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, 2020

OR

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

For the transition period from to

Commission File Number: 001-37935

Acushnet Holdings Corp.

(Exact name of registrant as specified in its charter)

Delaware		**45-2644353**
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)
333 Bridge Street	**Fairhaven, Massachusetts**	**02719**
(Address of principal executive offices)		(Zip Code)

(800) 225-8500
(Registrant's telephone number, including area 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	☒	Non-accelerated filer	☐
Accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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, 2020, the aggregate market value of the registrant's common stock held by non-affiliates was approximately $1,170.9 million. The registrant's common stock trades on the New York Stock Exchange under the symbol "GOLF".

The registrant had 74,294,813 shares of common stock outstanding as of February 19, 2021.

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 7, 2021, 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, 2020.

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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. The forward-looking statements also reflect our current views with respect to the impact of the novel coronavirus ("COVID-19") pandemic on our business, results of operations, financial position and cash flows. 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 the sections entitled “Risk Factors” and “Forward-Looking Statements.” These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

WEBSITE DISCLOSURE

We use our website (www.acushnetholdingscorp.com) as a channel of distribution of company information. The information we post through this channel may be material. Accordingly, investors should monitor this channel, in addition to following our press releases, Securities and Exchange Commission (“SEC”) filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about Acushnet Holdings Corp. when you enroll your e-mail address by visiting the “Resources” section of our website at https://www.acushnetholdingscorp.com/investors/resources. In addition, on our website, we post the following filings 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,” "TSi," “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 ℠ 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, 2020, we recorded net sales of $1,612.2 million, net income attributable to Acushnet Holdings Corp. of $96.0 million and Adjusted EBITDA of $233.2 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 Corp., 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 approximately 40% of our net sales in 2020, and more durable products, which we consider to be golf clubs, golf shoes, golf apparel and golf gear, which collectively represented approximately 60% of our net sales in 2020.

We operate under the following four reportable segments: Titleist golf balls; Titleist golf clubs; Titleist golf gear; and FootJoy golf wear, which represented approximately 32%, 26%, 9% and 26%, respectively, of net sales in 2020. 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 a research and development ("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 2020, there were nearly 55 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 $11 billion in retail sales and approximately $8 billion in wholesale sales. On a geographic basis, the Americas accounted for over 40% of our addressable market, followed by Asia Pacific accounting for approximately 45% and EMEA for over 10% of our addressable market in 2020. We believe the number of rounds of golf played by our target market of dedicated golfers has remained stable over the past few years. Notwithstanding the foregoing, rounds of play in the U.S. experienced double digit growth (+14%) and global rounds of play increased by seven percent for the year ended December 31, 2020 as many dedicated golfers took full advantage of favorable weather, an increase in discretionary time due to the circumstances attendant to the COVID-19 pandemic, including limited personal and professional travel and increased flexibility of schedules due to the remote work policies adopted by many companies, and limited other entertainment options. In addition, the game of golf was in high demand in 2020 due to its outdoor field of play and ease of social distancing. We anticipate that rounds of golf played will likely stabilize back to pre-COVID-19 pandemic levels as vaccines become more widely available and businesses and other entertainment activities resume a more normal cadence.

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” and “baby boomers,” 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 2020, accounting for 25% of golfers overall in the U.S.

Dedicated Golfers. Dedicated golfers are largely older millennials, gen-xers 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 retail 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.

- *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. In 2020, we expanded our U.S. online golf shop to now offer Titleist Drivers and Fairways directly to the consumer.

- *FootJoy Footwear*. We continue to invest in design and innovation to bring golf-specific performance advancements to the footwear category. We launched several new models in 2020, and we plan to continue 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. We continue to drive our custom and special edition product offerings and, in 2020, we enhanced our direct to consumer sales of golf bags, headwear, gloves, travel gear, headcovers and other accessories with global expansion 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 FootJoy brand to perform at the highest levels.

- *FootJoy eCommerce Launch*. FootJoy has established eCommerce websites in the U.S., Canada, the United Kingdom, Ireland, Sweden, Germany, France and Japan. Approximately 7,500 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.

- *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.

