)	$ (31,418)	$ 20,006

Cash Flows From Operating Activities

Net cash provided by operating activities was $163.7 million for the year ended December 31, 2018 , compared to net cash used in operating activities of $27.0 million for the year ended December 31, 2017 , an increase in cash provided by operating activities of $190.7 million . The increase in cash provided by operating activities was primarily due to the payment of the outstanding balance of the EAR Plan of $151.5 million during the year ended December 31, 2017 which reduced net cash provided by operating activities in that period. Cash provided by (used in) operating activities is also subject to changes in working capital. Working capital at any specific point in time is subject to many variables, including seasonality and inventory management, the timing of cash receipts and payments, vendor payment terms, and fluctuations in foreign exchange rates.

Net cash used in operating activities was $27.0 million for the year ended December 31, 2017 , compared to net cash provided by operating activities of $104.3 million for the year ended December 31, 2016 , an increase in cash used in operating activities of $131.3 million . The increase in cash used in operating activities was primarily due to the payment of the outstanding balance of the EAR Plan of $151.5 million during the year ended December 31, 2017 , which was offset in part by an increase in net income after adjustments for non-cash items.

Cash Flows From Investing Activities

Net cash used in investing activities was $49.7 million for the year ended December 31, 2018 , compared to $18.8 million for the year ended December 31, 2017 , an increase of $30.9 million , primarily related to business acquisitions, net of cash acquired of $16.9 million and an increase in capital expenditures of $14.0 million related to higher levels of spending on maintenance projects, as well as, investments in innovation and technology.

Net cash used in investing activities was $18.8 million for the year ended December 31, 2017 , compared to $19.2 million for the year ended December 31, 2016 , a decrease of $0.4 million .

Cash Flows From Financing Activities

Net cash used in financing activities was $128.9 million for the year ended December 31, 2018 , compared to net cash provided by financing activities of $9.3 million for the year ended December 31, 2017 , an increase in cash used in financing activities of $138.2 million . This increase was primarily due to reduced net proceeds from borrowings, due in part from accelerated principal payments on our delayed draw term loan A facility, and an increase in cash paid for dividends during the year ended December 31, 2018 .

Net cash provided by financing activities was $9.3 million for the year ended December 31, 2017 , compared to net cash used in financing activities of $62.7 million for the year ended December 31, 2016 , an increase in cash provided by financing activities of $72.0 million . The increase was due to a net increase in borrowings of $84.6 million primarily due to borrowings under the delayed draw term loan A facility of $100.0 million which was used to fund the payout of the EAR Plan. Also contributing to the increase was the repayment of the senior term loan facility during the year ended December 31, 2016 which reduced net cash provided by financing activities in that period. The increase in borrowings was offset in part by repayments of the term loan facilities and a net decrease in short term borrowings. The increase in cash provided by financing activities was offset in part by an increase in dividends paid.

Contractual Obligations

The following table summarizes our outstanding contractual obligations as of December 31, 2018 :

		Payments Due by Period			
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
		(in thousands)			
Long-term debt obligations(1)	$ 384,844	$ 35,625	$ 349,219	$ —	$ —
Interest payments related to debt obligations(2)	37,323	15,635	21,688	—	—
Pension and other postretirement benefit obligations	249,081	29,619	40,456	46,344	132,662
Purchase obligations(3)	184,425	151,463	24,917	3,241	4,804
Operating lease obligations(4)	54,486	13,119	19,037	8,478	13,852
Total	$ 910,159	$ 245,461	$ 455,317	$ 58,063	$ 151,318

(1) Long-term debt obligations consisted of the outstanding principal of the term loan A facility and delayed draw term loan A facility.

(2) Interest payments related to debt obligations assumes that all debt outstanding as of December 31, 2018 remains outstanding until maturity and is calculated based on interest rates in effect as of December 31, 2018 . Unused commitment fees related to our revolving credit facility have also been included in this calculation.

(3) During the normal course of our business, we enter into agreements to purchase goods and services, including purchase commitments for production materials, finished goods inventory, capital expenditures and endorsement arrangements with professional golfers. The amounts reported in the table above exclude those liabilities included in accounts payable or accrued liabilities on the consolidated balance sheet as of December 31, 2018 .

(4) We lease certain warehouses, distribution and office facilities, vehicles and office equipment under operating leases. Most lease arrangements provide us with the option to renew leases at defined terms. The future operating lease obligations would change if we were to exercise these options or if we were to enter into additional operating leases.

Share Repurchases

In June 2018, our Board of Directors authorized a $20.0 million share repurchase program under which we are authorized to repurchase shares of our issued and outstanding common stock in the open market or in private transactions, including transactions with affiliates. In February 2019, the Board of Directors authorized the repurchase of an additional $30.0 million shares of common stock, bringing the total authorization to $50.0 million. The repurchases are subject to our assessment of market conditions and buying opportunities. The repurchase program is within the terms of our senior secured credit facilities and will remain in effect until completed or until terminated by the Board of Directors.

Off-Balance Sheet Arrangements

As of December 31, 2018 , we did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies and Estimates

Our discussion and analysis of results of operations, financial condition and liquidity are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, shareholders' equity, net sales and expenses, and the disclosure of contingent assets and liabilities in our consolidated financial statements. We base our estimates on historical experience, known trends and events, and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Management evaluated the development and selection of its critical accounting policies and estimates and believes that the following involve a higher degree of judgment or complexity and are most significant to reporting our results of operations and financial position, and are therefore discussed as critical. The following critical accounting policies reflect the significant

estimates and judgments used in the preparation of our consolidated financial statements. With respect to critical accounting policies, even a relatively minor variance between actual and expected experience can potentially have a materially favorable or unfavorable impact on subsequent results of operations. However, our historical results for the periods presented in our consolidated financial statements have not been materially impacted by such variances. More information on all of our significant accounting policies can be found in "Notes to Consolidated Financial Statements – Note 2 —Summary of Significant Accounting Policies," Item 8 of Part II included elsewhere in this report.

Revenue Recognition

On January 1, 2018, we adopted Accounting Standards Codification ("ASC") 606, *"Revenue from Contracts with Customers"* ("ASC 606") using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 605, *"Revenue Recognition"* .

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied. The majority of our contracts have a single performance obligation to transfer products. Accordingly, we recognize revenue when control of the products has been transferred to the customer, generally at the time of shipment or delivery of products, based on the terms of the contract and the jurisdiction of the sale. Revenue is recognized in an amount that reflects the consideration we expect to be entitled to in exchange for the products. Revenue is recognized net of allowances for discounts and sales returns. Sales taxes and other similar taxes are excluded from revenue.

We reduce revenue by the amount of expected returns and record a corresponding refund liability in accrued expenses and other liabilities. We account for the right of return as variable consideration and recognize a refund liability for the amount of consideration that we estimate will be refunded to customers. In addition, we recognize an asset for the right to recover returned products in other assets on the consolidated balance sheets. Sales returns are estimated based upon historical rates of product returns, current economic trends and changes in customer demands as well as specific identification of outstanding returns. If the actual cost of sales returns are significantly different than the estimated allowance, our results of operations could be materially affected.

We offer sales-based incentive programs to certain customers in exchange for certain benefits, including prominent product placement and exclusive stocking by participating retailers. These programs typically provide qualifying customers with rebates for achieving certain purchase goals. The rebates can be settled in the form of cash or credits or in the form of free product. The rebates which are expected to be settled in the form of cash or credits are accounted for as variable consideration. The estimate of the variable consideration requires the use of assumptions related to the percentage of customers who will achieve qualifying purchase goals and the level of achievement. These assumptions are based on historical experience, current year program design, current marketplace conditions and sales forecasts, including considerations of our product life cycles. If actual experience is significantly different than the assumptions used, our results of operations could be materially affected.

The rebates which are expected to be settled in the form of product are estimated based upon historical experience and the terms of the customer programs and are accounted for as an additional performance obligation. Revenue will be recognized when control of the free products earned transfers to the customer at the end of the related customer incentive program, which generally occurs within one year. Control of the free products generally transfers to the customer at the time of shipment. If actual experience is significantly different than the assumptions used, our results of operations could be materially affected.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts to provide for the estimated amount of receivables that will not be collected. The allowance includes amounts for certain customers where a risk of default has been specifically identified as well as a provision for customer defaults when it is determined the risk of some default is probable and estimable, but cannot yet be associated with specific customers. The assessment of the likelihood of customer defaults is based on various factors, including credit risk assessments, length of time the receivables are past due, historical experience, customer specific information available to us and existing economic conditions, all of which are subject to change. If the actual uncollected amounts significantly exceed the estimated allowance, our results of operations could be materially affected.

Allowance for Obsolete Inventory

Inventories, which include material, labor and manufacturing overhead costs, are recorded net of an allowance for obsolete or slow moving inventory. The calculation of our allowance for obsolete or slow moving inventory requires management to make assumptions and to apply judgment regarding the future demand and marketability of products, the impact of new product introductions, inventory turn, product spoilage and specific identification of items, such as product discontinuance, engineering/material changes, or regulatory-related changes. If estimates regarding consumer demand are inaccurate or changes in technology affect demand for certain products in an unforeseen manner, we may need to adjust our allowance for obsolete or slow moving inventory, which could have a material effect on our results of operations.

Impairment of Goodwill, Indefinite-Lived and Long-Lived Assets

Goodwill

We evaluate goodwill annually to determine whether it is impaired. Goodwill is also tested more frequently if an event occurs or circumstances change that would indicate that the fair value of a reporting unit is less than its carrying amount. Conditions that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of an asset; general economic conditions, such as increasing Treasury rates or unexpected changes in gross domestic product growth; a change in our market shares; budget-to-actual performance and consistency of operating margins and capital expenditures; a product recall or an adverse action or assessment by a regulator; or loss in management or key personnel. If an impairment indicator exists, we test goodwill for recoverability. We have identified five reporting units and perform our annual goodwill impairment testing during the fourth fiscal quarter. During 2018, we adopted ASU 2017-04, " *Intangibles—Goodwill and Other: Simplifying the Test for Goodwill Impairment* " ("ASU 2017-04"). ASU 2017-04 removes the second step of the goodwill impairment test.

We may assess qualitative factors to determine if it is more likely than not (i.e., a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount, including goodwill. The assessment of qualitative factors is optional and at our discretion. We may bypass the qualitative assessment for any reporting unit in any period and perform a quantitative goodwill impairment test. We may resume performing the qualitative assessment in any subsequent period. If we determine based on the qualitative factors that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, no further testing is necessary. If, however, we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we perform the quantitative goodwill impairment test. We compare the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is considered not impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we would record an impairment loss equal to the difference, not to exceed the total amount of goodwill allocated to the reporting unit.

The fair value of our reporting units is determined using the income approach. The income approach uses a discounted cash flow analysis, which involves applying appropriate discount rates to estimated future cash flows based on forecasts of sales, costs and capital requirements. The most significant estimates and assumptions inherent in this approach are the enterprise value based on the estimated present value of future net cash flows the business is expected to generate over a forecasted period and an estimate of the present value of cash flows beyond that period, which is referred to as the terminal value. The estimated present value is calculated using a discount rate known as the weighted-average cost of capital, which accounts for the time value of money and the appropriate degree of risks inherent in the business. We estimate future sales growth using a number of critical factors, including among others, our nature and our history, financial and economic conditions affecting us, our industry and the general company, past results and our current operations and future prospects. Forecasts of future operations are based, in part, on operating results and our expectations as to future market conditions. We deem the discount rate used in our analysis to be commensurate with the underlying uncertainties associated with achieving the estimated cash flows we project. This analysis contains uncertainties because it requires us to make assumptions and to apply judgments to estimate industry economic factors and the profitability of future business strategies. If actual results are not consistent with our estimates and assumptions, we may be exposed to future impairment losses that could be material.

No goodwill impairment charges were recorded for the years ended December 31, 2018 , 2017 and 2016 .

Indefinite-Lived Intangible Assets

Certain of our trademarks have been assigned an indefinite life as we currently anticipate that these trademarks will contribute cash flows to us indefinitely. We evaluate whether the trademarks continue to have an indefinite life on an annual basis. Trademarks are reviewed for impairment annually in the fourth fiscal quarter and may be reviewed more frequently if indicators of impairment are present. Conditions that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of an asset, a product recall or an adverse action or assessment by a regulator.

Impairment losses are recorded to the extent that the carrying value of the indefinite-lived intangible asset exceeds its fair value. We measure the fair value of our trademarks using the relief-from-royalty method, which estimates the present value of the royalty income that could be hypothetically earned by licensing the brand name to a third party over the remaining useful life. The most significant estimates and assumptions inherent in this approach are the growth rate of sales from the businesses that use the subject trademark, the net royalty saving rate and the discount rate. No impairment charges for our trademarks were recorded for the years ended December 31, 2018 , 2017 and 2016 .

Long-Lived Assets

A long-lived asset (including amortizing identifiable intangible assets) or asset group is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Conditions that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of an asset, a product recall or an adverse action or assessment by a regulator. If such events occur, we compare the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group to the carrying amount of the long-lived asset or asset group. The cash flows are based on the best estimate of future cash flows derived from the most recent business projections. If this comparison indicates that there is impairment, the amount of the impairment is calculated based on the excess of the asset's or the asset group's carrying value over its fair value. Fair value is estimated primarily using discounted expected future cash flows on a market-participant basis. No impairment charges for our long-lived assets were recorded for the years ended December 31, 2018 , 2017 and 2016 .

Pension and Other Postretirement Benefit Plans

We provide various post-employment plans including defined benefit plans (or "pension plans") and postretirement benefit plans which provide benefits to certain eligible U.S and foreign employees.

Pension plans provide benefits based on plan-specific benefit formulas as defined by the applicable plan documents. Postretirement benefit plans primarily provide for the continuation of healthcare benefits for eligible employees. In general, our policy is to fund our pension benefit obligation based on legal requirements, local practices and tax and liquidity considerations. Contributions to our postretirement benefit plan are determined based upon amounts needed to cover postretirement benefits paid during the period, net of contributions made by eligible employees.

Projected benefit obligations are measured using various actuarial assumptions, such as discount rate, rate of compensation increase, mortality rate, turnover rate and health care cost trend rates, as determined at each year end measurement date. The measurement of net periodic benefit cost is based on various actuarial assumptions, including discount rate, expected return on plan assets and rate of compensation increase, which are determined as of the prior year measurement date. Our actuarial assumptions are reviewed on an annual basis and modified when appropriate.

Our projected benefit obligations related to our pension and other postretirement benefit plans are valued using a weighted-average discount rate of 4.25% and 4.27% , respectively, for the year ended December 31, 2018 . The determination of the discount rate is generally based on an index created from a hypothetical bond portfolio consisting of high-quality fixed income securities with durations that match the timing of expected benefit payments. Changes in the selected discount rate could have a material impact on our projected benefit obligations and the unfunded status of our pension and other postretirement benefit plans. Decreasing the discount rate by 100 basis points would have increased the projected benefit obligations of our pension and other postretirement benefit plans by approximately $26.4 million and $1.5 million , respectively, for the year ended December 31, 2018 .

Our net periodic benefit cost is calculated using a variety of assumptions, including a weighted average discount rate and expected return on plan assets. The expected return on plan assets is determined based on several factors, including adjusted historical returns, historical risk premiums for various asset classes and target asset allocations within the portfolio. Adjustments made to the historical returns are based on recent return experience in the equity and fixed income markets and the belief that deviations from historical returns are likely over the relevant investment horizon. Actual cost is also dependent on various other factors related to the employees covered by these plans. Adjustments to our actuarial assumptions could have a

material adverse impact on our operating results. Decreasing the discount rate by 100 basis points would increase net periodic pension and other postretirement benefit cost by approximately $1.4 million and $0.2 million , respectively, for the year ended December 31, 2018 . Decreasing the expected return on plan assets by 100 basis points would increase net periodic pension benefit cost by approximately $2.4 million for the year ended December 31, 2018 .

Income Taxes

Deferred income taxes represent a net asset or liability of the Company. For financial reporting purposes, management determines the current tax liability, as well as deferred tax assets and liabilities, in accordance with the asset and liability method of accounting for income taxes. The provision for income taxes is the sum of income taxes both currently payable and deferred into the future. Currently payable income taxes represent the liability related to the Company's U.S., state and foreign income tax returns for the current year, including amounts anticipated resulting from income tax audits, while the net deferred tax expense or benefit represents the change in the balance of net deferred tax assets or liabilities as reported on the balance sheet. The changes in deferred tax assets and liabilities are determined based upon the estimated timing of reversal of differences between the carrying amount of assets and liabilities for financial reporting purposes and the basis of assets and liabilities for tax purposes as measured using the currently enacted tax rates that will be in effect at the time these differences are expected to reverse. Additionally, management estimates whether taxable operating income in future periods will be sufficient to fully recognize any deferred tax assets. Valuation allowances are recorded as appropriate to reduce deferred tax assets to the amount considered likely to be realized.

The determination of whether a deferred tax asset will be realized is made on both a jurisdictional basis and the use of our estimate of the recoverability of the deferred tax asset. In evaluating whether a valuation allowance is required under such rules, we consider all available positive and negative evidence, including our prior operating results, the nature and reason for any losses, our forecast of future taxable income in each respective tax jurisdiction and the dates on which any deferred tax assets are expected to expire. These assumptions require a significant amount of judgment, including estimates of future taxable income. We had previously recorded a full valuation allowance against our state deferred tax assets. During 2018, we determined, based upon the weight of available positive and negative evidence, that a significant portion of our state deferred tax assets are now expected to be realized and have adjusted the valuation allowance as of December 31, 2018 to reflect the appropriate realizability. As of December 31, 2018 and 2017, the cumulative valuation allowance against deferred tax assets was $15.5 million and $25.6 million, respectively.

The 2017 Tax Act was signed into law on December 22, 2017. The 2017 Tax Act significantly revised the U.S. corporate income tax by, among other things, lowering the statutory corporate tax rate from 35% to 21%, eliminating certain deductions, imposing a mandatory one-time tax on accumulated earnings of foreign subsidiaries as of 2017, introducing new tax regimes, and changing how foreign earnings are subject to U.S. tax. The 2017 Tax Act also enhanced and extended through 2026 the option to claim accelerated depreciation deductions on qualified property. In accordance with the 2017 Tax Act we recorded a provisional tax expense of approximately $7.8 million in the fourth quarter of 2017, the period in which the legislation was enacted. This amount was primarily comprised of the remeasurement of federal net deferred tax assets resulting from the permanent reduction in the U.S. statutory corporate tax rate to 21% from 35% of approximately $4.0 million, the mandatory one-time tax ("Transition Tax") on the accumulated earnings of our foreign subsidiaries of approximately $8.6 million, offset by the release of the deferred tax liability previously recorded on our unremitted earnings of $4.8 million. Additionally, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the 2017 Tax Act.

December 22, 2018 marked the end of the measurement period for purposes of SAB 118. As such, we have completed our analysis, based upon currently available legislative updates, proposed regulations, and other administrative guidance issued related to the 2017 Tax Act, which resulted in an additional tax expense pursuant to SAB 118 in the fourth quarter of 2018 of $10.3 million and a total tax expense of $13.9 million for the year ended December 31, 2018. In 2019, we will continue to review and incorporate, as necessary, updates related to forthcoming U.S. Treasury Regulations, other interpretive guidance, and the finalization of the deemed inclusions to be reported on our U.S. federal income tax returns.

Share-Based Compensation

We account for share-based compensation in accordance with accounting guidance that requires all share-based compensation awards granted to be measured at fair value and recognized as an expense in the financial statements.

We issue share-based awards to employees with (i) service-based vesting conditions or (ii) service-based and performance-based vesting conditions. We measure share-based awards based on the deemed fair value on the date of grant for accounting purposes, and recognize the corresponding compensation expense of those awards over the requisite service period,

which is generally the vesting period of the respective award. We account for forfeitures in compensation expense when they occur. For awards with only service-based vesting conditions, compensation expense is recorded using the straight-line method. For awards with performance-based vesting conditions, the measurement of the expense is based on our level of achievement of the applicable performance metrics as defined in the applicable award agreements.

Compensation expense for performance-based awards is recorded over the related service period when achievement of the applicable performance metrics is deemed probable, which requires management judgment. As a result, if factors change and we use different assumptions, our share-based compensation expense could be materially different in the future. Refer to "Notes to Consolidated Financial Statements-Note 17 -Equity Incentive Plans", Item 8 of Part II, included elsewhere in this report, for a further discussion on share-based compensation.

The remaining unrecognized compensation expense related to non-vested RSUs granted was $7.6 million as of December 31, 2018 and is expected to be recognized over the related weighted average period of 2.0 years.

Derivative Instruments

All derivatives instruments are recognized as either assets or liabilities on the consolidated balance sheet and measurement of these instruments is at fair value. If the derivative instrument is designated as a fair value hedge, the changes in the fair value of the derivative instrument and of the hedged item attributable to the hedged risk are recognized in earnings in the same period. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative instrument are recorded as a component of accumulated other comprehensive income (loss) and are recognized in the consolidated statement of operations when the hedged item affects earnings. Any portion of the change in fair value that is determined to be ineffective is immediately recognized in earnings.

Recently Issued Accounting Pronouncements

We have reviewed all recently issued standards and have determined that, other than as disclosed in "Notes to Consolidated Financial Statements – Note 2 – Summary of Significant Accounting Policies", Item 8 of Part II, included elsewhere in this report, such standards will not have a significant impact on our consolidated financial statements or do not otherwise apply to our operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, which may result in potential losses arising from adverse changes in market rates, such as interest rates, foreign exchange rates and commodity prices. We do not enter into derivatives or other financial instruments for trading or speculative purposes and do not believe we are exposed to material market risk with respect to our cash and cash equivalents.

Interest Rate Risk

We are exposed to interest rate risk under our various credit facilities which accrue interest at variable rates, as described in “Notes to Consolidated Financial Statements – Note 10 - Debt and Financing Arrangements”, Item 8 of Part II, included elsewhere in this report. Interest rate risk is highly sensitive due to many factors, including U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control. We are exposed to changes in the level of interest rates and to changes in the relationship or spread between interest rates for our floating rate debt. Our floating rate debt requires payments based on a variable interest rate index such as LIBOR. Therefore, increases in interest rates may reduce our net income by increasing the cost of our debt.

During 2018, we entered into interest rate swap contracts to reduce the impact of variability in interest rates. Under the contracts, we pay fixed and receive variable rate interest, in effect converting a portion of our variable rate debt to fixed rate debt. As of December 31, 2018 , the notional value of our outstanding interest rate swap contracts was $185.0 million . Prior to 2018, we had not entered into any interest rate swap contracts. See "Notes to Consolidated Financial Statement – Note 11 - Derivative Financial Instruments", Item 8 of Part II, included elsewhere in this report, for further discussion of our interest rate swap contracts.

We performed a sensitivity analysis to assess the potential effect of a hypothetical movement in variable interest rates on our annual pre-tax interest expense. As of December 31, 2018 , we had $200.8 million of outstanding indebtedness at variable interest rates (excluding unamortized debt issuance cost) after giving effect to $185.0 million of hedged variable rate indebtedness. The sensitivity analysis, while not predictive in nature, indicated that a one percentage point increase in the interest rate applied to these borrowings as of December 31, 2018 would have resulted in an increase of $2.0 million in our annual pre-tax interest expense.

As of December 31, 2017 , we had $466.9 million of outstanding indebtedness at variable interest rates (excluding unamortized debt issuance cost). The same sensitivity analysis of movement in variable interest rates as of December 31, 2017 , indicated that a one percentage point increase in the interest rate applied to these borrowings as of December 31, 2017 would have resulted in an increase of $4.7 million in our annual pre-tax interest expense for the year ended December 31, 2017 .

Foreign Exchange Risk

In the normal course of business, we are exposed to gains and losses resulting from fluctuations in foreign currency exchange rates relating to transactions outside the United States denominated in foreign currencies, which include, but are not limited to, the Japanese yen, the Korean won, the British pound sterling, the euro and the Canadian dollar. In addition, we are exposed to gains and losses resulting from the translation of the operating results of our non-U.S. subsidiaries into U.S. dollars for financial reporting purposes.

