

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, 2019

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**  
(State or other jurisdiction of incorporation or organization)

**333 Bridge Street**  
(Address of principal executive offices)

**Fairhaven, Massachusetts**

**(800) 225-8500**  
(Registrant's telephone number, including area code)

**45-2644353**  
(I.R.S. Employer Identification No.)

**02719**  
(Zip Code)

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

| Title of each class                       | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, par value \$0.001 per share | GOLF              | 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 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 | <input checked="" type="checkbox"/> | Non-accelerated filer     | <input type="checkbox"/> |
| Accelerated filer       | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/> |

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, 2019, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$903.6 million. The registrant's common stock trades on the New York Stock Exchange under the symbol "GOLF".

The registrant had 74,383,716 shares of common stock outstanding as of February 21, 2020.

**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 8, 2020, 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, 2019.

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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](http://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 free of charge 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,” “Vokey Design,” and “KJUS” 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 over 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, 2019, we recorded net sales of \$1,681.4 million, net income attributable to Acushnet Holdings Corp. of \$121.1 million and Adjusted EBITDA of \$240.1 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. In July 2011, Acushnet Holdings Corp. (at the time known as Alexandria Holdings Corp.), an entity owned by Fila Holdings Co., formerly known as Fila Korea Co., Ltd., (“Fila”) and certain financial investors, acquired Acushnet Company from Beam. We completed an initial public offering of our common stock in November 2016.

#### 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 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 40% of our net sales in 2019, and more durable products, which we consider to be golf clubs, golf shoes, golf apparel and golf gear, which collectively represented 60% of our net sales in 2019.

We operate under the following four reportable segments: Titleist golf balls; Titleist golf clubs; Titleist golf gear; and FootJoy golf wear, which represented approximately 33%, 26%, 9% and 26%, respectively, of net sales in 2019. 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 20 – 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 nearly 200 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 superior 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 golfer engagement, starting with fitting and trial initiatives across our balls, clubs and shoes categories. We offer custom products across categories to meet the varying needs of golfers' skill levels, personal styles and preferences.

## Market Overview and Opportunity

### Market Overview

In 2019, 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 2019. 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 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, primarily “gen-x” (age 40 to 54) and “baby boomers” (age 55 to 75), 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 2019, accounting for 25% 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, provides golfers with the opportunity to create and purchase their own golf balls with special play numbers, logos or personalization.

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- *Titleist Clubs, Wedges and Putters.* We intend to continue to launch innovative, high performance golf clubs by further leveraging Titleist clubs' R&D excellence in all club categories. To enhance the golfer experience, we plan to continue highly focused consumer connection initiatives, promote and encourage custom fitting and trial, and offer best-in-class custom manufacturing capabilities. We intend to continue to also develop and offer concept and limited edition products to showcase advanced technologies and we intend to continue to dedicate the resources necessary to ensure that Vokey Design wedges and Scotty Cameron putters remain 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 2020, 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 continue to make investments in design and engineering resources and leverage dedicated player research methodologies and insights to drive product excellence in these product categories. Also, we seek to drive our custom and special edition product offerings and, in 2019, we enhanced our direct to consumer sales of golf bags, headwear, gloves, travel gear, headcovers and other accessories via our 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.* FootJoy has established eCommerce websites in the U.S., Canada and certain European markets. Japan joined that list in 2019. 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.
- *Links & Kings.* In 2018, we acquired Links & Kings, a brand focused on the design and handcrafted production of luxury leather golf and lifestyle products. We intend to increase sales of Links & Kings products by increasing production capacity and leveraging our existing distribution channels.
- *KJUS Outerwear and Apparel.* In the third quarter of 2019, we acquired KJUS, a brand which designs golf, ski and lifestyle apparel made of innovative, high-performance material with a distinctive, clean design. KJUS entered the golf outerwear and apparel markets less than a decade ago with a focus on comfort, freedom of movement and all-weather protection. We intend to continue to invest in design and innovation to deliver performance advancements in KJUS outerwear and apparel.
- *Titleist Apparel.* Titleist introduced apparel in Korea, Japan and China with a focus on innovative performance and styling which is specifically designed for these markets using localized go-to-market strategies. We continue to invest in innovative designs and performance fabrics to bring advancements to the apparel category in the markets where Titleist apparel is sold.

***Strategically Pursue Global Growth.*** The Titleist and FootJoy brands are both global brands. While we believe that near-term growth will be primarily driven by the developed economies, emerging economies 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.



We also evaluate acquisition opportunities from time to time and, in July 2019, acquired KJUS, a premium performance ski and golf apparel company.

## **Our Products**

We design, manufacture and market a broad range of products under the Titleist, FootJoy and KJUS brands. These 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 and ski outerwear and apparel.

### **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, 2019, 2018 and 2017 were \$1,211.0 million, \$1,194.0 million, and \$1,122.8 million, respectively, in each case approximately 72% 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 short game control that helps golfers shoot lower scores. We believe that golfers have appreciated the performance benefits 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, Pro V1x Left Dash. In mid-2019, we offered this customized performance option via special order, previously only having made it available on the worldwide professional tours. Pro V1x Left Dash meets the performance needs of a select group of players seeking high flight with even lower long game spin. We believe the Pro V1 franchise delivers the highest and most consistent performance in the game as validated by both the overwhelming usage and trust of players throughout the pyramid of influence and market place success.

New for 2020 is an advanced version of the Titleist AVX golf ball, first introduced in a test market in the fall of 2017 and, after resounding golfer acceptance, launched globally in mid-2018. With a larger core, thicker casing layer and thinner cover, new AVX is designed to provide longer driver and iron distance along with enhanced short game spin and control.

Also new in 2020 are new versions of the Tour Soft and Velocity golf ball models. Both models provide best-in-class performance through technology and process innovations. Tour Soft has been re-engineered to deliver even more distance, more stopping power in the short game and a soft, responsive feel. New Velocity is designed to help golfers get every yard. TruFeel 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, 2019, 2018 and 2017 were \$551.6 million, \$524.0 million, and \$512.0 million, respectively, in each case approximately 33% 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, 2019.

### ***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, 2019, 2018 and 2017 were \$434.4 million, \$445.3 million, and \$398.0 million, respectively, in each case approximately 26% of our total net sales.

#### Titleist Clubs

Our current global club line consists of the TS product line of drivers, fairways and hybrids, and the T Series and 620 product lines 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, fairways and hybrids 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 T Series 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. Our 620 MB and CB irons are classic, fully forged blade type irons largely preferred by highly skilled golfers.

#### 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***

Titleist Golf Gear is a matrix of distinct categories across golf bags, headwear, golf gloves, travel products, headcovers and other golf accessories. We participate in golf categories where the dedicated player expects us to be and provide dedicated players with products of performance and quality excellence faithful to the Titleist brand promise.

We started building our golf gear infrastructure in 2015, transitioning from third-party product creation and supply chain dependency to where we now exercise more control over the design, engineering, product specifications, and quality assurance of our finished Titleist golf gear products. Titleist golf gear products are designed and engineered using premium materials, paying particular attention to superior performance, function and style. We seek to provide and continually evolve our customization and personalization opportunities across the product portfolio of Titleist golf gear in order to meet the needs of the dedicated players. 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 Bags**

Titleist Golf Bags have an array of models across price points with designs ranging from those to be carried to those designed for golf carts, each with an array of functional differences and a bevy of materials and colors. Titleist golf bags are used on professional tours throughout the world and are relied upon by players globally to support their game. The Titleist Players Stand Bag collection is our leading bag franchise, customized and sold by leading golf courses across the globe. Titleist successfully introduced the LINKSMASTER Series of golf premium golf bags globally in 2019.

#### **Titleist Golf Headwear**

Titleist Golf Headwear has been recognized on the professional golf tours for decades. Titleist golf headwear provides both function and fashion appeal across a multitude of models providing rain and sun protection as well as trend designs for the dedicated player. We have established key product franchises in our headwear assortment with a variety of functions for both men and women including the Tour Performance, the Nantucket and the Tour Aussie. We seek to constantly elevate and innovate the performance and quality of our headwear while keeping the design and colors fresh and appealing to the dedicated player.

Titleist golf gear accounted for net sales of \$150.0 million, \$146.1 million and \$142.9 million for the years ended December 31, 2019, 2018 and 2017, 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, 2019, 2018 and 2017 were \$441.9 million, \$439.7 million, and \$437.5 million, respectively, 26%, 27% and 28% of our total net sales, respectively.

#### ***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 men's and women's 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.

### ***KJUS***

In July 2019, we acquired KJUS, a Swiss-based manufacturer of premium performance ski and golf apparel and outerwear. The KJUS brand was born from an uncompromising commitment to performance, following brand namesake Lasse Kjus's historic feat at the 1999 World Ski Championships, where he medaled in each of the Championships' five disciplines. KJUS was founded with a vision to make the finest and most technologically advanced skiwear and the belief that cutting edge innovation could lead to improved performance. KJUS has today grown to be a leader in technical performance wear. Building upon this technical performance, KJUS entered the golf outerwear and apparel markets with a focus on comfort, freedom of movement and all-weather protection, and it has achieved an enthusiastic following with performance-minded golfers and a premium positioning at leading golf shops worldwide.

### **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.

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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 ("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. 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, Malaysia and Switzerland. 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 370 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 and in Japan in 2019, 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**

Where possible, we use multiple suppliers or multiple production facilities, some with geographic separation, to reduce the risk of raw material shortages but, in some instances, we rely on a sole or limited number of third-party suppliers and manufacturers for raw materials. Our highest raw material consumption for golf balls, in order, is polybutadiene, ionomers, zinc diacrylate, urethane, and coatings. 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 and KJUS 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 nearly 200 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.

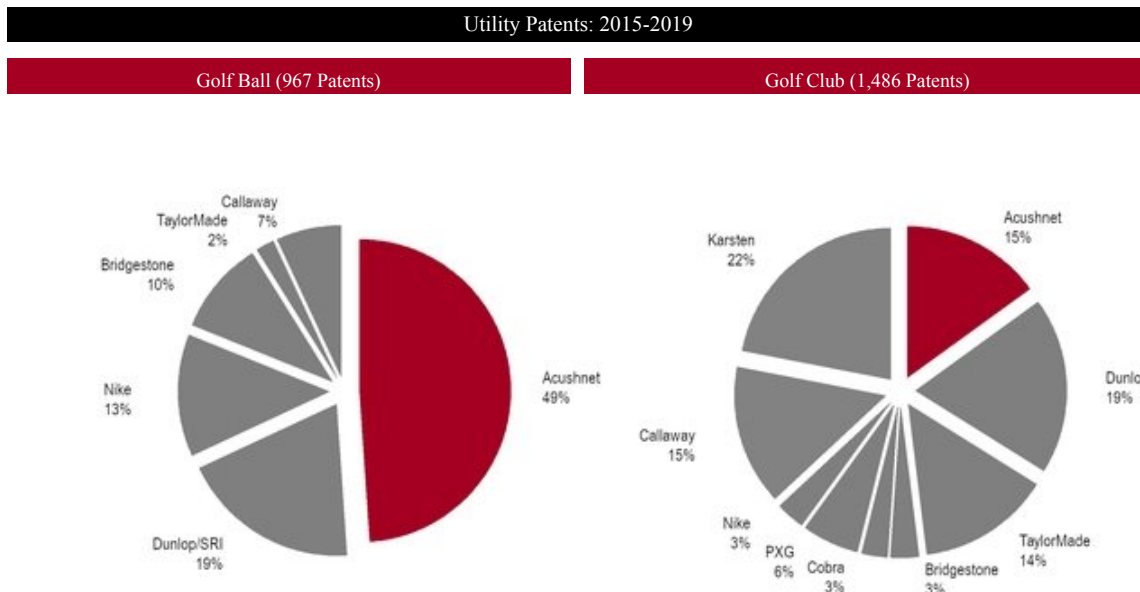
For the years ended December 31, 2019, 2018 and 2017 we invested \$51.6 million, \$51.5 million and \$47.2 million, respectively, in R&D.

## **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 1,000 active U.S. utility patents in golf balls, nearly 500 active U.S. utility patents in golf clubs, wedges and putters and over 370 active patents in golf shoes and gloves worldwide.

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



We own or license a large portfolio of trademarks, including for Titleist, Pro V1, Pro V1x, AVX, Union Green, Pinnacle, API, AP2, TS, T Series, CNCPT, Vokey Design, Scotty Cameron, FootJoy, FJ, DryJoys, StaSof, ProDry and KJUS. 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, but do not expect to incur future material costs for past and current environmental issues. 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, 2019, we employed 5,213 associates worldwide. The geographic concentration of associates is as follows: 2,330 in the Americas, 477 in EMEA, and 2,406 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 40 – 54) and “baby boomer” (age 55 – 75) 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

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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 (including, for example, the Wuhan coronavirus outbreak beginning in 2020); 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, 2019, \$796.6 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 “Notes to Consolidated Financial Statements – Note 20 – 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, 2019, approximately 85% 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.

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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, 2019, 47% of our sales were denominated in foreign currencies. In addition, for the year ended December 31, 2019, approximately 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

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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 established 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, 2019. 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, 2019. However, our top ten customers accounted for 21% of our consolidated net sales in the year ended December 31, 2019. 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 Titleist and FootJoy 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 – Cyclicity,” 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

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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 and introduced certain tax, trade and tariff proposals, modifications to international trade policy and other changes which may affect U.S. trade relations with other countries, including China, with respect to which additional tariffs have been imposed. Further, any emerging nationalist trends or trade wars in specific countries could alter the trade environment and consumer purchasing behavior which, in turn, could have a material effect on our financial condition and results of operations. The ongoing negotiations surrounding the United Kingdom's exit from the European Union ("Brexit") have yet to provide clarity on what the outcome will be for the United Kingdom or Europe. Changes related to Brexit could significantly disrupt the free movement of goods, services and people between the United Kingdom and the European Union, and result in increased legal and regulatory complexities, as well as potential higher costs of conducting business in Europe. 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 3,000 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;

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- 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 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 in 2017 and in Japan in 2019, we launched eCommerce websites for FootJoy. 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 38% of our total assets as of December 31, 2019.

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.

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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 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.

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.

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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.

***Our business could be materially adversely affected as a result of the risks associated with acquisitions and investments.***

We have made acquisitions and investments in the past and may pursue further acquisitions and investments in the future. These transactions are accompanied by risks. For instance, an acquisition could have a negative effect on our financial and strategic position and reputation or the acquired business could fail to further our strategic goals. We may not be able to successfully integrate acquired businesses into ours, and therefore we may not be able to realize the intended benefits from an acquisition. We may have a lack of experience in new markets or products brought on by the acquisition and we may have an initial dependence on unfamiliar supply or distribution partners. All of these and other potential risks may serve as a diversion of our management's attention from other business concerns, and any of these factors could have a material adverse effect on our business.

***If our estimates or judgments relating to our critical accounting estimates 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 impairment of goodwill, pension and other post-retirement benefits, provisions for income taxes and valuation allowances for deferred tax assets. 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, including, for example, the Wuhan coronavirus outbreak beginning in 2020, 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, 2019, we had \$404.4 million of indebtedness (excluding debt issuance costs). As of December 31, 2019, we had available borrowings under our revolving credit facility of \$338.5 million after giving effect to \$11.2 million of outstanding letters of credit and we had available borrowings remaining under our local credit facilities of \$60.1 million. As of December 31, 2019, we had outstanding interest rate swap contracts to hedge the interest rate risk on \$160.0 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 effecting 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 on, or redeem or repurchase capital stock;
- engage in mergers, liquidations, dissolutions, asset sales, and other non-ordinary course dispositions (including sale leaseback transactions);
- amend or otherwise alter terms of certain indebtedness or certain other agreements;
- prepay, repurchase or redeem certain indebtedness;
- 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 restated credit facility (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 restated 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 Ownership of Our Common Stock**

***The interests of Magnus and Fila and any of their successors or transferees may conflict with other holders of our common stock.***

As of December 31, 2019, Magnus Holdings Co., Ltd. (“Magnus”), which is wholly-owned by Fila, beneficially owned approximately 52.1% of our outstanding common stock. Fila 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,

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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 Fila owns Magnus and Magnus continues to own a significant amount of our voting power, even if such amount is less than 50%, Fila will continue to be able to strongly influence or effectively control our decisions. The interests of Fila 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 is able to effectively determine the payment of dividends on our common stock. 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. For example, it may be in the interest of Magnus and Fila to cause the payment of dividends on our common stock in order to satisfy obligations under loan agreements they may enter into from time to time. 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.”

In the ordinary course of its business activities, Fila 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 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 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 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. Magnus may also transfer a substantial amount of our common stock, including a controlling interest in our Company, to third parties. The interests of any such transferees may not coincide with the interests of other holders of our common stock.

In the past, Magnus and Fila have entered into loan agreements, some of which have included pledges of our common stock to their lenders. Magnus and Fila may agree to amend any existing loan agreements or enter into replacement or additional loan agreements in the future. Although we have been informed by Magnus that the loan agreement that it entered into in September 2017 has been refinanced such that the shares of our common stock held by Magnus are no longer pledged as collateral, such agreement and any future loan agreements by Magnus and Fila could provide for pledges of shares of our common stock or Fila’s interests in Magnus. Magnus has informed us in the past that the shares of our common stock held by it were its only assets. Any transfer by Fila or Magnus as a result of its obligations to third parties or otherwise 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 transfer could occur could materially depress the market price of shares of our common stock. Such transfers of our common stock may also result in a change of control under certain agreements that we enter into from time to time, which could result in a default under such agreements. Under our credit agreement, for example, it is a change of control if any person (other than certain permitted parties, including Fila) becomes the beneficial owner of 35% or more of our outstanding common stock. As a result, if a third party were to acquire beneficial ownership of 35% or more of our outstanding common stock, it would result in a change of control under our credit agreement, which is an event of default under our credit agreement. 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.

***We are a “controlled company” within the meaning of the rules of the NYSE. As a result, we will qualify for, and are relying upon, 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;
- the requirement for an annual performance evaluation of the compensation and nominating and corporate governance committees;
- the compensation committee be explicitly charged with hiring and overseeing compensation consultants, legal counsel, and other committee advisors; and
- the 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.

Magnus, which is wholly-owned by Fila, controls 38,809,168 shares, or approximately 52.1%, of our outstanding common stock as of December 31, 2019. As a result, we qualify as a "controlled company" within the meaning of the corporate governance standards of the NYSE. We are relying on some of the exemptions available to controlled companies and may rely on one or more of the exemptions going forward. In particular, as of the date hereof, we do not have a majority of independent directors on our board of directors, and our nominating and corporate governance committee does not consist entirely of independent directors. 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.

***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 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. 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, 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 potential interest payments under any future equity or debt financing.

***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, 2019, we had 424,380,413 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 6,664,012 shares available 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



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**ITEM 2. PROPERTIES**

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

| <b>Location</b>  | <b>Type</b>  | <b>Facility Size(1)</b>                               | <b>Leased/Owned</b>        |
|--|--|---|----------------------------|
| Fairhaven, Massachusetts   | Headquarters and Golf Ball R&D   | 222,720   | Owned                      |
| <b>Golf Balls</b>  |  |   |                            |
| 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                     |
| <b>Golf Clubs, Wedges and Putters</b>  |  |   |                            |
| 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                     |
| <b>FootJoy</b>   |  |   |                            |
| 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 |
| <b>Sales Offices and Distribution Centers (used by multiple reportable segments)</b> |  |   |                            |
| 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                     |
| <b>Product Testing and Fitting Centers (Golf Balls and Golf Clubs)</b>               |  |   |                            |
| 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<br>(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 our 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.

**INFORMATION ABOUT OUR EXECUTIVE OFFICERS**

**Executive Officers**

Set forth below is information concerning the Company's executive officers as of February 27, 2020.

| <b>Name</b>          | <b>Age</b> | <b>Position</b>  |
|----------------------|------------|--|
| David Maher          | 52         | President and Chief Executive Officer  |
| Mary Lou Bohn        | 59         | President, Titleist Golf Balls   |
| Steven Pelisek       | 59         | President, Titleist Golf Clubs   |
| John (Jay) Duke, Jr. | 51         | President, Titleist Golf Gear  |
| Christopher Lindner  | 51         | President, FootJoy   |
| Thomas Pacheco       | 51         | Executive Vice President, Chief Financial Officer and Chief Accounting Officer |
| Brendan Gibbons      | 44         | Executive Vice President, Chief Legal Officer and Corporate Secretary          |
| Brendan Reidy        | 42         | Senior Vice President, Chief Human Resources Officer                           |

**David Maher**, 52, 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**, 59, 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**, 59, 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.**, 51, 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 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**, 51, 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 a leadership role with Electronic Arts.

**Thomas Pacheco**, 51, 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.

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

**Brendan Gibbons**, 44, 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**, 42, 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**

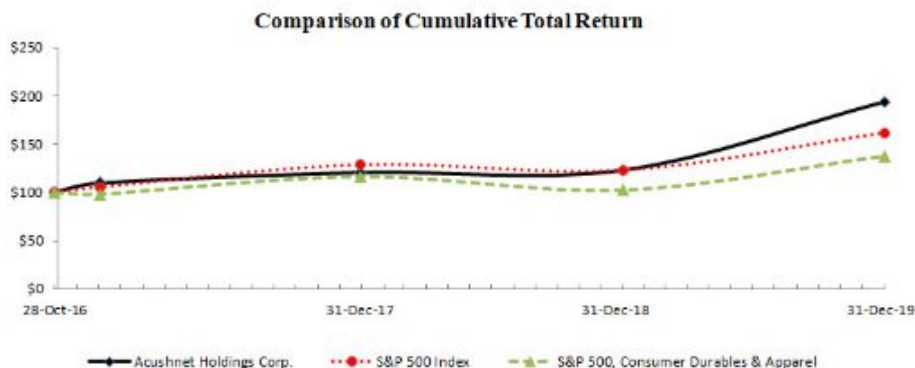
**Market Information**

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

On February 21, 2020, the last reported sales price of our common stock on the NYSE was \$29.83 per share and there were four record holders of our common stock.