- *KJUS Outerwear and Apparel.* In the third quarter of 2019, we acquired KJUS, a brand which designs premium technical golf, ski and lifestyle apparel with a distinctive, clean design. KJUS entered the golf outerwear and apparel markets less than a decade ago with a focus on freedom of movement, temperature regulation and all-weather protection to enhance performance. We intend to continue to invest in design and innovation to deliver advancements in KJUS outerwear and apparel.

Strategically Pursue Global Growth. While our brands are global, we believe that near-term growth will be primarily driven by more established golf markets, such as the United States, Japan, Korea and EMEA. However, less mature golf markets 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 that generally feature premium performance products that appeal to the dedicated golfer and can benefit from our global distribution and supply chain capabilities.

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, 2020, 2019 and 2018 were $1,159.1 million, $1,211.0 million, and $1,194.0 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 early 2021, we introduced new Pro V1 and Pro V1x models with advancements in every single golf ball layer for total performance. Both Pro V1 and Pro V1x are designed to deliver longer distance, even more greenside spin and control, and softer feel resulting from new core, casing layer, cover and aerodynamic technologies – including proprietary 388 (Pro V1) and 348 (Pro V1x) dimple designs optimized for extraordinary distance and consistent flight. These construction changes combine to make the most trusted, best performing and most consistent golf balls in the game even better.

The 2021 models maintain their differences in flight, feel and spin. New Pro V1 offers the greatest combination of speed, spin and feel in the game and is the best fit for the majority of golfers. Pro V1 flies lower than Pro V1x with a more penetrating trajectory and has a softer feel. New Pro V1x has a fast, high flight and delivers spin where and when a golfer wants it. Pro V1x is for players who want a higher trajectory and increased spin relative to Pro V1 with a slightly firmer feel. Complementing Pro V1 and Pro V1x is another high performance golf ball, Pro V1x Left Dash. Introduced in mid-2019, Pro V1x Left Dash meets the performance needs of a select group of players seeking high flight with even lower long game spin than Pro V1x. 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.

An advanced version of the Titleist AVX golf ball, launched in 2020, continues to have a loyal golfer following. Complementing our Pro V1 premium performance models, AVX flies lower, spins less and has an even softer feel than Pro V1 or Pro V1x. In August 2020, Tour Speed was launched globally as Titleist’s first multi-component thermoplastic urethane golf ball. Originally test marketed in the U.S. as an experimental ball named EXP-01, this technology, now Tour Speed, was validated by golfers as delivering best-in-class performance when compared with similarly priced competitive offerings. Also new in 2020 were reengineered Tour Soft, Velocity and TruFeel models that provide golfers with a range of performance, color and price preferences.

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, 2020, 2019 and 2018 were $507.8 million, $551.6 million, and $524.0 million, respectively, in each case approximately 32% of our total net sales.

We are also a leader in custom imprinted golf balls. This includes printing high quality reproductions of corporate logos, tournament logos, country club or resort logos, and personalization on Titleist and Pinnacle golf balls. Our service includes design capabilities, special packaging options and fast turnaround times. The majority of custom imprinting is done for corporate logos, as there has long been a strong connection between the business community and golf. Custom imprinted golf balls, while normally representing approximately 30% of our global net golf ball sales on an annual basis, represented approximately 24% of our global net golf balls sales for the year ended December 31, 2020. We believe this change is primarily a result of the COVID-19 pandemic.

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, 2020, 2019 and 2018 were $418.4 million, $434.4 million, and $445.3 million, respectively, in each case approximately 26% of our total net sales.

Titleist Clubs

Our current global club line consists of the TSi 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 TSi 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, 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 variety 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. In 2020, we realized continued success in the second year of sales of our Titleist Players Stand Bag collection. This collection is our leading bag franchise, customized and sold by leading golf courses across the globe. We also enjoyed success with our LINKSMASTER Series of golf premium golf bags at leading clubs around the world.

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 $149.4 million, $150.0 million and $146.1 million for the years ended December 31, 2020, 2019 and 2018, respectively, in each case approximately 9% of our total net sales.

FootJoy

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, 2020, 2019 and 2018 were $415.3 million, $441.9 million, and $439.7 million, respectively, in each case approximately 26% of our total net sales.