We use financial instruments to reduce the impact of changes in foreign currency exchange rates. The principal financial instruments we enter into on a routine basis are foreign exchange forward contracts. The primary foreign exchange forward contracts pertain to the Japanese yen, the Korean won, the British pound sterling, the euro and the Canadian dollar. Foreign exchange forward contracts are primarily used to hedge purchases denominated in select foreign currencies. The periods of the foreign exchange forward contracts correspond to the periods of the forecasted transactions, which do not exceed 24 months subsequent to the latest balance sheet date. We do not enter into foreign exchange forward contracts for trading or speculative purposes.

The gross U.S. dollar equivalent notional amount of all foreign currency forward contracts outstanding at December 31, 2018 was $312.8 million , representing a net settlement asset of $6.4 million . The gross U.S. dollar equivalent notional amount of all foreign currency forward contracts outstanding at December 31, 2017 was $278.9 million , representing a net settlement liability of $1.4 million . Gains and losses on the foreign exchange forward contracts that we account for as hedges offset losses and gains on these foreign currency purchases and reduce the earnings and shareholders’ equity volatility relating to foreign exchange.

We performed a sensitivity analysis to assess potential changes in the fair value of our foreign exchange forward contracts relating to a hypothetical movement in foreign currency exchange rates. The sensitivity analysis of changes in the fair value of our foreign exchange forward contracts outstanding at December 31, 2018 , while not predictive in nature, indicated that if the U.S. dollar uniformly weakened by 10% against all currencies covered by our contracts, the net settlement asset of $6.4 million would decrease by $24.3 million resulting in a net settlement liability of $17.9 million . The same sensitivity analysis of changes in the fair value of our foreign exchange forward contracts outstanding at December 31, 2017 , indicated that if the U.S. dollar uniformly weakened by 10% against all currencies covered by our contracts, the net settlement liability of $1.4 million would increase by $24.7 million resulting in a net settlement liability of $26.1 million .

The sensitivity analysis described above recalculates the fair value of the foreign exchange forward contracts outstanding by replacing the actual foreign currency exchange rates and current month forward rates with foreign currency exchange rates and forward rates that reflect a 10% weakening of the U.S. dollar against all currencies covered by our contracts. All other factors are held constant. The sensitivity analysis disregards the possibility that currency exchange rates can move in opposite directions and that gains from one currency may or may not be offset by losses from another currency. The analysis also disregards the offsetting change in value of the underlying hedged transactions and balances.

The financial markets and currency volatility may limit our ability to cost-effectively hedge these exposures. The counterparties to derivative contracts are major financial institutions. We assess credit risk of the counterparties on an ongoing basis.

Commodity Price Risk

We are exposed to commodity price risk with respect to certain materials and components used by us, our suppliers and our manufacturers, including polybutadiene, urethane and Surlyn for the manufacturing of our golf balls, titanium and steel for the assembly of our golf clubs, leather and synthetic fabrics for our golf shoes, golf gloves, golf gear and golf apparel, and resin and other petroleum-based materials for a number of our products.

Impact of Inflation

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our results of operations and financial condition have been immaterial.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the Index to Consolidated Financial Statements and financial statements commencing on page F-1, which are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

There were no changes in or disagreements with our accountants on accounting and financial disclosure matters.

ITEM 9A. CONTROLS AND PROCEDURES

The required certifications of our chief executive officer and our principal financial officer are included as Exhibit 31.1 and 31.2 to this Annual Report on Form 10-K. The disclosures set forth in this Item 9A contain information concerning the evaluation of our disclosure controls and procedures, management's report on internal control over financial reporting and changes in internal control over financial reporting referred to in those certifications. These certifications should be read in conjunction with this Item 9A for a more complete understanding of the matters covered by the certifications.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act, as amended, (the “ Exchange Act”) is recorded, processed, summarized, and reported, within the time periods specified in the SEC’s rules and forms; and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2018 , the last day of the period covered by this Annual Report. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of December 31, 2018 .

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018 . In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control – Integrated Framework (2013)".

Based on our assessment, our management determined that, as of December 31, 2018 , our internal control over financial reporting is effective.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as stated in their report which appears on page F-2 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Information about our executive officers is contained in the discussion entitled “Executive Officers of the Registrant” in Part I of this Form 10-K. The remaining information required by this Item will be included in our Proxy Statement and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be included in our Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item will be included in our Proxy Statement and is incorporated herein by reference .

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be included in our Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item will be included in our Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report:

(1) Financial Statements. See Index to Consolidated Financial Statements on page F-1 hereof.

(2) Financial statement schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

(3) Exhibits Index:

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Acushnet Holdings Corp. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on November 2, 2016 (No. 001-37935)).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Acushnet Holdings Corp. (filed herewith).
3.3	Amended and Restated Bylaws of Acushnet Holdings Corp. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on November 2, 2016 (No. 001-37935)).
10.1†	Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement under the Acushnet Holdings Corp. 2015 Omnibus Incentive Plan (filed herewith).
10.2†	Form of Performance Stock Unit Grant Notice and Performance Stock Unit Agreement under the Acushnet Holdings Corp. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (No. 333-212116)).
10.3†	Acushnet Executive Severance Plan (as amended and restated effective January 1, 2019) (filed herewith).
10.4†	Acushnet Company Supplemental Retirement Plan (as amended and restated effective December 31, 2015) (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (No. 333-212116)).
10.5†	Acushnet Company Amended and Restated Trust Agreement, dated as of August 31, 2016 (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (No. 333-212116)).
10.6†	Amended and Restated Acushnet Company Excess Deferral Plan II (effective July 29, 2011) (incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form S-1 (No. 333-212116)).
10.7	Senior Secured Credit Agreement, dated as of April 27, 2016 among Acushnet Holdings Corp., Acushnet Company, Acushnet Canada Inc., Acushnet Europe Limited, certain other subsidiaries party thereto, Wells Fargo Bank, National Association as the administrative agent, swingline lender and issuing bank, Wells Fargo Securities, LLC and PNC Capital Markets LLC as joint lead arrangers and joint bookrunners, PNC Capital Markets LLC as syndication agent, and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-1 (No. 333-212116)).
10.8	First Amendment to Credit Agreement, dated as of August 9, 2017, among Acushnet Holdings Corp., Acushnet Company, Acushnet Canada Inc., Acushnet Europe Limited, Wells Fargo Bank, National Association, as administrative agent, and the lenders, letters of credit issues and guarantor parties thereto ((incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed August 11, 2017 (No. 001-37935)).
10.9	Second Amendment to Credit Agreement, dated as of June 7, 2018, among Acushnet Holdings Corp., Acushnet Company, Acushnet Canada Inc., Acushnet Europe Limited, certain other subsidiaries party thereto, Wells Fargo Bank, National Association, as administrative agent, and the other lenders and other parties thereto. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 12, 2018 (No. 001-37935)).
10.10	Joint Venture Agreement between Acushnet Cayman Limited and Myre Overseas Corporation, dated as of June 1, 1995 (incorporated by reference to Exhibit 10.18 to the Registrant's Registration Statement on Form S-1 (No. 333-212116)).
10.11	Registration Rights Agreement, dated October 26, 2016, among the Company and the Holders (as defined therein) (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 1, 2016 (No. 001-37935)).
10.12†	Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement for Directors under the Acushnet Holdings Corp. 2015 Omnibus Incentive Plan (filed herewith).
10.13†	Acushnet Holdings Corp. Independent Directors Deferral Plan (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 (No. 333-212116)).
10.14†	Acushnet Holdings Corp. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-8 filed on October 27, 2016 (No. 001-37935)).
10.15†	Employment Agreement between Acushnet Holdings Corp. and David E. Maher, dated as of December 22, 2017 (incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K filed on March 7, 2018 (No. 001-37935).
10.16†	Acushnet Holdings Corp. Employee Deferral Plan (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K filed on March 7, 2018 (No. 001-37935)).
21.1	List of Subsidiaries (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
24.1	Power of Attorney (filed herewith).

31.1	Certification of Periodic Report by Chief Executive Officer Pursuant to Rule 13a–14(a) or 15d–14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Periodic Report by Chief Financial Officer Pursuant to Rule 13a–14(a) or 15d–14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	XBRL Instance Document (filed herewith).
101.SCH	XBRL Taxonomy Extension Schema (filed herewith).
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (filed herewith).
101.DEF	XBRL Taxonomy Extension Definition Linkbase (filed herewith).
101.LAB	XBRL Taxonomy Extension Label Linkbase (filed herewith).
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (filed herewith).

†Identifies exhibits that consist of a management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACUSHNET HOLDINGS CORP.

By: /s/ David Maher

Name: David Maher

Date: February 28, 2019 Title: *President and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ David Maher David Maher	President and Chief Executive Officer (Principal Executive Officer)	February 28, 2019
/s/ Thomas Pacheco Thomas Pacheco	Executive Vice President, Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	February 28, 2019
* Yoon Soo Yoon	Chairman	February 28, 2019
* Jennifer Estabrook	Director	February 28, 2019
* Gregory Hewett	Director	February 28, 2019
* Sean Sullivan	Director	February 28, 2019
* Steven Tishman	Director	February 28, 2019
* Walter Uihlein	Director	February 28, 2019
* Norman Wesley	Director	February 28, 2019

*By: /s/ Brendan Gibbons

Name: Brendan Gibbons

Title: *Attorney In Fact*

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Acushnet Holdings Corp.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Acushnet Holdings Corp. and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, redeemable convertible preferred stock and shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the

company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers LLP
Boston, Massachusetts
February 28, 2019

We have served as the Company's, or its predecessors', auditor since at least 1976, which includes periods before the Company became subject to SEC reporting requirements. We have not been able to determine the specific year we began serving as auditor of the Company or a predecessor company.

ACUSHNET HOLDINGS CORP.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and restricted cash ($8,436 and $13,086 attributable to the variable interest entity ("VIE"))	$ 31,014	$ 47,722
Accounts receivable, net	186,114	190,851
Inventories ($9,658 and $13,692 attributable to the VIE)	361,207	363,962
Other assets	85,666	84,541
Total current assets	664,001	687,076
Property, plant and equipment, net ($11,615 and $10,240 attributable to the VIE)	228,388	228,922
Goodwill ($32,312 and $32,312 attributable to the VIE)	209,671	203,403
Intangible assets, net	478,257	481,234
Deferred income taxes	78,028	99,437
Other assets ($2,593 and $2,738 attributable to the VIE)	33,276	33,833
Total assets	$ 1,691,621	$ 1,733,905
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt	$ 920	$ 20,364
Current portion of long-term debt	35,625	26,719
Accounts payable ($6,882 and $10,587 attributable to the VIE)	86,045	92,759
Accrued taxes	38,268	34,310
Accrued compensation and benefits ($1,634 and $780 attributable to the VIE)	77,181	80,189
Accrued expenses and other liabilities ($3,462 and $2,719 attributable to the VIE)	56,828	52,442
Total current liabilities	294,867	306,783
Long-term debt and capital lease obligations	346,953	416,970
Deferred income taxes	4,635	9,318
Accrued pension and other postretirement benefits ($794 and $1,908 attributable to the VIE)	102,077	130,160
Other noncurrent liabilities ($4,831 and $4,689 attributable to the VIE)	16,105	16,701
Total liabilities	764,637	879,932
Commitments and contingencies (Note 23)		
Shareholders' equity		
Common stock, $0.001 par value, 500,000,000 shares authorized; 74,760,062 and 74,479,319 shares issued and outstanding	75	74
Additional paid-in capital	910,890	894,727
Accumulated other comprehensive loss, net of tax	(89,039)	(81,691)
Retained earnings	72,946	8,199
Total equity attributable to Acushnet Holdings Corp.	894,872	821,309
Noncontrolling interests	32,112	32,664
Total shareholders' equity	926,984	853,973
Total liabilities and shareholders' equity	$ 1,691,621	$ 1,733,905

The accompanying notes are an integral part of these consolidated financial statements .

ACUSHNET HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share amounts)	Year ended December 31, 2018	2017	2016
Net sales	$ 1,633,721	$ 1,560,258	$ 1,572,275
Cost of goods sold	791,370	758,401	773,275
Gross profit	842,351	801,857	799,000
Operating expenses:			
Selling, general and administrative	611,883	578,289	600,092
Research and development	51,489	47,241	48,126
Intangible amortization	6,644	6,499	6,608
Restructuring charges	—	—	1,673
Income from operations	172,335	169,828	142,501
Interest expense, net (Note 19)	18,402	15,709	49,908
Other expense, net	3,629	2,443	3,371
Income before income taxes	150,304	151,676	89,222
Income tax expense	47,232	48,475	39,707
Net income	103,072	103,201	49,515
Less: Net income attributable to noncontrolling interests	(3,200)	(4,506)	(4,503)
Net income attributable to Acushnet Holdings Corp.	99,872	98,695	45,012
Dividends earned by preferred shareholders	—	—	(11,576)
Allocation of undistributed earnings to preferred shareholders	—	—	(10,247)
Net income attributable to common shareholders - basic	99,872	98,695	23,189
Adjustments to net income for dilutive securities	—	—	16,475
Net income attributable to common shareholders - diluted	$ 99,872	$ 98,695	$ 39,664
Net income per common share attributable to Acushnet Holdings Corp.:			
Basic	$ 1.34	$ 1.33	$ 0.74
Diluted	1.32	1.32	0.62
Cash dividends declared per common share:	0.52	0.48	—
Weighted average number of common shares:			
Basic	74,766,176	74,399,836	31,247,643
Diluted	75,472,342	74,590,999	64,323,742

The accompanying notes are an integral part of these consolidated financial statements.

ACUSHNET HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	Year ended December 31, 2018	2017	2016
Net income	$ 103,072	$ 103,201	$ 49,515
Other comprehensive income (loss)			
Foreign currency translation adjustments	(11,971)	26,964	(14,656)
Cash flow derivative instruments			
Unrealized holding gains (losses) arising during period	6,222	(15,558)	7,014
Reclassification adjustments included in net income	1,886	(1,329)	(5,194)
Tax benefit (expense)	(1,668)	4,072	(451)
Cash flow derivative instruments, net	6,440	(12,815)	1,369
Available-for-sale securities			
Unrealized holding gains arising during period	—	150	51
Tax benefit (expense)	—	35	(19)
Available-for-sale securities, net	—	185	32
Pension and other postretirement benefits			
Pension and other postretirement benefits adjustments	5,690	(6,889)	(16,072)
Tax benefit (expense)	(1,375)	1,698	5,727
Pension and other postretirement benefits adjustments, net	4,315	(5,191)	(10,345)
Total other comprehensive income (loss)	(1,216)	9,143	(23,600)
Comprehensive income	101,856	112,344	25,915
Less: Comprehensive income attributable to noncontrolling interests	(3,114)	(4,524)	(4,563)
Comprehensive income attributable to Acushnet Holdings Corp.	$ 98,742	$ 107,820	$ 21,352

The accompanying notes are an integral part of these consolidated financial statements .

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ACUSHNET HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
(in thousands)	2018	2017	2016
Cash flows from operating activities			
Net income	$ 103,072	$ 103,201	$ 49,515
Adjustments to reconcile net income to cash provided by (used in) operating activities			
Depreciation and amortization	40,496	40,871	40,834
Unrealized foreign exchange (gain) loss	3,960	(4,028)	(2,347)
Amortization of debt issuance costs	1,409	1,321	3,378
Amortization of discount on bonds payable	—	—	3,963
Change in fair value of common stock warrants	—	—	6,112
Share-based compensation	18,563	15,285	14,494
Loss on disposals of property, plant and equipment	128	912	170
Deferred income taxes	15,541	21,272	7,849
Changes in operating assets and liabilities			
Accounts receivable	571	(2,592)	12,630
Inventories	805	(28,372)	(2,377)
Accounts payable	(5,789)	974	1,968
Accrued taxes	4,311	(10,283)	14,666
Other assets and liabilities	(19,334)	(165,598)	(34,016)
Interest due to related parties	—	—	(12,570)
Cash flows provided by (used in) operating activities	163,733	(27,037)	104,269
Cash flows from investing activities			
Additions to property, plant and equipment	(32,801)	(18,845)	(19,175)
Business acquisitions, net of cash acquired	(16,902)	—	—
Cash flows used in investing activities	(49,703)	(18,845)	(19,175)
Cash flows from financing activities			
Proceeds (repayment) of short-term borrowings, net	(17,742)	(25,548)	747
Proceeds from delayed draw term loan A facility	—	100,000	—
Repayment of delayed draw term loan A facility	(40,625)	(5,000)	—
Repayment of term loan A facility	(21,094)	(18,750)	(4,688)
Proceeds from term loan A facility	—	—	375,000
Repayment of senior term loan facility	—	—	(30,000)
Repayment of secured floating rate notes	—	—	(375,000)
Proceeds from exercise of common stock warrants	—	—	34,503
Repayment of bonds	—	—	(34,503)
Debt issuance costs	(381)	—	(6,606)
Dividends paid on common stock	(39,057)	(35,744)	—
Dividends paid on Series A redeemable convertible preferred stock	—	—	(17,316)
Dividends paid to noncontrolling interests	(7,350)	(4,800)	(4,800)
Payment of employee restricted stock tax withholdings	(2,634)	(903)	—
Cash flows provided by (used in) financing activities	(128,883)	9,255	(62,663)
Effect of foreign exchange rate changes on cash	(1,855)	5,209	(2,425)
Net increase (decrease) in cash	(16,708)	(31,418)	20,006
Cash and restricted cash, beginning of year	47,722	79,140	59,134
Cash and restricted cash, end of year	$ 31,014	$ 47,722	$ 79,140
Supplemental information			
Cash paid for interest to related parties	$ —	$ —	$ 36,753
Cash paid for interest to third parties	18,344	15,488	27,165
Cash paid for income taxes	27,389	35,949	16,589

Non-cash additions to property, plant and equipment	2,568	2,876	1,170
Dividend equivalents rights ("DERs") declared not paid	882	801	—
Non-cash conversion of Series A redeemable convertible preferred stock	—	—	131,036
Non-cash conversion of convertible notes	—	—	362,489
Non-cash conversion of common stock warrants	—	—	28,996

The accompanying notes are an integral part of these consolidated financial statements.

ACUSHNET HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY

	Redeemable Convertible Preferred Stock		Common Stock							
(in thousands)	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Total Shareholders' Equity Attributable to Acushnet Holdings Corp.	Noncontrolling Interests	Total Shareholders' Equity
Balances at December 31, 2015	1,838	$131,036	21,821	$ 22	$ 309,110	$ (67,234)	$(81,647)	$ 160,251	$ 33,255	$ 193,506
Net income	—	—	—	—	—	—	45,012	45,012	4,503	49,515
Other comprehensive loss	—	—	—	—	—	(23,600)	—	(23,600)	—	(23,600)
Share-based compensation	—	—	—	—	14,494	—	—	14,494	—	14,494
Issuance of common stock	—	—	3,105	3	63,496	—	—	63,499	—	63,499
Conversion of redeemable convertible preferred stock	(1,838)	(131,036)	16,542	16	131,020	—	—	131,036	—	131,036
Conversion of convertible notes	—	—	32,626	33	362,456	—	—	362,489	—	362,489
Dividends paid on Series A redeemable convertible preferred stock	—	—	—	—	—	—	(17,316)	(17,316)	—	(17,316)
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	—	(4,800)	(4,800)
Balances at December 31, 2016	—	—	74,094	74	880,576	(90,834)	(53,951)	735,865	32,958	768,823
Net income	—	—	—	—	—	—	98,695	98,695	4,506	103,201
Other comprehensive income	—	—	—	—	—	9,143	—	9,143	—	9,143
Share-based compensation	—	—	—	—	15,054	—	—	15,054	—	15,054
Vesting of restricted common stock, including impact of DERs, net of shares withheld for employee taxes (Note 17)	—	—	385	—	(903)	—	—	(903)	—	(903)
Dividends and dividend equivalents declared	—	—	—	—	—	—	(36,545)	(36,545)	—	(36,545)
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	—	(4,800)	(4,800)
Balances at December 31, 2017	—	—	74,479	74	894,727	(81,691)	8,199	821,309	32,664	853,973
Adoption of new accounting standards (Notes 2, 3 & 14)	—	—	—	—	—	(6,132)	4,631	(1,501)	—	(1,501)
Acquisitions (Note 22)	—	—	—	—	—	—	—	—	3,598	3,598
Net income	—	—	—	—	—	—	99,872	99,872	3,200	103,072
Other comprehensive loss	—	—	—	—	—	(1,216)	—	(1,216)	—	(1,216)
Share-based compensation	—	—	—	—	18,794	—	—	18,794	—	18,794
Vesting of restricted common stock, including impact of DERs, net of shares withheld for employee taxes (Note 17)	—	—	281	1	(2,631)	—	—	(2,630)	—	(2,630)
Dividends and dividend equivalents declared	—	—	—	—	—	—	(39,756)	(39,756)	—	(39,756)
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	—	(7,350)	(7,350)
Balances at December 31, 2018	—	$ —	74,760	$ 75	$ 910,890	$ (89,039)	$ 72,946	$ 894,872	$ 32,112	$ 926,984

The accompanying notes are an integral part of these consolidated financial statements.

ACUSHNET HOLDINGS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 . Description of Business

Acushnet Holdings Corp. (the "Company"), headquartered in Fairhaven, Massachusetts, is the global leader in the design, development, manufacture and distribution of performance-driven golf products. The Company has established positions across all major golf equipment and golf wear categories under its globally recognized brands of Titleist, FootJoy, Scotty Cameron and Vokey Design. Acushnet products are sold primarily to on-course golf pro shops and selected off-course golf specialty stores, sporting goods stores and other qualified retailers. The Company sells products primarily in the United States, Europe (primarily the United Kingdom, Germany, France and Sweden), Asia (primarily Japan, Korea, China and Singapore), Canada and Australia. Acushnet manufactures and sources its products principally in the United States, China, Thailand, the United Kingdom and Japan.

Acushnet Holdings Corp. was incorporated in Delaware on May 9, 2011 as Alexandria Holdings Corp., an entity owned by Fila Korea Co., Ltd. ("Fila Korea"), a leading sport and leisure apparel and footwear company which is a public company listed on the Korea Exchange, and a consortium of investors (the "Financial Investors"). Acushnet Holdings Corp. acquired Acushnet Company, its operating subsidiary, from Beam Suntory, Inc. (at the time known as Fortune Brands, Inc.) ("Beam") on July 29, 2011.

On November 2, 2016, the Company completed an initial public offering of 19,333,333 shares of its common stock sold by selling stockholders at a public offering price of $17.00 per share. Upon the closing of the Company's initial public offering, all remaining outstanding shares of the Company's Series A redeemable convertible preferred stock ("Series A preferred stock") were automatically converted into 11,556,495 shares of the Company's common stock and the Company's 7.5% convertible notes due 2021 ("convertible notes") were automatically converted into 22,791,852 shares of the Company's common stock. The underwriters of the Company's initial public offering exercised their over-allotment option to purchase an additional 2,899,999 shares of common stock from the selling stockholders at the initial public offering price of $17.00 per share.

Following the pricing of the initial public offering, Magnus Holdings Co., Ltd. ("Magnus"), a wholly-owned subsidiary of Fila Korea, purchased from the Financial Investors on a pro rata basis 14,818,720 shares of the Company's common stock, resulting in Magnus holding a controlling ownership interest in the Company's outstanding common stock. The 14,818,720 shares of the Company's common stock sold by the Financial Investors were received upon the automatic conversion of certain of the Company's outstanding convertible notes (Note 10) and Series A preferred stock (Note 15). The remaining outstanding convertible notes and Series A preferred stock automatically converted into shares of the Company's common stock prior to the closing of the initial public offering.

On October 14, 2016, the Company effected a nine -for-one stock split of its issued and outstanding shares of common stock and a proportional adjustment to the existing conversion ratios for its convertible notes, Series A preferred stock, and the exercise price for the common stock warrants and the strike price of stock-based compensation. Accordingly, all share and per share amounts for all periods presented in the accompanying consolidated financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect this stock split and adjustment of the common stock warrant exercise price, and convertible notes and redeemable convertible preferred stock conversion ratios.