**Performance Graph**

Set forth below is a graph comparing the cumulative total stockholder return on our common stock against the cumulative total return of the S&P 500 Index and the S&P 500 Consumer Durables & Apparel Index for the period commencing October 28, 2016 (the first day our common stock began trading on the NYSE) through December 31, 2019. Index data was furnished by FactSet. The graph assumes that \$100 was invested on October 28, 2016 in each of our common stock, the S&P 500 Index, and the S&P 500 Consumer Durables & Apparel Index and that all dividends were reinvested.



|                                     | 28-Oct-16 | 31-Dec-16 | 31-Dec-17 | 31-Dec-18 | 31-Dec-19 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Acushnet Holdings Corp.             | \$100.00  | \$109.81  | \$120.60  | \$123.14  | \$194.07  |
| S&P 500                             | \$100.00  | \$105.74  | \$128.83  | \$123.18  | \$161.96  |
| S&P 500 Consumer Durables & Apparel | \$100.00  | \$98.17   | \$116.41  | \$102.49  | \$137.74  |

**Recent Sales of Unregistered Securities**

None

**Dividend Policy**

We paid a total of \$43.5 million, \$39.1 million, and \$35.7 million in dividends on our common stock during the years ended December 31, 2019, 2018 and 2017, respectively. 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 credit agreement, 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.”

**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. On February 11, 2020, our Board of Directors authorized us to repurchase up to an additional \$50.0 million of our issued and outstanding common stock bringing the total authorization up to \$100.0 million.

The following table provides information relating to the Company's purchase of common stock for the fourth quarter of 2019:

| <b>Period</b>                        | <b>Total number of shares purchased<sup>(1)</sup></b> | <b>Average price paid per share<sup>(1)</sup></b> | <b>Total number of shares purchased as part of publicly announced plans or programs<sup>(1)</sup></b> | <b>Approximate dollar value of shares that may yet be purchased under the plans or programs<sup>(1)(2)(3)</sup><br/>(in thousands)</b> |
|--------------------------------------|---|---|---|--|
| October 1, 2019 - October 31, 2019   | 34,126  | \$ 25.95  | 34,126  | \$ 38,706  |
| November 1, 2019 - November 30, 2019 | 64,000  | 30.43   | 64,000  | 36,758   |
| December 1, 2019 - December 31, 2019 | 609,483   | 26.43   | 609,483   | 20,648   |
| <b>Total</b>                         | <b>707,609</b>  | <b>\$ 26.77</b>                                   | <b>707,609</b>  | <b>\$ 20,648</b>   |

<sup>(1)</sup>In connection with this share repurchase program, we entered into an agreement with Magnus Holdings Co., Ltd. ("Magnus"), a wholly owned subsidiary of Fila Holdings Co., to purchase from Magnus an equal amount of our common stock as we purchase on the open market at the same weighted average per share price. Per the agreement, the shares can be purchased from Magnus when we have purchased an aggregate \$24.9 million of shares in the open market, or at an earlier determination date as agreed to by the parties. The Company and Magnus agreed upon a determination date of December 6, 2019 for shares to be repurchased from Magnus. The shares purchased during the three months ended December 31, 2019 include 535,983 shares purchased from Magnus at an average price of \$25.70 per share for an aggregate of \$13.8 million. Subsequent to the determination date, we repurchased additional shares on the open market. As a result, we recorded a \$1.8 million liability as of December 31, 2019 for an additional 56,000 shares of common stock to be repurchased from Magnus, which are not included in the above table. The repurchase program will remain in effect until completed or until terminated by the Board of Directors.

<sup>(2)</sup> Includes the \$11.1 million related to the Magnus share repurchase agreement. See "Notes to Consolidated Financial Statements-Note 15-Common Stock," Item 8 of Part II, included elsewhere in this report, for disclosures related to the Magnus share repurchase agreement.

<sup>(3)</sup> Approximate dollar value of shares that may yet be purchased under the plans or programs does not include the February 11, 2020 Board of Directors authorization.

**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, 2019, 2018 and 2017 and the consolidated balance sheet data as of December 31, 2019 and 2018 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, 2016 and 2015 and our consolidated balance sheet data as of December 31, 2017, 2016 and 2015 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.

|   | Year ended December 31, |              |              |              |              |
|---|-------------------------|--------------|--------------|--------------|--------------|
|   | 2019                    | 2018         | 2017         | 2016         | 2015         |
| (in thousands, except share and per share data)   |                         |              |              |              |              |
| <b>Consolidated Statements of Operations Data:</b>  |                         |              |              |              |              |
| Net sales   | \$ 1,681,357            | \$ 1,633,721 | \$ 1,560,258 | \$ 1,572,275 | \$ 1,502,958 |
| Income from operations  | 185,653                 | 172,335      | 169,828      | 142,501      | 117,431      |
| Net income  | 124,565                 | 103,072      | 103,201      | 49,515       | 4,156        |
| Less: Net income attributable to noncontrolling interests   | (3,495)                 | (3,200)      | (4,506)      | (4,503)      | (5,122)      |
| Net income (loss) attributable to Acushnet Holdings Corp.   | 121,070                 | 99,872       | 98,695       | 45,012       | (966)        |
| Dividends earned by preferred shareholders  | —                       | —            | —            | (11,576)     | (13,785)     |
| Allocation of undistributed earnings to preferred shareholders  | —                       | —            | —            | (10,247)     | —            |
| Net income (loss) attributable to common shareholders-basic   | 121,070                 | 99,872       | 98,695       | 23,189       | (14,751)     |
| Net income (loss) attributable to common shareholders-diluted <sup>(1)</sup>  | 121,070                 | 99,872       | 98,695       | 39,664       | (14,751)     |
| <b>Per Share Data:</b>  |                         |              |              |              |              |
| Net income (loss) per common share attributable to Acushnet Holdings Corp.-basic <sup>(2)</sup>                     | \$ 1.61                 | \$ 1.34      | \$ 1.33      | \$ 0.74      | \$ (0.74)    |
| Net income (loss) per common share attributable to Acushnet Holdings Corp.-diluted <sup>(3)</sup>                   | 1.60                    | 1.32         | 1.32         | 0.62         | (0.74)       |
| Weighted average number of common shares-basic <sup>(2)</sup>   | 75,418,204              | 74,766,176   | 74,399,836   | 31,247,643   | 19,939,293   |
| Weighted average number of common shares-diluted <sup>(3)</sup>   | 75,759,605              | 75,472,342   | 74,590,999   | 64,323,742   | 19,939,293   |
| Cash dividends declared per common share:   | 0.56                    | 0.52         | 0.48         | —            | —            |
| <b>Balance Sheet Data:</b>  |                         |              |              |              |              |
| Unrestricted cash <sup>(4)</sup>  | \$ 32,142               | \$ 29,006    | \$ 45,411    | \$ 76,058    | \$ 54,409    |
| Current assets less current liabilities, excluding the current portion of our long term debt and EAR plan liability | 401,200                 | 404,759      | 407,012      | 372,684      | 345,114      |
| Total assets  | 1,817,049               | 1,691,621    | 1,733,905    | 1,736,171    | 1,758,973    |
| Common stock warrant liability  | —                       | —            | —            | —            | 22,884       |
| Long-term debt, net including current portion, and long-term finance lease obligations <sup>(5)</sup>               | 348,201                 | 382,578      | 443,689      | 367,098      | 797,151      |
| EAR plan liability, including current portion <sup>(6)</sup>  | —                       | —            | —            | 151,511      | 169,566      |
| Total liabilities   | 865,416                 | 764,637      | 879,932      | 967,348      | 1,434,431    |
| Convertible Preferred Stock   | —                       | —            | —            | —            | 131,036      |
| Total equity attributable to Acushnet Holdings Corp.  | 918,440                 | 894,872      | 821,309      | 735,865      | 160,251      |
| Total shareholders' equity  | 950,826                 | 926,984      | 853,973      | 768,823      | 193,506      |

(1) Reflects the impact to net income (loss) attributable to common shareholders of dilutive securities. Diluted net income (loss) attributable to common shareholders for the year ended December 31, 2015 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

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- offering, (iii) the exercise by Fila 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 the year ended December 31, 2015.
- (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, 2019, 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 the year ended December 31, 2015 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 the year ended December 31, 2015.
  - (4) Includes cash of \$7.7 million, \$7.6 million, \$12.1 million, \$13.0 million, and \$10.0 million as of December 31, 2019, 2018, 2017, 2016, and 2015, 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, including current portion, and long-term finance lease obligations consists of (i) long-term debt and long-term finance 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 and debt issuance costs 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 Holdings Co., formerly known as Fila Korea Co., Ltd., ("Fila"), 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. We completed an initial public offering of our common stock in November 2016.

### 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.

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; 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, primarily “gen-x” (age 40 to 54) and “baby boomers” (age 55 to 75), 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 2019, accounting for 25% 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.

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### *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, which we expect will launch 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 TruFeel generally 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 Titleist golf gear and FootJoy golf wear 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*

For the years ended December 31, 2019, 2018 and 2017, 47%, 49% and 49%, respectively, 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,

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2019, approximately 85% 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, 2019, 47% of our sales were denominated in foreign currencies. In addition, for the year ended December 31, 2019, approximately 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, share-based compensation expense, restructuring charges, certain transaction fees, indemnification expense (income) from Beam, executive pension settlement, 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

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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.

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**Results of Operations**

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

| <i>(in thousands)</i>                                     | Year ended December 31, |              |              |
|---|-------------------------|--------------|--------------|
|   | 2019                    | 2018         | 2017         |
| Net sales   | \$ 1,681,357            | \$ 1,633,721 | \$ 1,560,258 |
| Cost of goods sold  | 809,122                 | 791,370      | 758,401      |
| Gross profit  | 872,235                 | 842,351      | 801,857      |
| Operating expenses:                                       |                         |              |              |
| Selling, general and administrative                       | 627,503                 | 611,883      | 578,289      |
| Research and development                                  | 51,601                  | 51,489       | 47,241       |
| Intangible amortization                                   | 7,478                   | 6,644        | 6,499        |
| Income from operations                                    | 185,653                 | 172,335      | 169,828      |
| Interest expense, net                                     | 19,613                  | 18,402       | 15,709       |
| Other expense, net  | 875                     | 3,629        | 2,443        |
| Income before income taxes                                | 165,165                 | 150,304      | 151,676      |
| Income tax expense  | 40,600                  | 47,232       | 48,475       |
| Net income  | 124,565                 | 103,072      | 103,201      |
| Less: Net income attributable to noncontrolling interests | (3,495)                 | (3,200)      | (4,506)      |
| Net income attributable to Acushnet Holdings Corp.        | \$ 121,070              | \$ 99,872    | \$ 98,695    |
| <b>Adjusted EBITDA:</b>                                   |                         |              |              |
| Net income attributable to Acushnet Holdings Corp.        | \$ 121,070              | \$ 99,872    | \$ 98,695    |
| Interest expense, net                                     | 19,613                  | 18,402       | 15,709       |
| Income tax expense  | 40,600                  | 47,232       | 48,475       |
| Depreciation and amortization                             | 43,002                  | 40,496       | 40,871       |
| Share-based compensation                                  | 10,975                  | 18,563       | 15,285       |
| Transaction fees  | 2,654                   | 599          | 686          |
| Executive pension settlement <sup>(a)</sup>               | —                       | 2,543        | —            |
| Other non-cash gains, net <sup>(b)</sup>                  | (1,283)                 | (81)         | (859)        |
| Net income attributable to noncontrolling interests       | 3,495                   | 3,200        | 4,506        |
| Adjusted EBITDA   | \$ 240,126              | \$ 230,826   | \$ 223,368   |
| Adjusted EBITDA margin                                    | 14.3%                   | 14.1%        | 14.3%        |

(a) 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.

(b) Includes non-cash indemnification expense (income) related to obligations owed to us by Beam and other non-cash (gains) losses, net that are included when calculating net income attributable to Acushnet Holdings Corp.

**Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018**

Net sales by reportable segment is summarized as follows:

| <i>(in millions)</i> | Year ended   |          |                     |          | Constant Currency   |          |
|----------------------|--------------|----------|---------------------|----------|---------------------|----------|
|                      | December 31, |          | Increase/(Decrease) |          | Increase/(Decrease) |          |
|                      | 2019         | 2018     | \$ change           | % change | \$ change           | % change |
| Titleist golf balls  | \$ 551.6     | \$ 524.0 | \$ 27.6             | 5.3 %    | \$ 36.4             | 6.9 %    |
| Titleist golf clubs  | 434.4        | 445.3    | (10.9)              | (2.4)%   | (5.6)               | (1.3)%   |
| Titleist golf gear   | 150.0        | 146.1    | 3.9                 | 2.7 %    | 7.2                 | 4.9 %    |
| FootJoy golf wear    | 441.9        | 439.7    | 2.2                 | 0.5 %    | 11.0                | 2.5 %    |

Segment operating income by reportable segment is summarized as follows:

| <i>(in millions)</i> | Year ended   |         |                     |          |
|----------------------|--------------|---------|---------------------|----------|
|                      | December 31, |         | Increase/(Decrease) |          |
|                      | 2019         | 2018    | \$ change           | % change |
| Titleist golf balls  | \$ 93.3      | \$ 79.0 | \$ 14.3             | 18.1 %   |
| Titleist golf clubs  | 38.8         | 45.2    | (6.4)               | (14.2)%  |
| Titleist golf gear   | 17.3         | 15.4    | 1.9                 | 12.3 %   |
| FootJoy golf wear    | 24.4         | 18.0    | 6.4                 | 35.6 %   |

Net sales information by region is summarized as follows:

| <i>(in millions)</i> | Year ended   |            |                     |          | Constant Currency   |          |
|----------------------|--------------|------------|---------------------|----------|---------------------|----------|
|                      | December 31, |            | Increase/(Decrease) |          | Increase/(Decrease) |          |
|                      | 2019         | 2018       | \$ change           | % change | \$ change           | % change |
| United States        | \$ 884.8     | \$ 826.1   | \$ 58.7             | 7.1 %    | \$ 58.7             | 7.1 %    |
| EMEA                 | 230.5        | 219.8      | 10.7                | 4.9 %    | 24.2                | 11.0 %   |
| Japan                | 182.7        | 199.1      | (16.4)              | (8.2)%   | (18.6)              | (9.3)%   |
| Korea                | 223.4        | 221.1      | 2.3                 | 1.0 %    | 15.7                | 7.1 %    |
| Rest of world        | 160.0        | 167.6      | (7.6)               | (4.5)%   | (2.1)               | (1.3)%   |
| Total net sales      | \$ 1,681.4   | \$ 1,633.7 | \$ 47.7             | 2.9 %    | \$ 77.9             | 4.8 %    |

(1) Europe, the Middle East and Africa ("EMEA")

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### *Net Sales*

Net sales increased by \$47.7 million, or 2.9%, to \$1,681.4 million for the year ended December 31, 2019 compared to \$1,633.7 million for the year ended December 31, 2018. On a constant currency basis, net sales would have increased by \$77.9 million, or 4.8%, to \$1,711.6 million. The increase in net sales on a constant currency basis was due to an increase of \$36.4 million in Titleist golf balls driven by our latest generation Pro V1 and Pro V1x golf balls launched in the first quarter of 2019 and sales from PG Golf which we acquired in the fourth quarter of 2018, an increase of \$11.0 million in FootJoy golf wear primarily due to sales volume increases in apparel, an increase of \$7.2 million in Titleist golf gear on sales increases across all product categories, partially offset by a decrease of \$5.6 million in Titleist golf clubs. The remaining change in net sales was primarily due to the acquisition of KJUS during the third quarter of 2019. The results of KJUS have not been allocated to any of our reportable segments.

Net sales in the United States increased by \$58.7 million, or 7.1%, to \$884.8 million for the year ended December 31, 2019 compared to \$826.1 million for the year ended December 31, 2018. The increase in net sales in the United States resulted from an increase of \$24.8 million in net sales of Titleist golf balls primarily driven by higher sales volumes of our latest generation Pro V1 and Pro V1x golf balls launched in the first quarter of 2019 and sales from PG Golf which we acquired in the fourth quarter of 2018, an increase of \$12.2 million in net sales of FootJoy golf wear, an increase of \$7.8 million in Titleist golf clubs and an increase of \$5.2 million in Titleist golf gear. The remaining change in net sales was primarily due to the acquisition of KJUS.

Our sales in regions outside of the United States decreased by \$11.0 million, or 1.4%, to \$796.6 million for the year ended December 31, 2019 compared to \$807.6 million for the year ended December 31, 2018. On a constant currency basis, net sales in such regions would have increased by \$19.2 million, or 2.4%, to \$826.8 million. In EMEA, the increase in net sales was primarily due to the acquisition of KJUS and higher sales volumes of Titleist golf balls. In Korea, the increase in net sales was driven by increased sales across all product categories. In Japan, the decrease in net sales was primarily due to a decrease in sales of Titleist golf clubs and FootJoy golf wear.

### *Gross Profit*

Gross profit increased by \$29.8 million to \$872.2 million for the year ended December 31, 2019 compared to \$842.4 million for the year ended December 31, 2018. Gross margin increased to 51.9% for the year ended December 31, 2019 compared to 51.6% for the year ended December 31, 2018. The increase in gross profit resulted from a \$13.3 million increase in gross profit in Titleist golf balls driven by higher sales volumes of our latest generation Pro V1 and Pro V1x golf balls and sales from PG Golf, a \$6.9 million increase in FootJoy golf wear driven by a sales volume increase and higher average selling prices in apparel and a \$2.8 million increase in gross profit in Titleist golf gear driven by higher sales volumes across all product categories, partially offset by a \$5.2 million decrease in Titleist golf clubs primarily due to a sales volume decrease in drivers and fairways. The remaining change in gross profit was primarily due to the acquisition of KJUS.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased by \$15.6 million to \$627.5 million for the year ended December 31, 2019 compared to \$611.9 million for the year ended December 31, 2018. This increase was primarily due to increases of \$10.0 million in selling expenses across all segments, \$2.1 million in acquisition related transaction fees, \$1.1 million in advertising and promotion, and the impact of the acquisition of KJUS. This increase was partially offset by a decrease of \$7.4 million in share-based compensation expense. Overall SG&A included a favorable impact of changes in foreign currency exchange rates across all expense categories and segments of \$8.2 million.

### *Research and Development*

R&D expenses increased by \$0.1 million to \$51.6 million for the year ended December 31, 2019 compared to \$51.5 million for the year ended December 31, 2018. R&D expenses increased primarily as a result of the acquisition of KJUS, partially offset by a decrease in share-based compensation expense.

### *Intangible Amortization*

Intangible amortization expense increased \$0.9 million to \$7.5 million for the year ended December 31, 2019, compared to \$6.6 million for the year ended December 31, 2018, primarily due to an increase in amortizing intangible assets related to the acquisition of KJUS.



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*Interest Expense, net*

Interest expense, net increased by \$1.2 million to \$19.6 million for the year ended December 31, 2019 compared to \$18.4 million for the year ended December 31, 2018, primarily due to costs associated with amending our credit agreement during December 2019 as discussed further below.

*Other Expense, net*

Other expense, net decreased by \$2.7 million to \$0.9 million for the year ended December 31, 2019 compared to \$3.6 million for the year ended December 31, 2018, 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 during the year ended December 31, 2018.

*Income Tax Expense*

Income tax expense decreased by \$6.6 million to \$40.6 million for the year ended December 31, 2019 compared to \$47.2 million for the year ended December 31, 2018. Our effective tax rate ("ETR") was 24.6% for the year ended December 31, 2019, compared to 31.4% for the year ended December 31, 2018. The decrease in ETR was primarily driven by the impact of changes in our geographic mix of earnings and the reduction of tax expense associated with the U.S. tax of foreign earnings as well as the finalization of our accounting related to the 2017 Tax Act during the year ended December 31, 2018.

*Net Income Attributable to Acushnet Holdings Corp.*

Net income attributable to Acushnet Holdings Corp. increased by \$21.2 million to \$121.1 million for the year ended December 31, 2019 compared to \$99.9 million for the year ended December 31, 2018, primarily as a result of an increase in income from operations and a decrease in income tax expense, as discussed above.

*Adjusted EBITDA*

Adjusted EBITDA increased by \$9.3 million to \$240.1 million for the year ended December 31, 2019 compared to \$230.8 million for the year ended December 31, 2018. Adjusted EBITDA margin increased to 14.3% for the year ended December 31, 2019 compared to 14.1% for the year ended December 31, 2018.

*Segment Results*

**Titleist Golf Balls Segment**

Net sales in our Titleist golf balls segment increased by \$27.6 million, or 5.3%, to \$551.6 million for the year ended December 31, 2019 compared to \$524.0 million for the year ended December 31, 2018. On a constant currency basis, net sales in our Titleist golf balls segment would have increased by \$36.4 million, or 6.9%, to \$560.4 million. This increase was primarily driven by higher sales volumes of our latest generation Pro V1 and Pro V1x golf balls launched in the first quarter of 2019 and sales from PG Golf which we acquired in the fourth quarter of 2018, partially offset by a sales volume decline in our performance golf balls which were in their second model year.

Titleist golf balls segment operating income increased by \$14.3 million, or 18.1%, to \$93.3 million for the year ended December 31, 2019 compared to \$79.0 million for the year ended December 31, 2018. This increase was primarily due to an increase in gross profit of \$13.3 million and lower operating expenses. The increase in gross profit was primarily driven by the sales volume increase discussed above. Operating expenses decreased primarily due to a \$2.8 million decrease in share-based compensation expense, partially offset by a \$2.8 million increase in selling expense primarily due to PG Golf.