FootJoy Golf Shoes

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

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

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

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

FootJoy Gloves

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

FootJoy Outerwear and Apparel

FootJoy’s most recent brand extensions have been the entry into the golf outerwear and 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, golf and lifestyle apparel. 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 premium technical performance skiwear. Building upon this reputation, KJUS entered the golf outerwear and apparel markets with a focus on freedom of movement, temperature regulation and all-weather protection to enhance performance. As a result, KJUS 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 United Kingdom, Ireland and continental Europe), Korea and China. We utilize local vendors for imprinting capabilities in other geographic markets.

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

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

Nearly all of our FootJoy golf shoes are manufactured in a 525,000 square foot facility in Fuzhou, China, owned by a joint venture in which we have a 40% interest with the remaining 60% owned by our long-standing Taiwan supply partners. In our consolidated financial statements, we consolidate the accounts of this joint venture, which is a variable interest entity ("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 annually. 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 over 330 sales representatives worldwide, who are compensated through a combination of salary and a performance bonus. We currently service over 27,000 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. Beginning in the U.S. in 2016, we launched FootJoy and Titleist eCommerce websites. Titleist has also established eCommerce websites in Canada, the United Kingdom, Japan and Korea. In 2020, we launched our eCommerce website for Titleist Drivers and Fairways in the U.S. FootJoy also operates eCommerce websites in Canada, the United Kingdom, Ireland, Sweden, Germany, France and Japan.

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 retail 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, 2020, 2019 and 2018 we invested $48.9 million, $51.6 million and $51.5 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.

We own or license a large portfolio of trademarks, including for Titleist, Pro V1, Pro V1x, AVX, Union Green, Pinnacle, AP1, AP2, TSi, 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, TaylorMade, 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 (the "USGA"), is the governing body for golf in the United States and Mexico. The USGA, in conjunction with the Royal and Ancient Golf Club of St. Andrews (the "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. In February 2021, the USGA and R&A issued an Areas of Interest notice, which is the first step of the established equipment rule making procedures which gives the opportunity for golf's stakeholders to provide research and perspectives on topics that might lead to equipment rules changes. The impact, if any, of these or other potential changes to the Rules of Golf is uncertain at this time.

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 and Human Capital Resources

Acushnet's associates and our enduring culture are two key elements of our success. As of December 31, 2020, we employed 5,365 associates worldwide. Reflecting our truly global organization, 2,269 of our associates are located in the Americas, 473 are located in EMEA, and 2,623 are located in Asia Pacific.

We strive to cultivate the skills, knowledge, and experiences in our associates that enable Acushnet to continue its leadership in performance and product quality. To retain talent and recruit new associates, we utilize a dual approach, leveraging a long-standing “build-from-within” talent development model coupled with recruiting top talent from the outside, including through partnerships with universities, community organizations and professional groups, which help in broadening our reach. We conduct an annual talent review process focused on performance, potential and succession planning. Managers share open feedback with associates and work together to create individual, experiential development plans balancing deep functional expertise with broad leadership capabilities.

Essential to our recruitment and retention of top talent, is our commitment to ensuring we benefit from a workplace built on our core values, including diversity, inclusion, belonging and respect. Our Diversity, Inclusion and Belonging Council is made up of associates from all facets of the Company and helps guide our strategic development and implementation of a broad range of initiatives. Engagement with associates at all levels is driven through open discussion, listening and engagement surveys.

Long-term associate retention starts with a focus on the safety, health and well-being of our associates. Acushnet's Safety, Health and Wellness journey began more than 25 years ago and our 6-point safety program is a foundational principle of our operations across the globe. Acushnet's HealthWise program, "Wellness For Life," creates a culture to encourage and support associate safety, health and wellness. Through partnerships with the medical community and Acushnet HealthWise Coaches, associates gain access to high quality health and wellness services. Associates receive incentives for healthy behaviors, which include up to a 30% surcharge avoidance for healthcare benefits. HealthWise is based on 4 pillars: prevention, education, nutrition & fitness, and volunteerism. Acushnet's role is to encourage behaviors in each pillar through offering on-site educational programs, fitness center programming, on-site wellness staff to coach associates on meeting personal nutritional or fitness goals, on-site services (physical therapy, chiropractic care, psychiatric care, massage therapy, acupuncture and reflexology) and volunteer activities in our local communities.