2 . Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") and include the accounts of the Company, its wholly- owned subsidiaries and less than wholly-owned subsidiaries, including a variable interest entity ("VIE") in which the Company is the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to current year presentation.

Revision of Previously Issued Financial Statements

During the fourth quarter of 2018 , the Company determined that in 2011 it did not record a required deferred income tax liability on the difference between the book and tax basis of intangible assets resulting from the 2011 acquisition of Acushnet Company. This deferred tax liability should have been remeasured during the fourth quarter of 2017 based upon the change in tax rates resulting from the U.S. Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”). The Company has corrected these errors as a revision to the previously issued financial statements. The correction of these errors resulted in a decrease in income tax expense of $6.6 million , an increase in net income of $6.6 million , an increase in comprehensive income of $6.6 million and an increase in both basic and diluted net income per common share of $0.09 for the year ended December 31, 2017 . The correction also resulted in a decrease in deferred income tax assets of $10.9 million , an increase in goodwill of $17.5 million , an increase in total assets of $6.6 million and an increase in total shareholders' equity of $6.6 million as of December 31, 2017 . The errors also resulted in a decrease in deferred income tax assets of $17.5 million and an increase in goodwill of $17.5 million as of December 31, 2016, which has been revised in the related footnotes. The impact of this revision has been reflected throughout these financial statements, including the related footnotes, and is not material to the consolidated financial statements for the year ended December 31, 2017 .

Use of Estimates

The preparation of the Company’s consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and judgments that affect reported amounts of assets, liabilities, shareholders’ equity, net sales and expenses, and the disclosure of contingent assets and liabilities in its consolidated financial statements. Actual results could differ from those estimates.

Variable Interest Entities

VIEs are entities that, by design, either (i) lack sufficient equity to permit the entity to finance its activities independently, or (ii) have equity holders that do not have the power to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the entity’s expected losses, or the right to receive the entity’s expected residual returns. The Company consolidates a VIE when it is the primary beneficiary, which is the party that has both (i) the power to direct the activities that most significantly impact the VIE’s economic performance and (ii) through its interests in the VIE, the obligation to absorb expected losses or the right to receive expected benefits from the VIE that could potentially be significant to the VIE.

The Company consolidates the accounts of Acushnet Lionscore Limited, a VIE which is 40% owned by the Company. The sole purpose of the VIE is to manufacture the Company’s golf footwear and as such, the Company is deemed to be the primary beneficiary. The Company has presented separately on its consolidated balance sheets, to the extent material, the assets of its consolidated VIE that can only be used to settle specific obligations of its consolidated VIE and the liabilities of its consolidated VIE for which creditors do not have recourse to its general credit. The general creditors of the VIE do not have recourse to the Company. Certain directors of the VIE have guaranteed the credit lines of the VIE, for which there were no outstanding borrowings as of December 31, 2018 and 2017 . In addition, pursuant to the terms of the agreement governing the VIE, the Company is not required to provide financial support to the VIE.

Noncontrolling Interests

The ownership interest held by owners other than the Company in less than wholly-owned subsidiaries are classified as noncontrolling interests. The value attributable to the noncontrolling interests is presented on the consolidated balance sheets within shareholders' equity, separately from the equity attributable to the Company. Net income (loss) and comprehensive income (loss) attributable to noncontrolling interests are presented separately on the consolidated statements of operations and consolidated statements of comprehensive income, respectively. The Company's less than wholly-owned subsidiaries include a VIE, as discussed above, and PG Professional Golf which was acquired on October 1, 2018 (Note 22).

Cash and Restricted Cash

Cash held in Company checking accounts is included in cash. Book overdrafts not subject to offset with other accounts with the same financial institution are classified as accounts payable. As of December 31, 2018 and 2017 , book overdrafts in the amount of $2.2 million and $2.9 million , respectively, were recorded in accounts payable. The Company classifies as restricted certain cash that is not available for use in its operations. As of December 31, 2018 and 2017 , the amount of restricted cash included in cash and restricted cash on the consolidated balance sheet was $2.0 million and $2.3 million , respectively.

Concentration of Credit Risk and of Significant Customers

Financial instruments that potentially expose the Company to concentration of credit risk are cash and accounts receivable. Substantially all of the Company's cash deposits are maintained at large, creditworthy financial institutions. The Company's deposits, at times, may exceed federally insured limits. The Company does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships. As part of its ongoing procedures, the Company monitors its concentration of deposits with various financial institutions in order to avoid any undue exposure. As of December 31, 2018 and 2017 , the Company had $28.6 million and $44.7 million , respectively, in banks located outside the United States. The risk with respect to the Company's accounts receivable is managed by the Company through its policy of monitoring the creditworthiness of its customers to which it grants credit terms in the normal course of business.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out inventory method. The inventory balance, which includes material, labor and manufacturing overhead costs, is recorded net of an allowance for obsolete or slow moving inventory. The Company's allowance for obsolete or slow moving inventory contains estimates regarding uncertainties. Such estimates are updated each reporting period and require the Company to make assumptions and to apply judgment regarding a number of factors, including market conditions, selling environment, historical results and current inventory trends. See Note 5 for additional information.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Gains or losses resulting from disposals are included in income from operations. Betterments and renewals, which improve and extend the life of an asset, are capitalized. Maintenance and repair costs are expensed as incurred.

Estimated useful lives of property, plant and equipment asset categories were as follows:

Buildings and improvements	15 - 40 years
Machinery and equipment	3 - 10 years
Furniture, fixtures and computer hardware	3 - 10 years
Computer software	1 - 10 years

Leasehold and tenant improvements are amortized over the shorter of the lease term or the estimated useful lives of the assets.

Certain costs incurred in connection with the development of the Company's internal-use software are capitalized. Internal-use software development costs are primarily related to the Company's enterprise resource planning system. Costs incurred in the preliminary stages of development are expensed as incurred. Internal and external costs incurred in the application development phase, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing performed to ensure the product is ready for its intended use. Costs such as maintenance and training are expensed as incurred. The capitalized internal-use software costs are included in property, plant and equipment and once the software is placed into service are amortized over the estimated useful life which ranges from three to ten years . See Note 6 for additional information.

Long-Lived Assets

A long-lived asset (including amortizing intangible assets) or asset group is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When such events occur, the Company compares the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group to the carrying amount of the asset or asset group. The cash flows are based on the best estimate of future cash flows derived from the most recent business projections. If the carrying value exceeds the sum of the undiscounted cash flows, an impairment loss is recognized based on the excess of the asset's or asset group's carrying value over its fair value. Fair value is determined based on discounted expected future cash flows on a market participant basis. Any impairment charge would be recognized within operating expenses as a selling, general and administrative expense.

The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. These factors may include a significant deterioration of operating results, changes in business plans, or changes in anticipated cash flows.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized but instead are measured for impairment at least annually, or more frequently when events or changes in circumstances indicate that the carrying amount of the asset may be impaired.

Goodwill is assigned to reporting units for purposes of impairment testing. A reporting unit may be the same as an operating segment or one level below an operating segment. For purposes of assessing potential impairment, the Company compares the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is considered not impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company records goodwill impairment in the amount of the excess of a reporting unit’s carrying value over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The fair value of the reporting units is determined using the income approach. The income approach uses a discounted cash flow analysis which involves applying appropriate discount rates to estimated future cash flows based on forecasts of sales, costs and capital requirements.

Purchased intangible assets other than goodwill are amortized over their useful lives unless those lives are determined to be indefinite. Certain of the Company's trademarks have been assigned an indefinite life as the Company currently anticipates that these trademarks will contribute to its cash flows indefinitely. Indefinite-lived trademarks are reviewed for impairment annually and may be reviewed more frequently if indicators of impairment are present. Impairment losses are recorded to the extent that the carrying value of the indefinite-lived intangible asset exceeds its fair value. The Company measures the fair value of its trademarks using the relief-from-royalty method, which estimates the present value of royalty income that could be hypothetically earned by licensing the brand name to a third party over the remaining useful life. See Note 7 for additional information.

The Company performs its annual impairment tests in the fourth quarter of each fiscal year. During the years ended December 31, 2018 , 2017 and 2016 , no impairment charges were recorded to goodwill or indefinite-lived intangible assets.

Deferred Financing Costs

The Company defers costs directly associated with acquiring third-party financing. These deferred costs are amortized as interest expense over the term of the related indebtedness. Deferred financing costs associated with the revolving credit facilities are included in other current and noncurrent assets and deferred financing costs associated with all other indebtedness are netted against long-term debt and capital lease obligations on the consolidated balance sheet. See Note 10 for additional information.

Fair Value Measurements

Certain assets and liabilities are carried at fair value under U.S. GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The Company’s derivative instrument assets and liabilities are carried at fair value determined according to the fair value hierarchy described above (Note 11 and 12). The carrying value of accounts receivable, accounts payable and accrued

expenses approximates fair value due to the short-term nature of these assets and liabilities. The Company adopted the fair value measurement disclosures for nonfinancial assets and liabilities, such as goodwill and indefinite-lived intangible assets.

In some instances where a market price is available, but the instrument is in an inactive or over-the-counter market, the Company consistently applies the dealer (market maker) pricing estimate and uses a midpoint approach on bid and ask prices from financial institutions to determine the reasonableness of these estimates. Assets and liabilities subject to this fair value valuation approach are typically classified as Level 2. See Note 12 for additional information.

Pension and Other Postretirement Benefit Plans

The Company provides U.S. and foreign defined benefit and defined contribution plans to certain eligible employees and postretirement benefits to certain retirees, including pensions, postretirement healthcare benefits and other postretirement benefits.

Plan assets and obligations are measured using various actuarial assumptions, such as discount rates, rate of compensation increase, mortality rates, turnover rates and health care cost trend rates, as determined at each year end measurement date. The measurement of net periodic benefit cost is based on various actuarial assumptions, including discount rates, expected return on plan assets and rate of compensation increase, which are determined as of the prior year measurement date. The determination of the discount rate is generally based on an index created from a hypothetical bond portfolio consisting of high-quality fixed income securities with durations that match the timing of expected benefit payments. The expected return on plan assets is determined based on several factors, including adjusted historical returns, historical risk premiums for various asset classes and target asset allocations within the portfolio. Adjustments made to the historical returns are based on recent return experience in the equity and fixed income markets and the belief that deviations from historical returns are likely over the relevant investment horizon. Actual cost is also dependent on various other factors related to the employees covered by these plans. The effects of actuarial deviations from assumptions are generally accumulated and, if over a specified corridor, amortized over the remaining service period of the employees. The cost or benefit of plan changes, such as increasing or decreasing benefits for prior employee service (prior service cost), is deferred and included in expense on a straight-line basis over the average remaining service period of the related employees. The Company's actuarial assumptions are reviewed on an annual basis and modified when appropriate.

To calculate the U.S. pension and postretirement benefit plan expense in 2018 and 2017, the Company applied the individual spot rates along the yield curve that correspond with the timing of each future cash outflow for the benefit payments in order to calculate interest cost and service cost. Prior to 2017, the service cost and interest cost components were determined using a single weighted-average discount rate. The change does not affect the measurement of the total benefit plan obligations, as the change in the service cost and interest cost offsets in the actuarial gains and losses recorded in other comprehensive income (loss). The Company changed to the new method to provide a more precise measure of service and interest cost by improving the correlation between the projected benefit cash flows and the discrete spot yield curve rates. The Company accounted for this change as a change in estimate prospectively beginning in 2017. See Note 13 for additional information.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between consolidated financial statement carrying amounts and tax basis amounts at enacted tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is recorded to reduce deferred income tax assets when it is more-likely-than-not that such assets will not be realized. Potential for recovery of deferred tax assets is evaluated by estimating the future taxable profits expected and considering prudent and feasible tax planning strategies.

The Company records liabilities for uncertain income tax positions based on the two step process. The first step is recognition, where an individual tax position is evaluated as to whether it has a likelihood of greater than 50% of being sustained upon examination based on the technical merits of the position, including resolution of any related appeals or litigation processes. For tax positions that are currently estimated to have a less than 50% likelihood of being sustained, no tax benefit is recorded. For tax positions that have met the recognition threshold in the first step, the Company performs the second step of measuring the benefit to be recorded. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized on ultimate settlement. The actual benefits ultimately realized may differ from the estimates. In future periods, changes in facts, circumstances, and new information may require the Company to change the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recorded in income tax expense and liability in the period in which such changes occur. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes on the consolidated statements of income.

Beam has indemnified certain tax obligations that relate to periods during which Fortune Brands, Inc. owned Acushnet Company (Note 23). These estimated tax obligations are recorded in accrued taxes and other noncurrent liabilities, and the related indemnification receivable is recorded in other noncurrent assets on the consolidated balance sheet. Any changes in the value of these specifically identified tax obligations are recorded in the period identified in income tax expense and the related change in the indemnification asset is recorded in other expense, net on the consolidated statement of operations. See Note 14 for additional information.

On December 22, 2017, the U.S. enacted the 2017 Tax Act. The 2017 Tax Act contains a new law that subjects the Company to a tax on Global Intangible Low-Taxed Income (“GILTI”), beginning in 2018. GILTI is a tax on foreign income in excess of a deemed return on tangible assets of related foreign corporations. Companies subject to GILTI have the option to account for the GILTI tax as a period cost if and when incurred, or to recognize deferred taxes for temporary differences, including outside basis differences, expected to reverse as GILTI. The Company has elected to account for GILTI as a period cost.

Cost of Goods Sold

Cost of goods sold includes all costs to make products salable, such as inbound freight, purchasing and receiving costs, inspection costs and transfer costs. In addition, all depreciation expense associated with assets used to manufacture products and make them salable is included in cost of goods sold.

Product Warranty

The Company has defined warranties ranging from one to two years. Products covered by the defined warranty policies include all Titleist golf products, FootJoy golf shoes, and FootJoy golf outerwear. These product warranties generally obligate the Company to pay for the cost of replacement products, including the cost of shipping replacement products to its customers. The estimated cost of satisfying future warranty claims is accrued at the time the sale is recorded. In estimating future warranty obligations, the Company considers various factors, including its warranty policies and practices, the historical frequency of claims, and the cost to replace or repair products under warranty. See Note 8 for additional information.

Advertising and Promotion

Advertising and promotional costs are included in selling, general and administrative expense on the consolidated statement of operations and include product endorsement arrangements with members of the various professional golf tours, media placement and production costs (television, print and internet), tour support expenses and point-of-sale materials. Advertising production costs are expensed as incurred. Media placement costs are expensed in the month the advertising first appears. Product endorsement arrangements are expensed based upon the specific provisions of player contracts. Advertising and promotional expense was $192.2 million , $192.7 million and $196.0 million for the years ended December 31, 2018 , 2017 and 2016 , respectively.

Selling

Selling expenses including field sales, sales administration and shipping and handling costs are included in selling, general and administrative expense on the consolidated statement of operations. Shipping and handling costs included in selling expenses were $34.1 million , $32.5 million and $32.4 million for the years ended December 31, 2018 , 2017 and 2016 , respectively.

Research and Development

Research and development expenses include product development, product improvement, product engineering, and process improvement costs and are expensed as incurred.

Foreign Currency Translation and Transactions

Assets and liabilities denominated in foreign currency are translated into U.S. dollars at the actual rates of exchange at the balance sheet date. Revenues and expenses are translated at the average rates of exchange for the reporting period. The related translation adjustments are recorded as a component of accumulated other comprehensive loss. Transactions denominated in a currency other than the functional currency are re-measured into functional currency with resulting transaction gains or losses recorded as selling, general and administrative expense on the consolidated statement of operations. Foreign currency transaction gain (loss) included in selling, general and administrative expense was a loss of $1.9 million , a gain of $4.1 million and a gain of $1.2 million for the years ended December 31, 2018 , 2017 and 2016 , respectively.

Derivative Financial Instruments

All derivative instruments are recognized as either assets or liabilities on the consolidated balance sheet and are measured at fair value. If the derivative instrument is designated as a fair value hedge, the changes in the fair value of the derivative instruments and of the hedged item attributable to the hedged risk are recognized in earnings in the same period. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded as a component of accumulated other comprehensive loss and are recognized in the consolidated statement of operations when the hedged item affects earnings. Any portion of the change in fair value that is determined to be ineffective is immediately recognized in earnings. Cash flows from derivative financial instruments and the related hedged transactions are included in cash flows from operating activities. See Note 11 for additional information.

Share-based Compensation

The Company has a share-based compensation plan for board of directors, officers, employees, consultants and advisors of the Company. All awards granted under the plan are measured at fair value at the date of the grant. The Company issues share-based awards with service-based vesting conditions and performance-based vesting conditions. Awards with service-based vesting conditions are amortized as expense over the requisite service period of the award, which is generally the vesting period of the respective award. For awards with performance-based vesting conditions, the measurement of the expense is based on the Company's level of achievement of performance metrics as defined in the applicable award agreements. The Company accounts for forfeitures in compensation expense when they occur. See Note 17 for additional information.

Net Income per Common Share

Net income per common share attributable to Acushnet Holdings Corp. is calculated under the treasury stock method. Prior to the conversion of the redeemable convertible preferred shares to common stock in connection with the Company's initial public offering in 2016, the Company applied the two-class method to calculate its basic and diluted net income per common share attributable to Acushnet Holdings Corp., as its redeemable convertible preferred shares were participating securities. The two-class method is an earnings allocation formula that treats a participating security as having rights to earnings that otherwise would have been available to common stockholders. Net income per common share available to Acushnet Holdings Corp. was determined by allocating undistributed earnings between holders of common shares and redeemable convertible preferred shares, based on the participation rights of the preferred shares. Basic net income per common share attributable to Acushnet Holdings Corp. was computed by dividing the net income available to Acushnet Holdings Corp. by the basic weighted-average number of common shares outstanding during the period. Diluted net income per common share attributable to Acushnet Holdings Corp. was computed by dividing the net income available to Acushnet Holdings Corp. after giving effect to the diluted securities by the weighted-average number of dilutive shares outstanding during the period. See Note 20 for additional information.

Recently Adopted Accounting Standards

Revenue from Contracts with Customers

On January 1, 2018, the Company adopted Accounting Standards Codification ("ASC") 606, *"Revenue from Contracts with Customers"* ("ASC 606") and all the related amendments (the "new revenue standard") using the modified retrospective method. The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to opening retained earnings (Note 3). The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

Income Statement—Reporting Comprehensive Income

On January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2018-02, *"Income Statement—Reporting Comprehensive Income (Topic 220) —Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income."* As a result of the adoption of the amendments in this update, the Company recorded a reclassification from accumulated other comprehensive loss, net of tax to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 (Note 14). The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

Financial Instruments—Recognition and Measurement

On January 1, 2018, the Company adopted ASU 2016-01, *"Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities"* ("ASU 2016-01"). ASU 2016-01 supersedes the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and requires equity securities to be measured at fair value with changes in the fair value recognized through net income, among other items (Note 18). As a result of the adoption of the amendments in this update, the Company recorded a reclassification of unrealized gains of $2.1 million from accumulated other comprehensive loss, net of tax to retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

Compensation—Retirement Benefits

On January 1, 2018, the Company adopted ASU 2017-07, *"Compensation—Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost"* ("ASU 2017-07"). ASU 2017-07 requires that an employer report the service cost component of net periodic pension and net periodic post retirement cost in the same line item as other compensation costs arising from services rendered by the employees during the period. It also requires the other components of net periodic pension and net periodic postretirement benefit cost to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. Additionally, only the service cost component is eligible for capitalization. As a result of the adoption of the amendments in this update, the Company recorded a reclassification of the non-service cost component of net periodic benefit cost of $3.5 million and $1.7 million from cost of goods sold and operating expenses to other expense, net on the consolidated statement of operations for the years ended December 31, 2017 and 2016 , respectively (Notes 13 and 19). The adoption of this standard also resulted in the restatement of the Company's segment operating income for the years ended December 31, 2017 and 2016 (Note 21) and unaudited quarterly financial data for the quarter ended December 31, 2017 (Note 24).

Intangibles—Goodwill and Other — Simplifying the Test for Goodwill Impairment

On October 31, 2018, the Company adopted ASU 2017-04, " *Intangibles—Goodwill and Other: Simplifying the Test for Goodwill Impairment* " ("ASU 2017-04"). ASU 2017-04 removes the second step of the goodwill impairment test. Instead an entity will perform a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The adoption of this standard did not have an impact on the Company's assessment of goodwill impairment or its consolidated financial statements.

The Company also adopted the following standards during 2018, none of which had a material impact to the Company's financial statements or financial statement disclosures:

Standard		Effective Date
ASU 2017-09	Compensation—Stock Compensation: Scope of Modification Accounting	January 1, 2018
ASU 2017-01	Business Combinations: Clarifying the Definition of a Business	January 1, 2018
ASU 2016-16	Income Taxes: Intra-Entity Transfers of Assets other than Inventory	January 1, 2018
ASU 2016-15	Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments	January 1, 2018

Recently Issued Accounting Standards

Intangibles —Goodwill and Other —Internal-Use Software

In August 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-15, *"Intangibles —Goodwill and Other —Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract"* ("ASU 2018-15"). The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU 2018-15 is effective for fiscal years ending after December 15, 2019. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

Defined Benefit Plans—Changes to the Disclosure Requirements for Defined Benefit Plans

In August 2018, the FASB issued ASU 2018-14, *"Compensation —Retirement Benefits —Defined Benefit Plans —General (Subtopic 715-20) —Disclosure Framework —Changes to the Disclosure Requirements for Defined Benefit Plans"* ("ASU 2018-14"). The amendments in this update remove defined benefit plan disclosures that are no longer considered cost-beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. ASU 2018-14 is effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The adoption of this standard should be applied to all periods presented. The adoption of this standard will not have a material impact on the consolidated financial statements.

Changes to the Disclosure Requirements for Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, *"Fair Value Measurement (Topic 820) —Disclosure Framework —Changes to the Disclosure Requirements for Fair Value Measurement"* ("ASU 2018-13"). The amendments in this update improve the effectiveness of fair value measurement disclosures. ASU 2018-13 is effective for fiscal years ending after December 15, 2019. Early adoption is permitted. The adoption of this standard should be applied to all periods presented. The adoption of this standard will not have a material impact on the consolidated financial statements.

Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities

In August 2017, the FASB issued ASU 2017-12, *"Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* " ("ASU 2017-12"). The amendments in this update expand and refine hedge accounting guidance and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. ASU 2017-12 also simplifies the application of hedge accounting guidance, hedge documentation requirements and the assessment of hedge effectiveness. ASU 2017-12 is effective for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued or made available for issuance. The effect of adoption should be reflected as of the beginning of the fiscal year of adoption. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, " *Leases* ," which will require lessees to recognize right-of-use assets and lease liabilities for leases which were formerly classified as operating leases. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. Subsequent to ASU 2016-02, the FASB issued related ASUs, including ASU 2018-11, *"Leases (Topic 842): Targeted Improvements"* , which provides an optional approach to initially apply the new lease guidance upon the adoption date, without adjusting the comparative periods presented. The Company adopted ASU 2016-02 on January 1, 2019, using the optional transition approach which allows for a cumulative effect adjustment in the period of adoption and will not restate prior periods. Although the Company is continuing to assess the potential impact this ASU will have on its consolidated balance sheet and related disclosures, it expects the adoption of this standard to result in the recognition of right-of-use assets and lease liabilities in the range of $40.0 million and $50.0 million . The Company does not expect a material impact to its consolidated statements of operations or cash flows.

3 . Revenue

On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under ASC 605, *"Revenue Recognition"* .

The Company recorded a net reduction to opening retained earnings of $1.6 million as of January 1, 2018 due to the cumulative impact of adopting ASC 606, with the impact primarily related to a promotional holiday program. The impact of applying ASC 606 was an increase in net sales of $4.3 million and an increase in cost of sales of $2.3 million for the year ended December 31, 2018 . Additionally, the Company reclassified the refund liability for expected returns from accounts receivable, net to accrued expenses and other liabilities and reclassified the value of inventory expected to be recovered related to sales returns from inventories to other assets as of December 31, 2018 . The refund liability for expected returns was $9.8 million and $13.5 million as of December 31, 2018 and 2017 , respectively. The value of inventory expected to be recovered related to sales returns was $5.7 million and $4.3 million as of December 31, 2018 and 2017 , respectively. The adoption of ASC 606 did not have any other material impacts to the financial statements.