**Titleist Golf Clubs Segment**

Net sales in our Titleist golf clubs segment decreased by \$10.9 million, or 2.4%, to \$434.4 million for the year ended December 31, 2019 compared to \$445.3 million for the year ended December 31, 2018. On a constant currency basis, net sales in our Titleist golf clubs segment would have decreased by \$5.6 million, or 1.3%, to \$439.7 million. The decrease in net sales resulted from lower sales volumes of our wedges, TS fairways and TS drivers which were in their second model year and was partially offset by an increase in sales volumes of our T-Series irons, U-Series utility irons, TS hybrids and putters launched during 2019.

Titleist golf clubs segment operating income decreased by \$6.4 million, or 14.2%, to \$38.8 million for the year ended December 31, 2019 compared to \$45.2 million for the year ended December 31, 2018. The decrease in operating income primarily resulted from lower gross profit of \$5.2 million primarily as a result of decreased sales volumes discussed above and

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an increase of \$2.2 million in advertising and promotion expenses primarily related to new product launches, partially offset by a \$1.9 million decrease in share-based compensation expense.

**Titleist Golf Gear Segment**

Net sales in our Titleist golf gear segment increased by \$3.9 million, or 2.7%, to \$150.0 million for the year ended December 31, 2019 compared to \$146.1 million for the year ended December 31, 2018. On a constant currency basis, net sales in our Titleist golf gear segment would have increased by \$7.2 million, or 4.9%, to \$153.3 million. This increase was primarily driven by higher sales volumes in our golf bags, travel gear and golf gloves categories.

Titleist golf gear segment operating income increased by \$1.9 million, or 12.3%, to \$17.3 million for the year ended December 31, 2019 compared to \$15.4 million for the year ended December 31, 2018. The increase in operating income was primarily driven by higher gross profit as a result of the sales volume increase discussed above.

**FootJoy Golf Wear Segment**

Net sales in our FootJoy golf wear segment increased by \$2.2 million, or 0.5%, to \$441.9 million for the year ended December 31, 2019 compared to \$439.7 million for the year ended December 31, 2018. On a constant currency basis, net sales in our FootJoy golf wear segment would have increased by \$11.0 million, or 2.5%, to \$450.7 million. This increase was primarily driven by a sales volume increase and higher average selling prices in apparel, partially offset by lower average selling prices in the footwear category.

FootJoy golf wear segment operating income increased by \$6.4 million, or 35.6%, to \$24.4 million for the year ended December 31, 2019 compared to \$18.0 million for the year ended December 31, 2018. The increase was primarily due to higher gross profit of \$6.9 million partially offset by higher operating expenses. The increase in gross profit was primarily driven by higher apparel sales and average selling prices as discussed above, partially offset by lower average selling prices in footwear. Operating expenses increased as a result of a \$5.7 million increase in selling expense which was partially offset by a decrease of \$2.3 million in share-based compensation expense.

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

Net sales by reportable segment is summarized as follows:

| <i>(in millions)</i> | Year ended   |          | Increase/(Decrease) |          | Constant Currency   |          |
|----------------------|--------------|----------|---------------------|----------|---------------------|----------|
|                      | December 31, |          |                     |          | Increase/(Decrease) |          |
|                      | 2018         | 2017     | \$ change           | % change | \$ change           | % change |
| Titleist golf balls  | \$ 524.0     | \$ 512.0 | \$ 12.0             | 2.3%     | \$ 6.1              | 1.2 %    |
| Titleist golf clubs  | 445.3        | 398.0    | 47.3                | 11.9%    | 41.8                | 10.5 %   |
| Titleist golf gear   | 146.1        | 142.9    | 3.2                 | 2.2%     | 0.4                 | 0.3 %    |
| FootJoy golf wear    | 439.7        | 437.5    | 2.2                 | 0.5%     | (6.2)               | (1.4)%   |

Segment operating income by reportable segment is summarized as follows:

| <i>(in millions)</i> | Year ended   |         | Increase/(Decrease) |          |
|----------------------|--------------|---------|---------------------|----------|
|                      | December 31, |         |                     |          |
|                      | 2018         | 2017    | \$ change           | % change |
| Titleist golf balls  | \$ 79.0      | \$ 78.4 | \$ 0.6              | 0.7 %    |
| Titleist golf clubs  | 45.2         | 32.1    | 13.1                | 40.7 %   |
| Titleist golf gear   | 15.4         | 16.8    | (1.4)               | (8.2)%   |
| FootJoy golf wear    | 18.0         | 27.0    | (9.0)               | (33.5)%  |

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Net sales information by region is summarized as follows:

| <i>(in millions)</i> | Year ended   |            | Increase/(Decrease) |          | Constant Currency   |          |
|----------------------|--------------|------------|---------------------|----------|---------------------|----------|
|                      | December 31, |            |                     |          | Increase/(Decrease) |          |
|                      | 2018         | 2017       | \$ change           | % change | \$ change           | % change |
| United States        | \$ 826.1     | \$ 789.9   | \$ 36.2             | 4.6 %    | \$ 36.2             | 4.6 %    |
| EMEA                 | 219.8        | 205.2      | 14.6                | 7.1 %    | 2.6                 | 1.3 %    |
| Japan                | 199.1        | 201.3      | (2.2)               | (1.1)%   | (5.7)               | (2.8)%   |
| Korea                | 221.1        | 200.4      | 20.7                | 10.4 %   | 13.7                | 6.8 %    |
| Rest of world        | 167.6        | 163.5      | 4.1                 | 2.5 %    | 2.0                 | 1.2 %    |
| Total net sales      | \$ 1,633.7   | \$ 1,560.3 | \$ 73.4             | 4.7 %    | \$ 48.8             | 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 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.

### **Liquidity and Capital Resources**

Our primary cash needs relate to working capital, capital expenditures, servicing of our debt, paying dividends, pension contributions and repurchasing shares of our common stock. 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 impacted by our level of working capital, which 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 during 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, 2019, we had \$32.1 million of unrestricted cash (including \$7.7 million attributable to our FootJoy golf shoe joint venture). As of December 31, 2019, 93.2% 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 December 23, 2019, we entered into an amended and restated credit agreement (the “restated credit agreement”) for our senior secured credit facilities. This restated credit agreement amended various terms of our credit agreement, originally dated as of April 27, 2016. The restated credit agreement, together with related security, guarantee and other agreements, is referred to as the “restated credit facility.” As of December 31, 2019, we had \$338.5 million of availability under our restated revolving credit facility after giving effect to \$11.2 million of outstanding letters of credit. Additionally, we had \$60.1 million available under our local credit facilities. See “Notes to Consolidated Financial Statements-Note 10-Debt and Financing

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Arrangements,” Item 8 of Part II included elsewhere in this report, for a description of our credit facilities including the terms of our restated credit agreement.

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, 2019, 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 \$33.0 million of capital expenditures during the year ended December 31, 2019. Capital expenditures in 2020 are expected to be approximately \$38.0 million, although the actual amount may vary depending upon a variety of factors, including the timing of implementation of certain capital projects. Capital expenditures for 2019 and 2020 primarily relate 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.

As of December 31, 2019, our Board of Directors had authorized us to repurchase up to an aggregate \$50.0 million of our issued and outstanding common stock from time to time. On February 11, 2020, our Board of Directors authorized us to repurchase up to an additional \$50.0 million of our issued and outstanding common stock, bringing the total authorization up to \$100.0 million. Share repurchases may be effected in open market or privately negotiated transactions, including transactions with affiliates, with the timing of purchases and the amount of stock purchased generally determined at our discretion within the constraints of our credit agreement and general working capital needs. This program will remain in effect until completed or until terminated by the Board of Directors. In connection with this share repurchase program, we entered into an agreement with Magnus Holdings Co., Ltd. (“Magnus”), a wholly-owned subsidiary of Fila, to purchase from Magnus an equal amount of our common stock as we purchase on the open market at the same weighted average per share price. The Company and Magnus agreed upon a determination date of December 6, 2019 for shares to be repurchased from Magnus. During the year ended December 31, 2019, we repurchased 1,127,966 shares of common stock at an average price of \$26.02 for an aggregate of \$29.4 million. The shares purchased during the year ended December 31, 2019 include 535,983 shares purchased from Magnus at an average price of \$25.70 per share for an aggregate of \$13.8 million. Subsequent to the determination date, we repurchased additional shares on the open market. As a result, we recorded a \$1.8 million liability for an additional 56,000 shares of common stock to be repurchased from Magnus as of December 31, 2019. Excluding the impact of the share repurchase liability, as of December 31, 2019, we had \$20.6 million remaining under the current share repurchase program, including the \$11.1 million related to the Magnus share repurchase agreement. See “Notes to Consolidated Financial Statements-Note 15-Common Stock,” Item 8 of Part II, included elsewhere in this report, for disclosures related to the Magnus share repurchase liability.

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 “Risk Factors,” Item 1A of Part I, included elsewhere in this report.

### 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:

| <i>(in thousands)</i>   | Year ended December 31, |             |             |
|---|-------------------------|-------------|-------------|
|   | 2019                    | 2018        | 2017        |
| Cash flows provided by (used in):                                   |                         |             |             |
| Operating activities  | \$ 134,283              | \$ 163,733  | \$ (27,037) |
| Investing activities  | (61,060)                | (49,703)    | (18,845)    |
| Financing activities  | (70,328)                | (128,883)   | 9,255       |
| Effect of foreign exchange rate changes on cash and restricted cash | 275                     | (1,855)     | 5,209       |
| Net increase (decrease) in cash and restricted cash                 | \$ 3,170                | \$ (16,708) | \$ (31,418) |

***Cash Flows From Operating Activities***

Net cash provided by operating activities was \$134.3 million for the year ended December 31, 2019, compared to net cash provided by operating activities of \$163.7 million for the year ended December 31, 2018, a decrease in cash provided by operating activities of \$29.4 million. The decrease in cash provided by operating activities was primarily due to an increase in working capital during the year ended December 31, 2019. 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 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 equity appreciation rights plan of \$151.5 million during the year ended December 31, 2017 which reduced net cash provided by operating activities in that period.

***Cash Flows From Investing Activities***

Net cash used in investing activities was \$61.1 million for the year ended December 31, 2019, compared to \$49.7 million for the year ended December 31, 2018, an increase of \$11.4 million, primarily related to an increase in cash used for business acquisitions.

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 cash used for business acquisitions during the year ended December 31, 2018 and an increase in capital expenditures.

***Cash Flows From Financing Activities***

Net cash used in financing activities was \$70.3 million for the year ended December 31, 2019, compared to \$128.9 million for the year ended December 31, 2018, a decrease in cash used in financing activities of \$58.6 million. This decrease was primarily due to an increase in net proceeds from borrowings, partially offset by an increase in payments related to purchases of common stock and employee restricted stock tax withholdings during the year ended December 31, 2019.

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.



## Contractual Obligations

The following table summarizes our outstanding contractual obligations as of December 31, 2019:

| <i>(in thousands)</i>  | Total             | Payments Due by Period |                   |                   |                   |
|--|-------------------|------------------------|-------------------|-------------------|-------------------|
|  |                   | Less than<br>1 Year    | 1-3<br>Years      | 4-5<br>Years      | After<br>5 Years  |
| Long-term debt obligations <sup>(1)</sup>                    | \$ 350,000        | \$ 17,500              | \$ 35,000         | \$ 297,500        | \$ —              |
| Interest payments related to debt obligations <sup>(2)</sup> | 50,708            | 11,301                 | 20,854            | 18,553            | —                 |
| Pension and other postretirement benefit obligations         | 279,814           | 24,115                 | 47,914            | 56,701            | 151,084           |
| Purchase obligations <sup>(3)</sup>                          | 144,383           | 128,242                | 13,442            | 1,096             | 1,603             |
| Lease obligations <sup>(4)</sup>                             | 51,082            | 14,232                 | 17,173            | 7,257             | 12,420            |
| <b>Total</b>   | <b>\$ 875,987</b> | <b>\$ 195,390</b>      | <b>\$ 134,383</b> | <b>\$ 381,107</b> | <b>\$ 165,107</b> |

- (1) Long-term debt obligations consisted of the outstanding principal of our term loan facility.
- (2) Interest payments related to debt obligations assumes that all debt outstanding as of December 31, 2019 remains outstanding until maturity and is calculated based on interest rates in effect as of December 31, 2019. 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, 2019.
- (4) We lease certain warehouses, distribution and office facilities, vehicles and equipment under finance and operating leases. Lease obligations represent the future undiscounted cash flows on these leases. Certain leases include one or more options to renew, with renewal terms that can extend the lease term up to three years. The future lease obligations would change if we were to exercise these options or if we were to enter into additional leases. See "Notes to Consolidated Financial Statements-Note 4-Leases," Item 8 of Part II, included elsewhere in this report, for disclosures related to these lease obligations.

### Off-Balance Sheet Arrangements

As of December 31, 2019, 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 Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various assumptions that are believed to be 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. Actual results may differ from these estimates.

A summary of significant accounting policies is included in Note 2, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements in Item 8 of Part II, which is incorporated herein by reference. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. We believe the following judgments and estimates are critical in the preparation of our consolidated financial statements.

### Goodwill

We evaluate goodwill for impairment annually and whenever events or circumstances indicate that the carrying amount of this asset may not be recoverable. We test goodwill for impairment by comparing the fair value of the reporting unit to its carrying value. The fair value of our reporting units is determined using the income approach. Under the income approach, we estimate the fair value of a reporting unit based on the present value of estimated future cash flows. Cash flow

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projections are based on management's estimates of revenue growth rates, taking into consideration industry and market conditions. The discount rate is the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the reporting unit's ability to execute on the projected cash flows. This analysis contains uncertainties related to estimating revenue growth as it requires us to make assumptions and 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.

If the fair value of a reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is 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.

We perform our annual impairment test of goodwill during the fourth quarter of our fiscal year. There were no impairment charges recorded for the years ended December 31, 2019, 2018 and 2017.

### ***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. 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 3.24% and 3.12%, respectively, for the year ended December 31, 2019. Decreasing the discount rate by 100 basis points would have increased the projected benefit obligations of our pension and other postretirement benefit plan by approximately \$33.5 million and \$1.8 million, respectively, for the year ended December 31, 2019.

Our net periodic benefit cost related to our pension and other postretirement benefit plans is calculated using a weighted average discount rate of 4.25% and 4.27%, respectively, for the year ended December 31, 2019. Decreasing the discount rate by 100 basis points would increase net periodic pension and other postretirement benefit cost by approximately \$2.5 million and \$0.3 million, respectively, for the year ended December 31, 2019. Additionally, our net periodic benefit cost related to our pension plans is calculated using an expected return on plan assets of 5.84% for the year ended December 31, 2019. Decreasing the expected return on plan assets by 100 basis points would increase net periodic pension benefit cost by approximately \$1.4 million for the year ended December 31, 2019.

### ***Income Taxes***

Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax basis of assets and liabilities, as well as from net operating losses and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including reversal of temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely heavily on estimates that are based on a number of factors, including historical experience and short-range and long-range business forecasts. As of December 31, 2019, we had a valuation allowance on certain net operating loss and tax credit carryforwards based on our assessment that it is more likely than not that the deferred tax assets will not be recognized. As of December 31, 2019 and 2018, the cumulative valuation allowance against deferred tax assets was \$18.4 million and \$15.5 million, respectively.

We are subject to income taxes in the U.S. and foreign jurisdictions. We account for uncertain tax positions using a more likely than not threshold for recognizing and resolving uncertain tax matters. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given that the outcome of these matters will not be different. We adjust these reserves in light of changing facts and circumstances, such as the closing of tax audits or refinement of an estimate. To the extent the outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes and the effective tax rate in the period in which the determination is made.

The 2017 Tax Act was signed into law on December 22, 2017 and significantly changed how corporations are taxed. The U.S. Tax Act requires complex computations to be performed that were not previously required U.S. tax law, significant judgments to be made in interpretation of the provisions of the U.S. Tax Act, significant estimates in calculations, and the preparation and analysis of information not previously relevant or regularly produced. The U.S. Treasury Department, the IRS, and other standard-setting bodies will continue to interpret or issue guidance on how provisions of the U.S. Tax Act will be applied or otherwise administered. As future guidance is issued, we may adjust amounts that we have previously recorded that may materially impact our provision for income taxes in the period in which the adjustments are made.

#### **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. The LIBOR rate, on which the Eurodollar Rate is based, is expected to be discontinued by the end of 2021. The restated credit agreement permits us to agree with the administrative agent for the restated credit facility on a replacement benchmark rate subject to certain conditions (including that a majority of the lenders do not object to such replacement rate within a specified period of time following notice thereof from the administrative agent). 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, 2019 and 2018, the notional value of our outstanding interest rate swap contracts was \$160.0 million and \$185.0 million, respectively. 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, 2019, we had \$244.1 million of outstanding indebtedness at variable interest rates (excluding unamortized debt issuance costs) after giving effect to \$160.0 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, 2019 would have resulted in an increase of \$2.4 million in 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 costs) after giving effect to \$185.0 million of hedged variable rate indebtedness. The same sensitivity analysis of movement in variable interest rates as of December 31, 2018, 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.

### *Foreign Exchange Risk*

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 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 exchange forward contracts outstanding at December 31, 2019 was \$287.9 million, representing a net settlement asset of \$3.0 million. The gross U.S. dollar equivalent notional amount of all foreign exchange forward contracts outstanding at December 31, 2018 was \$312.8 million, representing a net settlement asset of \$6.4 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.

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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, 2019, 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 \$3.0 million would decrease by \$22.8 million resulting in a net settlement liability of \$19.8 million. The same sensitivity analysis of changes in the fair value of our foreign exchange forward contracts outstanding at December 31, 2018, 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 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, 2019, 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, 2019.

***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, 2019. 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, 2019, 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, 2019 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:

| <b>Exhibit Number</b>  | <b>Description</b>  |
|------------------------|---|
| <a href="#">3.1</a>    | <a href="#">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)).</a>   |
| <a href="#">3.2</a>    | <a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Acushnet Holdings Corp. (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K filed on February 28, 2019 (No. 001-37935)).</a>  |
| <a href="#">3.3</a>    | <a href="#">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)).</a>   |
| <a href="#">4.1</a>    | <a href="#">Description of Securities (filed herewith).</a>   |
| <a href="#">10.1†</a>  | <a href="#">Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement under the Acushnet Holdings Corp. 2015 Omnibus Incentive Plan (filed herewith).</a>  |
| <a href="#">10.2†</a>  | <a href="#">Form of Performance Stock Unit Grant Notice and Performance Stock Unit Agreement under the Acushnet Holdings Corp. 2015 Omnibus Incentive Plan (filed herewith).</a>  |
| <a href="#">10.3†</a>  | <a href="#">Acushnet Executive Severance Plan (as amended and restated effective January 1, 2019) (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K filed on February 28, 2019 (No. 001-37935)).</a>  |
| <a href="#">10.4†</a>  | <a href="#">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)).</a>   |
| <a href="#">10.5†</a>  | <a href="#">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)).</a>  |
| <a href="#">10.6†</a>  | <a href="#">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)).</a>   |
| <a href="#">10.7</a>   | <a href="#">Amended and Restated Credit Agreement, dated as of December 23, 2019, among Acushnet Holdings Corp., Acushnet Company, Acushnet Canada Inc., Acushnet Europe Ltd., Wells Fargo Bank, National Association, the lenders party thereto and the other agents named therein. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 30, 2019 (No. 001-37935)).</a> |
| <a href="#">10.8</a>   | <a href="#">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)).</a>   |
| <a href="#">10.9</a>   | <a href="#">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)).</a>   |
| <a href="#">10.10†</a> | <a href="#">Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement for Directors under the Acushnet Holdings Corp. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K filed on February 28, 2019 (No. 001-37935)).</a>  |
| <a href="#">10.11†</a> | <a href="#">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)).</a>   |
| <a href="#">10.12†</a> | <a href="#">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)).</a>  |
| <a href="#">10.13†</a> | <a href="#">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)).</a>  |
| <a href="#">10.14†</a> | <a href="#">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)).</a>  |
| <a href="#">10.15</a>  | <a href="#">Stock Repurchase Agreement, dated May 10, 2019 between Acushnet Holdings Corp. and Magnus Holdings Co., Ltd. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 10, 2019 (No. 001-37935)).</a>  |
| <a href="#">21.1</a>   | <a href="#">List of Subsidiaries (filed herewith).</a>  |
| <a href="#">23.1</a>   | <a href="#">Consent of PricewaterhouseCoopers LLP (filed herewith).</a>   |
| <a href="#">24.1</a>   | <a href="#">Power of Attorney (filed herewith).</a>   |
| <a href="#">31.1</a>   | <a href="#">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).</a>  |
| <a href="#">31.2</a>   | <a href="#">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).</a>  |

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[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.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).

104 Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

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†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 27, 2020

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.

| <b>Signature</b>                            | <b>Capacity</b>   | <b>Date</b>       |
|---|---|-------------------|
| <u>/s/ David Maher</u><br>David Maher       | President and Chief Executive Officer (Principal Executive Officer)   | February 27, 2020 |
| <u>/s/ Thomas Pacheco</u><br>Thomas Pacheco | Executive Vice President, Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer) | February 27, 2020 |
| <u>*</u><br>Yoon Soo Yoon                   | Chairman  | February 27, 2020 |
| <u>*</u><br>Jennifer Estabrook              | Director  | February 27, 2020 |
| <u>*</u><br>Gregory Hewett                  | Director  | February 27, 2020 |
| <u>*</u><br>Sean Sullivan                   | Director  | February 27, 2020 |
| <u>*</u><br>Steven Tishman                  | Director  | February 27, 2020 |
| <u>*</u><br>Walter Uihlein                  | Director  | February 27, 2020 |
| <u>*</u><br>Keun Chang Yoon                 | Director  | February 27, 2020 |

\*By: /s/ Brendan Gibbons

Name: Brendan Gibbons

Title: *Attorney In Fact*

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## 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, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2019, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 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, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Change in Accounting Principle***

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

### ***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.

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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.