In response to the COVID-19 pandemic, our Health and Safety programs were evaluated and modified to ensure a healthy and safe workplace across all our global sites:

- Initial facilities closures in response to the COVID-19 pandemic were used to re-engineer our workspaces in compliance with the Centers for Disease Control and Prevention ("CDC") and other regulatory guidance to ensure safe working distance between work-stations, and a reconfiguration of common spaces such as café and conference rooms.
- Creation of Acushnet Global COVID-19 safety and travel protocol requiring masks, safe distancing and restriction of corporate travel, sanitation of all workstations between shifts, and 24x7 access to nursing staff.
- Maintain regular cadence of communication with associates regarding the impact of COVID-19 on the Company's operations.
- Purchase and distribution of Whoop bands for those whose work requires an interface with the general public or professional golf players as early detection and protection for both our staff and the community.
- To reduce risk of workplace transmission, we have implemented policies to provide 10 days of paid leave to allow our associates experiencing symptoms of or who have been exposed to COVID-19 to quarantine and test, without the added burden of loss of income.

In keeping with Acushnet's culture of caring, we implemented pay restoration and appreciation bonus programs for critical Company associates whose income was negatively impacted by furloughs.

As a leader in performance and product quality, we drive high performance standards and excellence, including by continually developing and encouraging our associates to challenge the status quo, and rewarding them with competitive compensation and benefits packages. The highly cultivated and long-standing associate experience at Acushnet remains a competitive advantage driving our performance as the leader in performance products in the golf industry.

ITEM 1A. RISK FACTORS

Summary Risk Factors

Below is a summary of some of the principal risks that could adversely affect our business, operations and financial results:

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.
- Unfavorable weather conditions may impact the number of playable days and rounds played in a given year.
- Our business, financial position, results of operations and cash flows have been, and could continue to be, negatively impacted by the COVID-19 pandemic.
- Changes to the Rules of Golf with respect to equipment 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.
- Many of our raw materials or components of our products are provided by a sole or limited number of third-party suppliers and manufacturers.
- A disruption in the operations of our suppliers 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.
- Failure to successfully innovate and offer high-quality products may adversely affect our ability to compete in the market for our products.
- We may be involved in lawsuits to protect, defend or enforce our intellectual property rights, which could be expensive, time consuming and unsuccessful.
- 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.
- 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.
- 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 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.
- Our business operations are subject to seasonal fluctuations, which could result in fluctuations in our operating results and stock price.
- Our business and results of operations are also subject to fluctuations based on the timing of product introductions.
- We have significant international operations and are exposed to risks associated with doing business globally.
- 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.
- 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 business could be materially adversely affected as a result of the risks associated with acquisitions and investments.

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

Risks Related to Ownership of Our Common Stock

- The interests of Magnus Holdings Co., Ltd. ("Magnus"), which is wholly-owned by Fila Holdings Corp. ("Fila"), and Fila and any of their successors or transferees may conflict with other holders of our common stock.
- We are a "controlled company" within the meaning of the rules of the NYSE. As a result, we qualify for, and are relying upon, exemptions from certain corporate governance requirements that would otherwise provide protection to shareholders of other companies.
- 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.

For a more complete discussion of the material risk facing our business, see below. You should carefully consider each of the following risk factors, as well as the other information in this Annual Report on Form 10-K, 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 retail 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” and “baby boomer” generations. If golf participation or the number of rounds of golf played declines, due to factors such as demographic changes in the United States and our international markets or lack of interest in the sport among young people or certain socioeconomic and ethnic groups, sales of our products could be negatively impacted, which could materially adversely affect our business, financial condition and results of operations.

Our business, financial position, results of operations and cash flows have been, and could continue to be, negatively impacted by the COVID-19 pandemic.