Accounting Policies

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied. The majority of the Company's contracts have a single performance obligation to transfer products. Accordingly, the Company recognizes revenue when control of the products has been transferred to the customer, generally at the time of shipment or delivery of products, based on the terms of the contract and the jurisdiction of the sale. Revenue is recognized in an amount that reflects the consideration the Company expects to be entitled to in exchange for the products. Revenue is recognized net of allowances for discounts and sales returns. Sales taxes and other similar taxes are excluded from revenue.

Substantially all of the Company’s revenue is recognized at a point in time and relates to customers who are not engaged in a long-term supply agreement or any form of contract with the Company. Substantially all of sales are paid for on account with the majority of terms between 30 and 60 days , not to exceed one year .

Costs associated with shipping and handling activities, such as merchandising, are included in selling, general and administrative expenses as revenue is recognized. The Company has made an accounting policy election to account for shipping and handling activities that occur after control of the related good transfers as fulfillment activities instead of assessing such activities as performance obligations.

The Company reduces revenue by the amount of expected returns and records a corresponding refund liability in accrued expenses and other liabilities. The Company accounts for the right of return as variable consideration and recognizes a refund liability for the amount of consideration that it estimates will be refunded to customers. In addition, the Company recognizes an asset for the right to recover returned products in other assets on the consolidated balance sheets. Sales returns are estimated based upon historical rates of product returns, current economic trends and changes in customer demands as well as specific identification of outstanding returns.

Contract Balances

Accounts receivable, net, include amounts billed and currently due from customers. The amounts due are stated at their net estimated realizable value. The Company maintains an allowance for doubtful accounts to provide for the estimated amount of receivables that will not be collected. The allowance includes amounts for certain customers where a risk of default has been specifically identified as well as a provision for customer defaults when it is determined the risk of some default is probable and estimable, but cannot yet be associated with specific customers. The assessment of the likelihood of customer defaults is based on various factors, including credit risk assessments, length of time the receivables are past due, historical experience, customer specific information available to the Company and existing economic conditions.

Customer Sales Incentives

The Company offers sales-based incentive programs to certain customers in exchange for certain benefits, including prominent product placement and exclusive stocking by participating retailers. These programs typically provide qualifying customers with rebates for achieving certain purchase goals. The rebates can be settled in the form of cash or credits or in the form of free product. The rebates which are expected to be settled in the form of cash or credits are accounted for as variable consideration. The estimate of the variable consideration requires the use of assumptions related to the percentage of customers who will achieve qualifying purchase goals and the level of achievement. These assumptions are based on historical experience, current year program design, current marketplace conditions and sales forecasts, including considerations of the Company's product life cycles.

The rebates which are expected to be settled in the form of product are estimated based upon historical experience and the terms of the customer programs and are accounted for as an additional performance obligation. Revenue will be recognized when control of the free products earned transfers to the customer at the end of the related customer incentive program, which generally occurs within one year . Control of the free products generally transfers to the customer at the time of shipment.

Practical Expedients and Exemptions

The Company expenses sales commissions when incurred because the amortization period is one year or less. These costs are recorded within selling, general and administrative expense on the consolidated statements of operations.

The Company has elected the practical expedient to not disclose information about remaining performance obligations that have original expected durations of one year or less.

Disaggregated Revenue

In general, the Company's business segmentation is aligned according to the nature and economic characteristics of its products and customer relationships and provides meaningful disaggregation of each business segment's results of operations. See Note 21 for the Company's business segment disclosures, as well as a further disaggregation of net sales by geographical area.

4 . Allowance for Doubtful Accounts

The activity related to the allowance for doubtful accounts was as follows:

(in thousands)	2018	2017	2016
Balance at beginning of year	$ 9,975	$ 12,255	$ 12,363
Bad debt expense	(583)	337	6,507
Amount of receivables written off	(1,873)	(3,300)	(6,315)
Foreign currency translation	(247)	683	(300)
Balance at end of year	$ 7,272	$ 9,975	$ 12,255

On September 14, 2016 Golfsmith International Holdings LP, one of the Company’s largest customers in the year ended December 31, 2016 , announced that its U.S.-based business, Golfsmith International Holdings, Inc., ("Golfsmith") commenced a Chapter 11 case under Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware, and its Canada-based business, Golf Town Canada Inc. ("Golf Town"), commenced creditor protection proceedings under the Companies’ Creditors Arrangement Act in the Ontario Superior Court of Justice (Commercial List). The Company’s outstanding receivable related to Golfsmith and Golf Town was reserved for in full by the time of the bankruptcy filing and as of December 31, 2016 the portion related to Golfsmith had been written off.

5 . Inventories

The components of inventories were as follows:

(in thousands)	December 31, 2018	December 31, 2017
Raw materials and supplies	$ 71,068	$ 72,342
Work-in-process	21,763	23,956
Finished goods	268,376	267,664
Inventories	$ 361,207	$ 363,962

6 . Property, Plant and Equipment, Net

The components of property, plant and equipment, net were as follows:

(in thousands)	December 31, 2018	December 31, 2017
Land	$ 14,515	$ 14,618
Buildings and improvements	142,113	138,570
Machinery and equipment	160,707	148,999
Furniture, computers and equipment	36,405	32,783
Computer software	62,517	60,736
Construction in progress	19,999	13,586
Property, plant and equipment, gross	436,256	409,292
Accumulated depreciation and amortization	(207,868)	(180,370)
Property, plant and equipment, net	$ 228,388	$ 228,922

During the years ended December 31, 2018 , 2017 and 2016 , software development costs of $4.1 million , $3.1 million and $8.2 million were capitalized. Capitalized software development costs as of December 31, 2018 , 2017 and 2016 consisted of software placed into service of $1.7 million , $2.4 million and $7.4 million , respectively, and amounts recorded in construction in progress of $2.4 million , $0.7 million and $0.8 million , respectively. Amortization expense on capitalized software development costs was $6.3 million , $6.4 million and $5.8 million for the years ended December 31, 2018 , 2017 and 2016 , respectively.

Total depreciation and amortization expense related to property, plant and equipment was $32.2 million , $31.6 million and $31.5 million for the years ended December 31, 2018 , 2017 and 2016 , respectively.

7 . Goodwill and Identifiable Intangible Assets, Net

Goodwill allocated to the Company's reportable segments and changes in the carrying amount of goodwill were as follows:

(in thousands)	Titleist Golf Balls	Titleist Golf Clubs	Titleist Golf Gear	FootJoy Golf Wear	Other	Total
Balances at December 31, 2016	$ 115,693	$ 56,187	$ 13,624	$ 2,500	$ 8,699	$ 196,703
Foreign currency translation	3,941	1,914	464	85	296	6,700
Balances at December 31, 2017	119,634	58,101	14,088	2,585	8,995	203,403
Acquisitions (Note 22)	8,492	—	—	1,071	—	9,563
Foreign currency translation	(1,931)	(949)	(222)	(43)	(150)	(3,295)
Balances at December 31, 2018	$ 126,195	$ 57,152	$ 13,866	$ 3,613	$ 8,845	$ 209,671

Prior year information within the above table has been revised, see further discussion of the impact of these revisions included in Note 2 - Revision of Previously Issued Financial Statements.

The net carrying value by class of identifiable intangible assets was as follows:

		December 31, 2018			December 31, 2017		
(in thousands)	Weighted Average Useful Life (Years)	Gross	Accumulated Amortization	Net Book Value	Gross	Accumulated Amortization	Net Book Value
Indefinite-lived:							
Trademarks	N/A	$ 429,051	$ —	$ 429,051	$ 428,100	$ —	$ 428,100
Amortizing:							
Trademarks	8	1,600	(50)	1,550	—	—	—
Completed technology	13	73,900	(41,017)	32,883	73,900	(35,486)	38,414
Customer relationships	17	22,023	(7,250)	14,773	19,666	(6,309)	13,357
Licensing fees and other	11	32,384	(32,384)	—	32,539	(31,176)	1,363
Total intangible assets		$ 558,958	$ (80,701)	$ 478,257	$ 554,205	$ (72,971)	$ 481,234

As a result of acquisitions completed during the year ended December 31, 2018, the Company recorded additions to identifiable intangible assets including indefinite-lived trademarks, amortizing trademarks and customer relationships of $1.0 million , $1.6 million and $2.7 million , respectively (Note 22). The Company expects to amortize the acquired amortizing trademarks and customer relationships over an eight year period.

During the years ended December 31, 2018 , 2017 and 2016 , no impairment charges were recorded to goodwill or indefinite-lived intangible assets.

Identifiable intangible asset amortization expense was $8.0 million , $9.3 million and $9.3 million for the years ended December 31, 2018 , 2017 and 2016 , respectively, of which $1.4 million , $2.7 million and $2.7 million associated with certain licensing fees was included in cost of goods sold for the years ended December 31, 2018 , 2017 and 2016 , respectively.

Identifiable intangible asset amortization expense for each of the next five fiscal years and beyond is expected to be as follows:

(in thousands)	
Year ending December 31,	
2019	$ 6,789
2020	6,446
2021	6,446
2022	6,446
2023	6,446
Thereafter	16,633
Total	$ 49,206

8 . Product Warranty

The activity related to the Company's warranty obligation for accrued warranty expense was as follows:

	Year ended December 31,		
(in thousands)	2018	2017	2016
Balance at beginning of period	$ 3,823	$ 3,526	$ 3,345
Provision	5,909	5,801	6,200
Claims paid/costs incurred	(6,315)	(5,653)	(5,940)
Foreign currency translation	(86)	149	(79)
Balance at end of period	$ 3,331	$ 3,823	$ 3,526

9 . Related Party Transactions

Other current assets includes receivables from related parties of $0.5 million as of December 31, 2017 . Prior to its initial public offering, the Company incurred interest expense payable to related parties on its outstanding convertible notes (Note 10) and bonds with common stock warrants (Note 11). The related party interest expense totaled $28.1 million for the year ended December 31, 2016 .

10 . Debt and Financing Arrangements

The Company's debt and long-term capital lease obligations were as follows:

(in thousands)	December 31, 2018	December 31, 2017
Term loan A facility	$ 330,469	$ 351,563
Delayed draw term loan A facility	54,375	95,000
Revolving credit facility	—	10,066
Other short-term borrowings	920	10,298
Capital lease obligations	—	22
Debt issuance costs	(2,266)	(2,896)
Total	383,498	464,053
Less: short-term debt and current portion of long-term debt	36,545	47,083
Total long-term debt and capital lease obligations	$ 346,953	$ 416,970

The debt issuance costs of $2.3 million and $2.9 million as of December 31, 2018 and 2017 , respectively, relate to the term loan A facility and delayed draw term loan A facility.

Senior Secured Credit Facility

On April 27, 2016, the Company entered into a senior secured credit facilities agreement arranged by Wells Fargo Bank, National Association which provided for (i) a $275.0 million multi-currency revolving credit facility, initially including a $20.0 million letter of credit sublimit, a $25.0 million swing line sublimit, a C $25.0 million sublimit for Acushnet Canada, Inc., a £20.0 million sublimit for Acushnet Europe Limited and an alternative currency sublimit of $100.0 million for borrowings in Canadian dollars, euros, pounds sterling and Japanese yen ("revolving credit facility"), (ii) a $375.0 million term loan A facility and (iii) a $100.0 million delayed draw term loan A facility. The credit agreement allows for the incurrence of additional term loans or increases in the revolving credit facility in an aggregate principal amount not to exceed (i) $200.0 million plus (ii) an unlimited amount so long as the net average secured leverage ratio (as defined in the credit agreement) does not exceed 2.00 : 1.00 on a pro forma basis. On August 9, 2017 , the senior secured credit facilities agreement was amended to increase the letter of credit sublimit to $25.0 million , to increase the sublimit for Acushnet Canada Inc. to C $35.0 million and to increase the sublimit for Acushnet Europe Limited to £30.0 million . The revolving credit facility and term loan facilities mature on July 28, 2021 and are secured by certain assets, including inventory, accounts receivable, fixed assets and intangible assets of the Company.

The credit agreement requires the Company to prepay outstanding term loans, subject to certain exceptions, with:

- 100% of the net cash proceeds of all non-ordinary course asset sales or other dispositions of property by the Company and its restricted subsidiaries (including insurance and condemnation proceeds, subject to de minimis thresholds), (1) if the Company does not reinvest those net cash proceeds in assets to be used in its business or to make certain other permitted investments, within 12 months of the receipt of such net cash

proceeds or (2) if the Company commits to reinvest such net cash proceeds within 12 months of the receipt thereof, but does not reinvest such net cash proceeds within 18 months of the receipt thereof; and

- 100% of the net proceeds of any issuance or incurrence of debt by the Company or any of its restricted subsidiaries, other than debt permitted under the credit agreement.

The foregoing mandatory prepayments are used to reduce the installments of principal in such order: first, to prepay outstanding loans under the term loan A facility, the delayed draw term loan A facility and any incremental term loans on a pro rata basis in direct order of maturity and second, to prepay outstanding loans under the revolving credit facility.

The Company may voluntarily repay outstanding loans under the credit agreement at any time without premium or penalty, other than customary “breakage” costs with respect to Eurodollar loans. Any optional prepayment of term loans will be applied as directed by the Company.

The Company is required to make principal payments on the loans under the term loan facilities in quarterly installments in aggregate annual amounts equal to (i) 5.00% of the original principal amount for the first and second year after July 28, 2016, (ii) 7.50% of the original principal amount for the third and fourth year after July 28, 2016 and (iii) 10.0% of the original principal amount for the fifth year after July 28, 2016. The remaining outstanding amount is payable on July 28, 2021, the maturity date for the term loan facilities. Principal amounts outstanding under the revolving credit facility will be due and payable in full on July 28, 2021, the maturity date for the revolving credit facility.

The applicable interest rate for the Canadian borrowings under the senior secured credit facility is based on the Canadian Dollar Offered Rate (“CDOR”) plus a margin ranging from 1.25% to 2.00% depending on the Net Average Total Leverage Ratio as defined in the credit agreement. The applicable interest for the swing line sublimit is the highest of (a) Federal Funds Rate plus 0.50% , (b) the Prime Rate and (c) the one-month London Interbank Offered Rate (“LIBOR”) rate plus 1.00% plus a margin ranging from 0.25% to 1.00% depending on the Net Average Total Leverage Ratio as defined in the credit agreement. The applicable interest rate for all remaining borrowings under the senior secured credit facilities is LIBOR plus a margin ranging from 1.25% to 2.00% depending on the Net Average Total Leverage Ratio as defined in the credit agreement or the highest of (a) the Federal Funds Rate plus 0.50% , (b) the Prime Rate and (c) the one month LIBOR rate plus 1.00% plus a margin ranging from 0.25% to 1.00% depending on the Net Average Total Leverage Ratio as defined in the credit agreement.

Interest on borrowings under the credit agreement is payable (1) on the last day of any interest period with respect to Eurodollar borrowings with an applicable interest period of three months or less, (2) every three months with respect to Eurodollar borrowings with an interest period of greater than three months or (3) on the last business day of each March, June, September and December with respect to base rate borrowings and swing line borrowings. In addition, beginning with the date of the initial funding under the credit agreement, the Company is required to pay a commitment fee on any unutilized commitments under the revolving credit facility and the new delayed draw term loan A facility. The initial commitment fee rate is 0.30% per annum and ranges from 0.20% to 0.35% based upon a leverage-based pricing grid. The Company is also required to pay customary letter of credit fees.

The Company’s credit agreement was signed and became effective on April 27, 2016 and initial funding under the credit agreement occurred on July 28, 2016. The proceeds of the $375.0 million term loan A facility, borrowings of C $4.0 million (equivalent to approximately $3.0 million) under the revolving credit facility and cash on hand of $23.6 million were used to repay all amounts outstanding under the secured floating rate notes and certain former working credit facilities. The secured floating rate notes, certain former working credit facilities and the former senior revolving credit facility were terminated.

During the first quarter of 2017, the Company drew down $100.0 million on the delayed draw term loan A facility and $47.8 million under the revolving credit facility to substantially fund the equity appreciation rights (“EAR") plan payout (Note 17).

The interest rate applicable to the term loan A facility and delayed draw term loan A facility as of December 31, 2018 and 2017 was 4.02% and 3.32% , respectively. The weighted average interest rate applicable to the outstanding borrowings under the revolving credit facility was 4.44% as of December 31, 2017 .

A change of control is an event of default under the credit agreement which could result in the acceleration of all outstanding indebtedness and the termination of all commitments under the credit agreement and would allow the lenders under the credit agreement to enforce their rights with respect to the collateral granted. A change of control occurs if any person (other than certain permitted parties, including Fila Korea) becomes the beneficial owner of 35% or more of the outstanding common stock of the Company. On September 22, 2017, Magnus entered into a loan agreement (the “New Magnus Loan Agreement”) with certain Korean financial institutions (the “New Magnus Lenders”) which provides for (i) three year term

loans in an aggregate amount of Korean Won 399.2 billion (equivalent to approximately $358.1 million , using an exchange rate of $1.00 = Korean Won 1,114.76 as of December 31, 2018) (the “New Magnus Term Loans”) and (ii) a revolving credit loan of Korean Won 10.0 billion (equivalent to approximately $9.0 million , using an exchange rate of $1.00 = Korean Won 1,114.76 as of December 31, 2018) (the “New Magnus Revolving Loan” and, together with the New Magnus Term Loans, the “New Magnus Loans”). The New Magnus Loans are secured by a pledge on all of the Company's common stock owned by Magnus, which consists of 39,345,151 shares (the “Magnus Shares”), or 52.6% of the Company's outstanding common stock as of December 31, 2018 . Under the New Magnus Loan Agreement, Magnus is required to maintain a specified Loan-to-Value ratio (“LTV Ratio”). If the LTV Ratio exceeds 75% , Magnus will be in breach of the New Magnus Loan agreement. If Magnus does not cure the breach in 60 days, the lenders will have a right to accelerate the maturity of the New Magnus Loan. If Magnus fails to pay the amount due on the New Magnus Loan at maturity or upon acceleration, the lenders can foreclose on the pledged shares of the Company’s common stock, which may result in the sale of up to 52.6% of the Company’s common stock as of December 31, 2018 .

The credit agreement contains a number of covenants that, among other things, restrict the ability of the U.S. Borrower and its restricted subsidiaries to (subject to certain exceptions), incur, assume, or permit to exist additional indebtedness or guarantees; incur liens; make investments and loans; pay dividends, make payments, or redeem or repurchase capital stock or make prepayments, repurchases or redemptions of certain indebtedness; engage in mergers, liquidations, dissolutions, asset sales, and other dispositions (including sale leaseback transactions); amend or otherwise alter terms of certain indebtedness or certain other agreements; enter into agreements limiting subsidiary distributions or containing negative pledge clauses; engage in certain transactions with affiliates; alter the nature of the business that it conducts or change its fiscal year or accounting practices. Certain exceptions to these covenants are determined based on ratios that are calculated in part using the calculation of Adjusted EBITDA. The credit agreement also restricts the ability of Acushnet Holdings Corp. to engage in certain mergers or consolidations or engage in any activities other than permitted activities. The Company’s credit agreement contains certain customary affirmative and restrictive covenants, including, among others, financial covenants based on the Company’s leverage and interest coverage ratios. The credit agreement includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations to be immediately due and payable.

On June 7, 2018, Acushnet Company, Acushnet Canada Inc. and Acushnet Europe Limited, as borrowers, and the Company and certain other subsidiaries of the Company, as guarantors, entered into an amendment with Wells Fargo Bank, National Association and certain other lenders to the Company’s senior secured credit facilities agreement. Pursuant to the amendment, the restrictive covenant governing the payment of dividends, the making of certain other payments and the redemption or repurchase of capital stock was amended to permit an additional $150.0 million of such payments, redemptions and/or repurchases, subject to certain conditions. In connection with amending the senior secured credit facilities, the Company incurred approximately $0.4 million in fees and expenses, which were recorded as debt issuance costs and will be recognized as interest expense over the term of the senior secured credit facilities.

As of December 31, 2018 , the Company was in compliance with all covenants under the credit agreement.

As of December 31, 2018 , the Company had available borrowings under its revolving credit facility of $263.6 million after giving effect to $11.4 million of outstanding letters of credit.

Convertible Notes

Prior to the initial public offering, the Company had outstanding convertible notes with an aggregate principal amount of $362.5 million . All outstanding convertible notes were converted into common stock in conjunction with the Company’s initial public offering (Note 1). Upon conversion, all accrued but unpaid interest on the principal of the convertible notes was paid to each holder of the convertible notes. The Company recorded interest expense related to the convertible notes of $22.6 million during the year ended December 31, 2016 .

Secured Floating Rate Notes

On July 28, 2016, outstanding borrowings under the secured floating rate notes of $375.0 million were repaid in full using the proceeds from the senior secured credit facility and the secured floating rate notes were terminated.

Senior Revolving and Term Loan Facilities

As of June 30, 2016, the Company had repaid all amounts outstanding under the senior revolving and term loan facilities and the facilities were terminated.

Other Short-Term Borrowings

The Company has certain unsecured facilities available through its subsidiaries. The weighted average interest rate applicable to the outstanding borrowings was 3.25% and 0.73% as of December 31, 2018 and 2017 , respectively. As of December 31, 2018 , the Company had available borrowings remaining under these local credit facilities of $62.6 million .

Letters of Credit

As of December 31, 2018 and 2017 , there were outstanding letters of credit related to agreements, including the Company's Senior Secured Credit Facility, totaling $15.5 million and $14.3 million , respectively, of which $12.4 million and $11.2 million was secured, respectively. These agreements provided a maximum commitment for letters of credit of $29.2 million as of both December 31, 2018 and 2017 .

Payments of Debt Obligations due by Period

As of December 31, 2018 , principal payments due on outstanding long-term debt obligations, excluding capital leases, were as follows:

(in thousands)		
Year ending December 31,		
2019	$	35,625
2020		38,594
2021		310,625
2022		—
2023		—
Thereafter		—
Total	$	384,844

11 . Derivative Financial Instruments

The Company principally uses derivative financial instruments to reduce the impact of changes in foreign currency exchange rates and interest rate fluctuations. The principal derivative financial instruments the Company enters into are foreign exchange forward contracts and interest rate swaps. Additionally, prior to the exercise of the final annual call option by Fila Korea in July 2016, the Company had outstanding bonds with common stock warrants for the purchase of the Company’s common stock. The Company does not enter into derivative financial instruments contracts for trading or speculative purposes.

Foreign Exchange Derivative Instruments

Foreign exchange derivative instruments are foreign exchange forward contracts primarily used to hedge currency fluctuations for transactions denominated in a foreign currency, thereby limiting currency risk that would otherwise result from changes in exchange rates. The periods of the foreign exchange forward contracts correspond to the periods of the forecasted transactions, which do not exceed 24 months subsequent to the latest balance sheet date. The primary foreign exchange forward contracts pertain to the U.S. dollar, the Japanese yen, the British pound sterling, the Canadian dollar, the Korean won and the Euro. The gross U.S. dollar equivalent notional amount outstanding of all foreign exchange forward contracts designated under hedge accounting as of December 31, 2018 and 2017 was $312.8 million and $278.9 million , respectively.

The Company also enters into foreign exchange forward contracts to mitigate the change in fair value of specific assets and liabilities which do not qualify as hedging instruments under U.S. GAAP. Accordingly, these undesignated instruments are recorded at fair value as a derivative asset or liability with the corresponding change in fair value recognized in selling, general and administrative expense, together with the re-measurement gain or loss from the hedged asset or liability. There were no outstanding foreign exchange forward contracts not designated under hedge accounting as of December 31, 2018 and 2017 .