***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Goodwill Impairment Assessment for the Titleist Golf Clubs Reporting Unit***

As described in Notes 2 and 8 to the consolidated financial statements, the Company's consolidated goodwill balance was \$214.1 million as of December 31, 2019, and the goodwill balance associated with the Titleist Golf Clubs reporting unit was \$57.1 million. Goodwill is evaluated for impairment at least annually, or more frequently if an event occurs or circumstances change that would indicate that the fair value of the reporting unit is less than its carrying amount. Potential impairment is identified by comparing the fair value of a 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 by management using the income approach. As disclosed by management, the income approach uses a discounted cash flow analysis which includes estimates and assumptions made by management, the most significant being the estimate of revenue growth rates.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment for the Titleist Golf Clubs reporting unit is a critical audit matter are there was significant judgment by management when determining the fair value measurement of the reporting unit. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to revenue growth rates.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Company's Titleist Golf Clubs reporting unit. These procedures also included, among others, testing management's process for determining the fair value estimate; evaluating the appropriateness of the discounted cash flow model; testing the completeness, accuracy, and relevance of underlying data used in the model; and evaluating the reasonableness of significant assumptions used by management related to revenue growth rates. Evaluating management's assumptions related to revenue growth rates involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts  
February 27, 2020

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 its predecessors.

**ACUSHNET HOLDINGS CORP.**  
**CONSOLIDATED BALANCE SHEETS**

| <i>(in thousands, except share and per share amounts)</i>  | December 31, 2019   | December 31, 2018   |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| Current assets   |                     |                     |
| Cash and restricted cash (\$8,514 and \$8,436 attributable to the variable interest entity ("VIE"))              | \$ 34,184           | \$ 31,014           |
| Accounts receivable, net   | 215,428             | 186,114             |
| Inventories (\$11,958 and \$9,658 attributable to the VIE)   | 398,368             | 361,207             |
| Other assets   | 94,838              | 85,666              |
| Total current assets   | 742,818             | 664,001             |
| Property, plant and equipment, net (\$11,374 and \$11,615 attributable to the VIE)                               | 231,575             | 228,388             |
| Goodwill (\$32,312 and \$32,312 attributable to the VIE)   | 214,056             | 209,671             |
| Intangible assets, net   | 480,794             | 478,257             |
| Deferred income taxes  | 70,541              | 78,028              |
| Other assets (\$2,517 and \$2,593 attributable to the VIE)   | 77,265              | 33,276              |
| Total assets   | <u>\$ 1,817,049</u> | <u>\$ 1,691,621</u> |
| <b>Liabilities, Redeemable Noncontrolling Interest and Shareholders' Equity</b>                                  |                     |                     |
| Current liabilities  |                     |                     |
| Short-term debt  | \$ 54,123           | \$ 920              |
| Current portion of long-term debt  | 17,500              | 35,625              |
| Accounts payable (\$8,360 and \$6,882 attributable to the VIE)   | 102,335             | 86,045              |
| Accrued taxes  | 36,032              | 38,268              |
| Accrued compensation and benefits (\$3,542 and \$1,634 attributable to the VIE)                                  | 72,465              | 77,181              |
| Accrued expenses and other liabilities (\$4,468 and \$3,462 attributable to the VIE)                             | 76,663              | 56,828              |
| Total current liabilities  | 359,118             | 294,867             |
| Long-term debt   | 330,701             | 346,953             |
| Deferred income taxes  | 4,837               | 4,635               |
| Accrued pension and other postretirement benefits  | 118,852             | 102,077             |
| Other noncurrent liabilities (\$5,202 and \$4,831 attributable to the VIE)                                       | 51,908              | 16,105              |
| Total liabilities  | 865,416             | 764,637             |
| Commitments and contingencies (Note 22)  |                     |                     |
| Redeemable noncontrolling interest   | 807                 | —                   |
| Shareholders' equity   |                     |                     |
| Common stock, \$0.001 par value, 500,000,000 shares authorized; 75,619,587 and 74,760,062 shares issued          | 76                  | 75                  |
| Additional paid-in capital   | 910,507             | 910,890             |
| Accumulated other comprehensive loss, net of tax   | (112,028)           | (89,039)            |
| Retained earnings  | 151,039             | 72,946              |
| Treasury stock, at cost; 1,183,966 shares (including 56,000 of accrued share repurchase) and no shares (Note 15) | (31,154)            | —                   |
| Total equity attributable to Acushnet Holdings Corp.   | 918,440             | 894,872             |
| Noncontrolling interests   | 32,386              | 32,112              |
| Total shareholders' equity   | 950,826             | 926,984             |
| Total liabilities, redeemable noncontrolling interest and shareholders' equity                                   | <u>\$ 1,817,049</u> | <u>\$ 1,691,621</u> |

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

**ACUSHNET HOLDINGS CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

| <i>(in thousands, except share and per share amounts)</i>            | Year ended December 31, |              |              |
|--|-------------------------|--------------|--------------|
|  | 2019                    | 2018         | 2017         |
| Net sales  | \$ 1,681,357            | \$ 1,633,721 | \$ 1,560,258 |
| Cost of goods sold   | 809,122                 | 791,370      | 758,401      |
| Gross profit   | 872,235                 | 842,351      | 801,857      |
| Operating expenses:  |                         |              |              |
| Selling, general and administrative                                  | 627,503                 | 611,883      | 578,289      |
| Research and development   | 51,601                  | 51,489       | 47,241       |
| Intangible amortization  | 7,478                   | 6,644        | 6,499        |
| Income from operations   | 185,653                 | 172,335      | 169,828      |
| Interest expense, net (Note 18)                                      | 19,613                  | 18,402       | 15,709       |
| Other expense, net   | 875                     | 3,629        | 2,443        |
| Income before income taxes   | 165,165                 | 150,304      | 151,676      |
| Income tax expense   | 40,600                  | 47,232       | 48,475       |
| Net income   | 124,565                 | 103,072      | 103,201      |
| Less: Net income attributable to noncontrolling interests            | (3,495)                 | (3,200)      | (4,506)      |
| Net income attributable to Acushnet Holdings Corp.                   | \$ 121,070              | \$ 99,872    | \$ 98,695    |
| Net income per common share attributable to Acushnet Holdings Corp.: |                         |              |              |
| Basic  | \$ 1.61                 | \$ 1.34      | \$ 1.33      |
| Diluted  | 1.60                    | 1.32         | 1.32         |
| Weighted average number of common shares:                            |                         |              |              |
| Basic  | 75,418,204              | 74,766,176   | 74,399,836   |
| Diluted  | 75,759,605              | 75,472,342   | 74,590,999   |

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



**ACUSHNET HOLDINGS CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| <i>(in thousands)</i>   | Year ended December 31, |            |            |
|---|-------------------------|------------|------------|
|   | 2019                    | 2018       | 2017       |
| Net income  | \$ 124,565              | \$ 103,072 | \$ 103,201 |
| Other comprehensive income (loss):                                  |                         |            |            |
| Foreign currency translation adjustments                            | 666                     | (11,971)   | 26,964     |
| Cash flow derivative instruments                                    |                         |            |            |
| Unrealized holding gains (losses) arising during period             | 3,305                   | 6,222      | (15,558)   |
| Reclassification adjustments included in net income                 | (7,476)                 | 1,886      | (1,329)    |
| Tax benefit (expense)   | 909                     | (1,668)    | 4,072      |
| Cash flow derivative instruments, net                               | (3,262)                 | 6,440      | (12,815)   |
| Available-for-sale securities                                       |                         |            |            |
| Unrealized holding gains arising during period                      | —                       | —          | 150        |
| Tax benefit   | —                       | —          | 35         |
| Available-for-sale securities, net                                  | —                       | —          | 185        |
| Pension and other postretirement benefits                           |                         |            |            |
| Pension and other postretirement benefits adjustments               | (26,537)                | 5,690      | (6,889)    |
| Tax benefit (expense)   | 6,144                   | (1,375)    | 1,698      |
| Pension and other postretirement benefits adjustments, net          | (20,393)                | 4,315      | (5,191)    |
| Total other comprehensive (loss) income                             | (22,989)                | (1,216)    | 9,143      |
| Comprehensive income  | 101,576                 | 101,856    | 112,344    |
| Less: Comprehensive income attributable to noncontrolling interests | (3,577)                 | (3,114)    | (4,524)    |
| Comprehensive income attributable to Acushnet Holdings Corp.        | \$ 97,999               | \$ 98,742  | \$ 107,820 |

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

**ACUSHNET HOLDINGS CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| <i>(in thousands)</i>  | Year ended December 31, |            |            |
|--|-------------------------|------------|------------|
|  | 2019                    | 2018       | 2017       |
| <b>Cash flows from operating activities</b>  |                         |            |            |
| Net income   | \$ 124,565              | \$ 103,072 | \$ 103,201 |
| Adjustments to reconcile net income to cash provided by (used in) operating activities |                         |            |            |
| Depreciation and amortization  | 43,002                  | 40,496     | 40,871     |
| Unrealized foreign exchange loss (gain)  | 215                     | 3,960      | (4,028)    |
| Amortization of debt issuance costs  | 1,884                   | 1,409      | 1,321      |
| Share-based compensation   | 10,975                  | 18,563     | 15,285     |
| Loss on disposals of property, plant and equipment                                     | 13                      | 128        | 912        |
| Deferred income taxes  | 8,474                   | 15,541     | 21,272     |
| Changes in operating assets and liabilities  |                         |            |            |
| Accounts receivable  | (27,092)                | 571        | (2,592)    |
| Inventories  | (25,168)                | 805        | (28,372)   |
| Accounts payable   | 10,851                  | (5,789)    | 974        |
| Accrued taxes  | 2,655                   | 4,311      | (10,283)   |
| Other assets and liabilities   | (16,091)                | (19,334)   | (165,598)  |
| Cash flows provided by (used in) operating activities                                  | 134,283                 | 163,733    | (27,037)   |
| <b>Cash flows from investing activities</b>  |                         |            |            |
| Additions to property, plant and equipment   | (32,956)                | (32,801)   | (18,845)   |
| Business acquisitions, net of cash acquired  | (28,104)                | (16,902)   | —          |
| Cash flows used in investing activities  | (61,060)                | (49,703)   | (18,845)   |
| <b>Cash flows from financing activities</b>  |                         |            |            |
| Proceeds (repayments) of short-term borrowings, net                                    | 54,115                  | (17,742)   | (25,548)   |
| Proceeds from term loan facility   | 350,000                 | —          | —          |
| Proceeds from delayed draw term loan A facility  | —                       | —          | 100,000    |
| Repayments of term loan A facility   | (330,469)               | (21,094)   | (18,750)   |
| Repayments of delayed draw term loan A facility  | (54,375)                | (40,625)   | (5,000)    |
| Purchases of common stock  | (29,352)                | —          | —          |
| Debt issuance costs  | (2,373)                 | (381)      | —          |
| Dividends paid on common stock   | (43,490)                | (39,057)   | (35,744)   |
| Dividends paid to noncontrolling interests   | (3,354)                 | (7,350)    | (4,800)    |
| Payment of employee restricted stock tax withholdings                                  | (11,030)                | (2,634)    | (903)      |
| Cash flows (used in) provided by financing activities                                  | (70,328)                | (128,883)  | 9,255      |
| Effect of foreign exchange rate changes on cash and restricted cash                    | 275                     | (1,855)    | 5,209      |
| Net increase (decrease) in cash and restricted cash                                    | 3,170                   | (16,708)   | (31,418)   |
| Cash and restricted cash, beginning of year  | 31,014                  | 47,722     | 79,140     |
| Cash and restricted cash, end of year  | \$ 34,184               | \$ 31,014  | \$ 47,722  |
| <b>Supplemental information</b>  |                         |            |            |
| Cash paid for interest to third parties  | \$ 18,218               | \$ 18,344  | \$ 15,488  |
| Cash paid for income taxes   | 31,269                  | 27,389     | 35,949     |
| Non-cash additions to property, plant and equipment                                    | 2,820                   | 2,568      | 2,876      |
| Dividend equivalents rights ("DERs") declared not paid                                 | 775                     | 882        | 801        |
| Share repurchase liability (Note 15)   | 1,802                   | —          | —          |
| Non-cash loan to noncontrolling interest (Note 21)                                     | 4,392                   | —          | —          |

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

**ACUSHNET HOLDINGS CORP.**
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

| <i>(in thousands)</i>  | Common Stock |        | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Loss | Retained<br>Earnings<br>(Deficit) | Treasury<br>Stock | Total<br>Shareholders'<br>Equity<br>Attributable<br>to Acushnet<br>Holdings Corp. | Noncontrolling<br>Interests | Total<br>Shareholders'<br>Equity |
|--|--------------|--------|----------------------------------|---|-----------------------------------|-------------------|---|-----------------------------|----------------------------------|
|  | Shares       | Amount |                                  |   |                                   |                   |   |                             |                                  |
| <b>Balances as of December 31, 2016</b>  | 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<br>DERs, net of shares withheld for employee taxes (Note 16) | 385          | —      | (903)                            | —   | —                                 | —                 | (903)   | —                           | (903)                            |
| Dividends and dividend equivalents declared  | —            | —      | —                                | —   | (36,545)                          | —                 | (36,545)  | —                           | (36,545)                         |
| Dividends declared to noncontrolling interests   | —            | —      | —                                | —   | —                                 | —                 | —   | (4,800)                     | (4,800)                          |
| <b>Balances as of December 31, 2017</b>  | 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 21)   | —            | —      | —                                | —   | —                                 | —                 | —   | 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<br>DERs, net of shares withheld for employee taxes (Note 16) | 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)                          |
| <b>Balances as of December 31, 2018</b>  | 74,760       | 75     | 910,890                          | (89,039)                                      | 72,946                            | —                 | 894,872   | 32,112                      | 926,984                          |
| Net income   | —            | —      | —                                | —   | 121,070                           | —                 | 121,070   | 3,628                       | 124,698                          |
| Other comprehensive loss   | —            | —      | —                                | (22,989)                                      | —                                 | —                 | (22,989)  | —                           | (22,989)                         |
| Share-based compensation   | —            | —      | 10,647                           | —   | —                                 | —                 | 10,647  | —                           | 10,647                           |
| Vesting of restricted common stock, including impact of<br>DERs, net of shares withheld for employee taxes (Note 16) | 860          | 1      | (11,030)                         | —   | —                                 | —                 | (11,029)  | —                           | (11,029)                         |
| Purchases of common stock (Note 15)  | —            | —      | —                                | —   | —                                 | (29,352)          | (29,352)  | —                           | (29,352)                         |
| Share repurchase liability (Note 15)   | —            | —      | —                                | —   | —                                 | (1,802)           | (1,802)   | —                           | (1,802)                          |
| Dividends and dividend equivalents declared  | —            | —      | —                                | —   | (42,977)                          | —                 | (42,977)  | —                           | (42,977)                         |
| Dividends declared to noncontrolling interests   | —            | —      | —                                | —   | —                                 | —                 | —   | (3,354)                     | (3,354)                          |
| <b>Balances at December 31, 2019</b>   | 75,620       | \$ 76  | \$ 910,507                       | \$ (112,028)                                  | \$151,039                         | \$ (31,154)       | \$ 918,440  | \$ 32,386                   | \$ 950,826                       |

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, Sweden and Switzerland), 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 Holdings Co., formerly known as Fila Korea Co., Ltd., (“Fila”), 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 at a 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, purchased from the Financial Investors shares of the Company’s common stock, resulting in Magnus holding a controlling ownership interest in the Company’s outstanding common stock.

**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.

**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 and liabilities and related disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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, 2019 and 2018. 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 and Redeemable Noncontrolling Interest**

The ownership interests held by owners other than the Company in less than wholly-owned subsidiaries are classified as noncontrolling interests. Redeemable noncontrolling interests are those noncontrolling interests which are or may become redeemable at a fixed or determinable price on a fixed or determinable date, at the option of the holder, or upon occurrence of an event. The financial results and position of the noncontrolling interests are included in their entirety in the Company's consolidated statements of operations and consolidated balance sheets. The value attributable to the noncontrolling interests is presented on the consolidated balance sheets, separately from the equity attributable to the Company. The value attributable to the redeemable noncontrolling interest is presented in the consolidated balance sheets as temporary equity between liabilities and shareholders' equity. 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.

### **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, 2019 and 2018, book overdrafts in the amount of \$2.4 million and \$2.2 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, 2019 and 2018, the amount of restricted cash included in cash and restricted cash on the consolidated balance sheets was \$2.0 million.

### **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, 2019 and 2018, the Company had \$30.0 million and \$28.6 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. Approximate cost is determined on the first-in, first-out basis. 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 6 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

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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 7 for additional information.

### **Long-Lived Assets**

Long-lived assets are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are recorded on a straight-line basis, generally over the estimated useful lives of the 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.

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 8 for additional information.

The Company performs its annual impairment tests in the fourth quarter of each fiscal year. During the years ended December 31, 2019, 2018 and 2017, no impairment charges were recorded to goodwill or indefinite-lived intangible assets.

### **Debt Issuance Costs**

The Company defers costs directly associated with acquiring third-party financing. These debt issuance costs are amortized as interest expense over the term of the related indebtedness. Debt issuance costs associated with the revolving credit facilities are included in other current and noncurrent assets and debt issuance costs associated with all other indebtedness are netted against long-term debt 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

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asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must 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.

See Note 12 for additional information regarding the Company's fair value measurements.

### **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 2019, 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. 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

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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 22). 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 generally ranging from one to two years. Products covered by the defined warranty policies primarily 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 9 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 \$193.5 million, \$192.2 million and \$192.7 million for the years ended December 31, 2019, 2018 and 2017, 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 \$36.7 million, \$34.1 million and \$32.5 million for the years ended December 31, 2019, 2018 and 2017, 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, net of tax. 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 \$0.5 million, a loss of \$1.9 million and a gain of \$4.1 million for the years ended December 31, 2019, 2018 and 2017, 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 the consolidated statement of operations. 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 members of the 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 estimated fair value is determined based on the closing price of the Company's common stock, generally on the award date, multiplied by the number of shares per the stock award. 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 16 for additional information.

## **Recently Adopted Accounting Standards**

### ***Leases***

On January 1, 2019, the Company adopted Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"), which requires the recognition of right-of-use assets and related operating and finance lease liabilities on the consolidated balance sheet. As permitted by ASC 842, the Company adopted ASC 842 using the optional transition approach, which allowed for a cumulative effect adjustment as of January 1, 2019, which is the date of initial application, and did not restate prior periods. As a result, the consolidated balance sheet prior to January 1, 2019 was not restated and continues to be reported under ASC Topic 840, *Leases* ("ASC 840"), which did not require the recognition of right-of-use assets and related operating lease liabilities on the consolidated balance sheet, and is not comparative.

Under ASC 842, all leases are required to be recorded on the consolidated balance sheet and are classified as either operating or finance leases. A lease is classified as a finance lease if any one of the following criteria are met: the lease transfers ownership of the asset by the end of the lease term, the lease contains an option to purchase the asset that is reasonably certain to be exercised, the lease term is for a major part of the remaining useful life of the asset, the present value of the lease payments equals or exceeds substantially all of the fair value of the asset, or the leased asset is of a highly specialized nature. A lease is classified as an operating lease if it does not meet any one of these criteria.

The lease classification affects the expense recognition in the consolidated statement of operations. Operating lease expense consists of the lease payments plus any initial direct costs and is recognized on a straight-line basis over the lease term in the consolidated statement of operations. Finance lease charges are split, where amortization of the right-of-use asset is recorded as depreciation and amortization expense and an implied interest component is recorded in interest expense, net. The expense recognition for operating leases and finance leases under ASC 842 is consistent with ASC 840. As a result, there is no impact on the results of operations presented in the Company's consolidated statements of operations and consolidated statements of comprehensive income for the periods presented as a result of the adoption of ASC 842.

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As permitted under ASC 842, the Company also elected to not reassess prior conclusions related to the identification, classification and accounting for initial direct costs for leases that commenced prior to January 1, 2019. As permitted under ASC 842, the Company elected to not use hindsight to determine lease terms. As permitted under ASC 842, the Company has elected to not separate non-lease components within its lease portfolio. As permitted under ASC 842, the Company has also elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less. The effect of short-term leases on the Company's operating right-of-use assets and operating lease liabilities was not material.

Upon adoption of ASC 842, the Company recognized operating lease right-of-use assets and operating lease liabilities. The right-of-use asset represents the right to use the leased asset for the lease term. The lease liability represents the present value of the lease payments under the lease. The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred less any lease incentives received. Lease payments included in the measurement of the lease liability comprise the following: the fixed non-cancelable lease payments, payments for optional renewal periods where it is reasonably certain the renewal period will be exercised, and payments for early termination options unless it is reasonably certain the lease will not be terminated early. The discount rate implicit within the Company's leases is generally not determinable and therefore the Company determines the discount rate based on its incremental collateralized borrowing rate applicable to the location where the lease is held. The incremental borrowing rate for each of the Company's leases is determined based on the lease term and currency in which such lease payments are made. On January 1, 2019, the Company recorded an adjustment to operating lease right-of-use assets and the related lease liabilities of \$49.8 million.

The Company leases office and warehouse space, machinery and equipment, and vehicles, among other items. Certain leases include one or more options to renew, with renewal terms that can extend the lease term up to three years. For contracts entered into on or after the effective date, at the inception of a contract the Company assesses whether the contract is, or contains, a lease. The Company's assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Company obtained the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether the Company has the right to direct the use of the asset. See further discussion in Note 4.

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

On January 1, 2019, the Company adopted Accounting Standards Update ("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 simplified the application of hedge accounting guidance, hedge documentation requirements and the assessment of hedge effectiveness. The adoption of this standard did not have a material impact on the consolidated financial statements.