The COVID-19 pandemic, and the various governmental, industry and consumer actions taken in response thereto, have impacted and could continue to impact our business. These impacts have included significant volatility in demand for our products; temporary closure of golf courses, including on-course retail pro shops; the temporary closure of off-course retail partner locations; cancellation of professional golf tour events; changes in consumer behavior in affected regions that restrict recreational activities and discretionary spending; significant disruptions in or closures of our manufacturing operations or those of our suppliers; disruptions within our supply chain restricting our ability to import products or obtain the necessary raw materials or components to make products; limitations on our employees’ and consumers’ ability to work and travel; restrictions on public gatherings; potential financial difficulties of customers and suppliers; significant changes in economic or political conditions; and related volatility in financial and market conditions.

Given the uncertainty of the COVID-19 pandemic situation, we cannot predict the full extent the impact of this pandemic and actions being taken worldwide to address it will have on the economy, trade, our business and the businesses of our customers and suppliers. While it is impossible to quantify the impact of the COVID-19 pandemic, business disruptions as a result of the COVID-19 pandemic could continue to have a material impact on our business, results of operations, financial position and cash flows. The degree to which the COVID-19 pandemic and related actions ultimately impact our business, financial position, results of operations and cash flows will depend on factors beyond our control, including the spread, severity and duration of the pandemic; the actions taken to contain the spread of COVID-19, including any additional government ordered shutdowns; the pandemic's impact on the global economy and demand for our products; and to what extent and how quickly normal economic and operating conditions resume. Although we have seen recovery in the geographic regions where we do business, if those regions fail to fully contain the COVID-19 pandemic or the spread of the virus continues, those markets may not recover as quickly or at all. A prolonged decline in general economic conditions or uncertainties regarding future economic prospects as a result of the pandemic could adversely affect consumer confidence and discretionary spending, which in turn could result in further reduced sales of our products and could materially adversely affect our business, financial position, results of operations and cash flows.

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 (the "USGA"), and The Royal and Ancient Golf Club of St. Andrews (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 the R&A have historically regulated the size, weight and initial velocity of golf balls. More recently, the USGA and the R&A have specifically focused on regulating the overall distance of a golf ball. The USGA and the 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, including with respect to the Distance Insights Project. In February 2021, the USGA and R&A issued an Areas of Interest notice, which is the first step of the established equipment rule making procedures which gives the opportunity for golf's stakeholders to provide research and perspectives on topics that might lead to equipment rules changes. The impact, if any, of these or other potential changes to the Rules of Golf is uncertain at this time. 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.

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 COVID-19 pandemic); 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 may 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, 2020, $772.8 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, 2020, 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.

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, 2020, 48% of our sales were denominated in foreign currencies. In addition, for the year ended December 31, 2020, approximately 34% 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, 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 ensuring 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.

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 (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, SRI Sports Limited, 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 certain of our products, including 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, our ability to gain 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, while normally representing approximately 30% of our global net golf ball sales on an annual basis, represented approximately 24% of our global net golf balls sales for the year ended December 31, 2020. We believe this change is primarily a result of the COVID-19 pandemic. 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, 2020. However, our top ten customers accounted for 21% of our consolidated net sales in the year ended December 31, 2020. 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 – Cyclicality,” may cause our results of operations to fluctuate as each product line has different volumes, prices and margins.

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

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

The current U.S. presidential administration may support and introduce certain new 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 by the previous administration. Further, any changes in 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. While the United Kingdom's exit from the European Union ("Brexit") on December 31, 2020 is now complete and some clarity has been provided on the outcome for the United Kingdom and Europe, changes related to Brexit will likely significantly disrupt the free movement of goods, services and people between the United Kingdom and the European Union for a period of time, and result in increased legal and regulatory complexities, as well as potentially higher costs of conducting business in Europe. At the present time, it is unclear what the ultimate impact of these changes, policies or proposals may be and, as such, we are unable to determine the effect, if any, that such changes, policies or proposals would have on our business. Generally, however, we expect short term disruption to product trading transit times into to the European Union into the United Kingdom and higher duty and admin costs for the same.

As a result of our international business operations, 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 (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 United Kingdom. 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;
- 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. Titleist has also established eCommerce websites in Canada, the United Kingdom, Japan and Korea. In 2020, we launched our eCommerce website for Titleist Drivers and Fairways in the U.S. FootJoy also operates eCommerce websites in Canada, the United Kingdom, Ireland, Sweden, Germany, France and Japan. 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 37% of our total assets as of December 31, 2020.