Interest Rate Derivative Instruments

During 2018, the Company entered into interest rate swap contracts to reduce the impact of variability in interest rates. Under the contracts, the Company pays fixed and receives variable rate interest, in effect converting a portion of its variable rate debt to fixed rate debt. The interest rate swap contracts are accounted for as cash flow hedges. As of December 31, 2018 , the notional value of the Company's outstanding interest rate swap contracts was $185.0 million . As of December 31, 2017 , there were no outstanding interest rate swap contracts.

Impact on Financial Statements

The fair value of hedge instruments recognized on the consolidated balance sheets was as follows:

(in thousands) Balance Sheet Location	Hedge Instrument Type	December 31, 2018	December 31, 2017
Other current assets	Foreign exchange forward	$ 6,116	$ 4,675
Other noncurrent assets	Foreign exchange forward	1,015	562
Accrued expenses and other liabilities	Foreign exchange forward	578	6,360
	Interest rate swap	526	—
Other noncurrent liabilities	Foreign exchange forward	161	276
	Interest rate swap	925	—

The hedge instrument gain (loss) recognized in accumulated other comprehensive loss, net of tax was as follows:

	Gain (Loss) Recognized in Other Comprehensive Loss		
	Year ended December 31,		
(in thousands)	2018	2017	2016
Type of hedge			
Foreign exchange forward	$ 8,148	$ (15,558)	$ 7,014
Interest rate swap	(1,926)	—	—
	$ 6,222	$ (15,558)	$ 7,014

Gains and losses on derivative instruments designated as cash flow hedges are reclassified from other comprehensive income (loss) at the time the forecasted transaction impacts the income statement. Based on the current valuation, the Company expects to reclassify a net gain of $6.0 million related to foreign exchange derivative instruments from accumulated other comprehensive loss, net of tax into cost of goods sold and a net loss of $0.5 million related to interest rate derivative instruments from accumulated other comprehensive loss, net of tax into interest expense, net during the next 12 months (Note 19).

The hedge instrument gain (loss) recognized on the consolidated statements of operations was as follows:

	Gain (Loss) Recognized in Statement of Operations		
	Year ended December 31,		
(in thousands)	2018	2017	2016
Location of gain (loss) in statement of operations			
Cost of goods sold	$ (1,410)	$ 1,329	$ 5,194
Selling, general and administrative expense	1,665	(2,732)	(917)
Interest expense, net	(476)	—	—
	$ (221)	$ (1,403)	$ 4,277

Credit Risk

The Company enters into derivative contracts with major financial institutions with investment grade credit ratings and is exposed to credit losses in the event of non-performance by these financial institutions. This credit risk is generally limited to the unrealized gains in the derivative contracts. However, the Company monitors the credit quality of these financial institutions and considers the risk of counterparty default to be minimal.

Bonds with Common Stock Warrants

Prior to the exercise of the final annual call option by Fila Korea in July 2016, the Company had outstanding bonds with common stock warrants for the purchase of the Company's common stock at an exercise price of $11.11 per share. The Company classified the warrants to purchase common stock as a liability on its consolidated balance sheet as the warrants were free-standing financial instruments that could result in the issuance of a variable number of the Company's common shares. The warrants were initially recorded at fair value on grant date, and were subsequently re-measured to fair value at each reporting

date. The Company categorized the common stock warrants derivative liability as Level 3 as there were significant unobservable inputs used in the underlying valuations. Changes in the fair value of the common stock warrants were recognized as other expense, net on the consolidated statement of operations (Note 19).

In July 2016, Fila Korea exercised its annual call option to purchase common stock warrants held by the holders of the bonds and exercised such warrants at the exercise price of $11.11 per share, or $34.5 million in the aggregate. The Company used the proceeds received from Fila Korea's exercise of the common stock warrants to redeem the outstanding bonds payable.

12 . Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis were as follows:

	Fair Value Measurements as of December 31, 2018 using:			
(in thousands)	Level 1	Level 2	Level 3	Balance Sheet Location
Assets				
Rabbi trust	$ 8,415	$ —	$ —	Other current assets
Foreign exchange derivative instruments	—	6,116	—	Other current assets
Deferred compensation program assets	1,222	—	—	Other noncurrent assets
Foreign exchange derivative instruments	—	1,015	—	Other noncurrent assets
Total assets	$ 9,637	$ 7,131	$ —	
Liabilities				
Foreign exchange derivative instruments	$ —	$ 578	$ —	Accrued expenses and other liabilities
Interest rate swap derivative instrument	—	526	—	Accrued expenses and other liabilities
Deferred compensation program liabilities	1,222	—	—	Other noncurrent liabilities
Foreign exchange derivative instruments	—	161	—	Other noncurrent liabilities
Interest rate swap derivative instrument	—	925	—	Other noncurrent liabilities
Total liabilities	$ 1,222	$ 2,190	$ —	

	Fair Value Measurements as of December 31, 2017 using:			
(in thousands)	Level 1	Level 2	Level 3	Balance Sheet Location
Assets				
Rabbi trust	$ 10,637	$ —	$ —	Other current assets
Foreign exchange derivative instruments	—	4,675	—	Other current assets
Deferred compensation program assets	1,866	—	—	Other noncurrent assets
Foreign exchange derivative instruments	—	562	—	Other noncurrent assets
Total assets	$ 12,503	$ 5,237	$ —	
Liabilities				
Foreign exchange derivative instruments	$ —	$ 6,360	$ —	Accrued expenses and other liabilities
Deferred compensation program liabilities	1,866	—	—	Other noncurrent liabilities
Foreign exchange derivative instruments	—	276	—	Other noncurrent liabilities
Total liabilities	$ 1,866	$ 6,636	$ —	

During the years ended December 31, 2018 and 2017 , there were no transfers between Level 1, Level 2 and Level 3.

Rabbi trust assets are used to fund certain retirement obligations of the Company. The assets underlying the Rabbi trust are equity and fixed income exchange-traded funds.

Deferred compensation program assets and liabilities represent a program where select employees can defer compensation until termination of employment. Effective July 29, 2011 , this program was amended to cease all employee compensation deferrals and provided for the distribution of all previously deferred employee compensation. The program remains in effect with respect to the value attributable to the employer match contributed prior to July 29, 2011 .

Foreign exchange derivative instruments are foreign exchange forward contracts primarily used to hedge currency fluctuations for transactions denominated in a foreign currency (Note 11). The Company uses the mid-price of foreign

exchange forward rates as of the close of business on the valuation date to value each foreign exchange forward contract at each reporting period.

Interest rate derivative instruments are contracts used to hedge the interest rate fluctuations of the Company's variable rate debt (Note 11). The valuation for the interest rate swap is calculated as the net of the discounted future cash flows of the pay and receive legs of the swap. Mid-market interest rates on the valuation date are used to create the forward curve for floating legs and discount curve.

13 . Pension and Other Postretirement Benefits

The Company has various pension and post-employment plans which provide for payment of benefits to certain eligible employees, mainly commencing between the ages of 50 and 65 , and for payment of certain disability benefits. After meeting certain qualifications, eligible employees acquire a vested right to future benefits. The benefits payable under the plans are generally determined on the basis of an employee's length of service and/or earnings. Employer contributions to the plans are made, as necessary, to ensure legal funding requirements are satisfied. The Company may make contributions in excess of the legal funding requirements.

The Company provides postretirement healthcare benefits to certain retirees. Many employees and retirees outside of the United States are covered by government sponsored healthcare programs.

The following table presents the change in benefit obligation, change in plan assets and funded status for the Company's defined benefit and postretirement benefit plans for the year ended December 31, 2018 :

(in thousands)	Pension Benefits (Underfunded)	Pension Benefits (Overfunded)	Postretirement Benefits
Change in projected benefit obligation ("PBO")			
Benefit obligation at December 31, 2017	$ 316,882	$ 35,468	$ 16,052
Service cost	9,067	—	657
Interest cost	11,040	857	490
Actuarial gain	(22,436)	(5,255)	(1,600)
Curtailments	(177)	—	—
Settlements	(36,244)	(3,507)	—
Plan amendments	—	285	—
Participants' contributions	—	—	378
Benefit payments	(2,990)	(580)	(1,565)
Foreign currency translation	(321)	(1,639)	—
Projected benefit obligation at December 31, 2018	274,821	25,629	14,412
Accumulated benefit obligation at December 31, 2018	240,270	23,821	14,412
Change in plan assets			
Fair value of plan assets at December 31, 2017	183,093	50,767	—
Return on plan assets	(11,863)	(3,846)	—
Employer contributions	44,105	441	1,187
Participants' contributions	—	—	378
Settlements	(36,244)	(3,507)	—
Benefit payments	(2,990)	(580)	(1,565)
Foreign currency translation	(57)	(2,575)	—
Fair value of plan assets at December 31, 2018	176,044	40,700	—
Funded status (fair value of plan assets less PBO)	$ (98,777)	$ 15,071	$ (14,412)

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The following table presents the change in benefit obligation, change in plan assets and funded status for the Company's defined benefit and postretirement benefit plans for the year ended December 31, 2017 :

(in thousands)	Pension Benefits (Underfunded)	Pension Benefits (Overfunded)	Postretirement Benefits
Change in projected benefit obligation			
Benefit obligation at December 31, 2016	$ 284,104	$ 39,735	$ 20,264
Service cost	9,217	—	955
Interest cost	10,783	1,049	713
Actuarial (gain) loss	34,557	(2,000)	(5,075)
Settlements	(20,663)	(5,172)	—
Participants' contributions	—	—	355
Benefit payments	(2,719)	(635)	(1,160)
Foreign currency translation	1,435	2,659	—
Adjustment for movement from underfunded to overfunded	168	(168)	—
Projected benefit obligation at December 31, 2017	316,882	35,468	16,052
Accumulated benefit obligation at December 31, 2017	277,067	34,190	16,052
Change in plan assets			
Fair value of plan assets at December 31, 2016	161,088	45,342	—
Return on plan assets	23,757	6,254	—
Employer contributions	21,280	1,697	805
Participants' contributions	—	—	355
Settlements	(20,663)	(5,172)	—
Benefit payments	(2,719)	(635)	(1,160)
Foreign currency translation	156	3,475	—
Adjustment for movement from underfunded to overfunded	194	(194)	—
Fair value of plan assets at December 31, 2017	183,093	50,767	—
Funded status (fair value of plan assets less PBO)	$ (133,789)	$ 15,299	$ (16,052)

The amount of pension and postretirement assets and liabilities recognized on the consolidated balance sheets was as follows:

	Pension Benefits		Postretirement Benefits	
	December 31,		December 31,	
(in thousands)	2018	2017	2018	2017
Other noncurrent assets	$ 15,071	$ 15,299	$ —	$ —
Accrued compensation and benefits	(10,391)	(18,933)	(721)	(748)
Accrued pension and other postretirement benefits	(88,386)	(114,856)	(13,691)	(15,304)
Net liability recognized	$ (83,706)	$ (118,490)	$ (14,412)	$ (16,052)

The amounts in accumulated other comprehensive loss, net of tax on the consolidated balance sheets that have not yet been recognized as components of net periodic benefit cost were as follows:

	Pension Benefits			Postretirement Benefits		
	Year ended December 31,			Year ended December 31,		
(in thousands)	2018	2017	2016	2018	2017	2016
Net actuarial gain (loss) at beginning of year	$ (44,892)	$ (33,736)	$ (18,374)	$ 12,392	$ 8,055	$ 8,840
Actuarial gain (loss)	(882)	(14,554)	(18,425)	1,600	5,075	573
Prior service cost	(285)	—	—	—	—	(283)
Curtailment impact	(97)	—	—	—	—	—
Settlement impact	4,982	2,740	1,124	—	—	—
Amortization of actuarial (gain) loss	1,687	804	485	(1,540)	(601)	(912)
Amortization of prior service cost (credit)	175	175	175	(137)	(137)	(163)
Foreign currency translation	187	(321)	1,279	—	—	—
Net actuarial gain (loss) at end of year	$ (39,125)	$ (44,892)	$ (33,736)	$ 12,315	$ 12,392	$ 8,055

The expected prior service cost (credit) that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in the next fiscal year is a cost of $0.2 million for the pension plans and a credit of $0.1 million for the postretirement plans. The expected actuarial (gain) loss that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in the next fiscal year is a loss of $1.0 million for the pension benefit plans and a gain of $1.5 million for the postretirement benefit plans.

Components of net periodic benefit cost were as follows:

	Pension Benefits			Postretirement Benefits		
	Year ended December 31,					
(in thousands)	2018	2017	2016	2018	2017	2016
Components of net periodic benefit cost						
Service cost	$ 9,067	$ 9,217	$ 9,763	$ 657	$ 955	$ 888
Interest cost	11,897	11,832	12,356	490	713	779
Expected return on plan assets	(13,041)	(12,006)	(12,189)	—	—	—
Curtailment income	(97)	—	—	—	—	—
Settlement expense	4,982	2,740	1,148	—	—	—
Amortization of net (gain) loss	1,687	804	471	(1,540)	(601)	(912)
Amortization of prior service cost (credit)	175	175	175	(137)	(137)	(163)
Net periodic benefit cost (credit)	$ 14,670	$ 12,762	$ 11,724	$ (530)	$ 930	$ 592

The non-service cost components of net periodic benefit cost (credit) are included in other expense, net in the consolidated statement of operations (Note 19).

The weighted average assumptions used to determine benefit obligations at December 31, 2018 and 2017 were as follows:

	Pension Benefits		Postretirement Benefits	
	2018	2017	2018	2017
Discount rate	4.25%	3.62%	4.27%	3.61%
Rate of compensation increase	4.00%	4.01%	N/A	N/A

The weighted average assumptions used to determine net periodic benefit cost for the years ended December 31, 2018 , 2017 and 2016 were as follows:

	Pension Benefits			Postretirement Benefits		
	2018	2017	2016	2018	2017	2016
Discount rate	3.62%	4.17%	4.16%	3.61%	4.08%	4.30%
Expected long-term rate of return on plan assets	5.77%	5.77%	6.23%	N/A	N/A	N/A
Rate of compensation increase	4.01%	4.02%	4.07%	N/A	N/A	N/A

The assumed healthcare cost trend rates used to determine benefit obligations and net periodic benefit cost for postretirement benefits as of and for the years ended December 31, 2018 , 2017 and 2016 were as follows:

	2018	2017	2016
Healthcare cost trend rate assumed for next year	6.25%/9.00%	5.50%/8.50%	5.50%/9.00%
Rate that the cost trend rate is assumed to decline (the ultimate trend rate)	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2027	2024	2024

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the postretirement benefits. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	2018		2017	
(in thousands)	One-Percentage Point Increase	One-Percentage Point Decrease	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on total of service cost and interest cost	$ 72	$ (64)	$ 73	$ (65)
Effect on projected benefit obligation	632	(572)	665	(598)

Plan Assets

Pension assets by major category of plan assets and the type of fair value measurement as of December 31, 2018 were as follows:

(in thousands)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset category				
Individual securities				
Fixed income	$ 1,682	$ —	$ 1,682	$ —
Commingled funds				
Measured at net asset value	215,062	—	—	—
	$ 216,744	$ —	$ 1,682	$ —

Pension assets by major category of plan assets and the type of fair value measurement as of December 31, 2017 were as follows:

(in thousands)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset category				
Individual securities				
Fixed income	$ 1,794	$ —	$ 1,794	$ —
Commingled funds				
Measured at net asset value	232,066	—	—	—
	$ 233,860	$ —	$ 1,794	$ —

Pension assets include fixed income securities and commingled funds. Fixed income securities are valued at daily closing prices or institutional mid-evaluation prices provided by independent industry-recognized pricing sources. Commingled funds are not traded in active markets with quoted prices and as a result, are valued using the net asset values provided by the administrator of the fund. The investments underlying the net asset values are based on quoted prices traded in active markets. In accordance with ASU 2015-7, “Fair Value Measurement: Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)”, the Company has elected the practical expedient to exclude assets measured at net asset value from the fair value hierarchy.

The Company's investment strategy is to optimize investment returns through a diversified portfolio of investments, taking into consideration underlying plan liabilities and asset volatility. Asset allocations are based on the underlying liability structure and local regulations. All retirement asset allocations are reviewed periodically to ensure the allocation meets the needs of the liability structure.

Master trusts were established to hold the assets of the Company's U.S. defined benefit plans. During the year ended December 31, 2018 , the U.S. defined benefit plan asset allocation of these trusts targeted a return-seeking investment allocation of 50% to 76% and a liability-hedging investment allocation of 24% to 50% . During the year ended December 31, 2017 , the U.S. defined benefit plan asset allocation of these trusts targeted a return-seeking investment allocation of 64% to 76% and a liability-hedging investment allocation of 24% to 36% . Return-seeking investments include equities, real estate, high yield bonds and other instruments. Liability-hedging investments include assets such as corporate and government fixed income securities.

The Company's future expected blended long-term rate of return on plan assets of 5.84% is determined based on long-term historical performance of plan assets, current asset allocation, and projected long-term rates of return.

Estimated Contributions

The Company expects to make pension contributions of approximately $25.9 million during 2019 based on current assumptions as of December 31, 2018 .

Estimated Future Retirement Benefit Payments

The following retirement benefit payments, which reflect expected future service, are expected to be paid as follows:

(in thousands)	Pension Benefits	Postretirement Benefits
Year ending December 31,		
2019	$ 28,898	$ 721
2020	18,536	849
2021	20,064	1,007
2022	20,266	1,138
2023	23,730	1,210
Thereafter	125,482	7,180
	$ 236,976	$ 12,105

The estimated future retirement benefit payments noted above are estimates and could change significantly based on differences between actuarial assumptions and actual events and decisions related to lump sum distribution options that are available to participants in certain plans.

International Plans

Pension coverage for certain eligible employees of the Company's international subsidiaries is provided, to the extent deemed appropriate, through separate defined benefit pension plans. The international defined benefit pension plans are included in the tables above. As of December 31, 2018 and 2017 , the international pension plans had total projected benefit obligations of $43.9 million and $53.6 million , respectively, and fair values of plan assets of $44.0 million and $53.6 million , respectively. The majority of the plan assets are invested in equity securities. The net periodic benefit cost related to international plans was $0.4 million , $0.9 million and $1.0 million for the years ended December 31, 2018 , 2017 and 2016 , respectively. The expected actuarial loss that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in the next fiscal year is $0.1 million .

Defined Contribution Plans

The Company sponsors a number of defined contribution plans and company contributions related to these plans are determined under various formulas. Company contributions to defined contribution plans amounted to $16.5 million , $13.8 million and $13.0 million for the years ended December 31, 2018 , 2017 and 2016 , respectively.

14 . Income Taxes

The 2017 Tax Act was signed into law on December 22, 2017. The 2017 Tax Act significantly revised the U.S. corporate income tax by, among other things, lowering the statutory corporate tax rate from 35% to 21% , eliminating certain deductions, imposing a mandatory one-time tax ("Transition Tax") on accumulated earnings of foreign subsidiaries as of 2017, introducing new tax regimes, and changing how foreign earnings are subject to U.S. tax. The 2017 Tax Act also enhanced and extended through 2026 the option to claim accelerated depreciation deductions on qualified property. In accordance with the 2017 Tax Act, the Company recorded a provisional tax expense of approximately $7.8 million in the fourth quarter of 2017, the period in which the legislation was enacted. This amount was primarily comprised of the remeasurement of federal net deferred tax assets resulting from the permanent reduction in the U.S. statutory corporate tax rate to 21% from 35% of approximately $4.0 million , the Transition Tax on the accumulated earnings of foreign subsidiaries of the Company of approximately $8.6 million , offset by the release of the deferred tax liability previously recorded on unremitted earnings of $4.8 million .

Prior year information within this note has been revised. See further discussion of the impact of these revisions included in Note 2 - Revision of Previously Issued Financial Statements.

Additionally, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the 2017 Tax Act. December 22, 2018 marked the end of the measurement period for purposes of SAB 118. As such, the Company has completed its analysis, based upon currently available legislative updates, proposed regulations, and other administrative guidance issued related to the 2017 Tax Act, which resulted in an additional tax expense in the fourth quarter of 2018 of $10.3 million and a total tax expense of $13.9 million for the year ended December 31, 2018 .

The Company has determined that its undistributed earnings for most of its foreign subsidiaries are not permanently reinvested. The Company has provided for withholding taxes on all unremitted earnings, as required.

The components of income before income taxes were as follows:

	Year ended December 31,		
(in thousands)	2018	2017	2016
Domestic operations	$ 54,003	$ 61,158	$ (3,995)
Foreign operations	96,301	90,518	93,217
Income before income taxes	$ 150,304	$ 151,676	$ 89,222

The following table represents a reconciliation of income taxes computed at the federal statutory income tax rate of 21% for 2018 and 35% for 2017 and 2016 to income tax expense as reported:

	Year ended December 31,		
(in thousands)	2018	2017	2016
Income tax expense computed at federal statutory income tax rate	$ 31,564	$ 53,086	$ 31,229
Foreign taxes, net of credits	12,138	(15,545)	(1,804)
Impact of the 2017 Tax Act	10,801	12,619	—
Net adjustments for uncertain tax positions	771	508	706
State and local taxes	2,349	1,313	(525)
Equity appreciation rights	—	(765)	372
Transaction costs	—	189	3,078
Indemnified taxes	144	(115)	1,594
Fair value adjustment for common stock warrants	—	—	3,029
Valuation allowance	(10,038)	90	955
Deferred charge	1,178	(1,295)	1,009
Tax credits	(3,225)	(3,240)	(704)
Miscellaneous other, net	1,550	1,630	768
Income tax expense as reported	$ 47,232	$ 48,475	$ 39,707
Effective income tax rate	31.4%	32.0%	44.5%

The Company's unrecognized tax benefits represent tax positions for which reserves have been established. The following table represents a reconciliation of the activity related to the unrecognized tax benefits, excluding accrued interest and penalties:

(in thousands)	2018	2017	2016
Unrecognized tax benefits at beginning of year	$ 11,049	$ 11,347	$ 13,120
Gross additions - prior year tax positions	—	—	1,960
Gross additions - current year tax positions	801	1,159	747
Gross reductions - prior year tax positions	(91)	(348)	(4,457)
Gross reductions - Acquired tax positions settled with tax authorities	(113)	(1,241)	—
Impact of change in foreign exchange rates	—	132	(23)
Unrecognized tax benefits at end of year	$ 11,646	$ 11,049	$ 11,347

As of December 31, 2018 , 2017 and 2016 , the unrecognized tax benefits of $11.6 million , $11.0 million and $11.3 million , respectively, would affect the Company's future effective tax rate if recognized. The Company does not anticipate a material change in unrecognized tax benefits within the next 12 months.

As of December 31, 2018 , 2017 and 2016 , the Company had unrecognized tax benefits included in the amounts above of $5.0 million , $4.9 million and $5.9 million , respectively, related to periods prior to the Company's acquisition of Acushnet Company and as such, are indemnified by Beam.

As of December 31, 2018 , 2017 and 2016 , the Company recognized a liability of $3.3 million , $2.7 million and $2.3 million , respectively for interest and penalties, of which $3.0 million , $2.7 million and $1.8 million is indemnified by Beam.

Prior to the Company's acquisition of Acushnet Company, Acushnet Company or its subsidiaries filed certain combined tax returns with Beam. Those and other subsidiaries' income tax returns are periodically examined by various tax authorities. Beam is responsible for managing United States tax audits related to periods prior to July 29, 2011. Acushnet Company is obligated to support these audits and is responsible for managing all non-U.S. audits.

The Company and certain subsidiaries have tax years that remain open and are subject to examination by tax authorities in the following major taxing jurisdictions: United States for years after July 29, 2011, Canada for years after 2013, Japan for years after 2012, Korea for years after 2016, and the United Kingdom for years after 2016. The Company files income tax returns on a combined, unitary, or stand-alone basis in multiple state and local jurisdictions, which generally have statute of limitations from three to four years. Various states and local income tax returns are currently in the process of examination. These examinations are unlikely to result in any significant changes to the amounts of unrecognized tax benefits on the consolidated balance sheet as of December 31, 2018 .