### ***Changes to the Disclosure Requirements for Fair Value Measurement***

On January 1, 2019, the Company adopted 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 are meant to provide more relevant information regarding valuation techniques and inputs used to arrive at measures of fair value, uncertainty in the fair value measurements, and how changes in fair value measurements impact an entity's performance and cash flows. The adoption of this standard did not have an impact on the consolidated financial statements or related disclosures.

### ***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 superseded the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and required equity securities to be measured at fair value with changes in the fair value recognized through net income, among other items (Note 17). 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 for the year ended December 31, 2017 has not been restated and continues to be reported under the accounting standards in effect for such period.

## Recently Issued Accounting Standards

### *Income Taxes*

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, *"Income Taxes (Topic 740) —Simplifying the Accounting for Income Taxes"* ("ASU 2019-12"). The amendments in this update simplify the accounting for income taxes by removing certain exceptions to general principles in Topic 740. The amendments also improve consistent application and simplify U.S. GAAP for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

### *Intangibles —Goodwill and Other —Internal-Use Software*

In August 2018, the 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 beginning after December 15, 2019 and should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. 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.

### *Financial Instruments—Credit Losses*

In June 2016, the FASB issued ASU 2016-13, *"Financial Instruments —Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"* ("ASU 2016-13"). ASU 2016-13 is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Additionally, enhanced disclosures will be required to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company does not expect the effect of adoption to have a material impact on its consolidated financial statements.

## 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. 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

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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 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. The refund liability for expected returns was \$10.2 million and \$9.8 million as of December 31, 2019 and 2018, respectively. The value of inventory expected to be recovered related to sales returns was \$6.1 million and \$5.7 million as of December 31, 2019 and 2018, respectively.

### **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, all of which are subject to change.

### **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 20 for the Company's business segment disclosures, as well as a further disaggregation of net sales by geographical area.

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**4. Leases**

The Company's operating lease right-of-use assets and operating lease liabilities represent leases for office and warehouse space, machinery and equipment, and vehicles, among other items. The Company's finance lease right-of-use assets and finance lease liabilities represent leases for vehicles.

Lease costs recognized on the consolidated statements of operations were as follows:

| <i>(in thousands)</i>         |                                     | Year ended        |
|-------------------------------|-------------------------------------|-------------------|
| Lease costs                   | Location in Statement of Operations | December 31, 2019 |
| Operating                     | Cost of goods sold                  | \$ 2,361          |
|                               | Selling, general and administrative | 11,775            |
|                               | Research and development            | 773               |
| <b>Finance</b>                |                                     |                   |
| Amortization of lease assets  | Selling, general and administrative | 8                 |
| Interest on lease liabilities | Interest expense, net               | 2                 |
| Total lease cost              |                                     | <u>\$ 14,919</u>  |

Total rental expense for all operating leases amounted to \$15.7 million and \$16.3 million for the years ended December 31, 2018 and 2017, respectively.

Supplemental balance sheet information related to the Company's leases is as follows:

| <i>(in thousands)</i>      |  | December 31, 2019 |
|----------------------------|--|-------------------|
| <b>Right-of-use assets</b> |  |                   |
| Operating                  | Other noncurrent assets                | \$ 44,407         |
| Finance                    | Property, plant and equipment, net     | 281               |
|                            | Total lease assets                     | <u>\$ 44,688</u>  |
| <b>Lease liabilities</b>   |  |                   |
| Operating                  | Accrued expenses and other liabilities | \$ 11,336         |
| Finance                    | Accrued expenses and other liabilities | 8                 |
| Operating                  | Other noncurrent liabilities           | 34,137            |
| Finance                    | Long-term debt                         | 273               |
|                            | Total lease liabilities                | <u>\$ 45,754</u>  |

The weighted average remaining lease term and the weighted average discount rate for leases is as follows:

|  | December 31, 2019 |
|--|-------------------|
| Weighted average remaining lease term (years): |                   |
| Operating                                      | 5.8               |
| Finance  | 5.9               |
| Weighted average discount rate:                |                   |
| Operating                                      | 3.42%             |
| Finance  | 4.18%             |

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The following table reconciles the undiscounted cash flows for leases as of December 31, 2019 to lease liabilities recorded on the consolidated balance sheet:

|  | <i>(in thousands)</i> | Operating | Finance | Total     |
|--|-----------------------|-----------|---------|-----------|
|  |                       | Leases    | Leases  |           |
| 2020                                   | \$                    | 14,173    | \$ 59   | \$ 14,232 |
| 2021                                   |                       | 10,321    | 57      | 10,378    |
| 2022                                   |                       | 6,740     | 55      | 6,795     |
| 2023                                   |                       | 3,889     | 53      | 3,942     |
| 2024                                   |                       | 3,264     | 51      | 3,315     |
| Thereafter                             |                       | 12,379    | 41      | 12,420    |
| Total future lease payments            |                       | 50,766    | 316     | 51,082    |
| Less: Interest                         |                       | (5,293)   | (35)    | (5,328)   |
| Present value of lease liabilities     | \$                    | 45,473    | \$ 281  | \$ 45,754 |
| Accrued expenses and other liabilities | \$                    | 11,336    | \$ 8    | \$ 11,344 |
| Other noncurrent liabilities           |                       | 34,137    | —       | 34,137    |
| Long-term debt                         |                       | —         | 273     | 273       |
| Total lease liabilities                | \$                    | 45,473    | \$ 281  | \$ 45,754 |

Future minimum rental payments under noncancelable operating leases as of December 31, 2018 were as follows:

| <i>(in thousands)</i>         |           |
|-------------------------------|-----------|
| 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 |

Supplemental cash flow information and non-cash activity related to the Company's leases are as follows:

| <i>(in thousands)</i>   | Year ended        |        |
|---|-------------------|--------|
|   | December 31, 2019 |        |
| <b>Cash paid for amounts included in the measurement of lease liabilities:</b>  |                   |        |
| Operating cash flows for operating leases                                       | \$                | 14,804 |
| Operating cash flows for finance leases   |                   | 2      |
| Financing cash flows for finance leases   |                   | 8      |
| <b>Non-cash right-of-use assets obtained in exchange for lease obligations:</b> |                   |        |
| Operating leases  | \$                | 9,530  |
| Finance leases  |                   | 289    |

## 5. Allowance for Doubtful Accounts

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

| <i>(in thousands)</i>             | Year ended December 31, |          |           |
|-----------------------------------|-------------------------|----------|-----------|
|                                   | 2019                    | 2018     | 2017      |
| Balance at beginning of year      | \$ 7,272                | \$ 9,975 | \$ 12,255 |
| Bad debt expense                  | 573                     | (583)    | 337       |
| Amount of receivables written off | (2,706)                 | (1,873)  | (3,300)   |

|  |                 |                 |                 |
|--|-----------------|-----------------|-----------------|
| Foreign currency translation and other | 199             | (247)           | 683             |
| <b>Balance at end of year</b>          | <u>\$ 5,338</u> | <u>\$ 7,272</u> | <u>\$ 9,975</u> |

## 6. Inventories

The components of inventories were as follows:

| <i>(in thousands)</i>      | December 31,<br>2019 | December 31,<br>2018 |
|----------------------------|----------------------|----------------------|
| Raw materials and supplies | \$ 87,675            | \$ 71,068            |
| Work-in-process            | 22,024               | 21,763               |
| Finished goods             | 288,669              | 268,376              |
| Inventories                | <u>\$ 398,368</u>    | <u>\$ 361,207</u>    |

## 7. Property, Plant and Equipment, Net

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

| <i>(in thousands)</i>                     | December 31,<br>2019 | December 31,<br>2018 |
|---|----------------------|----------------------|
| Land                                      | \$ 14,551            | \$ 14,515            |
| Buildings and improvements                | 146,727              | 142,113              |
| Machinery and equipment                   | 171,230              | 160,707              |
| Furniture, computers and equipment        | 40,143               | 36,405               |
| Computer software                         | 70,458               | 62,517               |
| Construction in progress                  | 25,044               | 19,999               |
| Property, plant and equipment, gross      | 468,153              | 436,256              |
| Accumulated depreciation and amortization | (236,578)            | (207,868)            |
| Property, plant and equipment, net        | <u>\$ 231,575</u>    | <u>\$ 228,388</u>    |

During the years ended December 31, 2019, 2018 and 2017, software development costs of \$11.8 million, \$4.1 million and \$3.1 million were capitalized. Capitalized software development costs as of December 31, 2019, 2018 and 2017 consisted of software placed into service of \$7.2 million, \$1.7 million and \$2.4 million, respectively, and amounts recorded in construction in progress of \$4.6 million, \$2.4 million and \$0.7 million, respectively. Amortization expense on capitalized software development costs was \$6.6 million, \$6.3 million and \$6.4 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Total depreciation and amortization expense related to property, plant and equipment was \$32.4 million, \$32.2 million and \$31.6 million for the years ended December 31, 2019, 2018 and 2017, respectively.

## 8. 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:

| <i>(in thousands)</i>                | Titleist<br>Golf Balls | Titleist<br>Golf Clubs | Titleist<br>Golf Gear | FootJoy<br>Golf Wear | Other            | Total             |
|--------------------------------------|------------------------|------------------------|-----------------------|----------------------|------------------|-------------------|
| <b>Balances at December 31, 2017</b> | \$ 119,634             | \$ 58,101              | \$ 14,088             | \$ 2,585             | \$ 8,995         | \$ 203,403        |
| Acquisitions (Note 21)               | 8,492                  | —                      | —                     | 1,071                | —                | 9,563             |
| Foreign currency translation         | (1,931)                | (949)                  | (222)                 | (43)                 | (150)            | (3,295)           |
| <b>Balances at December 31, 2018</b> | 126,195                | 57,152                 | 13,866                | 3,613                | 8,845            | 209,671           |
| Acquisitions (Note 21)               | —                      | —                      | —                     | —                    | 4,749            | 4,749             |
| Foreign currency translation         | (214)                  | (104)                  | (25)                  | (5)                  | (16)             | (364)             |
| <b>Balances at December 31, 2019</b> | <u>\$ 125,981</u>      | <u>\$ 57,048</u>       | <u>\$ 13,841</u>      | <u>\$ 3,608</u>      | <u>\$ 13,578</u> | <u>\$ 214,056</u> |



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

| <i>(in thousands)</i>          | December 31, 2019 |                          |                   | December 31, 2018 |                          |                   |
|--------------------------------|-------------------|--------------------------|-------------------|-------------------|--------------------------|-------------------|
|                                | Gross             | Accumulated Amortization | Net Book Value    | Gross             | Accumulated Amortization | Net Book Value    |
| <b>Indefinite-lived:</b>       |                   |                          |                   |                   |                          |                   |
| Trademarks                     | \$ 429,051        | \$ —                     | \$ 429,051        | \$ 429,051        | \$ —                     | \$ 429,051        |
| <b>Amortizing:</b>             |                   |                          |                   |                   |                          |                   |
| Trademarks                     | 5,503             | (492)                    | 5,011             | 1,600             | (50)                     | 1,550             |
| Completed technology           | 74,715            | (46,370)                 | 28,345            | 73,900            | (41,017)                 | 32,883            |
| Customer relationships         | 27,127            | (8,923)                  | 18,204            | 22,023            | (7,250)                  | 14,773            |
| Licensing fees and other       | 32,666            | (32,483)                 | 183               | 32,384            | (32,384)                 | —                 |
| <b>Total intangible assets</b> | <b>\$ 569,062</b> | <b>\$ (88,268)</b>       | <b>\$ 480,794</b> | <b>\$ 558,958</b> | <b>\$ (80,701)</b>       | <b>\$ 478,257</b> |

As a result of an acquisition completed during the year ended December 31, 2019, the Company recorded additions to identifiable intangible assets including amortizing trademarks, completed technology, customer relationships and other intangible assets of \$3.9 million, \$0.8 million, \$5.1 million and \$0.2 million, respectively (Note 21). The Company expects to amortize the acquired amortizing trademarks, completed technology, customer relationships and other intangible assets over an eight, six, seven and five year period, respectively.

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 21). The Company expects to amortize the acquired amortizing trademarks and customer relationships over an eight year period.

During the years ended December 31, 2019, 2018 and 2017, no impairment charges were recorded to goodwill or indefinite-lived intangible assets.

Identifiable intangible asset amortization expense was \$7.5 million, \$8.0 million and \$9.3 million for the years ended December 31, 2019, 2018 and 2017, respectively, of which \$1.4 million and \$2.7 million associated with certain licensing fees was included in cost of goods sold for the years ended December 31, 2018 and 2017, respectively.

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

| <i>(in thousands)</i>           |                  |
|---------------------------------|------------------|
| <b>Year ending December 31,</b> |                  |
| 2020                            | \$ 7,835         |
| 2021                            | 7,835            |
| 2022                            | 7,835            |
| 2023                            | 7,835            |
| 2024                            | 7,815            |
| Thereafter                      | 12,588           |
| Total                           | <u>\$ 51,743</u> |

## 9. Product Warranty

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

| <i>(in thousands)</i>                  | Year ended December 31, |                 |                 |
|--|-------------------------|-----------------|-----------------|
|  | 2019                    | 2018            | 2017            |
| <b>Balance at beginning of year</b>    | \$ 3,331                | \$ 3,823        | \$ 3,526        |
| Provision                              | 6,863                   | 5,909           | 5,801           |
| Claims paid/costs incurred             | (6,481)                 | (6,315)         | (5,653)         |
| Foreign currency translation and other | 335                     | (86)            | 149             |
| <b>Balance at end of year</b>          | <u>\$ 4,048</u>         | <u>\$ 3,331</u> | <u>\$ 3,823</u> |

**10. Debt and Financing Arrangements**

The Company's debt and finance lease obligations were as follows:

| <i>(in thousands)</i>                                       | December 31, 2019 | December 31, 2018 |
|---|-------------------|-------------------|
| Term loan facility  | \$ 350,000        | \$ —              |
| Term loan A facility  | —                 | 330,469           |
| Delayed draw term loan A facility                           | —                 | 54,375            |
| Revolving credit facility                                   | 50,321            | —                 |
| Other short-term borrowings                                 | 3,802             | 920               |
| Finance lease obligations                                   | 273               | —                 |
| Debt issuance costs   | (2,072)           | (2,266)           |
| Total   | 402,324           | 383,498           |
| Less: short-term debt and current portion of long-term debt | 71,623            | 36,545            |
| Total long-term debt and finance lease obligations          | \$ 330,701        | \$ 346,953        |

The debt issuance costs of \$2.1 million as of December 31, 2019 relates to the term loan facility. The debt issuance costs of \$2.3 million as of December 31, 2018 relates to the term loan A facility and delayed draw term loan A facility.

**Restated Credit Agreement**

On December 23, 2019, the Company entered into an amended and restated credit agreement (the "restated credit agreement") arranged by Wells Fargo Bank, National Association ("Wells Fargo") to amend various terms of the Company's credit agreement, dated as of April 27, 2016, as amended, for its senior secured credit facilities with Wells Fargo, as administrative agent, and the other lenders and agents party thereto (the "senior secured credit facility"). The restated credit agreement, together with related security, guarantee and other agreements, is referred to as the "restated credit facility."

The restated credit facility provides for (x) a \$350.0 million term loan facility maturing December 23, 2024 and (y) a \$400.0 million revolving credit facility maturing December 23, 2024, including a \$50.0 million letter of credit sublimit, a \$50.0 million swing line sublimit, a C\$50.0 million sublimit available for revolving credit borrowings by Acushnet Canada Inc., a £45.0 million sublimit available for revolving credit borrowings by Acushnet Europe Ltd. and a \$200.0 million sublimit for borrowings in Canadian dollars, euros, pounds sterling, Japanese yen and other currencies agreed to by the lenders under the revolving credit facility. The revolving credit facility and term loan facility are collateralized by certain assets, including inventory, accounts receivable, fixed assets and intangible assets of the Company.

The Company has the right under the restated credit facility to request additional term loans and/or increases to the revolving credit facility in an aggregate principal amount not to exceed (i) \$225.0 million plus (ii) an unlimited amount so long as the Net Average Secured Leverage Ratio (as defined in the restated credit agreement) does not exceed 2.25:1.00 on a pro forma basis. The lenders under the restated credit facility will not be under any obligation to provide any such additional term loans or increases to the revolving credit facility, and the incurrence of any additional term loans or increases to the revolving credit facility is subject to customary conditions precedent.

Borrowings under the restated credit facility bear interest at a rate per annum equal to, at the applicable Borrower's option, either (a) a base rate determined by reference to the highest of (1) the prime rate of Wells Fargo, (2) the federal funds effective rate plus 0.50% and (3) a Eurodollar Rate, subject to certain adjustments, plus 1.00% or (b) a Eurodollar Rate (or, in the case of Canadian borrowings, a Canadian Dollar Offered Rate), subject to certain adjustments, in each case, plus an applicable margin. The restated credit agreement reduced the applicable margin by 0.25%. Under the restated credit agreement, the applicable margin is 0.00% to 0.75% for base rate borrowings and 1.00% to 1.75% for Eurodollar rate or Canadian Dollar Offered Rate borrowings, in each case, depending on the Net Average Total Leverage Ratio (as defined in the restated credit agreement). In addition, the Company is required to pay a commitment fee on any unutilized commitments under the revolving credit facility. The restated credit agreement reduced the commitment fee rate payable in respect of unused portions of the revolving credit facility by 0.05% to 0.15% to 0.30% per annum, depending on the Net Average Total Leverage Ratio. The initial commitment fee rate is 0.20% per annum. The Company is also required to pay customary letter of credit fees.

Interest on borrowings under the restated 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.

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The Company is required to make principal payments on the loans under the term loan facility in quarterly installments in an aggregate annual amount equal to 5.00%.

The restated 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 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.

The financial covenants were modified under the restated credit facility. The maximum Net Average Total Leverage Ratio was increased to 3.50:1.00, which is subject to increase to 3.75:1.00 in connection with certain acquisitions, and the minimum Consolidated Interest Coverage Ratio (as defined in the restated credit agreement) was decreased to 3.00:1.00. In addition the restated credit facility modified certain covenant baskets.

The initial net proceeds from the restated credit facility were used to repay all of the outstanding debt under the Company's previously existing senior secured credit facility, as well as, payments of accrued interest and closing fees. Immediately prior to repayment, the aggregate amounts outstanding were approximately \$309.4 million, \$48.8 million and \$44.0 million related to the term loan A facility, delayed draw term loan A facility and revolving credit facility, respectively. In connection with amending its credit agreement, the Company incurred fees and expenses of approximately \$2.7 million, of which approximately \$2.3 million was capitalized as debt issuance costs included in other assets and long-term debt on the consolidated balance sheet. The remaining \$0.4 million was included in interest expense, net for the year ended December 31, 2019. In addition, the redemption of the previously existing senior secured credit facility resulted in interest expense, net of approximately \$0.4 million for the year ended December 31, 2019.

The interest rate applicable to the term loan facility as of December 31, 2019 was 3.04%. The weighted average interest rate applicable to the outstanding borrowings under the revolving credit facility was 3.54% as of December 31, 2019.

As of December 31, 2019, the Company had available borrowings under its revolving credit facility of \$338.5 million after giving effect to \$11.2 million of outstanding letters of credit.

### **Senior Secured Credit Facility**

On April 27, 2016, the Company entered into a senior secured credit facilities agreement arranged by Wells Fargo. As amended, this agreement provided for (i) a \$275.0 million multi-currency revolving credit facility, including a \$25.0 million letter of credit sublimit, a \$25.0 million swing line sublimit, a C\$35.0 million sublimit for Acushnet Canada, Inc., a £30.0 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.

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.

In connection with amending the senior secured credit facilities during the second quarter of 2018, the Company incurred approximately \$0.4 million in fees and expenses, which were initially recorded as debt issuance costs and recognized as interest expense over the term of the senior secured credit facilities.

The interest rate applicable to the term loan A facility and delayed draw term loan A facility as of December 31, 2018 was 4.02%.

## Debt Covenants

The restated credit agreement contains a number of covenants that, among other things, restrict the ability of the Company, subject to certain exceptions, to incur, assume, or permit to exist additional indebtedness or guarantees; incur liens; make investments and loans; pay dividends, make payments on, or redeem or repurchase capital stock or make prepayments, repurchases or redemptions of certain indebtedness; engage in mergers, liquidations, dissolutions, asset sales, and other non-ordinary course 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 restated 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 restated 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 restated 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, 2019, the Company was in compliance with all covenants under the restated credit agreement.

### Change of Control

A change of control is an event of default under the restated credit agreement which could result in the acceleration of all outstanding indebtedness and the termination of all commitments under the restated credit agreement and would allow the lenders under the restated 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) becomes the beneficial owner of 35% or more of the outstanding common stock of the Company.

### Other Short-Term Borrowings

The Company has certain unsecured local credit facilities available through its subsidiaries. The weighted average interest rate applicable to the outstanding borrowings was 2.29% and 3.25% as of December 31, 2019 and 2018, respectively. As of December 31, 2019, the Company had available borrowings remaining under these local credit facilities of \$60.1 million.

### Letters of Credit

As of December 31, 2019, there were outstanding letters of credit related to agreements, including the Company's restated credit facility, totaling \$14.8 million of which \$11.6 million was secured. As of December 31, 2018, there were outstanding letters of credit related to agreements, including the Company's senior secured credit facility, totaling \$15.5 million of which \$12.4 million was secured. These agreements provided a maximum commitment for letters of credit of \$59.8 million and \$29.2 million as of December 31, 2019 and 2018, respectively.

### Payments of Debt Obligations due by Period

As of December 31, 2019, principal payments due on outstanding long-term debt obligations were as follows:

*(in thousands)*

| Year ending December 31, |                   |
|--------------------------|-------------------|
| 2020                     | \$ 17,500         |
| 2021                     | 17,500            |
| 2022                     | 17,500            |
| 2023                     | 17,500            |
| 2024                     | 280,000           |
| Total                    | <u>\$ 350,000</u> |

## 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. The Company does not enter into derivative financial instrument contracts for trading or speculative purposes.