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, brand building, R&D, manufacturing, intellectual property protection and support personnel are also critical to the success of our business. The loss of the services of any of our senior management team or other key employees could disrupt our operations and delay the development and introduction of our products which could materially adversely affect our business, financial condition and results of operations. We do not have employment agreements with any of the members of our senior management team, except for David Maher, our President and CEO. In addition, we do not have "key person" life insurance policies covering any of our officers or other key employees.

Our future success depends upon our ability to attract and retain our executive officers and other key sales, marketing, brand building, 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 (the "Code"), if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as foreign tax credits and research tax credits, to offset its post-change income and taxes may be limited. In general, an "ownership change" generally occurs if there is a cumulative change in our ownership by "5-percent shareholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules apply under state tax laws. We may experience an ownership change from future transactions in our stock, some of which may be outside our control. As a result, if we earn net taxable income, our ability to use pre-change net operating loss carryforwards or other pre-change tax attributes to offset U.S. federal and state taxable income and taxes may be subject to incremental limitations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Any additional capital raised through the sale of equity or securities convertible into equity will dilute the percentage ownership of holders of our common stock. Capital raised through debt financing would require us to make periodic interest payments and may impose restrictive covenants on the conduct of our business. Furthermore, additional financings may not be available on terms favorable to us, or at all, especially during periods of adverse economic conditions, which could make it more difficult or impossible for us to obtain funding for the operation of our business, for making additional investments in product development and for repaying outstanding indebtedness. Our failure to obtain additional funding could prevent us from making expenditures that may be required to grow our business or maintain our operations.

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 COVID-19 pandemic 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, 2020, we had $335.8 million of indebtedness (excluding debt issuance costs). As of December 31, 2020, we had available borrowings under our revolving credit facility of $392.2 million after giving effect to $7.8 million of outstanding letters of credit and we had available borrowings remaining under our local credit facilities of $58.7 million. As of December 31, 2020, we had outstanding interest rate swap contracts to hedge the interest rate risk on $140.0 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 may 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 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 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 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 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, 2020, Magnus Holdings Co., Ltd. (“Magnus”), which is wholly-owned by Fila, beneficially owned approximately 52.2% 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, 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 “--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 do 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 Acushnet, 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 52.2%, of our outstanding common stock as of December 31, 2020. 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, the composition of 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, 2020, we had 424,333,633 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 6,616,925 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 Acushnet 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 Acushnet, including actions that our shareholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

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

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

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

We have additional sales offices and facilities in Colorado, 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 25, 2021.

Name	Age	Position
David Maher	53	President and Chief Executive Officer
Mary Lou Bohn	60	President, Titleist Golf Balls
Steven Pelisek	60	President, Titleist Golf Clubs
John (Jay) Duke, Jr.	52	President, Titleist Golf Gear
Christopher Lindner	52	President, FootJoy
Thomas Pacheco	52	Executive Vice President, Chief Financial Officer and Chief Accounting Officer
Brendan Gibbons	45	Executive Vice President, Chief Legal Officer and Corporate Secretary
Brendan Reidy	43	Executive Vice President, Chief People Officer

David Maher, 53, 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, 60, 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, 60, 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., 52, 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, 52, 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, 52, joined the Company in 2017 and was appointed Executive Vice President, Chief Financial Officer and Chief Accounting Officer in January 2019. Prior to that, Mr. Pacheco was Senior Vice President, Finance and Chief Accounting Officer from April 2017 to December 2018 and Senior Vice President, Finance and Chief Audit Executive of Dell Technologies from September 2016 to March 2017. Prior to September 2016, Mr. Pacheco served as Senior Vice President, Finance and Chief Accounting Officer at EMC until it was acquired by Dell Technologies. He joined EMC in 2005 and held several roles in Finance including Assistant Corporate Controller, CFO - Cloud Services Division and Senior Director of Corporate Accounting and Reporting.