The Company's income tax expense includes tax expense of $0.3 million , $0.2 million and $2.2 million for the years ended December 31, 2018 , 2017 and 2016 , respectively, related to the tax obligations indemnified by Beam. There is an offsetting amount included in other expense, net for the related adjustment to the Beam indemnification asset, resulting in no effect on net income.

Income tax expense was as follows:

	Year ended December 31,		
(in thousands)	2018	2017	2016
Current expense (benefit)			
United States	$ 1,795	$ (906)	$ 3,702
Foreign	29,896	28,109	28,156
Current income tax expense	31,691	27,203	31,858
Deferred expense (benefit)			
United States	16,222	21,189	9,489
Foreign	(681)	83	(1,640)
Deferred income tax expense	15,541	21,272	7,849
Total income tax expense	$ 47,232	$ 48,475	$ 39,707

The components of net deferred tax assets (liabilities) were as follows:

	December 31,	
(in thousands)	2018	2017
Deferred tax assets		
Compensation and benefits	$ 14,036	$ 14,060
Share-based compensation	7,446	5,085
Pension and other postretirement benefits	22,285	30,564
Inventories	11,505	10,843
R&D capitalization	6,449	—
Accounts receivable	1,101	2,016
Customer sales incentives	1,902	2,255
Transaction costs	1,580	1,804
Other reserves	3,987	3,255
Interest	771	562
Miscellaneous	1,871	1,224
Foreign exchange derivative instruments	—	730
Net operating loss and other tax carryforwards	80,776	103,455
Gross deferred tax assets	153,709	175,853
Valuation allowance	(15,542)	(25,579)
Total deferred tax assets	138,167	150,274
Deferred tax liabilities		
Property, plant and equipment	(8,057)	(11,325)
Identifiable intangible assets	(54,571)	(47,876)
Foreign exchange derivative instruments	(1,176)	—
Miscellaneous	(970)	(954)
Total deferred tax liabilities	(64,774)	(60,155)
Net deferred tax asset	$ 73,393	$ 90,119

Under U.S. tax law and regulations, certain changes in the ownership of the Company's shares can limit the annual utilization of tax attributes (tax loss and tax credit carryforwards) that were generated prior to such ownership changes. The annual limitation could affect the realizability of the Company's deferred tax assets recorded in the financial statement for its tax credit carryforwards because the carryforward periods have a finite duration. The 2016 initial public offering, and associated share transfers, resulted in significant changes in the composition of the ownership of the Company's shares. Based on its analysis of the change of ownership tax rules in conjunction with the estimated amount and source of its future earnings and related tax profile, the Company believes its existing tax attributes will be utilized prior to their expiration.

As of December 31, 2018 and 2017 , the Company had state net operating loss ("NOL") carryforwards of $158.9 million and $192.0 million , respectively. These NOL carryforwards expire between 2019 and 2037 . As of December 31, 2018 and 2017 , the Company had foreign tax credit carryforwards of $58.4 million and $72.8 million , respectively. These foreign tax credits will begin to expire in 2022 .

Changes in the valuation allowance for deferred tax assets were as follows:

	Year ended December 31,		
(in thousands)	2018	2017	2016
Valuation allowance at beginning of year	$ 25,579	$ 21,726	$ 20,771
Increases (decreases) recorded to income tax provision	(10,037)	3,853	955
Valuation allowance at end of year	$ 15,542	$ 25,579	$ 21,726

The Company evaluates the realizability of its deferred tax assets based upon the weight of available positive and negative evidence. In assessing the realizability of these assets, the Company considered numerous factors including historical profitability, the character and estimated future taxable income, prudent and feasible tax planning strategies, and the industry in

which it operates. The Company's conclusion was primarily driven by cumulative income in the U.S. tax jurisdiction and projections of future income driven by the sustained profitability.

The change in the valuation allowance is comprised of an $18.4 million release of its previously recorded valuation allowance against state deferred tax assets, partially offset by an increase of $0.4 million related to state tax attributes, and an increase of $8.0 million related to excess U.S. foreign tax credits arising from its Japan branch operations.

During 2018, the Company early adopted ASU 2018-02 under the aggregate portfolio approach. ASU 2018-02 allows for reclassification of stranded tax effects on items resulting from the 2018 Tax Act from AOCI to retained earnings. Certain tax effects become stranded in AOCI when deferred tax balances originally recorded at the historical income tax rate are adjusted in income from continuing operations based on a lower newly enacted income tax rate. As a result of the adoption, we reclassified the stranded income tax effects resulting from the 2017 Tax Act, decreasing accumulated other comprehensive loss by $4.1 million with a corresponding increase to retained earnings. The reclassification was primarily comprised of amounts relating to available-for-sale securities, pension, postretirement benefit plan obligations and currency translation matters.

15 . Redeemable Convertible Preferred Stock

Prior to the initial public offering, the Company had outstanding 1,838,027 shares of $0.001 par value Series A preferred stock. Given that certain redemption features of the Series A preferred stock were not solely within the control of the Company, the Series A preferred stock was classified outside of stockholders' equity. All outstanding Series A preferred stock were converted into common stock in conjunction with the Company's initial public offering (Note 1). Upon conversion, all accrued but unpaid dividends on the shares of the Series A preferred stock were paid to each holder of the shares of the Series A preferred stock. The Company declared and paid dividends to the holders of the Series A preferred stock of $17.3 million during the year ended December 31, 2016 . Shares of Series A preferred stock that were redeemed or converted were canceled and retired and cannot be reissued by the Company.

16 . Common Stock

As of December 31, 2018 and 2017 , the Company's certificate of incorporation, as amended and restated, authorized the Company to issue 500,000,000 shares of $0.001 par value common stock. Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's shareholders. Common shareholders are entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to the prior rights of holders of all classes of stock outstanding.

On June 7, 2018, the Board of Directors authorized the Company to repurchase up to an aggregate of $20.0 million of its issued and outstanding common stock from time to time. On February 14, 2019, the Company's Board of Directors authorized the Company to repurchase up to an additional $30.0 million of its issued and outstanding common stock bringing the total authorization up to $50.0 million . As of December 31, 2018 , there were no share repurchases made under this program.

The Company declared dividends per common share, including DERs (Note 17), during the periods presented as follows:

	Dividends per Common Share	Amounts (in thousands)
2018:		
Fourth Quarter	$ 0.13	$ 9,968
Third Quarter	0.13	9,954
Second Quarter	0.13	9,917
First Quarter	0.13	9,917
Total dividends declared in 2018	$ 0.52	$ 39,756
2017:		
Fourth Quarter	$ 0.12	$ 9,098
Third Quarter	0.12	9,146
Second Quarter	0.12	9,149
First Quarter	0.12	9,152
Total dividends declared in 2017	$ 0.48	$ 36,545

There were no dividends declared on common stock during the year end December 31, 2016.

During the first quarter of 2019 , the Board of Directors declared a dividend of $0.14 per share to shareholders on record as of March 15, 2019 and payable on March 29, 2019 .

17 . Equity Incentive Plans

On January 22, 2016 , the Company's Board of Directors adopted the Acushnet Holdings Corp. 2015 Omnibus Incentive Plan ("2015 Plan") pursuant to which the Company may grant stock options, stock appreciation rights, restricted shares of common stock, restricted stock units ("RSUs"), performance stock units ("PSUs") and other share-based and cash-based awards to members of the Board of Directors, officers, employees, consultants and advisors of the Company. The 2015 Plan is administered by the compensation committee (the "Administrator"). The Administrator has the authority to establish the terms and conditions of any award issued or granted under the 2015 Plan. As of December 31, 2018 , the only awards that have been granted under the 2015 Plan are RSUs and PSUs.

On January 1, 2012, the Company's Board of Directors adopted the EAR plan in order to compensate certain key employees. During the first quarter of 2017 , the Company's outstanding EAR liability was settled in full by a cash payment to the participants.

Restricted Stock and Performance Stock Units

Each share issued with respect to RSUs and PSUs granted under the 2015 Plan reduces the number of shares available for grant. RSUs and PSUs forfeited and shares withheld to satisfy tax withholding obligations increase the number of shares available for grant. All RSUs and PSUs granted under the 2015 Plan have DERs, which entitle holders of RSUs and PSUs to the same dividend value per share as holders of common stock and can be paid in either cash or common stock. DERs are subject to the same vesting and other terms and conditions as the corresponding unvested RSUs and PSUs. DERs are paid when the underlying shares are delivered. As of December 31, 2018 , there were 7,523,536 remaining shares of common stock reserved for issuance under the 2015 Plan of which 5,671,859 remain available for future grants.

RSUs vest, in accordance with the terms of the grant, over one to four years subject to the recipient's continued service to the Company. PSUs cliff vest, subject to the employees continued employment with the Company, when achievement of the applicable performance metrics (as defined in the applicable award agreements) is deemed probable.

A summary of the Company's RSUs and PSUs as of December 31, 2018 and 2017 and changes during the years then ended is presented below:

	Number of RSUs and PSUs	Weighted-Average Fair Value
Outstanding at December 31, 2016	2,459,166	$ 20.40
Granted	238,196	18.82
Vested	(437,188)	20.33
Forfeited	(199,320)	20.45
Outstanding at December 31, 2017	2,060,854	$ 20.23
Granted	473,724	23.49
Vested (1)	(1,367,060)	20.36
Forfeited	(285,686)	20.29
Outstanding at December 31, 2018	881,832	$ 21.75

(1) Included 63,490 shares of common stock related to RSUs and 900,226 shares of common stock related to PSUs that were not delivered as of December 31, 2018 .

During 2018 , RSU vestings, including the impact of DERs issued in common stock, resulted in the issuance of 403,538 shares of common stock, of which 122,795 shares of common stock were withheld by the Company as payment by employees in lieu of cash to satisfy tax withholding obligations. The aggregate fair value of RSUs vesting during the year ended December 31, 2018 was $10.0 million .

On December 31, 2018 , based upon the Company's level of achievement of the applicable cumulative Adjusted EBITDA performance metrics, 900,226 of the outstanding PSUs cliff-vested, with the remaining outstanding PSUs forfeited. Each PSU reflected the right to receive between 0% and 200% of the target number of shares based on the actual three -year

cumulative Adjusted EBITDA (as defined in the award agreements). The determination of the target value gave consideration to executive performance, potential future contributions and peer group analysis. As of December 31, 2018 , no shares of common stock have been delivered in connection with the PSU vesting. The aggregate fair value of PSUs vesting during the year ended December 31, 2018 was $19.0 million .

Compensation expense recorded related to RSUs and PSUs in the consolidated statement of operations was as follows:

	Year ended December 31,		
(in thousands)	2018	2017	2016
RSU	$ 12,353	$ 9,318	$ 8,361
PSU	6,210	5,967	6,133

The compensation expense recorded for the year ended December 31, 2018 related to the PSUs was based on the Company's three -year cumulative Adjusted EBITDA as of December 31, 2018 . The remaining unrecognized compensation expense related to non-vested RSUs granted was $7.6 million as of December 31, 2018 and is expected to be recognized over the related weighted average period of 2.0 years.

Equity Appreciation Rights

Prior to settlement in 2017, the EAR awards were re-measured using the intrinsic value method at each reporting period based on a projection of the Company's future common stock equivalent value. The Company's liability related to the EAR plan was $151.5 million as of December 31, 2016 and was recorded within accrued compensation and benefits on the consolidated balance sheet.

The following table summarizes the Company's EAR activity since December 31, 2016 :

(in thousands, except share and per share amounts)	Number of Awards	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2016	7,614,000	$ 19.90		$ 151,511
Settled	(7,614,000)	(19.90)		—
Outstanding at December 31, 2017	—			—

For the year ended December 31, 2016 , the Company recorded compensation expense of $6.0 million related to outstanding EARs.

Compensation Expense

The allocation of compensation expense related to equity incentive plans in the consolidated statement of operations was as follows:

	Year ended December 31,		
(in thousands)	2018	2017	2016
Cost of goods sold	$ 680	$ 408	$ 434
Selling, general and administrative expense	16,507	13,687	18,622
Research and development	1,376	1,190	1,485
Total compensation expense before income tax	18,563	15,285	20,541
Income tax benefit	4,398	3,158	6,481
Total compensation expense, net of tax	$ 14,165	$ 12,127	$ 14,060

18 . Accumulated Other Comprehensive Loss, Net of Tax

Accumulated other comprehensive loss, net of tax consists of foreign currency translation adjustments, unrealized gains and losses from derivative instruments designated as cash flow hedges (Note 11) and pension and other postretirement adjustments (Note 13). Prior to the adoption of ASU 2016-01 on January 1, 2018, accumulated other comprehensive loss, net of tax included unrealized gains from available-for-sale securities (Note 2).

The components of and changes in accumulated other comprehensive loss, net of tax, were as follows:

(in thousands)	Foreign Currency Translation Adjustments	Gains (Losses) on Cash Flow Derivative Instruments	Gains on Available-for-Sale Securities	Pension and Other Postretirement Adjustments	Accumulated Other Comprehensive Loss
Balances at December 31, 2016	$ (84,675)	$ 10,535	$ 1,536	$ (18,230)	$ (90,834)
Other comprehensive income (loss) before reclassifications	26,964	(15,558)	150	(9,870)	1,686
Amounts reclassified from accumulated other comprehensive loss	—	(1,329)	—	2,981	1,652
Tax benefit	—	4,072	35	1,698	5,805
Balances at December 31, 2017	$ (57,711)	$ (2,280)	$ 1,721	$ (23,421)	$ (81,691)
Adoption of new accounting standards (Notes 2 & 14)	(2,171)	—	(1,721)	(2,240)	(6,132)
Other comprehensive income (loss) before reclassifications	(11,971)	6,222	—	620	(5,129)
Amounts reclassified from accumulated other comprehensive loss, net of tax	—	1,886	—	5,070	6,956
Tax expense	—	(1,668)	—	(1,375)	(3,043)
Balances at December 31, 2018	$ (71,853)	$ 4,160	$ —	$ (21,346)	$ (89,039)

19 . Interest Expense, Net and Other Expense, Net

The components of interest expense, net were as follows:

	Year ended December 31,		
(in thousands)	2018	2017	2016
Related party interest expense	$ —	$ —	$ 28,146
Third party interest expense	19,171	16,907	23,113
Loss on interest rate swap	476	—	—
Third party interest income	(1,245)	(1,198)	(1,351)
Total interest expense, net	$ 18,402	$ 15,709	$ 49,908

The components of other expense, net were as follows:

	Year ended December 31,		
(in thousands)	2018	2017	2016
Loss on fair value of common stock warrants	$ —	$ —	$ 6,112
Indemnification (gains) losses	(258)	177	(2,174)
Non-service cost component of net periodic benefit cost	4,416	3,520	1,665
Other income	(529)	(1,254)	(2,232)
Total other expense, net	$ 3,629	$ 2,443	$ 3,371

20 . Net Income per Common Share

The following is a computation of basic and diluted net income per common share attributable to Acushnet Holdings Corp.:

	Year ended December 31,		
(in thousands, except share and per share amounts)	**2018**	**2017**	**2016**
Net income attributable to Acushnet Holdings Corp.	$ 99,872	$ 98,695	$ 45,012
Less: dividends earned by preferred shareholders	—	—	(11,576)
Less: allocation of undistributed earnings to preferred shareholders	—	—	(10,247)
Net income attributable to common stockholders - basic	99,872	98,695	23,189
Adjustments to net income for dilutive securities	—	—	16,475
Net income attributable to common stockholders - diluted	$ 99,872	$ 98,695	$ 39,664
Weighted average number of common shares:			
Basic	74,766,176	74,399,836	31,247,643
Diluted	75,472,342	74,590,999	64,323,742
Net income per common share attributable to Acushnet Holdings Corp.:			
Basic	$ 1.34	$ 1.33	$ 0.74
Diluted	$ 1.32	$ 1.32	$ 0.62

For the years ended December 31, 2018 and 2017 , net income per common share attributable to Acushnet Holdings Corp. was calculated under the treasury stock method. Net income per common share attributable to Acushnet Holdings Corp. for the year ended 2016 was calculated under the two-class method.

The Company's potential dilutive securities for the years ended December 31, 2018 and 2017 include RSUs and PSUs. PSUs vest based upon achievement of performance targets and are excluded from the diluted shares outstanding unless the performance targets have been met as of the end of the applicable reporting period regardless of whether such performance targets are probable of achievement. As of December 31, 2018 , an amount within the performance target range was achieved relating to the PSUs and as a result, the PSUs have been included in diluted shares outstanding for the year ended December 31, 2018 . For the year ended December 31, 2016 , the Company's potential dilutive securities include RSUs, PSUs, Series A preferred stock, warrants to purchase common stock and convertible notes.

The following securities have been excluded from the calculation of diluted weighted-average common shares outstanding as their impact was determined to be anti-dilutive:

	Year ended December 31,		
	2018	**2017**	**2016**
Series A preferred stock	—	—	13,807,486
Warrants to purchase common stock	—	—	1,807,171
RSUs	13,885	360,659	—

21 . Segment Information

The Company's operating segments are based on how the Chief Operating Decision Maker ("CODM") makes decisions about assessing performance and allocating resources. The Company has four reportable segments that are organized on the basis of product categories. These segments include Titleist golf balls, Titleist golf clubs, Titleist golf gear and FootJoy golf wear.

The CODM primarily evaluates performance using segment operating income. Segment operating income includes directly attributable expenses and certain shared costs of corporate administration that are allocated to the reportable segments, but excludes interest expense, net; the non-service cost component of net periodic benefit cost; EAR expense; losses on the fair value of common stock warrants; transaction fees and other non-operating gains and losses as the Company does not allocate these to the reportable segments. The CODM does not evaluate a measure of assets when assessing performance.

Results shown for the years ended December 31, 2018 , 2017 and 2016 are not necessarily those which would be achieved if each segment was an unaffiliated business enterprise. There are no intersegment transactions.

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Information by reportable segment and a reconciliation to reported amounts are as follows:

(in thousands)	Year ended December 31, 2018	2017	2016
Net sales			
Titleist golf balls	$ 523,967	$ 512,041	$ 513,899
Titleist golf clubs	445,341	397,987	430,966
Titleist golf gear	146,067	142,911	136,208
FootJoy golf wear	439,681	437,455	433,061
Other	78,665	69,864	58,141
Total net sales	$ 1,633,721	$ 1,560,258	$ 1,572,275
Segment operating income			
Titleist golf balls	$ 78,973	$ 78,419	$ 76,954
Titleist golf clubs	45,156	32,084	51,003
Titleist golf gear	15,430	16,803	12,212
FootJoy golf wear	17,974	27,038	19,305
Other	15,560	14,904	7,324
Total segment operating income	173,093	169,248	166,798
Reconciling items:			
Interest expense, net	(18,402)	(15,709)	(49,908)
Non-service cost component of net periodic benefit cost	(4,416)	(3,520)	(1,665)
EAR expense	—	—	(6,047)
Loss on fair value of common stock warrants	—	—	(6,112)
Transaction fees	(599)	(686)	(16,817)
Other	628	2,343	2,973
Total income before income tax	$ 150,304	$ 151,676	$ 89,222

Depreciation and amortization expense by reportable segment are as follows:

(in thousands)	Year ended December 31, 2018	2017	2016
Depreciation and amortization			
Titleist golf balls	$ 24,155	$ 25,545	$ 26,104
Titleist golf clubs	7,408	7,233	7,021
Titleist golf gear	1,531	1,425	1,250
FootJoy golf wear	6,731	6,058	5,759
Other	671	610	700
Total depreciation and amortization	$ 40,496	$ 40,871	$ 40,834

Information as to the Company's operations in different geographical areas is presented below. Net sales are categorized based on the location in which the sale originates.

(in thousands)	Year ended December 31, 2018	2017	2016
Net sales			
United States	$ 826,111	$ 789,879	$ 804,516
EMEA (1)	219,803	205,200	210,088
Japan	199,107	201,264	219,021
Korea	221,146	200,394	175,956
Rest of world	167,554	163,521	162,694
Total net sales	$ 1,633,721	$ 1,560,258	$ 1,572,275

(1) Europe, the Middle East and Africa ("EMEA")

Long-lived assets (property, plant and equipment) are categorized based on their location of domicile.

(in thousands)	Year ended December 31, 2018	Year ended December 31, 2017
Long-lived assets		
United States	$ 146,596	$ 148,678
EMEA	9,472	9,669
Japan	764	770
Korea	5,682	3,782
Rest of world (2)	65,874	66,023
Total long-lived assets	$ 228,388	$ 228,922

(2) Includes manufacturing facilities in Thailand with long lived assets of $52.2 million and $53.8 million as of December 31, 2018 and 2017 , respectively.

22 . Business Combinations

On October 1, 2018, the Company completed the acquisition of an 80% interest in certain assets and liabilities of PG Professional Golf, a leading supplier of pre-owned Titleist and other golf balls, for a purchase price of $14.4 million . The results of PG Professional Golf have been included in the Company's Titleist golf ball reporting segment since the date of acquisition.

In January 2018, the Company acquired all of the assets of Links & Kings, LLC which was not material to the consolidated financial statements of the Company. Links & Kings, LLC is a company dedicated to the design and handcrafted production of luxury leather golf and lifestyle products. The results of Links & Kings, LLC have been included in the Company's FootJoy golf wear reporting segment since the date of acquisition.

23 . Commitments and Contingencies

Purchase Obligations

During the normal course of its business, the Company enters into agreements to purchase goods and services, including purchase commitments for production materials, finished goods inventory, capital expenditures and endorsement arrangements with professional golfers. The reported amounts exclude those liabilities included in accounts payable or accrued liabilities on the consolidated balance sheet as of December 31, 2018 .

Purchase obligations by the Company as of December 31, 2018 were as follows:

	Payments Due by Period					
(in thousands)	2019	2020	2021	2022	2023	Thereafter
Purchase obligations	$ 151,463	$ 18,804	$ 6,113	$ 1,850	$ 1,391	$ 4,804

Lease Commitments

The Company leases certain warehouses, distribution and office facilities, vehicles and office equipment under operating leases. Most lease arrangements provide the Company with the option to renew leases at defined terms. The future operating lease obligations would change if the Company were to exercise these options or if it were to enter into additional operating leases.

The Company has an operating lease for certain vehicles that provides for a residual value guarantee. The lease has a noncancelable lease term of one year and may be renewed annually over the subsequent five years. The Company has the option to terminate the lease at the annual renewal date. Termination of the lease results in the sale of the vehicles and the determination of the residual value. The residual value is calculated by comparing the net proceeds of the vehicles sold to the depreciated value at the end of the renewal period. The Company is not responsible for any deficiency resulting from the net proceeds being less than 20% of the original cost in the first year and 20% of the depreciated value for all subsequent years. The Company believes that this guarantee will not have a significant impact on the consolidated financial statements.

Future minimum rental payments under noncancelable operating leases as of December 31, 2018 were as follows:

(in thousands)	
Year ending December 31,	
2019	$ 13,119
2020	11,053
2021	7,984
2022	5,345
2023	3,133
Thereafter	13,852
Total minimum rental payments	$ 54,486

Total rental expense for all operating leases amounted to $15.7 million , $16.3 million and $16.5 million for the years ended December 31, 2018 , 2017 and 2016 , respectively.

Contingencies

In connection with the Company's acquisition of Acushnet Company, Beam indemnified the Company for certain tax related obligations that relate to periods during which Fortune Brands, Inc. owned Acushnet Company. As of December 31, 2018 and 2017 , the Company's estimate of its receivable for these indemnifications was $8.9 million and $8.7 million , respectively, which was recorded in other noncurrent assets on the consolidated balance sheet.

Litigation

The Company and its subsidiaries are defendants in lawsuits associated with the normal conduct of their businesses and operations. It is not possible to predict the outcome of the pending actions, and, as with any litigation, it is possible that some of these actions could be decided unfavorably. Consequently, the Company is unable to estimate the ultimate aggregate amount of monetary loss, amounts covered by insurance or the financial impact that will result from such matters and has not recorded a liability related to potential losses.