## Foreign Exchange Derivative Instruments

Foreign exchange derivative instruments are foreign exchange forward contracts primarily used to reduce the impact of currency fluctuations related to inventory purchases not denominated in the functional currency of the non-U.S. subsidiary, thereby limiting currency risk that would otherwise result from changes in exchange rates. These instruments are designated as cash flow hedges. 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, 2019 and 2018 was \$287.9 million and \$312.8 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. 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. There were no outstanding foreign exchange forward contracts not designated under hedge accounting as of December 31, 2019 and 2018.

## Interest Rate Derivative Instruments

The Company enters 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, 2019 and 2018, the notional value of the Company's outstanding interest rate swap contracts was \$160.0 million and \$185.0 million, respectively.

## 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,<br>2019 | December 31,<br>2018 |
|--|--------------------------|----------------------|----------------------|
| Other current assets                   | Foreign exchange forward | \$ 4,549             | \$ 6,116             |
| Other noncurrent assets                | Foreign exchange forward | 1,109                | 1,015                |
| Accrued expenses and other liabilities | Foreign exchange forward | 2,561                | 578                  |
|  | Interest rate swap       | 1,862                | 526                  |
| Other noncurrent liabilities           | Foreign exchange forward | 115                  | 161                  |
|  | Interest rate swap       | 789                  | 925                  |

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

| (in thousands)           | Gain (Loss) Recognized in<br>Other Comprehensive Loss |                 |                    |
|--------------------------|---|-----------------|--------------------|
|                          | Year ended December 31,                               |                 |                    |
| Type of hedge            | 2019  | 2018            | 2017               |
| Foreign exchange forward | \$ 5,490  | \$ 8,148        | \$ (15,558)        |
| Interest rate swap       | (2,185)   | (1,926)         | —                  |
|                          | <u>\$ 3,305</u>                                       | <u>\$ 6,222</u> | <u>\$ (15,558)</u> |

Gains and losses on derivative instruments designated as cash flow hedges are reclassified from accumulated other comprehensive loss, net of tax, at the time the forecasted transaction impacts the statement of operations. Based on the current valuation, during the next 12 months the Company expects to reclassify a net gain of \$3.0 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 \$1.9 million related to interest rate derivative instruments from accumulated other comprehensive loss, net of tax into interest expense, net. For further information related to amounts recognized in accumulated other comprehensive loss, net of tax, see Note 17.

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

| <i>(in thousands)</i>                                     | Year ended December 31, |                 |                   |
|---|-------------------------|-----------------|-------------------|
|   | 2019                    | 2018            | 2017              |
| <b>Location of gain (loss) in statement of operations</b> |                         |                 |                   |
| Foreign exchange forward:                                 |                         |                 |                   |
| Cost of goods sold  | \$ 8,465                | \$ (1,410)      | \$ 1,329          |
| Selling, general and administrative <sup>(1)</sup>        | 204                     | 1,665           | (2,732)           |
| Total   | <u>\$ 8,669</u>         | <u>\$ 255</u>   | <u>\$ (1,403)</u> |
| Interest Rate Swap:                                       |                         |                 |                   |
| Interest expense, net                                     | \$ (989)                | \$ (476)        | \$ —              |
| Total   | <u>\$ (989)</u>         | <u>\$ (476)</u> | <u>\$ —</u>       |

<sup>(1)</sup> Relates to gains (losses) on foreign exchange forward contracts derived from previously designated cash flow hedges.

**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.

**12. Fair Value Measurements**

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 were as follows:

| <i>(in thousands)</i>                     | Fair Value Measurements as of |                 |             | Balance Sheet Location                 |
|---|-------------------------------|-----------------|-------------|--|
|   | Level 1                       | Level 2         | Level 3     |  |
| <b>Assets</b>                             |                               |                 |             |  |
| Rabbi trust                               | \$ 6,070                      | \$ —            | \$ —        | Other current assets                   |
| Foreign exchange derivative instruments   | —                             | 4,549           | —           | Other current assets                   |
| Deferred compensation program assets      | 870                           | —               | —           | Other noncurrent assets                |
| Foreign exchange derivative instruments   | —                             | 1,109           | —           | Other noncurrent assets                |
| Total assets                              | <u>\$ 6,940</u>               | <u>\$ 5,658</u> | <u>\$ —</u> |  |
| <b>Liabilities</b>                        |                               |                 |             |  |
| Foreign exchange derivative instruments   | \$ —                          | \$ 2,561        | \$ —        | Accrued expenses and other liabilities |
| Interest rate swap derivative instrument  | —                             | 1,862           | —           | Accrued expenses and other liabilities |
| Deferred compensation program liabilities | 870                           | —               | —           | Other noncurrent liabilities           |
| Foreign exchange derivative instruments   | —                             | 115             | —           | Other noncurrent liabilities           |
| Interest rate swap derivative instrument  | —                             | 789             | —           | Other noncurrent liabilities           |
| Total liabilities                         | <u>\$ 870</u>                 | <u>\$ 5,327</u> | <u>\$ —</u> |  |

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Assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 were as follows:

| <i>(in thousands)</i>                     | Fair Value Measurements as of<br>December 31, 2018 using: |                 |             | Balance Sheet Location                 |
|---|---|-----------------|-------------|--|
|   | Level 1   | Level 2         | Level 3     |  |
| <b>Assets</b>                             |   |                 |             |  |
| 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                              | <u>\$ 9,637</u>   | <u>\$ 7,131</u> | <u>\$ —</u> |  |
| <b>Liabilities</b>                        |   |                 |             |  |
| Foreign exchange derivative instruments   | \$ —  | \$ 578          | \$ —        | Accrued expenses and other liabilities |
| Interest rate swap derivative instruments | —   | 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 instruments | —   | 925             | —           | Other noncurrent liabilities           |
| Total liabilities                         | <u>\$ 1,222</u>   | <u>\$ 2,190</u> | <u>\$ —</u> |  |

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 could 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 limit currency risk that would otherwise result from changes in exchange rates (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.

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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, 2019:

| <i>(in thousands)</i>                                 | <b>Pension<br/>Benefits<br/>(Underfunded)</b> | <b>Pension<br/>Benefits<br/>(Overfunded)</b> | <b>Postretirement<br/>Benefits</b> |
|---|---|--|------------------------------------|
| <b>Change in projected benefit obligation ("PBO")</b> |   |  |                                    |
| Benefit obligation at December 31, 2018               | \$ 274,821                                    | \$ 25,629                                    | \$ 14,412                          |
| Service cost  | 8,839   | —  | 574                                |
| Interest cost   | 10,208  | 729  | 557                                |
| Actuarial loss  | 47,077  | 2,628  | 2,288                              |
| Curtailments  | (116)   | —  | —                                  |
| Settlements   | (27,438)                                      | —  | —                                  |
| Plan amendments                                       | 1,464   | —  | —                                  |
| Participants' contributions                           | —   | —  | 498                                |
| Benefit payments                                      | (2,605)                                       | (639)  | (1,504)                            |
| Foreign currency translation                          | 290   | 742  | —                                  |
| Projected benefit obligation at December 31, 2019     | 312,540                                       | 29,089                                       | 16,825                             |
| Accumulated benefit obligation at December 31, 2019   | 282,986                                       | 27,412                                       | 16,825                             |
| <b>Change in plan assets</b>                          |   |  |                                    |
| Fair value of plan assets at December 31, 2018        | 176,044                                       | 40,700                                       | —                                  |
| Return on plan assets                                 | 33,799  | 1,772  | —                                  |
| Employer contributions                                | 24,540  | —  | 1,006                              |
| Participants' contributions                           | —   | —  | 498                                |
| Settlements   | (27,438)                                      | —  | —                                  |
| Benefit payments                                      | (2,605)                                       | (639)  | (1,504)                            |
| Foreign currency translation                          | 9   | 1,122  | —                                  |
| Fair value of plan assets at December 31, 2019        | 204,349                                       | 42,955                                       | —                                  |
| Funded status (fair value of plan assets less PBO)    | \$ (108,191)                                  | \$ 13,866                                    | \$ (16,825)                        |



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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, 2018:

| <i>(in thousands)</i>                               | Pension<br>Benefits<br>(Underfunded) | Pension<br>Benefits<br>(Overfunded) | Postretirement<br>Benefits |
|---|--------------------------------------|-------------------------------------|----------------------------|
| <b>Change in projected benefit obligation</b>       |                                      |                                     |                            |
| 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)                    |
| Curtailements                                       | (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                     |
| <b>Change in plan assets</b>                        |                                      |                                     |                            |
| 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)                |

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

| <i>(in thousands)</i>                             | Pension Benefits |             | Postretirement Benefits |             |
|---|------------------|-------------|-------------------------|-------------|
|   | December 31,     |             | December 31,            |             |
|   | 2019             | 2018        | 2019                    | 2018        |
| Other noncurrent assets                           | \$ 13,866        | \$ 15,071   | \$ —                    | \$ —        |
| Accrued compensation and benefits                 | (5,357)          | (10,391)    | (807)                   | (721)       |
| Accrued pension and other postretirement benefits | (102,834)        | (88,386)    | (16,018)                | (13,691)    |
| Net liability recognized                          | \$ (94,325)      | \$ (83,706) | \$ (16,825)             | \$ (14,412) |

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:

| <i>(in thousands)</i>                          | Pension Benefits        |             |             | Postretirement Benefits |           |          |
|--|-------------------------|-------------|-------------|-------------------------|-----------|----------|
|  | Year ended December 31, |             |             | Year ended December 31, |           |          |
|  | 2019                    | 2018        | 2017        | 2019                    | 2018      | 2017     |
| Net actuarial gain (loss) at beginning of year | \$ (39,125)             | \$ (44,892) | \$ (33,736) | \$ 12,315               | \$ 12,392 | \$ 8,055 |
| Actuarial gain (loss)                          | (27,123)                | (882)       | (14,554)    | (2,288)                 | 1,600     | 5,075    |
| Prior service cost                             | (1,464)                 | (285)       | —           | —                       | —         | —        |
| Curtailement impact                            | —                       | (97)        | —           | —                       | —         | —        |
| Settlement impact                              | 4,324                   | 4,982       | 2,740       | —                       | —         | —        |
| Amortization of actuarial (gain) loss          | 1,530                   | 1,687       | 804         | (1,436)                 | (1,540)   | (601)    |
| Amortization of prior service cost (credit)    | 247                     | 175         | 175         | (137)                   | (137)     | (137)    |
| Foreign currency translation                   | (190)                   | 187         | (321)       | —                       | —         | —        |

|   |                    |                    |                    |                 |                  |                  |
|---|--------------------|--------------------|--------------------|-----------------|------------------|------------------|
| <b>Net actuarial gain (loss) at end of year</b> | <u>\$ (61,801)</u> | <u>\$ (39,125)</u> | <u>\$ (44,892)</u> | <u>\$ 8,454</u> | <u>\$ 12,315</u> | <u>\$ 12,392</u> |
|---|--------------------|--------------------|--------------------|-----------------|------------------|------------------|

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The expected prior service cost (credit) that will be amortized from accumulated other comprehensive loss, net of tax, into net periodic benefit cost in the next fiscal year is a cost of \$0.3 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, net of tax, into net periodic benefit cost in the next fiscal year is a loss of \$3.8 million for the pension benefit plans and a gain of \$0.9 million for the postretirement benefit plans.

Components of net periodic benefit cost were as follows:

| <i>(in thousands)</i>                          | Pension Benefits        |           |           | Postretirement Benefits |          |        |
|--|-------------------------|-----------|-----------|-------------------------|----------|--------|
|  | Year ended December 31, |           |           | Year ended December 31, |          |        |
|  | 2019                    | 2018      | 2017      | 2019                    | 2018     | 2017   |
| <b>Components of net periodic benefit cost</b> |                         |           |           |                         |          |        |
| Service cost                                   | \$ 8,839                | \$ 9,067  | \$ 9,217  | \$ 574                  | \$ 657   | \$ 955 |
| Interest cost                                  | 10,937                  | 11,897    | 11,832    | 557                     | 490      | 713    |
| Expected return on plan assets                 | (12,987)                | (13,041)  | (12,006)  | —                       | —        | —      |
| Curtailement income                            | (118)                   | (97)      | —         | —                       | —        | —      |
| Settlement expense                             | 4,324                   | 4,982     | 2,740     | —                       | —        | —      |
| Amortization of net (gain) loss                | 1,530                   | 1,687     | 804       | (1,436)                 | (1,540)  | (601)  |
| Amortization of prior service cost (credit)    | 247                     | 175       | 175       | (137)                   | (137)    | (137)  |
| Net periodic benefit cost (credit)             | \$ 12,772               | \$ 14,670 | \$ 12,762 | \$ (442)                | \$ (530) | \$ 930 |

The non-service cost components of net periodic benefit cost (credit) are included in other expense, net in the consolidated statement of operations (Note 18).

The weighted average assumptions used to determine benefit obligations at December 31, 2019 and 2018 were as follows:

|                               | Pension Benefits |       | Postretirement Benefits |       |
|-------------------------------|------------------|-------|-------------------------|-------|
|                               | 2019             | 2018  | 2019                    | 2018  |
| Discount rate                 | 3.24%            | 4.25% | 3.12%                   | 4.27% |
| Rate of compensation increase | 3.97%            | 4.00% | N/A                     | N/A   |

The weighted average assumptions used to determine net periodic benefit cost (credit) for the years ended December 31, 2019, 2018 and 2017 were as follows:

|  | Pension Benefits |       |       | Postretirement Benefits |       |       |
|--|------------------|-------|-------|-------------------------|-------|-------|
|  | 2019             | 2018  | 2017  | 2019                    | 2018  | 2017  |
| Discount rate                                    | 4.25%            | 3.62% | 4.17% | 4.27%                   | 3.61% | 4.08% |
| Expected long-term rate of return on plan assets | 5.84%            | 5.77% | 5.77% | N/A                     | N/A   | N/A   |
| Rate of compensation increase                    | 4.00%            | 4.01% | 4.02% | N/A                     | N/A   | N/A   |

The assumed healthcare cost trend rates used to determine benefit obligations and net periodic benefit cost (credit) for postretirement benefits as of and for the years ended December 31, 2019, 2018 and 2017 were as follows:

|   | 2019        | 2018        | 2017        |
|---|-------------|-------------|-------------|
| Healthcare cost trend rate assumed for next year                              | 6.03%/8.44% | 6.25%/9.00% | 5.50%/8.50% |
| 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        | 2027        | 2024        |

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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:

| <i>(in thousands)</i>                             | 2019                          |                               | 2018                          |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | 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 | \$ 68                         | \$ (61)                       | \$ 72                         | \$ (64)                       |
| Effect on projected benefit obligation            | 710                           | (642)                         | 632                           | (572)                         |

**Plan Assets**

Pension assets by major category of plan assets and the type of fair value measurement as of December 31, 2019 were as follows:

| <i>(in thousands)</i>       | Total             | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-----------------------------|-------------------|--|---|---|
| <b>Asset category</b>       |                   |  |   |   |
| Individual securities       |                   |  |   |   |
| Fixed income                | \$ 1,682          | \$ —   | \$ 1,682                                | \$ —                                      |
| Commingled funds            |                   |  |   |   |
| Measured at net asset value | 245,622           | —  | —                                       | —   |
|                             | <u>\$ 247,304</u> | <u>\$ —</u>  | <u>\$ 1,682</u>                         | <u>\$ —</u>                               |

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

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

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 plan. During the year ended December 31, 2019, the U.S. defined benefit plan asset allocation of these trusts targeted a return-seeking investment allocation of 57% to 72% and a liability-hedging investment allocation of 28% to 43%. 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%. 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.

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The Company's future expected blended long-term rate of return on plan assets of 5.01% 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 \$20.6 million during 2020 based on current assumptions as of December 31, 2019.

**Estimated Future Retirement Benefit Payments**

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

| <i>(in thousands)</i>           | <b>Pension<br/>Benefits</b> | <b>Postretirement<br/>Benefits</b> |
|---------------------------------|-----------------------------|------------------------------------|
| <b>Year ending December 31,</b> |                             |                                    |
| 2020                            | \$ 23,308                   | \$ 807                             |
| 2021                            | 22,808                      | 981                                |
| 2022                            | 23,017                      | 1,108                              |
| 2023                            | 26,913                      | 1,165                              |
| 2024                            | 27,333                      | 1,290                              |
| Thereafter                      | 144,095                     | 6,989                              |
|                                 | <u>\$ 267,474</u>           | <u>\$ 12,340</u>                   |

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, 2019 and 2018, the international pension plans had total projected benefit obligations of \$48.8 million and \$43.9 million, respectively, and fair values of plan assets of \$45.1 million and \$44.0 million, respectively. The majority of the plan assets are invested in equity securities. The net periodic benefit cost related to international plans was \$0.9 million, \$0.4 million and \$0.9 million for the years ended December 31, 2019, 2018 and 2017, respectively. The expected prior service cost that will be amortized from accumulated other comprehensive loss, net of tax, into net periodic benefit cost in the next fiscal year is \$0.1 million. The expected actuarial loss that will be amortized from accumulated other comprehensive loss, net of tax, 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 \$16.3 million, \$16.5 million and \$13.8 million for the years ended December 31, 2019, 2018 and 2017, respectively.

#### 14. Income Taxes

The components of income before income taxes were as follows:

| <i>(in thousands)</i>      | Year ended December 31, |            |            |
|----------------------------|-------------------------|------------|------------|
|                            | 2019                    | 2018       | 2017       |
| Domestic operations        | \$ 70,632               | \$ 54,003  | \$ 61,158  |
| Foreign operations         | 94,533                  | 96,301     | 90,518     |
| Income before income taxes | \$ 165,165              | \$ 150,304 | \$ 151,676 |

Income tax expense/ (benefit) was as follows:

| <i>(in thousands)</i>             | Year ended December 31, |           |           |
|-----------------------------------|-------------------------|-----------|-----------|
|                                   | 2019                    | 2018      | 2017      |
| <b>Current expense (benefit)</b>  |                         |           |           |
| United States                     | \$ 1,121                | \$ 1,795  | \$ (906)  |
| Foreign                           | 31,005                  | 29,896    | 28,109    |
| Current income tax expense        | 32,126                  | 31,691    | 27,203    |
| <b>Deferred expense (benefit)</b> |                         |           |           |
| United States                     | 9,539                   | 16,222    | 21,189    |
| Foreign                           | (1,065)                 | (681)     | 83        |
| Deferred income tax expense       | 8,474                   | 15,541    | 21,272    |
| Total income tax expense          | \$ 40,600               | \$ 47,232 | \$ 48,475 |

The following table represents a reconciliation of income taxes computed at the federal statutory income tax rate of 21% for 2019, 21% for 2018, and 35% for 2017 to income tax expense as reported:

| <i>(in thousands)</i>  | Year ended December 31, |           |           |
|--|-------------------------|-----------|-----------|
|  | 2019                    | 2018      | 2017      |
| Income tax expense computed at federal statutory income tax rate | \$ 34,685               | \$ 31,564 | \$ 53,086 |
| Foreign taxes, net of credits                                    | 714                     | 13,316    | (16,840)  |
| Impact of the 2017 Tax Act                                       | —                       | 10,801    | 12,619    |
| Net adjustments for uncertain tax positions                      | 799                     | 771       | 508       |
| State and local taxes  | 1,832                   | 2,349     | 1,313     |
| Equity appreciation rights                                       | —                       | —         | (765)     |
| Nondeductible expenses   | 1,179                   | 962       | 1,407     |
| Valuation allowance  | 2,882                   | (10,038)  | 90        |
| Tax credits  | (607)                   | (2,800)   | (3,240)   |
| Miscellaneous other, net   | (884)                   | 307       | 297       |
| Income tax expense as reported                                   | \$ 40,600               | \$ 47,232 | \$ 48,475 |
| Effective income tax rate  | 24.6%                   | 31.4%     | 32.0%     |

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.

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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 net deferred tax assets (liabilities) were as follows:

| <i>(in thousands)</i>                          | December 31, |           |
|--|--------------|-----------|
|  | 2019         | 2018      |
| <b>Deferred tax assets</b>                     |              |           |
| Compensation and benefits                      | \$ 13,208    | \$ 14,036 |
| Share-based compensation                       | 2,682        | 7,446     |
| Pension and other postretirement benefits      | 24,260       | 22,285    |
| Inventories                                    | 15,379       | 11,505    |
| R&D capitalization                             | 12,925       | 6,449     |
| Lease liability                                | 9,669        | —         |
| Partnership investment                         | 223          | 110       |
| Transaction costs                              | 1,365        | 1,580     |
| Nondeductible accruals and reserves            | 6,907        | 7,248     |
| Miscellaneous                                  | 2,802        | 2,379     |
| Net operating loss and other tax carryforwards | 74,586       | 80,671    |
| Gross deferred tax assets                      | 164,006      | 153,709   |
| Valuation allowance                            | (18,424)     | (15,542)  |
| Total deferred tax assets                      | 145,582      | 138,167   |
| <b>Deferred tax liabilities</b>                |              |           |
| Property, plant and equipment                  | (6,687)      | (8,057)   |
| Identifiable intangible assets                 | (62,349)     | (54,681)  |
| Right-of-use assets                            | (9,407)      | —         |
| Foreign exchange derivative instruments        | (154)        | (1,176)   |
| Miscellaneous                                  | (1,281)      | (860)     |
| Total deferred tax liabilities                 | (79,878)     | (64,774)  |
| Net deferred tax asset                         | \$ 65,704    | \$ 73,393 |

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 U.S. tax attributes will be utilized prior to their expiration, with the exception of certain tax attributes for which the Company has established a valuation allowance.