Brendan Gibbons, 45, 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, 43, joined the Company in January 2019 and was appointed Executive Vice President, Chief People Officer in February 2021. Prior to that, Mr. Reidy was Senior Vice President, Chief Human Resources Officer from January 2019 to February 2021. 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

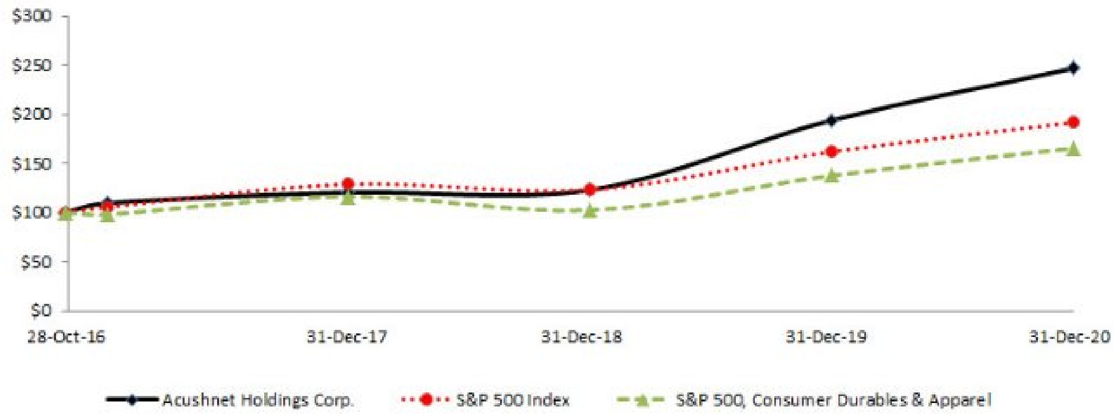
Our common stock has been listed on the New York Stock Exchange (the "NYSE") under the symbol "GOLF" since October 28, 2016.

On February 19, 2021, the last reported sales price of our common stock on the NYSE was $44.29 per share and there were five 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, 2020. 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.

Comparison of Cumulative Total Returns



	28-Oct-16	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20
Acushnet Holdings Corp.	$100.00	$109.81	$120.60	$123.14	$194.07	$246.82
S&P 500	$100.00	$105.74	$128.83	$123.18	$161.96	$191.76
S&P 500 Consumer Durables & Apparel	$100.00	$98.17	$116.41	$102.49	$137.74	$165.56

Recent Sales of Unregistered Securities

None

Dividend Policy

We paid a total of $46.1 million, $43.5 million, and $39.1 million in dividends on our common stock during the years ended December 31, 2020, 2019 and 2018, 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. In April 2020, we temporarily suspended stock repurchases under our share repurchase program in light of the COVID-19 pandemic. We have the ability to resume repurchases in our discretion.

The following table provides information relating to the Company's purchase of common stock for the fourth quarter of 2020:

Period	Total number of shares purchased[1]	Average price paid per share[1]	Total number of shares purchased as part of publicly announced plans or programs[1]	Approximate dollar value of shares that may yet be purchased under the plans or programs [1][2] *(in thousands)*
October 1, 2020 - October 31, 2020	—	$ —	—	$ 63,672
November 1, 2020 - November 30, 2020	—	—	—	63,672
December 1, 2020 - December 31, 2020	—	—	—	63,672
Total	—	$ —	—	$ 63,672

(1) 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 Corp., to purchase from Magnus an equal amount of our common stock as we purchase on the open market up to an aggregate of $24.9 million at the same weighted average per share price. In relation to the Magnus share repurchase agreement, during the three months ended December 31, 2020 we recorded no additional liability for shares of common stock to be repurchased from Magnus. The repurchase program will remain in effect until completed or until terminated by the Board of Directors.

(2) Includes $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.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

Not applicable

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 the "Special Note Regarding Forward-Looking Statements" section of this report 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.