24 . Unaudited Quarterly Financial Data

The tables below summarize quarterly results for fiscal 2018 :

	Quarter ended (unaudited)			
(in thousands)	**December 31,**	**September 30,**	**June 30,**	**March 31,**
2018				
Net sales	$ 343,355	$ 370,427	$ 478,138	$ 441,801
Gross profit	174,929	188,938	250,810	227,674
Income from operations	19,599	25,873	64,579	62,284
Net income	12,264	7,349	40,369	43,090
Net income attributable to Acushnet Holdings Corp.	11,418	7,063	39,907	41,484
Net income per common share attributable to Acushnet Holdings Corp.:				
Basic	$ 0.15	$ 0.09	$ 0.53	$ 0.56
Diluted	$ 0.15	$ 0.09	$ 0.53	$ 0.55

The tables below summarize quarterly results for fiscal 2017 :

	Quarter ended (unaudited)			
(in thousands)	December 31,	September 30,	June 30,	March 31,
2017				
Net sales	$ 351,392	$ 347,263	$ 427,988	$ 433,615
Gross profit	179,372	173,104	222,966	226,415
Income from operations	28,282	19,180	57,892	64,474
Net income	18,899	10,634	34,038	39,630
Net income attributable to Acushnet Holdings Corp.	18,247	9,318	33,016	38,114
Net income per common share attributable to Acushnet Holdings Corp.:				
Basic	$ 0.25	$ 0.13	$ 0.44	$ 0.51
Diluted	$ 0.24	$ 0.12	$ 0.44	$ 0.51

Net income per common share is computed individually for each of the quarters presented; therefore, the sum of the quarterly net income per common share may not necessarily equal the total for the year.

During the fourth quarter of 2018, the Company revised the results for the fourth quarter of 2017 . The Company determined that in 2011 it did not record a required deferred income tax liability on the difference between the book and tax basis of intangible assets resulting from the 2011 acquisition of Acushnet Company. This deferred tax liability should have been remeasured during the fourth quarter of 2017 based upon the change in tax rates resulting from the 2017 Tax Act. The Company has corrected these errors as a revision to the previously issued financial statements and related footnotes. The correction of these errors resulted in a decrease in income tax expense of $6.6 million , an increase in net income of $6.6 million , an increase in basic net income per common share of $0.09 and an increase in diluted net income per common share of $0.08 for the quarter ended December 31, 2017 . See further discussion of the impact of these revisions included in Note 2 - Revision of Previously Issued Financial Statements.

Exhibit 3.2

CERTIFICATE OF AMENDMENT

TO THE

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

ACUSHNET HOLDINGS CORP.

Acushnet Holdings Corp., a Delaware corporation organized and existing under the General Corporation Law of the State of Delaware (the " Corporation "), hereby certifies as follows:

1. The Corporation's original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on May 9, 2011 under the name Alexandria Holdings Corp., amended and restated on July 28, 2011, January 18, 2012 and October 22, 2013, further amended to change the name of the Corporation to Acushnet Holdings Corp. on March 31, 2016, and amended and restated on November 2, 2016 (the "Amended and Restated Certificate of Incorporation").

2. The Board of Directors of the Corporation, acting at a meeting, pursuant to Section 242 of the General Corporation Law of the State of Delaware duly adopted a resolution setting forth an amendment to the Amended and Restated Certificate of Incorporation of the Corporation, declaring such amendment to be advisable and calling for such amendment to be submitted to the stockholders of the Corporation for their approval.

3. The proposed amendment has been authorized by the stockholders of the Corporation at a meeting duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware.

4. The Amended and Restated Certificate of Incorporation is hereby amended by deleting Article VI.A and replacing it with the following:

> A. Except as otherwise provided in this Amended and Restated Certificate of Incorporation or the DGCL, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. Except as otherwise provided for or fixed pursuant to the provisions of Article IV (including any certificate of designation with respect to any series of Preferred Stock) and this Article VI relating to the rights of the holders of any series of Preferred Stock to elect additional directors, the total number of directors shall be determined from time to time exclusively by resolution adopted by the Board of Directors. The term of office of all directors who are in office immediately prior to the closing of the polls for the election of directors at the 2019 annual meeting of stockholders of the Corporation shall expire at such time. From and after the election of directors at the 2019 annual meeting of stockholders of the Corporation, each director shall hold office for a term expiring at the next annual meeting of stockholders of the Corporation and until a successor has been duly elected and qualified or until his or her earlier death, resignation, retirement, disqualification or removal. The Board of Directors is authorized to assign members of the Board of Directors already in office to their respective class.

5. The Amended and Restated Certificate of Incorporation is hereby amended by deleting Article VI.C and replacing it with the following:

> C. Any or all of the directors (other than the directors elected by the holders of any series of Preferred Stock of the Corporation, voting separately as a series or together with one or more other such series, as the case may be) may be removed from office at any time, with or without cause, but only by the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of stock of the Corporation entitled to vote thereon, voting together as a single class; provided, however, that prior to the Trigger Date, any or all of the directors (other than the directors elected by the holders of any series of Preferred Stock of the Corporation, voting separately as a series or together with one or more other such series, as the case may be) may be removed from office at any time, with or without cause, by the holders of a majority of the voting power of the outstanding Common Stock.

6. The Amended and Restated Certificate of Incorporation is hereby amended by deleting Article VIII.B and replacing it with the following:

B. Except as otherwise required by law and subject to the rights of the holders of any series of Preferred Stock, special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time only by or at the direction of the Board of Directors or the Chairperson of the Board of Directors; provided that prior to the Trigger Date, special meetings shall also be called by the Board of Directors or the Chairperson of the Board of Directors at the request of the Controlling Owner.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned, being a duly authorized officer of the Corporation, does hereby execute this Certificate of Amendment to the Amended and Restated Certificate of Incorporation as of this 15th day of June, 2018.

ACUSHNET HOLDINGS CORP .

By: /s/ Brendan M. Gibbons

Name: Brendan M. Gibbons

Title: Executive Vice President and Chief Legal Officer

E **xhibit 10.1**

RESTRICTED STOCK UNIT GRANT NOTICE
UNDER THE
ACUSHNET HOLDINGS CORP.
2015 OMNIBUS INCENTIVE PLAN

Acushnet Holdings Corp. (the " Company "), pursuant to its 2015 Omnibus Incentive Plan (the " Plan "), hereby grants to the Participant set forth below the number of Restricted Stock Units (" RSUs ") set forth below. The RSUs are subject to all of the terms and conditions as set forth herein, in the Restricted Stock Unit Agreement (attached hereto), and in the Plan, all of which are incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

Participant:	[*Insert Participant Name*]
Date of Grant:	[*Insert Date of Grant*]
Number of RSUs:	[*Insert No. of Restricted Stock Units Granted*]
Vesting Commencement Date:	[*Insert Vesting Commencement Date*]
Vesting Schedule:	Provided that the Participant has not undergone a Termination prior thereto, all RSUs granted hereunder shall vest on [*Insert Vesting Date*] (the "Vesting Date", the period between the Vesting Commencement Date and the Vesting Date, the "Vesting Period").

Notwithstanding the above:

(a) In the event of a Termination as a result of a Full Career Retirement on or after the first anniversary of the Vesting Commencement Date (solely to the extent the Participant satisfies the criteria set forth in Section 2(aa)(i) of the Plan), the RSUs shall remain eligible to vest but with the actual number of RSUs vesting pro-rated to reflect the period of Participant's service with the Company during the Vesting Period.

(b) In the event of a Termination by the Service Recipient without Cause during the 12 month period following a Change in Control, the RSUs, to the extent not then vested, shall fully vest on the date of such Termination.

(c) In the event of a Termination as a result of the death or Disability of the Participant during the Vesting Period, the RSUs, to the extent not then vested, shall fully vest on the date of such Termination.

* * *

THE UNDERSIGNED PARTICIPANT ACKNOWLEDGES RECEIPT OF THIS RESTRICTED STOCK UNIT GRANT NOTICE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED STOCK UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS RESTRICTED STOCK UNIT GRANT NOTICE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN.

ACUSHNET HOLDINGS CORP.	PARTICIPANT
By: Title:	Name:

RESTRICTED STOCK UNIT AGREEMENT
UNDER THE
ACUSHNET HOLDINGS CORP.
2015 OMNIBUS INCENTIVE PLAN

Pursuant to the Restricted Stock Unit Grant Notice (the " Grant Notice ") delivered to the Participant (as defined in the Grant Notice), and subject to the terms of this Restricted Stock Unit Agreement (this " Restricted Stock Unit Agreement ") and the Acushnet Holdings Corp. 2015 Omnibus Incentive Plan (the " Plan "), Acushnet Holdings Corp. (the " Company ") and the Participant agree as follows. The Grant Notice is incorporated into and deemed a part of this Restricted Stock Unit Agreement. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Plan.

1. **Grant of Restricted Stock Units .** Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant the number of Restricted Stock Units (" RSUs ") provided in the Grant Notice (with each RSU representing an unfunded, unsecured right to receive one share of Common Stock upon vesting).

2. **Vesting** . Subject to the conditions contained herein and in the Plan, the RSUs shall vest as provided in the Grant Notice.

3. **Settlement of Restricted Stock Units .** The provisions of Section 9(d)(ii) of the Plan are incorporated herein by reference and made a part hereof. Except as otherwise elected pursuant to any election form submitted under the Acushnet Holdings Corp. Employee Deferral Plan (the " Deferral Plan "), payment in settlement of any vested RSU shall be made in Common Stock as soon as practicable following the applicable vesting date but in no event later than 60 days following such date.

4. **Treatment of Restricted Stock Units Upon Termination** . Except as provided in the Grant Notice, the provisions of Section 9(c)(ii) of the Plan are incorporated herein by reference and made a part hereof.

5. **Company; Participant .**

(a) The term " Company " as used in this Agreement with reference to employment shall include the Company and its subsidiaries.

(b) Whenever the word " Participant " is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the executors, the administrators, or the person or persons to whom the RSUs may be transferred by will or by the laws of descent and distribution, the word " Participant " shall be deemed to include such person or persons.

6. **Non-Transferability .** The RSUs are not transferable by the Participant except to Permitted Transferees in accordance with Section 14(b) of the Plan. Except as otherwise provided herein, no assignment or transfer of the RSUs, or of the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise, shall vest in the assignee or transferee any interest or right herein whatsoever, but immediately upon such assignment or transfer the RSU shall terminate and become of no further effect.

7. **Rights as Stockholder .** The Participant or a permitted transferee of the RSUs shall have no rights as a stockholder with respect to any share of Common Stock underlying an RSU unless and until the Participant shall have become the holder of record or the beneficial owner of such Common Stock and, subject to Section 9, no adjustment shall be made for dividends or distributions or other rights in respect of such share of Common Stock for which the record date is prior to the date upon which the Participant shall become the holder of record or the beneficial owner thereof. To the extent that the Participant is not already a party to the Stockholders' Agreement, the Committee may require the

Participant to execute and become a party to the Stockholders' Agreement as a condition to the issuance of Common Stock in settlement of the RSUs, by executing and delivering to the Company a joinder to the Stockholders' Agreement.

8. **Tax Withholding**. The provisions of Section 14(d)(i) of the Plan are incorporated herein by reference and made a part hereof. Except in the event the Participant consents in writing to satisfaction of any required withholding in a different manner (which may include the delivery of shares of Common Stock (which are not subject to any pledge or other security interest) that have been held by the Participant for at least six (6) months (or such other period as established from time to time by the Committee in order to avoid adverse accounting treatment applying GAAP) having a Fair Market Value equal to such withholding liability), any required withholding will be satisfied by having the Company withhold from the number of shares of Common Stock otherwise issuable or deliverable pursuant to the settlement of the Award a number of shares with a Fair Market Value equal to such withholding liability, provided that the number of such shares may not have a Fair Market Value greater than the minimum required statutory withholding liability unless determined by the Committee not to result in adverse accounting consequences.

9. **Dividend Equivalents**. As of any date that the Company pays an ordinary cash dividend on its Common Stock, the Company shall credit the Participant with an amount equal to (a) the per share cash dividend paid by the Company on its Common Stock on such date, multiplied by (b) the total number of RSUs subject to the Award that are outstanding immediately prior to the record date for that dividend (a "Dividend Equivalent Right"). Any Dividend Equivalent Rights credited pursuant to the foregoing provisions of this Section 9 shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original RSUs to which they relate, including with respect to RSUs for which a deferral election has been made under the Deferral Plan; provided, however, that (i) with respect to RSUs for which a deferral election has not been made under the Deferral Plan, the Company will decide on the form of payment and may pay dividend equivalents in shares of Common Stock, in cash or in a combination thereof, in each case, without interest and (ii) with respect to RSUs for which a deferral election has been made under the Deferral Plan, the Share Account (as defined in the Deferral Plan) shall be credited with a number of shares of Common Stock determined by dividing the amount of the Dividend Equivalent Right relating to such RSUs by the Fair Market Value of a share of Common Stock on the dividend payment date, with the value of any fractional shares paid to the Participant in cash. No crediting of Dividend Equivalent Rights shall be made pursuant to this Section 9 with respect to any RSUs which, immediately prior to the record date for that dividend, have either been settled, cancelled or forfeited.

10. **Clawback/Repayment**. All RSUs shall be subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with (a) any clawback, forfeiture or other similar policy adopted by the Board or the Committee and as in effect from time to time, and (b) applicable law. The Committee may also provide that if the Participant receives any amount in excess of the amount that the Participant should have otherwise received under the terms of the RSUs for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations or other administrative error), the Participant shall be required to repay any such excess amount to the Company.

11. **Detrimental Activity.** Notwithstanding anything to the contrary contained in the Plan, the Grant Notice or this Restricted Stock Unit Agreement, if a Participant has engaged or engages in any Detrimental Activity, the Committee may, in its sole discretion, (a) cancel any or all of the RSUs, and (b) the Participant will forfeit any after-tax gain realized on the vesting of such RSUs, and must repay the gain to the Company.

12. **Notice.** Every notice or other communication relating to this Agreement between the Company and the Participant shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided; *provided* that, unless and until some other address be so

designated, all notices or communications by the Participant to the Company shall be mailed or delivered to the Company at its principal executive office, to the attention of the Company Secretary, and all notices or communications by the Company to the Participant may be given to the Participant personally or may be mailed to the Participant at the Participant's last known address, as reflected in the Company's records. Notwithstanding the above, all notices and communications between the Participant and any third-party plan administrator shall be mailed, delivered, transmitted or sent in accordance with the procedures established by such third-party plan administrator and communicated to the Participant from time to time.

13. **No Right to Continued Service**. This Agreement does not confer upon the Participant any right to continue as an employee or service provider to the Company.

14. **Binding Effect.** This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

15. **Waiver and Amendments**. Except as otherwise set forth in Section 13 of the Plan, any waiver, alteration, amendment or modification of any of the terms of this Agreement shall be valid only if made in writing and signed by the parties hereto; *provided, however* , that any such waiver, alteration, amendment or modification is consented to on the Company's behalf by the Committee. No waiver by either of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

16. **Governing Law.** This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof. Notwithstanding anything contained in this Restricted Stock Unit Agreement, the Grant Notice or the Plan to the contrary, if any suit or claim is instituted by the Participant or the Company relating to this Restricted Stock Unit Agreement, the Grant Notice or the Plan, the Participant hereby submits to the exclusive jurisdiction of and venue in the courts of Delaware.

17. **Plan.** The terms and provisions of the Plan are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan and the provisions of this Agreement, the Plan shall govern and control.

18. **Section 409A.** The RSUs granted hereunder are intended and shall be construed to comply with Section 409A of the Code (including the requirements applicable to, or the conditions for exemption from treatment as, a "deferral of compensation" or "deferred compensation" as those terms are defined in the regulations under Section 409A, whether by reason of short-term deferral treatment or other exceptions or provisions).

E **xhibit 10.3**

ACUSHNET EXECUTIVE SEVERANCE PLAN

(As Amended and Restated Effective January 1, 2019)

The Acushnet Executive Severance Plan (the "Plan") is intended to provide severance benefits to certain executive employees of Acushnet Company (together with its direct parent and direct and indirect subsidiaries, the "Company"). This Plan supersedes any other severance plan maintained by the Company for executive employees described in the "Eligibility" Section below.

Coverage

All domestic (U.S.) full-time salaried employees of the Company in a salary level M7 or above who are terminated under the circumstances described in paragraphs A or B below are covered by the Plan and eligible for severance benefits. Notwithstanding the foregoing, any executive employee that has an individual severance or change in control agreement with the Company will not be eligible for benefits under this Plan.

Eligibility

Employees are eligible for the severance pay set forth in the Plan in the event of:

A. Involuntary separation from employment by the Company for any reason other than resignation, retirement, death, disability, or cause; provided the employee remains employed until the date designated by the Company as his or her termination date. The term "cause" includes but is not limited to misconduct, negligence, dishonesty, criminal act, excessive absenteeism, willful failure to perform job responsibilities and other conduct determined under the Company's Code of Conduct or other policies to be "cause." The term "retirement" means voluntary termination of employment on or after age 55 and completion of at least 10 years of service. The term "disability" means the employee is considered disabled for purposes of the Company's long-term disability plan.

B. Voluntary separation from employment if an employee's job location has been relocated more than 35 miles from the employee's former job location; provided that, not later than 30 days after the notification of relocation of the employee's job, the employee shall provide notice to the Senior Vice President and Chief Human Resources Officer of the Company of the conditions described in this paragraph B and his or her intent to separate from service. Upon receipt of such notice, the Company shall have 30 days during which it may remedy such conditions, and in the event of the Company's failure to do so, the employee separates from service within the 90 day period following the relocation of his or her job.

An employee is not eligible for severance pay if: (i) the employee is offered a comparable position (as reasonably determined by the Company) with the Company, an affiliate of the Company, or a successor employer as a result of a reorganization of the Company or the sale of stock or assets of the Company; and (ii) such position is located within a 35 mile radius of the employee's former job location. In addition, if an employee is offered and accepts another position with the Company or any affiliate of the Company prior to commencement of severance pay benefits, no severance pay will be provided. If an employee accepts a position with the Company or any affiliate of the Company after severance pay begins, no further severance pay benefits will be provided under the Plan upon assumption of the new position.

If, following separation from employment, the Company discovers information that, in the Company's reasonable judgment, would have provided a basis for termination for cause (as defined in paragraph A above), severance pay benefits shall cease and the Company will have no further obligation to make payments under the Plan. The Company will have the right to recover all severance pay amounts previously paid under the Plan, as well as attorney's fees incurred in connection with such recovery.

Amount of Severance Pay - General

1. The amount of severance pay provided for terminations described in paragraphs A and B above for those hired or promoted to the CMC level prior to January 1, 2019 (other than such terminations that occur within 18 months following a Change of Control) will be 18 months of base salary plus one year of bonus.

2. The amount of severance pay provided for terminations described in paragraphs A and B above for those hired or promoted to the CMC level on or after January 1, 2019 and for anyone in salary levels M7 and M8 (other than such terminations that occur within 18 months following a Change of Control) will be calculated using the following schedule:

Salary Level	Amount of Severance
CMC	12 months of base salary plus pro-rated bonus
M7-M8	9 months of base salary plus pro-rated bonus

For purposes of the above schedule, "base salary" shall be determined as of the date of the employee's termination of employment, and "bonus" and "pro-rated bonus" shall be based on the employee's target bonus for the year of the employee's termination and, in the case of "pro rated bonus," the number of days worked in the year of termination (to the extent permitted by Section 409A of the Internal Revenue Code, bonus paid as part of severance benefits will be offset by any bonus amount actually paid under the terms of the Company's annual bonus plan for the year of termination, if any, but not below zero).

Amount of Severance Pay - Change of Control

If any employee's employment is terminated within 18 months following a Change of Control of the Company, the *Amount of Severance Pay - General* section regarding severance pay (above) will not apply and severance pay will be determined under this *Amount of Severance Pay - Change of Control* section. After such 18-month period, this section will not apply. "Change of Control" means a Change of Control as defined in Appendix A to the Plan.

1. Payment of severance pay under this Section will be provided if employment terminates under the conditions described in paragraphs A or B under Eligibility above and the employee's termination occurs within 18 months following a Change of Control.

2. Payment of severance pay under this Section also will be provided upon voluntary separation from service if, within 18 months following the Change of Control, there is: (i) a material negative change in the employee's compensation; or (ii) a material diminution in the employee's duties, authority or responsibilities as in effect at the time of the Change of Control, and as determined under Treasury Regulation Section 1.409A-1(n)(2)(ii)(A)(3); provided that, no later than 90 days after such material negative change or material diminution, as applicable, the employee provides

notice to the Company of the conditions described in this paragraph and his or her intent to separate from service. Upon receipt of such notice, the Company shall have 30 days during which the Company may remedy such conditions; and in the event of the Company's failure to do so, the employee separates from service within the 90-day period following the occurrence of the material negative change or material diminution, as applicable (or by the end of the 30-day remedy period, if later).

3. The amount of severance pay provided for terminations following a Change of Control will be calculated using the following schedule:

Salary Level	Amount of Severance
CMC	24 months of base salary plus one year of target or projected bonus and any equity grants vest in full
M7-M8	12 months of base salary plus one year of target bonus and any equity grants vest in full

For purposes of the above schedule, "base salary" shall be determined as of the date of the employee's termination of employment and "target or projected bonus" shall be based on the greater of (i) target bonus for the year of the employee's termination, or (ii) the bonus that would be paid using the Company's most recent financial performance outlook report that is available as of the employee's termination date. To the extent permitted by Section 409A of the Internal Revenue Code, bonus paid as part of severance benefits will be offset by any bonus amount actually paid under the terms of the Company's annual bonus plan for the year of termination, if any, but not below zero.

Payment of Severance

Upon separation from employment, an employee shall be transferred from active to terminated employee status. Eligible separated employees will receive payment of severance in regular pay intervals through the entire severance period. No severance shall be paid under this Plan unless an employee first executes and does not revoke a waiver and release of claims as described below under *Employee Obligations: Waiver/Release, Non-Solicitation* within 60 days following the date of termination. The severance payments shall be paid or commence on the first payroll period following the date the waiver and release of claims becomes effective (the "Payment Date"). Notwithstanding the foregoing, if the 60th day following the date of termination occurs in the calendar year following the termination, then the Payment Date shall be no earlier than January 1 of such subsequent calendar year. Each severance payment is intended to comply with or be exempt from the requirements of Section 409A of the Internal Revenue Code and, for this purpose, each severance payment hereunder shall be considered a separate payment. Notwithstanding the foregoing, payment of severance for "specified employees" (as described in Appendix B) will be determined in accordance with the requirements of Section 409A of the Internal Revenue Code. The payment procedure for specified employees is described in Appendix B.

Payment is subject to normal payroll taxes and required withholding, and deductions for applicable medical, dental and flexible spending account coverage, and may be reduced by any amounts the employee owes the Company, subject to state laws and in compliance with Section 409A of the Internal Revenue Code. If an employee dies after signing a separation letter along with a waiver and release of claims, but before receipt of severance pay, any remaining payments will be made in a lump sum to the employee's estate within 90 days of the employee's death.

Benefit Coverage

Medical, dental, employee life insurance, and healthcare flexible spending account coverage will cease on the last day of employment. Medical, dental and healthcare flexible spending account coverage may then be continued pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") for the severance period on the same terms and conditions and at the same contribution rates that apply to employees (post tax plus an additional 2%) except to the extent that state or federal law requires a lower or other contribution amount. For severance periods in excess of 18 months, coverage may be continued for the remainder of the severance period on the same terms and conditions and at the same contribution rates that apply to employees (post tax plus an additional 2%). If COBRA coverage is available after the severance period, such coverage will be made available at the rates allowed by federal law, including COBRA. Each qualified beneficiary will receive separate, written information regarding their rights under COBRA, including premium rates. To the extent that such written description of COBRA rights differs from the provisions of this Section, the qualified beneficiary's rights to COBRA coverage shall be controlled by the terms of the separate written COBRA notice. Severance payments will not be considered as pensionable earnings, and the period of time that severance payments are made will not count toward credited service and vesting service under the Company's pension plans. Payments under the Plan are not eligible for contributions to the Company's 401(k) plans. All other employee benefit plans terminate on the separated employee's last day of work.