As of December 31, 2019 and 2018, the Company had state net operating loss (“NOL”) carryforwards of \$141.3 million and \$158.9 million, respectively. These NOL carryforwards expire between 2020 and 2037. As of December 31, 2019 and 2018, the Company had foreign tax credit carryforwards of \$55.0 million and \$59.4 million, respectively. These foreign tax credits will begin to expire in 2022. As of December 31, 2019 and 2018, the Company had U.S. general business credit carryforwards of \$16.9 million and \$14.3 million, respectively. These credits will begin to expire in 2031. As of December 31, 2019 and 2018, the Company had state research tax credits of \$8.2 million and \$10.3 million, respectively. These credits will begin to expire in 2030.

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Changes in the valuation allowance for deferred tax assets were as follows:

| <i>(in thousands)</i>                                  | Year ended December 31, |                  |                  |
|--|-------------------------|------------------|------------------|
|  | 2019                    | 2018             | 2017             |
| <b>Valuation allowance at beginning of year</b>        | \$ 15,542               | \$ 25,579        | \$ 21,726        |
| Increases (decreases) recorded to income tax provision | 2,882                   | (10,037)         | 3,853            |
| <b>Valuation allowance at end of year</b>              | <b>\$ 18,424</b>        | <b>\$ 15,542</b> | <b>\$ 25,579</b> |

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 of \$2.9 million is principally due to excess U.S. foreign tax credits arising from our Japan branch operations and generated state tax attributes that we expect to expire unutilized, partially offset by the release of the Company's previously recorded valuation allowance in Hong Kong. In 2018, the change in the valuation allowance was 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, "Income Statement—Reporting Comprehensive Income (Topic 220)" ("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.

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:

| <i>(in thousands)</i>  | 2019             | 2018             | 2017             |
|--|------------------|------------------|------------------|
| <b>Unrecognized tax benefits at beginning of year</b>                  | \$ 11,646        | \$ 11,049        | \$ 11,347        |
| Gross additions - current year tax positions                           | 787              | 801              | 1,159            |
| Gross additions - acquired tax positions                               | 659              | —                | —                |
| Gross reductions - prior year tax positions                            | (248)            | (91)             | (348)            |
| Gross reductions - Acquired tax positions settled with tax authorities | (461)            | (113)            | (1,241)          |
| Impact of change in foreign exchange rates                             | (16)             | —                | 132              |
| <b>Unrecognized tax benefits at end of year</b>                        | <b>\$ 12,367</b> | <b>\$ 11,646</b> | <b>\$ 11,049</b> |

As of December 31, 2019, 2018 and 2017, the unrecognized tax benefits of \$12.4 million, \$11.6 million and \$11.0 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, 2019, 2018 and 2017, the Company had unrecognized tax benefits included in the amounts above of \$5.0 million, \$5.0 million and \$4.9 million, respectively, related to periods prior to the Company's acquisition of Acushnet Company and as such, are indemnified by Beam.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes on the consolidated statements of income. As of December 31, 2019, 2018 and 2017, the Company recognized a liability of \$3.9 million, \$3.3 million and \$2.7 million, respectively for interest and penalties, of which \$3.4 million, \$3.0 million and \$2.7 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



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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 2014, Japan for years after 2014, 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, 2019.

The Company's income tax expense includes tax expense of \$0.5 million, \$0.3 million and \$0.2 million for the years ended December 31, 2019, 2018 and 2017, 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.

## 15. Common Stock

As of December 31, 2019 and 2018, 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.

### Dividends

The Company declared dividends per common share, including DERs (Note 16), during the periods presented as follows:

|                                  | Dividends<br>per Common Share | Amounts<br>(in thousands) |
|----------------------------------|-------------------------------|---------------------------|
| 2019:                            |                               |                           |
| Fourth Quarter                   | \$ 0.14                       | \$ 10,718                 |
| Third Quarter                    | 0.14                          | 10,726                    |
| Second Quarter                   | 0.14                          | 10,751                    |
| First Quarter                    | 0.14                          | 10,782                    |
| Total dividends declared in 2019 | <u>\$ 0.56</u>                | <u>\$ 42,977</u>          |
| 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 | <u>\$ 0.52</u>                | <u>\$ 39,756</u>          |
| 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 | <u>\$ 0.48</u>                | <u>\$ 36,545</u>          |

During the first quarter of 2020, the Board of Directors declared a dividend of \$0.155 per share to shareholders on record as of March 13, 2020 and payable on March 27, 2020.

## Share Repurchase Program

As of December 31, 2019, the Board of Directors had authorized the Company to repurchase up to an aggregate of \$50.0 million of its issued and outstanding common stock from time to time. On February 11, 2020, the Board of Directors authorized the Company to repurchase up to an additional \$50.0 million of its issued and outstanding common stock bringing the total authorization up to \$100.0 million.

Share repurchases may be effected in open market or privately negotiated transactions, including transactions with affiliates, with the timing of purchases and the amount of stock purchased generally determined at the discretion of the Company within the constraints of the Company's credit agreement and general working capital needs. In connection with this share repurchase program, the Company entered into an agreement with Magnus to purchase from Magnus an equal amount of its common stock as it purchases on the open market at the same weighted average per share price. Under this agreement, the shares can be purchased from Magnus when the Company has purchased an aggregate \$24.9 million of shares in the open market, or at an earlier determination date as agreed to by the parties.

The Company's share repurchase activity was as follows:

| <i>(in thousands, except share and per share amounts)</i> | Year ended        |           |
|---|-------------------|-----------|
|   | December 31, 2019 |           |
| <b>Shares repurchased in the open market:</b>             |                   |           |
| Shares repurchased  |                   | 591,983   |
| Average price   | \$                | 26.31     |
| Aggregate value   | \$                | 15,577    |
| <b>Shares repurchased from Magnus:</b>                    |                   |           |
| Shares repurchased  |                   | 535,983   |
| Average price <sup>(1)</sup>                              | \$                | 25.70     |
| Aggregate value   | \$                | 13,775    |
| <b>Total shares repurchased:</b>                          |                   |           |
| Shares repurchased  |                   | 1,127,966 |
| Average price   | \$                | 26.02     |
| Aggregate value   | \$                | 29,352    |

<sup>(1)</sup> Average price including Magnus share repurchase liability was \$26.31 as of December 31, 2019.

As of December 31, 2018, there were no share repurchases made under this program.

In relation to the Magnus share repurchase agreement, the Company and Magnus agreed upon a determination date of December 6, 2019 for shares to be repurchased from Magnus. The shares purchased during the year ended December 31, 2019 include 535,983 shares purchased from Magnus at an average price of \$25.70 per share for an aggregate of \$13.8 million. Subsequent to the determination date, the Company repurchased additional shares on the open market. As a result, the Company recorded a \$1.8 million liability for an additional 56,000 shares of common stock to be repurchased from Magnus, which was included in accrued expenses and other liabilities and treasury stock on the consolidated balance sheet as of December 31, 2019. Excluding the impact of the share repurchase liability, as of December 31, 2019, the Company had \$20.6 million remaining under the original \$50.0 million share repurchase authorization, including \$11.1 million related to the Magnus share repurchase agreement.

## 16. 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, 2019, the only awards that have been granted under the 2015 Plan are RSUs and PSUs.

**Restricted Stock and Performance Stock Units**

RSUs granted to members of the Board of Directors vest immediately into shares of common stock. RSUs granted to Company officers, employees, consultants and advisors of the Company vest ratably and in accordance with the terms of the grant, generally over one to three years subject to the recipient's continued service to the Company. PSUs vest, subject to the recipient's continued employment with the Company, based upon the Company's performance against specified metrics which are generally over a three year performance period as defined in the award agreement. At the end of the performance period, the number of shares of stock that could be issued is fixed based upon the degree of achievement of the performance goals. The number of shares that could be issued can range from 0% to 200% of the participant's target award. Recipients of the awards granted under the 2015 Plan may elect to defer receipt of all or any portion of any shares of common stock issuable upon vesting to a future date elected by the recipient.

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 of common stock are delivered.

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. As of December 31, 2019, there were 6,664,012 remaining shares of common stock reserved for issuance under the 2015 Plan of which 5,060,479 remain available for future grants.

A summary of the Company's RSUs and PSUs as of December 31, 2019 and 2018 and changes during the years then ended is presented below:

|  | Number<br>of<br>RSUs | Weighted-<br>Average<br>Fair<br>Value RSUs | Number<br>of<br>PSUs | Weighted-<br>Average<br>Fair<br>Value PSUs |
|--|----------------------|--|----------------------|--|
| <b>Outstanding as of December 31, 2017</b> | 874,942              | \$ 20.15                                   | 1,185,912            | \$ 20.29                                   |
| Granted                                    | 473,724              | 23.49                                      | —                    | —  |
| Vested <sup>(1)</sup>                      | (466,834)            | 20.52                                      | (900,226)            | 20.29                                      |
| Forfeited                                  | —                    | —  | (285,686)            | 20.29                                      |
| <b>Outstanding as of December 31, 2018</b> | 881,832              | \$ 21.75                                   | —                    | \$ —                                       |
| Granted                                    | 655,522              | 23.51                                      | 207,077              | 23.47                                      |
| Vested <sup>(2)</sup>                      | (567,836)            | 20.81                                      | —                    | —  |
| Forfeited                                  | (22,275)             | 23.92                                      | —                    | —  |
| <b>Outstanding as of December 31, 2019</b> | 947,243              | \$ 23.49                                   | 207,077              | \$ 23.47                                   |

<sup>(1)</sup> 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. The aggregate fair value of RSUs vested and PSUs vested was \$10.0 million and \$19.0 million, respectively.

<sup>(2)</sup> Included 161,165 shares of common stock related to RSUs and no shares of common stock related to PSUs that were not delivered as of December 31, 2019. The aggregate fair value of RSUs vested was \$12.9 million.

A summary of shares of common stock issued related to the 2015 Plan, including the impact of any DERs issued in common stock, is presented below:

|   | Year ended<br>December 31, 2019 |           | Year ended<br>December 31, 2018 |         |
|---|---------------------------------|-----------|---------------------------------|---------|
|   | RSUs                            | PSUs      | RSUs                            | PSUs    |
| Shares of common stock issued   | 410,787                         | 900,226   | 403,538                         | —       |
| Shares of common stock withheld by the Company as payment by employees in lieu of cash to satisfy tax withholding obligations | (126,242)                       | (325,246) | (122,795)                       | —       |
| Net shares of common stock issued   | 284,545                         | 574,980   | 280,743                         | —       |
| Cumulative undelivered shares of common stock   | 220,582                         | —         | 63,490                          | 900,226 |

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Compensation expense recorded related to RSUs and PSUs in the consolidated statement of operations was as follows:

| <i>(in thousands)</i> | Year ended December 31, |           |          |
|-----------------------|-------------------------|-----------|----------|
|                       | 2019                    | 2018      | 2017     |
| RSU                   | \$ 9,140                | \$ 12,353 | \$ 9,318 |
| PSU                   | 1,507                   | 6,210     | 5,967    |

The remaining unrecognized compensation related to non-vested RSUs and non-vested PSUs granted was \$13.4 million and \$3.4 million, respectively, as of December 31, 2019 and is expected to be recognized over the related weighted average period of 1.7 years and 2.0 years, respectively.

**Compensation Expense**

The allocation of share-based compensation expense in the consolidated statement of operations was as follows:

| <i>(in thousands)</i>                        | Year ended December 31, |           |           |
|--|-------------------------|-----------|-----------|
|  | 2019                    | 2018      | 2017      |
| Cost of goods sold                           | \$ 722                  | \$ 680    | \$ 408    |
| Selling, general and administrative expense  | 9,402                   | 16,507    | 13,687    |
| Research and development                     | 851                     | 1,376     | 1,190     |
| Total compensation expense before income tax | 10,975                  | 18,563    | 15,285    |
| Income tax benefit                           | 2,440                   | 4,398     | 3,158     |
| Total compensation expense, net of tax       | \$ 8,535                | \$ 14,165 | \$ 12,127 |

**17. 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:

| <i>(in thousands)</i>  | Foreign<br>Currency<br>Translation<br>Adjustments | Gains (Losses) on<br>Foreign Exchange<br>Derivative<br>Instruments | Gains (Losses) on<br>Interest Rate Swap<br>Derivative<br>Instruments | Gains<br>on Available-<br>for-Sale<br>Securities | Pension and<br>Other<br>Postretirement<br>Adjustments | Accumulated<br>Other<br>Comprehensive<br>Loss |
|--|---|--|--|--|---|---|
| Balances as of 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)  | 8,148  | (1,926)  | —  | 620   | (5,129)                                       |
| Amounts reclassified from accumulated other comprehensive loss, net of tax | —   | 1,410  | 476  | —  | 5,070   | 6,956   |
| Tax benefit (expense)  | —   | (2,020)  | 352  | —  | (1,375)   | (3,043)                                       |
| Balances as of December 31, 2018   | \$ (71,853)                                       | \$ 5,258   | \$ (1,098)   | \$ —   | \$ (21,346)   | \$ (89,039)                                   |
| Other comprehensive income (loss) before reclassifications                 | 666   | 5,490  | (2,185)  | —  | (31,065)  | (27,094)                                      |
| Amounts reclassified from accumulated other comprehensive loss, net of tax | —   | (8,465)  | 989  | —  | 4,528   | (2,948)                                       |
| Tax benefit  | —   | 618  | 291  | —  | 6,144   | 7,053   |
| Balances as of December 31, 2019   | \$ (71,187)                                       | \$ 2,901   | \$ (2,003)   | \$ —   | \$ (41,739)   | \$ (112,028)                                  |

## 18. Interest Expense, Net and Other Expense, Net

The components of interest expense, net were as follows:

| <i>(in thousands)</i>        | Year ended December 31, |           |           |
|------------------------------|-------------------------|-----------|-----------|
|                              | 2019                    | 2018      | 2017      |
| Third party interest expense | \$ 19,472               | \$ 19,171 | \$ 16,907 |
| Loss on interest rate swap   | 989                     | 476       | —         |
| Third party interest income  | (848)                   | (1,245)   | (1,198)   |
| Total interest expense, net  | \$ 19,613               | \$ 18,402 | \$ 15,709 |

The components of other expense, net were as follows:

| <i>(in thousands)</i>                                   | Year ended December 31, |          |          |
|---|-------------------------|----------|----------|
|   | 2019                    | 2018     | 2017     |
| Indemnification (gains) losses                          | \$ (498)                | \$ (258) | \$ 177   |
| Non-service cost component of net periodic benefit cost | 2,917                   | 4,416    | 3,520    |
| Other income  | (1,544)                 | (529)    | (1,254)  |
| Total other expense, net                                | \$ 875                  | \$ 3,629 | \$ 2,443 |

## 19. Net Income per Common Share

The following is a computation of basic and diluted net income per common share attributable to Acushnet Holdings Corp.:

| <i>(in thousands, except share and per share amounts)</i>            | Year ended December 31, |            |            |
|--|-------------------------|------------|------------|
|  | 2019                    | 2018       | 2017       |
| Net income attributable to Acushnet Holdings Corp.                   | \$ 121,070              | \$ 99,872  | \$ 98,695  |
| Weighted average number of common shares:                            |                         |            |            |
| Basic  | 75,418,204              | 74,766,176 | 74,399,836 |
| Diluted  | 75,759,605              | 75,472,342 | 74,590,999 |
| Net income per common share attributable to Acushnet Holdings Corp.: |                         |            |            |
| Basic  | \$ 1.61                 | \$ 1.34    | \$ 1.33    |
| Diluted  | \$ 1.60                 | \$ 1.32    | \$ 1.32    |

Net income per common share attributable to Acushnet Holdings Corp. was calculated under the treasury stock method.

The Company's potential dilutive securities for the years ended December 31, 2019, 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 were included in diluted shares outstanding for the year ended December 31, 2018.

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, |        |         |
|------|-------------------------|--------|---------|
|      | 2019                    | 2018   | 2017    |
| RSUs | 1,013                   | 13,885 | 360,659 |

## 20. Segment Information

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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 (loss). Segment operating income (loss) 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; 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, 2019, 2018 and 2017 are not necessarily those which would be achieved if each segment was an unaffiliated business enterprise. There are no intersegment transactions.

Information by reportable segment and a reconciliation to reported amounts are as follows:

| <i>(in thousands)</i>                                   | Year ended December 31, |                     |                     |
|---|-------------------------|---------------------|---------------------|
|   | 2019                    | 2018                | 2017                |
| <b>Net sales</b>  |                         |                     |                     |
| Titleist golf balls                                     | \$ 551,596              | \$ 523,967          | \$ 512,041          |
| Titleist golf clubs                                     | 434,357                 | 445,341             | 397,987             |
| Titleist golf gear                                      | 149,984                 | 146,067             | 142,911             |
| FootJoy golf wear                                       | 441,871                 | 439,681             | 437,455             |
| Other   | 103,549                 | 78,665              | 69,864              |
| Total net sales   | <u>\$ 1,681,357</u>     | <u>\$ 1,633,721</u> | <u>\$ 1,560,258</u> |
| <b>Segment operating income</b>                         |                         |                     |                     |
| Titleist golf balls                                     | \$ 93,305               | \$ 78,973           | \$ 78,419           |
| Titleist golf clubs                                     | 38,811                  | 45,156              | 32,084              |
| Titleist golf gear                                      | 17,300                  | 15,430              | 16,803              |
| FootJoy golf wear                                       | 24,429                  | 17,974              | 27,038              |
| Other   | 15,043                  | 15,560              | 14,904              |
| Total segment operating income                          | 188,888                 | 173,093             | 169,248             |
| Reconciling items:                                      |                         |                     |                     |
| Interest expense, net                                   | (19,613)                | (18,402)            | (15,709)            |
| Non-service cost component of net periodic benefit cost | (2,917)                 | (4,416)             | (3,520)             |
| Transaction fees  | (2,654)                 | (599)               | (686)               |
| Other   | 1,461                   | 628                 | 2,343               |
| Total income before income tax                          | <u>\$ 165,165</u>       | <u>\$ 150,304</u>   | <u>\$ 151,676</u>   |

Depreciation and amortization expense by reportable segment are as follows:

| <i>(in thousands)</i>                | Year ended December 31, |                  |                  |
|--------------------------------------|-------------------------|------------------|------------------|
|                                      | 2019                    | 2018             | 2017             |
| <b>Depreciation and amortization</b> |                         |                  |                  |
| Titleist golf balls                  | \$ 22,694               | \$ 24,155        | \$ 25,545        |
| Titleist golf clubs                  | 7,451                   | 7,408            | 7,233            |
| Titleist golf gear                   | 1,603                   | 1,531            | 1,425            |
| FootJoy golf wear                    | 6,451                   | 6,731            | 6,058            |
| Other                                | 4,803                   | 671              | 610              |
| Total depreciation and amortization  | <u>\$ 43,002</u>        | <u>\$ 40,496</u> | <u>\$ 40,871</u> |

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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.

| <i>(in thousands)</i>  | Year ended December 31, |                     |                     |
|------------------------|-------------------------|---------------------|---------------------|
|                        | 2019                    | 2018                | 2017                |
| <b>Net sales</b>       |                         |                     |                     |
| United States          | \$ 884,791              | \$ 826,111          | \$ 789,879          |
| EMEA <sup>(1)</sup>    | 230,465                 | 219,803             | 205,200             |
| Japan                  | 182,681                 | 199,107             | 201,264             |
| Korea                  | 223,365                 | 221,146             | 200,394             |
| Rest of world          | 160,055                 | 167,554             | 163,521             |
| <b>Total net sales</b> | <b>\$ 1,681,357</b>     | <b>\$ 1,633,721</b> | <b>\$ 1,560,258</b> |

<sup>(1)</sup> Europe, the Middle East and Africa ("EMEA")

Long-lived assets (property, plant and equipment, net) categorized based on their location of domicile are as follows:

| <i>(in thousands)</i>          | Year ended December 31, |                   |
|--------------------------------|-------------------------|-------------------|
|                                | 2019                    | 2018              |
| <b>Long-lived assets</b>       |                         |                   |
| United States                  | \$ 148,883              | \$ 146,596        |
| EMEA                           | 11,906                  | 9,472             |
| Japan                          | 663                     | 764               |
| Korea                          | 7,441                   | 5,682             |
| Rest of world <sup>(2)</sup>   | 62,682                  | 65,874            |
| <b>Total long-lived assets</b> | <b>\$ 231,575</b>       | <b>\$ 228,388</b> |

<sup>(2)</sup> Includes manufacturing facilities in Thailand with long lived assets of \$49.4 million and \$52.2 million as of December 31, 2019 and 2018, respectively.

## 21. Business Combinations

On July 3, 2019, the Company, through a majority owned subsidiary, completed the acquisition of KJUS, a premium global ski and golf sportswear company, for a purchase price of \$28.7 million, net of cash acquired. As part of the acquisition, the Company recorded a redeemable noncontrolling interest of \$5.0 million. Additionally, the Company issued a loan of \$4.4 million to the minority shareholders which was recorded as a reduction to redeemable noncontrolling interest as of December 31, 2019. The results of KJUS have been reported outside of the Company's reportable segments since the date of acquisition.

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 for an immaterial amount. 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.

## 22. 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, 2019.

Purchase obligations by the Company as of December 31, 2019 were as follows:

| <i>(in thousands)</i> | Payments Due by Period |           |          |        |        |            |
|-----------------------|------------------------|-----------|----------|--------|--------|------------|
|                       | 2020                   | 2021      | 2022     | 2023   | 2024   | Thereafter |
| Purchase obligations  | \$ 128,242             | \$ 11,173 | \$ 2,269 | \$ 646 | \$ 450 | \$ 1,603   |

### 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, 2019 and 2018, the Company's estimate of its receivable for these indemnifications was \$9.5 million and \$8.9 million, respectively, which was recorded in other noncurrent assets on the consolidated balance sheets.