Notwithstanding anything to the contrary in the foregoing, the Company shall not be required to provide such benefits, may require the employee to pay an amount greater than active employee rates, or may impute tax to the employee on the value of Company-provided coverage, if the Company reasonably determines that the Company or such welfare plan could be subjected to any excise tax or penalty for failure to comply with any law applicable to group health plans.

If during a period of severance a former employee accepts employment with a new employer, any health benefits provided under the Company's plans will be discontinued when the former employee commences qualifying coverage under the new employer's plans. A former employee must notify the Human Resources Department in writing when he or she obtains coverage under a new employer's plans.

Vacation

Employees will receive pay for all unused and accrued vacation for the year of termination as a part of their final regular pay. Payment will be made in conformance with prevailing state laws.

Other Company Payments

Notwithstanding any provision of this Plan to the contrary and to the extent permitted under Section 409A of the Internal Revenue Code, the severance pay under this Plan shall be reduced by the severance benefits then payable to an employee under any other agreement, understanding, plan, policy, program or arrangement of the Company or a subsidiary or affiliate of the Company.

Employee Obligations: Waiver/Release, Non-Solicitation

An employee will forfeit all severance payments under this Plan if the employee fails to timely sign a separation letter along with a waiver and release of claims in the form proposed by the Company or if such waiver and release of claims is revoked within the applicable revocation period. Employees will be required to agree to terms concerning non-solicitation. Such terms will include, without limitation, that for a period of the longer of twelve (12) months after separation from employment or the severance period, an employee will not, personally or on behalf of another party, whether directly or indirectly, solicit for employment any person employed by the Company in a salaried position during the year before separation from employment.

Administration

This Plan is administered by Acushnet Company (the "Plan Administrator"). The Plan Administrator may designate persons to carry out its responsibilities under this Plan. The Plan Administrator reserves absolute discretionary authority to determine all matters arising in connection with the administration, interpretation and application of this Plan, including all questions of coverage, facts, eligibility and methods of providing and arranging for any benefits. Benefits will he paid under this Plan only if the Plan Administrator decides in its discretion that an individual is entitled to them.

Amendment and Termination

The statements contained in this Plan are not intended to create nor are they to be construed to constitute conditions of employment or a contract of employment between the Company and any employee. The Company reserves the right to modify, suspend or terminate the Plan or the benefits provided at any time without prior notice to employees; provided, however, (i) no such amendment may adversely affect the rights of any employee who is then receiving benefits under the Plan, and (ii) solely with respect to the provisions under *Amount of Severance Pay - Change of Control* , no amendment of such provisions will be effective until 27 months following the date a notice of such amendment is provided to employees of the Company.

Benefit Claim Process

The Company will notify eligible employees of any amounts of severance benefits payable under this Plan. If an employee does not receive severance pay benefits within 60 days of his or her date of termination, he or she may assume that the Plan Administrator has determined that such employee is not eligible for severance pay benefits. If any employee believes that he or she has been denied severance pay benefits to which he or she may be entitled, the employee or his or her representative should submit a written claim for severance pay benefits to Acushnet Company, Human Resources Department, 333 Bridge Street, Fairhaven, MA 02719-0965.

The Plan Administrator will notify the employee of any claim for severance pay that is denied, in whole or in part, within 90 days of the date the claim is received (unless special circumstances required additional time for processing the claim). The notice will contain:

- the specific reason(s) why the claim was denied;
- the specific Plan provision(s) on which the denial was based;
- a description of additional information required by the Company in order to approve the claim and the reasons why such information is needed; and
- the procedure for review of the denial.

Benefit Claim Appeal Process

If a claim is denied, the employee and/or his or her authorized representative may file a written appeal with the Senior Vice President and Chief Human Resources Officer, Acushnet Company, 333 Bridge Street, Fairhaven, MA 02719-0965 within 60 days of the date the notice of denial is received. The employee and/or his or her authorized representative may review Plan documents and other documents that affect the claim. The request for a review should state the reason(s) why the employee feels the claim was improperly denied. Additional data, questions or comments should also be submitted.

The Senior Vice President and Chief Human Resources Officer has the full discretion of the Plan Administrator in deciding claims for benefits. A decision will be rendered on the appeal within 60 days after receipt of a request for review unless special circumstances require an extension of time for review, in which case the time limit will not be later than 120 days after receipt. The decision will be in writing, will include the specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision is based, will include a statement that the employee is entitled to receive upon request and free of charge reasonable access to and copies of all documents, records and other information relevant to the employee's claim for benefits, as well as a statement of the employee's right to bring an action under Section 502(a) of ERISA. If an employee does not receive the appeal decision by the date it is due, the employee may deem his or her appeal to have been denied.

The Plan Administrator will adopt procedures by which initial claims will be considered and appeals will be resolved; different procedures may be established for different claims. All procedures will be designed to afford an employee full and fair consideration of his or her claim.

OTHER TERMS

No Vesting

Neither the use of service time in calculating severance nor any other provision of this Plan shall be construed as giving rise to or granting any vested right to receive severance benefits.

Merger/Acquisition

For purposes of this Plan, in no event does a merger or acquisition of Acushnet Holdings Corp. or its subsidiaries by or with another company constitute termination of employment when employment continues with the merged or acquiring company.

GENERAL INFORMATION

Plan Sponsor and Plan Administrator:	Acushnet Company 333 Bridge Street Fairhaven, MA 02719-0965

Type of Plan: Severance Pay Employee Welfare Benefit Plan

Funding

Severance pay provided under this Plan is payable solely from the general assets of the Company.

Employer Identification Number:	04-2691836
Plan Number:	567
Plan Year:	January 1 through December 31
Agent for Service of Legal Process:	Acushnet Company 333 Bridge Street Fairhaven, MA 02719-0965

YOUR RIGHTS UNDER ERISA

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan participants shall be entitled to:

- Examine, free of charge, in the Plan Administrator's office or at other specified locations, all official documents related to the Plan such as documents filed by the Plan with the U.S. Department of Labor, such as annual reports and Plan descriptions.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.
- Obtain upon written request to the Plan Administrator information as to whether a particular employer or employer organization is a sponsor of the Plan and the address of any employer or employer organization that is a plan sponsor. Your beneficiaries also have a right to obtain this information upon written request to the Plan Administrator.
- Receive a written explanation of why a claim for benefits has been denied, in whole or in part, and a review and reconsideration of the claim.
- Continue health care coverage for yourself, spouse or dependent if there is a loss of coverage as a result of a qualifying event. You or your dependents may have to pay for such coverage. Review this Plan and summary plan description on the rules governing your COBRA continuation coverage rights.

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. These people, called the “fiduciaries” of the Plan, have a duty to handle their responsibilities prudently and in the best interests of you, the other Plan participants, and your beneficiaries. No one, including the Company or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your right under ERISA. However, this rule neither guarantees continued employment, nor affects the Company’s right to terminate your employment for other reasons.

Enforce Your Rights

If your claim for severance benefits is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, NW, Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

APPENDIX A

" **Change in Control** " means:

(i) the acquisition (whether by purchase, merger, consolidation, combination or other similar transaction) by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended, and any successor thereto (the "Exchange Act")) of more than 50% (on a fully diluted basis) of either (A) the then outstanding shares of Common Stock, taking into account as outstanding for this purpose such Common Stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise of any similar right to acquire such Common Stock; or (B) the combined voting power of the then outstanding voting securities of Acushnet Holdings Corp., a Delaware corporation (including any successor thereto, "Acushnet Holdings") entitled to vote generally in the election of directors; *provided, however* , that for purposes of this Plan, the following acquisitions shall not constitute a Change in Control: (I) any acquisition by Acushnet Holdings or any of its Subsidiaries; (II) any acquisition by any employee benefit plan sponsored or maintained by Acushnet Holdings or any of its Subsidiaries; or (III) any acquisition following which the Investor Group, in the aggregate, hold, directly or indirectly, 50% or more of either (A) the then outstanding shares of Common Stock, taking into account as outstanding for this purpose such Common Stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise of any similar right to acquire such Common Stock; or (B) the combined voting power of the then outstanding voting securities of Acushnet Holdings entitled to vote generally in the election of directors;

(ii) during any period of twelve (12) months, individuals who, at the beginning of such period, constitute the Board of Directors of Acushnet Holdings (the "Board" and such directors, the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, *provided* that any person becoming a director subsequent to the date hereof, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; *provided, however* , that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest, as such terms are used in Rule 14a-12 of Regulation 14A promulgated under the Exchange Act, with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director; or

(iii) the sale, transfer or other disposition of all or substantially all of the assets of the Company Group (taken as a whole) to any Person that is not an Affiliate of the Company.

Capitalized terms used in this Appendix A shall have the following meanings:

“ **Affiliate** ” means any Person that directly or indirectly controls, is controlled by or is under common control with Acushnet Holdings. The term “control” (including, with correlative meaning, the terms “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting or other securities, by contract or otherwise.

“ **Common Stock** ” means the common stock Acushnet Holdings, par value $0.001 per share (and any stock or other securities into which such Common Stock may be converted or into which it may be exchanged).

“ **Company Group** ” means, collectively, Acushnet Holdings and its Subsidiaries.

“ **Investor Group** ” means, collectively, FILA Korea Ltd. and any Person controlled by or under common control with FILA Korea Ltd.

“ **Person** ” means any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act).

“ **Subsidiary** ” means, with respect to any specified Person:

(i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of such entity’s voting securities (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders’ agreement that effectively transfers voting power) is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(ii) any partnership (or any comparable foreign entity) (A) the sole general partner (or functional equivalent thereof) or the managing general partner of which is such Person or Subsidiary of such Person or (B) the only general partners (or functional equivalents thereof) of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

APPENDIX B

"Specified employees" shall be determined in accordance with the *Procedures for Determining Specified Employees under Code Section 409A* , as adopted, and as amended from time to time, by Acushnet Holdings Corp. or a person or committee authorized by the Board of Directors of Acushnet Holdings Corp. for this purpose. For "specified employees", the following rules shall apply:

A. To the extent an employee's severance benefit otherwise payable in the first six months following the employee's separation from service is equal to or less than the lesser of the amounts described in Treasury Regulations Sections 1.409A-1(b)(9)(iii)(A)(1) and (2), qualifies under the short-term deferral exception to Section 409A, or otherwise does not constitute "nonqualified deferred compensation" subject to Section 409A, such severance benefit shall be paid in regular pay intervals through the entire severance period.

B. Any portion of the employee's severance benefit that constitutes "nonqualified deferred compensation" subject to Section 409A shall be delayed until the first payroll date of the 7th month following the employee's separation date. Any delayed payments shall then be paid in a lump sum without interest. Thereafter, the remainder of an employee's severance benefit shall be payable in installments according to the normal payroll schedule of the Company.

C. Each severance payment hereunder shall be considered a separate payment in accordance with Section 409A of the Internal Revenue Code.

D. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Plan providing for the payment of any amounts or benefits that constitute "nonqualified deferred compensation" under Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A, and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment," "date of termination" or like terms shall mean or refer to "separation from service.

Exhibit 10.12

RESTRICTED STOCK UNIT GRANT NOTICE
FOR DIRECTORS
UNDER THE
ACUSHNET HOLDINGS CORP.
2015 OMNIBUS INCENTIVE PLAN

Acushnet Holdings Corp. (the " Company "), pursuant to its 2015 Omnibus Incentive Plan (the " Plan "), hereby grants to the Participant set forth below the number of Restricted Stock Units (" RSUs ") set forth below. The RSUs are subject to all of the terms and conditions as set forth herein, in the Restricted Stock Unit Agreement (attached hereto), and in the Plan, all of which are incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

Participant:	[*Insert Participant Name*]
Date of Grant:	[*Insert Date of Grant*]
Number of RSUs:	[*Insert No. of Restricted Stock Units Granted*]
Vesting Commencement Date:	[*Insert Vesting Commencement Date*]
Vesting Schedule:	100% of the RSUs granted hereunder shall vest immediately upon the Date of Grant.

THE UNDERSIGNED PARTICIPANT ACKNOWLEDGES RECEIPT OF THIS RESTRICTED STOCK UNIT GRANT NOTICE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED STOCK UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS RESTRICTED STOCK UNIT GRANT NOTICE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN.

ACUSHNET HOLDINGS CORP.	PARTICIPANT
_____	_____
By: Title:	Name:

RESTRICTED STOCK UNIT AGREEMENT
FOR DIRECTORS
UNDER THE
ACUSHNET HOLDINGS CORP.
2015 OMNIBUS INCENTIVE PLAN

Pursuant to the Restricted Stock Unit Grant Notice (the " Grant Notice ") delivered to the Participant (as defined in the Grant Notice), and subject to the terms of this Restricted Stock Unit Agreement (this " Restricted Stock Unit Agreement ") and the Acushnet Holdings Corp. 2015 Omnibus Incentive Plan (the " Plan "), Acushnet Holdings Corp. (the " Company ") and the Participant agree as follows. The Grant Notice is incorporated into and deemed a part of this Restricted Stock Unit Agreement. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Plan.

1. **Grant of Restricted Stock Units .** Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant the number of Restricted Stock Units (" RSUs ") provided in the Grant Notice (with each RSU representing an unfunded, unsecured right to receive one share of Common Stock upon vesting).

2. **Vesting** . Subject to the conditions contained herein and in the Plan, the RSUs shall vest as provided in the Grant Notice.

3. **Settlement of Restricted Stock Units .** The provisions of Section 9(d)(ii) of the Plan are incorporated herein by reference and made a part hereof. Except as otherwise elected pursuant to any election form submitted under the Acushnet Holdings Corp. Independent Directors Deferral Plan (the " Deferral Plan "), payment in settlement of any vested RSU shall be made in Common Stock as soon as practicable following the applicable vesting date but in no event later than 60 days following such date.

4. **Treatment of Restricted Stock Units Upon Termination** . Except as provided in the Grant Notice, the provisions of Section 9(c)(ii) of the Plan are incorporated herein by reference and made a part hereof.

5. **Company; Participant .**

(a) The term " Company " as used in this Agreement with reference to service with the Company shall include the Company and its subsidiaries.

(b) Whenever the word " Participant " is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the executors, the administrators, or the person or persons to whom the RSUs may be transferred by will or by the laws of descent and distribution, the word " Participant " shall be deemed to include such person or persons.

6. **Non-Transferability .** The RSUs are not transferable by the Participant except to Permitted Transferees in accordance with Section 14(b) of the Plan. Except as otherwise provided herein, no assignment or transfer of the RSUs, or of the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise, shall vest in the assignee or transferee any interest or right herein whatsoever, but immediately upon such assignment or transfer the RSU shall terminate and become of no further effect.

7. **Rights as Stockholder .** The Participant or a permitted transferee of the RSUs shall have no rights as a stockholder with respect to any share of Common Stock underlying an RSU unless and until the Participant shall have become the holder of record or the beneficial owner of such Common Stock and, subject to Section 9, no adjustment shall be made for dividends or distributions or other rights in respect of such share of Common Stock for which the record date is prior to the date upon which the Participant shall become the holder of record or the beneficial owner thereof.

8. **Tax Withholding** . The provisions of Section 14(d)(i) of the Plan are incorporated herein by reference and made a part hereof. Any required withholding will be satisfied by having the Company withhold from the number of shares of Common Stock otherwise issuable or deliverable pursuant to the settlement of the Award a number of shares with a Fair Market Value equal to such withholding liability, provided that the number of such shares may not have a Fair Market Value greater than the minimum required statutory withholding liability unless determined by the Committee not to result in adverse accounting consequences.

9. **Dividend Equivalents** . As of any date that the Company pays an ordinary cash dividend on its Common Stock, the Company shall credit the Participant with an amount equal to (a) the per share cash dividend paid by the Company on its Common Stock on such date, multiplied by (b) the total number of RSUs subject to the Award that are outstanding immediately prior to the record date for that dividend (a " Dividend Equivalent Right "). Any Dividend Equivalent Rights credited pursuant to the foregoing provisions of this Section 9 shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original RSUs to which they relate, including with respect to RSUs for which a deferral election has been made under the Deferral Plan; provided, however, that (i) with respect to RSUs for which a deferral election has not been made under the Deferral Plan, the Company will decide on the form of payment and may pay dividend equivalents in shares of Common Stock, in cash or in a combination thereof, in each case, without interest and (ii) with respect to RSUs for which a deferral election has been made under the Deferral Plan, the Share Account (as defined in the Deferral Plan) shall be credited with a number of shares of Common Stock determined by dividing the amount of the Dividend Equivalent Right relating to such RSUs by the Fair Market Value of a share of Common Stock on the dividend payment date, with the value of any fractional shares paid to the Participant in cash. No crediting of Dividend Equivalent Rights shall be made pursuant to this Section 9 with respect to any RSUs which, immediately prior to the record date for that dividend, have either been settled, cancelled or forfeited.

10. **Clawback/Repayment** . All RSUs shall be subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with (1) any clawback, forfeiture or other similar policy adopted by the Board or the Committee and as in effect from time to time, and (2) applicable law. The Committee may also provide that if the Participant receives any amount in excess of the amount that the Participant should have otherwise received under the terms of the RSUs for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations or other administrative error), the Participant shall be required to repay any such excess amount to the Company.

11. **Detrimental Activity .** Notwithstanding anything to the contrary contained in the Plan, the Grant Notice or this Restricted Stock Unit Agreement, if a Participant has engaged or engages in any Detrimental Activity, the Committee may, in its sole discretion, (1) cancel any or all of the RSUs, and (2) the Participant will forfeit any after-tax gain realized on the vesting of such RSUs, and must repay the gain to the Company.

12. **Notice .** Every notice or other communication relating to this Agreement between the Company and the Participant shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided; *provided* that, unless and until some other address be so designated, all notices or communications by the Participant to the Company shall be mailed or delivered to the Company at its principal executive office, to the attention of the Company Secretary, and all notices or communications by the Company to the Participant may be given to the Participant personally or may be mailed to the Participant at the Participant's last known address, as reflected in the Company's records. Notwithstanding the above, all notices and communications between the Participant and any third-party plan administrator shall be mailed, delivered, transmitted or sent in accordance with the procedures established by such third-party plan administrator and communicated to the Participant from time to time.

13. **No Right to Continued Service**. This Agreement does not confer upon the Participant any right to continue as a service provider to the Company.

14. **Binding Effect.** This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

15. **Waiver and Amendments**. Except as otherwise set forth in Section 13 of the Plan, any waiver, alteration, amendment or modification of any of the terms of this Agreement shall be valid only if made in writing and signed by the parties hereto; *provided, however* , that any such waiver, alteration, amendment or modification is consented to on the Company's behalf by the Committee. No waiver by either of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

16. **Governing Law.** This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof. Notwithstanding anything contained in this Restricted Stock Unit Agreement, the Grant Notice or the Plan to the contrary, if any suit or claim is instituted by the Participant or the Company relating to this Restricted Stock Unit Agreement, the Grant Notice or the Plan, the Participant hereby submits to the exclusive jurisdiction of and venue in the courts of Delaware.

17. **Plan.** The terms and provisions of the Plan are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan and the provisions of this Agreement, the Plan shall govern and control.

18. **Section 409A.** It is intended that the RSUs granted hereunder are intended and shall be construed to comply with Section 409A of the Code (including the requirements applicable to, or the conditions for exemption from treatment as, a "deferral of compensation" or "deferred compensation" as those terms are defined in the regulations under Section 409A, whether by reason of short-term deferral treatment or other exceptions or provisions).

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

Name	State or Other Jurisdiction of Incorporation or Organization
Acushnet Company	Delaware
AASI, Inc.	Delaware
ACTM LLC	Delaware
Acushnet Australia Pty. Ltd.	Australia
Acushnet Canada Inc.	Canada
Acushnet Cayman Limited	Cayman Islands
Acushnet Danmark ApS	Denmark
Acushnet Espana, S.L.U.	Spain
Acushnet Europe Ltd.	United Kingdom
Acushnet FootJoy (Thailand) Limited	Thailand
Acushnet France S.A.S.	France
Acushnet GmbH	Germany
Acushnet Golf Products Trading (Shenzhen) Co. Ltd.	China
Acushnet Golf (Thailand) Limited	Thailand
Acushnet Hong Kong Limited	Hong Kong
Acushnet International Inc.	Delaware
Acushnet Ireland Limited	Ireland
Acushnet Japan, Inc.	Delaware
Acushnet Korea Co., Ltd.	South Korea
Acushnet Malaysia Sdn. Bhd.	Malaysia
Acushnet Nederland B.V.	Netherlands
Acushnet Netherlands Manufacturing B.V.	Netherlands
Acushnet Netherlands Services B.V.	Netherlands
Acushnet New Zealand Limited	New Zealand
Acushnet Osterreich GmbH	Austria
Acushnet Singapore Pte Ltd.	Singapore
Acushnet South Africa (Pty.) Ltd.	South Africa
Acushnet Sverige Aktiebolag	Sweden
Acushnet Titleist (Thailand) Limited	Thailand
Changsha Acushnet Sports Products Co. Ltd.	China
PG Golf LLC	Delaware
Webb Acquisition Co.	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-214275) of Acushnet Holdings Corp. of our report dated February 28, 2019 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
February 28, 2019

Exhibit 24.1

POWER OF ATTORNEY

The undersigned directors and officers of Acushnet Holdings Corp. hereby constitute and appoint Brendan M. Gibbons, Roland A. Giroux and Chad M. Van Ess and each of them, as his or her true and lawful attorneys-in-fact and agents, with power to act with or without the others and with full power of substitution and resubstitution, to do any and all acts and things and to execute any and all instruments which said attorneys and agents and each of them may deem necessary or desirable to enable the registrant to comply with the U.S. Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the U.S. Securities and Exchange Commission thereunder in connection with the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (the "Annual Report"), including specifically, but without limiting the generality of the foregoing, power and authority to sign the name of the registrant and the name of the undersigned, individually and in his or her capacity as a director or officer of the registrant, to the Annual Report as filed with the Securities and Exchange Commission, to any and all amendments thereto, and to any and all instruments or documents filed as part thereof or in connection therewith; and each of the undersigned hereby ratifies and confirms all that said attorneys and agents and each of them shall do or cause to be done by virtue hereof.

Signature	Capacity	Date
/s/ DAVID MAHER David Maher	President and Chief Executive Officer (Principal Executive Officer)	February 28, 2019
/s/ THOMAS PACHECO Thomas Pacheco	Executive Vice President, Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	February 28, 2019
/s/ YOON SOO YOON Yoon Soo Yoon	Chairman	February 28, 2019
/s/ JENNIFER ESTABROOK Jennifer Estabrook	Director	February 28, 2019
/s/ GREGORY HEWETT Gregory Hewett	Director	February 28, 2019
/s/ SEAN SULLIVAN Sean Sullivan	Director	February 28, 2019
/s/ STEVEN TISHMAN Steven Tishman	Director	February 28, 2019
/s/ WALTER UIHLEIN Walter Uihlein	Director	February 28, 2019
/s/ NORMAN WESLEY Norman Wesley	Director	February 28, 2019

Exhibit 31.1

CERTIFICATIONS

I, David Maher , certify that:

1. I have reviewed this Annual Report on Form 10-K of Acushnet Holdings Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2019

/s/ DAVID MAHER

Name: David Maher

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Thomas Pacheco , certify that:

1. I have reviewed this Annual Report on Form 10-K of Acushnet Holdings Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2019

/s/ THOMAS PACHECO

Name: Thomas Pacheco

Executive Vice President, Chief Financial Officer and Chief Accounting Officer

Exhibit 32.1

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

I, David Maher , President and Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report on Form 10-K for the year ended December 31, 2018 , (the Periodic Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Acushnet Holdings Corp.

Date: February 28, 2019

By: /s/ DAVID MAHER

Name: David Maher

Title: *President and Chief Executive Officer*

Exhibit 32.2

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

I, Thomas Pacheco , President and Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report on Form 10-K for the year ended December 31, 2018 , (the Periodic Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Acushnet Holdings Corp.

Date: February 28, 2019

By: /s/ THOMAS PACHECO

Name: Thomas Pacheco

Title: *Executive Vice President, Chief Financial Officer and Chief Accounting Officer*