### 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.

## 23. Unaudited Quarterly Financial Data

The table below summarizes quarterly results for fiscal 2019:

| <i>(in thousands)</i>  | Quarter ended (unaudited) |               |            |            |
|--|---------------------------|---------------|------------|------------|
|  | December 31,              | September 30, | June 30,   | March 31,  |
| <b>2019</b>  |                           |               |            |            |
| Net sales  | \$ 368,271                | \$ 417,166    | \$ 462,218 | \$ 433,702 |
| Gross profit   | 186,691                   | 217,344       | 246,043    | 222,157    |
| Income from operations   | 28,565                    | 43,726        | 61,135     | 52,227     |
| Net income   | 19,618                    | 30,006        | 38,902     | 36,039     |
| Net income attributable to Acushnet Holdings Corp.                   | 17,859                    | 29,797        | 38,488     | 34,926     |
| Net income per common share attributable to Acushnet Holdings Corp.: |                           |               |            |            |
| Basic  | \$ 0.24                   | \$ 0.40       | \$ 0.51    | \$ 0.46    |
| Diluted  | \$ 0.24                   | \$ 0.39       | \$ 0.51    | \$ 0.46    |



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The table below summarizes quarterly results for fiscal 2018:

| <i>(in thousands)</i>  | Quarter ended (unaudited) |               |            |            |
|--|---------------------------|---------------|------------|------------|
|  | December 31,              | September 30, | June 30,   | March 31,  |
| <b>2018</b>  |                           |               |            |            |
| 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    |

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.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES  
EXCHANGE ACT OF 1934**

*The following summary of the terms of our common stock is based upon our amended and restated certificate of incorporation, as amended (the "Certificate of Incorporation"), and our amended and restated bylaws (the "Bylaws"). The summary is not complete, and is qualified by reference to our Certificate of Incorporation and our Bylaws, which are filed as exhibits to this Annual Report on Form 10-K and are incorporated by reference herein. We encourage you to read our Certificate of Incorporation, our Bylaws, and the applicable provisions of the Delaware General Corporation Law for additional information.*

Acushnet Holdings Corp. ("Acushnet," "we," "our," or "us") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock, \$0.001 par value per share.

**Authorized Shares of Capital Stock**

Our authorized capital stock consists of 500,000,000 shares of our common stock, par value \$0.001 per share, and 100,000,000 shares of preferred stock, par value \$0.001 per share.

**Listing**

Our common stock is listed and principally traded on the New York Stock Exchange (the "NYSE") under the symbol "GOLF."

**Voting Rights**

Holders of our common stock are entitled to one (1) vote for each share held of record on all matters on which shareholders are entitled to vote generally, including the election or removal of directors. The holders of our common stock do not have cumulative voting rights in the election of directors.

**Dividend Rights**

Holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available at the times and in the amounts as the board of directors may from time to time determine. The time and amount of dividends will be dependent upon our financial condition, operations, cash requirements and availability, debt repayment obligations, capital expenditure needs and restrictions in our debt instruments, industry trends, the provisions of Delaware law affecting the payment of distributions to shareholders and any other factors our board of directors may consider relevant.

**Conversion or Redemption Rights**

Our common stock is neither convertible nor redeemable.

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## **Liquidation Rights**

Upon our liquidation, dissolution or winding up and after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of our common stock will be entitled to receive pro rata our remaining assets available for distribution.

## **Rights and Preferences**

Holders of our common stock do not have preemptive, subscription, redemption or conversion rights. The common stock will not be subject to further calls or assessment by us. There will be no redemption or sinking fund provisions applicable to the common stock. All shares of our outstanding common stock are fully paid and non-assessable. The rights, powers, preferences and privileges of holders of our common stock will be subject to those of the holders of any shares of our preferred stock that we may designate in the future.

## **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A. The transfer agent and registrar's address is 462 South 4<sup>th</sup> Street, Suite 1600, Louisville, KY 40202.

## **Anti-Takeover Effects of Our Certificate of Incorporation and Our By-Laws**

Our Certificate of Incorporation and Bylaws contain and the Delaware General Corporation Law (the "DGCL") contains provisions, which are summarized in the following paragraphs, which are intended to enhance the likelihood of continuity and stability in the composition of our board of directors. These provisions are intended to avoid costly takeover battles, reduce our vulnerability to a hostile change of control and enhance the ability of our board of directors to maximize shareholder value in connection with any unsolicited offer to acquire us.

These provisions include:

***Authorized but Unissued Capital Stock.*** Delaware law does not require shareholder approval for any issuance of authorized shares. However, the listing requirements of the NYSE, which would apply if and so long as our common stock remains listed on the NYSE, require shareholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of common stock and certain other circumstances. Additional shares that may be issued in the future may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

Our board of directors may generally issue preferred shares on terms calculated to discourage, delay or prevent a change of control of the Company or the removal of our management. Such preferred shares may be issued in one or more series, from time to time, and with such designations, preferences and relative, participating, optional or other special rights as the board of directors may determine. Moreover, our authorized but unissued shares of preferred stock are available for future issuances without shareholder approval and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, to facilitate acquisitions and employee benefit plans. One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive our shareholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

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**Removal of Directors; Vacancies.** Our Certificate of Incorporation provides that directors may be removed with or without cause upon the affirmative vote of a majority in voting power of all outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class; provided, however, at any time when Magnus and its affiliates beneficially own, in the aggregate, less than 50% in voting power of our stock entitled to vote generally in the election of directors, directors may be removed with or without cause, but only by the affirmative vote of holders of at least 66<sup>2</sup>/<sub>3</sub>% in voting power of all the then-outstanding shares of our stock entitled to vote thereon, voting together as a single class. In addition, our Certificate of Incorporation also provides that, subject to the rights granted to one or more series of preferred stock then outstanding, any vacancy occurring in our board of directors may only be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director (and not by the shareholders).

**Section 203 of the Delaware General Corporation Law.** We are subject to the provisions of Section 203 of the DGCL. In general, Section 203 prohibits a public Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A “business combination” includes mergers, asset sales, or other transactions resulting in a financial benefit to the stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's outstanding voting stock. These provisions may have the effect of delaying, deferring, or preventing a change in our control.

**No Cumulative Voting.** Under Delaware law, the right to vote cumulatively does not exist unless the certificate of incorporation specifically authorizes cumulative voting. Our Certificate of Incorporation does not authorize cumulative voting. Therefore, shareholders holding a majority in voting power of the shares of our stock entitled to vote generally in the election of directors are able to elect all our directors.

**Special Shareholder Meetings; No Action by Written Consent.** Our Certificate of Incorporation provides that special meetings of our shareholders may be called at any time only by or at the direction of our board of directors or the chairman of our board of directors; provided, however, at any time when Magnus and its affiliates beneficially own, in the aggregate, at least 50% in voting power of our stock entitled to vote generally in the election of directors, special meetings of our shareholders shall also be called by our board of directors or the chairman of our board of directors at the request of Magnus and its affiliates. Our Bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. In addition, our Certificate of Incorporation precludes shareholder action by written consent. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of the Company.

**Requirements for Advance Notification of Director Nominations and Shareholder Proposals.** Our Bylaws establish advance notice procedures with respect to shareholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors. In order for any matter to be “properly brought” before a meeting, a shareholder will have to comply with advance notice requirements and provide us with certain information. Generally, to be timely, a shareholder's notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of shareholders. Our Bylaws also specify requirements as to the form and content of a shareholder's notice. Our Bylaws allow the chairman of the meeting at a meeting of the shareholders to adopt rules and regulations for the conduct of meetings which may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions may also defer, delay or discourage a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to influence or obtain control of the Company.

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***Supermajority Provisions.*** Our Certificate of Incorporation and our Bylaws provide that our board of directors is expressly authorized to make, alter, amend, change, add to, rescind or repeal, in whole or in part, our Bylaws without a shareholder vote in any matter not inconsistent with the laws of the State of Delaware and our Certificate of Incorporation. For as long as Magnus and its affiliates beneficially own, in the aggregate, at least 50% in voting power of our stock entitled to vote generally in the election of directors, any amendment, alteration, rescission or repeal of our Bylaws by our shareholders will require the affirmative vote of a majority in voting power of the outstanding shares of our stock present in person or represented by proxy at the meeting of shareholders and entitled to vote on such amendment, alteration, rescission or repeal. At any time when Magnus and its affiliates beneficially own, in the aggregate, less than 50% in voting power of all outstanding shares of our stock entitled to vote generally in the election of directors, any amendment, alteration, rescission or repeal of our bylaws by our shareholders will require the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of our stock entitled to vote thereon, voting together as a single class.

The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote thereon, voting together as a single class, is required to amend a corporation's certificate of incorporation, unless the certificate of incorporation requires a greater percentage.

Our Certificate of Incorporation provides that at any time when Magnus and its affiliates beneficially own, in the aggregate, less than 50% in voting power of our stock entitled to vote generally in the election of directors, the following provisions in our Certificate of Incorporation may be amended, altered, repealed or rescinded only by the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of our stock entitled to vote thereon, voting together as a single class:

- the provision requiring a 66 2/3% supermajority vote for shareholders to amend our Bylaws;
- the provisions regarding shareholder action by written consent;
- the provisions regarding the removal of directors;
- the provisions regarding calling special meetings of shareholders;
- the provisions regarding filling vacancies on our board of directors and newly created directorships;
- the provisions eliminating monetary damages for breaches of fiduciary duty by a director;
- the provision regarding exclusive forum;
- and the amendment provision requiring that the above provisions be amended only with a 66 2/3% supermajority vote.

The combination of the classification of our board of directors, the lack of cumulative voting and the supermajority voting requirements may make it more difficult for our existing shareholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Because our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing shareholders or another party to effect a change in management.

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***Exclusive Forum.*** Our Certificate of Incorporation provides that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors or officers to us or our stockholders, (iii) any action asserting a claim against us or any of our directors or officers arising pursuant to any provision of the Delaware General Corporation Law, our Certificate of Incorporation or our Bylaws, or (iv) any other action asserting a claim against us or any of our directors or officers that is governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our Certificate of Incorporation described above. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against our directors and officers. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with one or more actions or proceedings described above, a court could find the choice of forum provisions contained in our Certificate of Incorporation to be inapplicable or unenforceable.

**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]*

Provided that the Participant has not undergone a Termination prior to the applicable vesting date, one-third (1/3) of the RSUs granted hereunder shall vest on each of *[Insert Vesting Period]* (such period, the “Vesting Period”).

**Vesting Schedule:**

Notwithstanding the above:

(a) 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.

(b) In the event a Termination by the Service Recipient without Cause or by the Participant for Good Reason, in either case, during the 18 month period following a Change in Control, the RSUs, to the extent not then vested, shall fully vest on the date of such Termination.

For purposes of this notice, “Good Reason” shall mean, as to any Participant, unless otherwise provided in any employment agreement between the Participant and the Service Recipient in effect at the time of a Termination, (i) a material reduction by the Service Recipient in such Participant’s base salary or annual target cash bonus opportunity (other than pursuant to an across-the-board reduction applicable to similarly situated Participants) or (ii) the relocation of such Participant’s principal place of business more than fifty (50) miles from its then current location; provided, however, that no Termination shall be considered a Termination with Good Reason hereunder unless, as to any event of Good Reason, the Participant as provided the Service Recipient with thirty (30) days’ written notice of such alleged event of Good Reason, and the Service Recipient has failed to cure such event prior to the expiration of such thirty (30) day notice period.

\* \* \*



**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:

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## 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

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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 may 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 may be required to repay any such excess amount to the Company.

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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) cause the Participant to forfeit to the Company any after-tax gain realized on the vesting of such RSUs.

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).

**PERFORMANCE 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 a target number of Performance Stock Units (“PSUs”) set forth below. The PSUs are subject to all of the terms and conditions as set forth herein, in the Performance 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]

**Target Number of PSUs:** [Insert No. of Performance Stock Units Granted]

**Vesting Commencement Date:** [Insert Vesting Commencement Date]

**Vesting Schedule:** Provided the Participant has not undergone a Termination prior to [Insert Vesting Date] (the “Vesting Date”), a number of PSUs will vest as of such Vesting Date, based upon the performance metrics and adjustment schedule specified in the terms and conditions in Exhibit A attached hereto (such number of PSUs to be within a range of 0% to 200% of the number of the target number of PSUs awarded herein).

**Performance Period:** Three-year period comprised of the [Insert Performance Period Dates].

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 PSUs shall remain eligible to vest based upon the performance metrics and adjustment schedule specified in the terms and conditions in Exhibit A attached hereto (as if no such Termination had occurred), but with the actual number of PSUs vesting pro-rated to reflect the period of Participant’s service with the Company during the applicable Performance Period.

(b) In the event of a Termination by the Service Recipient without Cause or by the Participant for Good Reason, in either case, during the 18 month period following a Change in Control, the PSUs, to the extent not then vested, shall fully vest on the date of such Termination.

For purposes of this notice, “Good Reason” shall mean, as to any Participant, unless otherwise provided in any employment agreement between the Participant and the Service Recipient in effect at the time of a Termination, (i) a material reduction by the Service Recipient in such Participant’s

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base salary or annual target cash bonus opportunity (other than pursuant to an across-the-board reduction applicable to similarly situated Participants) or (ii) the relocation of such Participant's principal place of business more than fifty (50) miles from its then current location; provided, however, that no Termination shall be considered a Termination with Good Reason hereunder unless, as to any event of Good Reason, the Participant as provided the Service Recipient with thirty (30) days' written notice of such alleged event of Good Reason, and the Service Recipient has failed to cure such event prior to the expiration of such thirty (30) day notice period.

(c) In the event of a Termination as a result of the death or Disability of the Participant during the Vesting Period, the PSUs, to the extent not then vested, shall fully vest on the date of such Termination.

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**THE UNDERSIGNED PARTICIPANT ACKNOWLEDGES RECEIPT OF THIS PERFORMANCE STOCK UNIT GRANT NOTICE, THE PERFORMANCE STOCK UNIT AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF PERFORMANCE STOCK UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS PERFORMANCE STOCK UNIT GRANT NOTICE, THE PERFORMANCE STOCK UNIT AGREEMENT AND THE PLAN.**

ACUSHNET HOLDINGS CORP.

PARTICIPANT

\_\_\_\_\_  
By: Name:  
Title:

\_\_\_\_\_

\_\_\_\_\_

**PERFORMANCE STOCK UNIT AGREEMENT UNDER THE  
ACUSHNET HOLDINGS CORP.  
2015 OMNIBUS INCENTIVE PLAN**

Pursuant to the Performance Stock Unit Grant Notice (the “Grant Notice”) delivered to the Participant (as defined in the Grant Notice), and subject to the terms of this Performance Stock Unit Agreement (this “Performance 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 Performance Stock Unit Agreement. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Plan.

1. **Grant of Performance Stock Units.** Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant a target number of Performance Stock Units (“PSUs”) provided in the Grant Notice (with each PSU 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 PSUs shall vest as provided in the Grant Notice.

3. **Settlement of Performance Stock Units.** The provisions of Section 9(d)(ii) of the Plan are incorporated herein by reference and made a part hereof. Payment in settlement of any vested PSU shall be made in Common Stock as soon as practicable following completion of the Performance Period and no later than the 2 ½ month anniversary of the last day of the Performance Period; *provided* that in the event the PSUs vest in connection with a Termination by the Service Recipient without Cause or by the Participant for Good Reason during the 12 month period following a Change in Control, payment in settlement of any vested PSU shall be made as soon as practicable following the Termination but in no event later than 60 days following such Termination.

4. **Treatment of Performance Stock Units Upon Termination.** Except as provided in the Grant Notice, in the event of a Participant’s Termination for any reason prior to the Vesting Date, all vesting with respect to PSUs shall cease and the PSUs shall be forfeited to the Company for no consideration as of the date of such Termination.

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 PSUs 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 PSUs 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 PSUs, 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

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right herein whatsoever, but immediately upon such assignment or transfer the PSU shall terminate and become of no further effect.

7. **Rights as Stockholder.** The Participant or a permitted transferee of the PSUs shall have no rights as a stockholder with respect to any share of Common Stock underlying a PSU unless and until the Participant shall have become the holder of record or the beneficial owner of such Common Stock and, subject to Section 10, 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 PSUs, 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. **Call Right.** During the 60 day period following (a) the first and second anniversary of any Termination and, if later, the first anniversary of the issuance of Common Stock under Section 3 of this Performance Stock Unit Agreement and (b) the date the Company becomes aware of Detrimental Activity (each such period, a "Call Period"), the Company shall have the option, in its sole discretion, to exercise a Call Right with respect to up to 100% of the shares of Common Stock issued in settlement of the PSUs granted pursuant to this Performance Stock Unit Agreement; *provided* that (i) no shares of Common Stock may be subject to a Call Right unless they have been held by the Participant for at least six (6) months (or such other period as established from time to time by the Administrator in order to avoid adverse accounting treatment applying GAAP) and (ii) no Call Right may be exercised or completed upon or following the Company's initial public offering. The Call Right set forth in this Section 9 shall be exercised by the Company providing a written notice to the Participant during a Call Period (such notice, the "Call Notice"), which shall set forth the number of shares of Common Stock to be purchased from the Participant. The purchase price per share of Common Stock shall be the Fair Market Value of a share of Common Stock determined as of the date the Call Notice is provided (the "Call Purchase Price"), *provided, however*, that if the Participant's Termination was for Cause or the Participant has engaged in Detrimental Activity, the Call Purchase Price shall be zero. In connection with the exercise of a Call Right, by accepting the Call Purchase Price, the Participant shall be deemed to represent and warrant that (A) to the Participant's knowledge, the Participant has good and marketable title to the relevant shares of Common Stock to be redeemed, free and clear of all liens, claims and other encumbrances and (B) the Participant has not engaged in any Detrimental Activity. The Participant hereby consents to the taking of any steps by the Company which the Company deems are necessary or convenient to effect any legal formalities in relation to such redemption. Within sixty (60) days

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following the last day of the applicable Call Period, subject to satisfaction of the conditions described herein, the Company shall satisfy the Call Notice delivered pursuant to this Section 9 by redeeming each share of Common Stock specified in the applicable Call Notice for an amount equal to the Call Purchase Price. The Call Purchase Price shall be paid by check or by wire transfer of immediately available funds to the Participant; *provided* that any payment to the Participant pursuant to this Section 9 may be subject to reduction and be applied as a setoff against any loans or advances made by the Company to the Participant that are outstanding as of such date.

10. **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 a dollar amount equal to (a) the per share cash dividend paid by the Company on its Common Stock on such date, multiplied by (ii) the total number of PSUs 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 10 shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original PSUs to which they relate (and taking into account the performance metrics and adjustment schedule specified in the terms and conditions in Exhibit A); *provided*, however, that 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. No crediting of Dividend Equivalent Rights shall be made pursuant to this Section 10 with respect to any PSUs which, immediately prior to the record date for that dividend, have either been settled, cancelled or forfeited.

11. **Clawback/Repayment.** All PSUs may 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 PSUs for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations or other administrative error), the Participant may be required to repay any such excess amount to the Company.

12. **Detrimental Activity.** Notwithstanding anything to the contrary contained in the Plan, the Grant Notice or this Performance 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 PSUs, and (2) cause the Participant to forfeit to the Company any after-tax gain realized on the vesting of such PSUs.

13. **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.

14. **No Right to Continued Service.** This Agreement does not confer upon the

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Participant any right to continue as an employee or service provider to the Company.

15. **Binding Effect.** This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

16. **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.

17. **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 Performance 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 Performance 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.

18. **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.

19. **Section 409A.** It is intended that the PSUs granted hereunder either comply with Section 409A of the Code or are exempt from Section 409A of the Code pursuant to the "short-term deferral" rule applicable to such section, as set forth in the regulations or other guidance published by the Internal Revenue Service thereunder.

## SUBSIDIARIES OF THE REGISTRANT

| Name   | State or Other Jurisdiction<br>of Incorporation or<br>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  |
| KJUS Holdings Inc.                                 | Delaware   |
| KJUS North America, Inc.                           | Colorado   |
| KJUS Retail Deutschland GmbH                       | Germany  |
| LK Deutschland GmbH                                | Germany  |
| LK International AG                                | Switzerland  |
| LK Osterreich GmbH                                 | Austria  |
| Panthera Holdings Limited                          | England  |
| PG Golf LLC  | Delaware   |
| Webb Acquisition Co.                               | Delaware   |

**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 27, 2020 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 27, 2020

**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, 2019 (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              |
|---|---|-------------------|
| <u>/s/ DAVID MAHER</u><br>David Maher               | President and Chief Executive Officer (Principal Executive Officer)   | February 27, 2020 |
| <u>/s/ THOMAS PACHECO</u><br>Thomas Pacheco         | Executive Vice President, Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer) | February 27, 2020 |
| <u>/s/ YOON SOO YOON</u><br>Yoon Soo (Gene) Yoon    | Chairman  | February 27, 2020 |
| <u>/s/ JENNIFER ESTABROOK</u><br>Jennifer Estabrook | Director  | February 27, 2020 |
| <u>/s/ GREGORY HEWETT</u><br>Gregory Hewett         | Director  | February 27, 2020 |
| <u>/s/ SEAN SULLIVAN</u><br>Sean Sullivan           | Director  | February 27, 2020 |

**Signatures continued on next page**

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/s/ STEVEN TISHMAN

Steven Tishman

Director

February 27, 2020

/s/ WALTER UIHLEIN

Walter Uihlein

Director

February 27, 2020

/s/ KEUN CHANG YOON

Keun Chang Yoon

Director

February 27, 2020

## 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 27, 2020

/s/ DAVID MAHER

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Name: David Maher

*President and Chief Executive Officer*

## 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 27, 2020

/s/ THOMAS PACHECO

Name: Thomas Pacheco

*Executive Vice President, Chief Financial Officer and Chief  
Accounting Officer*



**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, 2019, (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 27, 2020

By: /s/ DAVID MAHER

Name: David Maher

Title: *President and Chief Executive Officer*

**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, 2019, (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 27, 2020

By: /s/ THOMAS PACHECO

Name: Thomas Pacheco

Title: *Executive Vice President, Chief Financial Officer and Chief Accounting Officer*