Impact of COVID-19 on our Business

In March 2020, the World Health Organization declared a pandemic related to the novel coronavirus ("COVID-19"). Through the end of June 2020, our business was significantly disrupted by the COVID-19 pandemic. In Asia, our operations were impacted earlier in the year and were at varying stages of recovery at the end of June, with Korea nearly fully recovered while Japan and other markets continued to progress. In the United States and Europe, as a result of government-ordered shutdowns, most on-course retail pro shops and off-course retail partner locations were closed for some portion of March, most of April and part of May 2020. Also, as a result of these orders, we were forced to temporarily close or substantially limit our operations in our manufacturing facilities and distribution centers in the United States and Europe from the end of March until mid-May 2020. During this period, we were largely unable to manufacture or ship products in these regions and took steps to strengthen our financial position and balance sheet, bolster our liquidity position and provide additional financial flexibility, including by reducing discretionary spending, reducing capital expenditures, suspending our share repurchase program and amending our credit agreement.

Our manufacturing facilities and distribution centers were re-opened in mid-May 2020 with protocols designed to promote the health and safety of our associates in accordance with state and local government re-opening guidance. The protocols included reconfiguring our manufacturing and distribution facilities to allow for social distancing, implementing stringent safety measures in all facilities, implementing work-from-home policies wherever possible and suspending non-critical business travel.

By the end of June 2020, substantially all of the golf courses, on-course retail pro shops and off-course retail partner locations in the United States and Europe had re-opened. Rounds of play have been strong since golf courses have reopened, which resulted in increased demand for our products during June 2020 and even greater demand for our products during the second half of 2020 in the United States and Europe. Rounds of play and demand for golf products in Korea remained strong through the end of 2020; however, Japan continued to be negatively impacted by the COVID-19 pandemic with decreased rounds of play and lower demand for golf-related products. The impact of the COVID-19 pandemic continues to evolve and remains highly uncertain including the duration and severity of the pandemic, additional government related shutdowns and a significant decrease in the current level of rounds of play and the related demand for golf-related products.

The COVID-19 pandemic materially impacted our results of operations for the year ended December 31, 2020 as described in more detail under "Results of Operations for the Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019" below. The impact of the COVID-19 pandemic continues to evolve, and both the full impact and duration of the COVID-19 pandemic remain highly uncertain. Accordingly, our business, results of operations, financial position and cash flows could continue to be materially impacted in ways that we cannot currently predict.

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 Acushnet Holdings Corp. ("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; restructuring charges; 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. We believe the number of rounds of golf played by our target market of dedicated golfers has remained stable over the past few years. Notwithstanding the foregoing, rounds of play in the U.S. experienced double digit growth (+14%) and global rounds of play increased by seven percent for the year ended December 31, 2020 as many dedicated golfers took full advantage of favorable weather, an increase in discretionary time due to the circumstances attendant to the COVID-19 pandemic, including limited personal and professional travel and increased flexibility of schedules due to the remote work policies adopted by many companies, and limited other entertainment options. In addition, the game of golf was in high demand in 2020 due to its outdoor field of play and ease of social distancing. We anticipate that rounds of golf played will likely stabilize back to pre-COVID-19 pandemic levels as vaccines become more widely available and businesses and other entertainment activities resume a more normal cadence.

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 retail 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” and “baby boomers”, 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 2020, 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 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 weather conditions as discussed above under "—Weather Conditions" and the timing of new product introductions as discussed below under "—Cyclicality." This seasonality affects sales in each of our reportable segments differently. In general, however, because of this seasonality, a majority of our sales and most of our profitability generally occurs during the first half of the year.

Cyclicality

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

Product Life Cycles

Titleist Golf Balls Segment

We generally launch new Titleist golf ball models on a two-year cycle. In general, in odd-numbered years, we launch our premium performance models, Pro V1 and Pro V1x, in the first quarter and our TruFeel performance model in the fourth quarter. In even-numbered years, we launch our premium performance AVX model and Velocity performance model in the first quarter and performance models Tour Speed and Tour Soft in the second quarter. 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 using the following product launch cycle. 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;
- hybrids in the first or second quarter of odd-numbered years, with the majority of sales generated by such new products occurring in the spring, summer and fall of odd-numbered years;

- irons 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 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 Phantom X 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 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, 2020, 2019 and 2018, 48%, 47% 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 years ended December 31, 2020, 2019 and 2018 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, 2020, 48% of our sales were denominated in foreign currencies. In addition, for the year ended December 31, 2020, approximately 34% 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.

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, net, income tax expense (benefit), depreciation and amortization and other items defined in the agreement, including: share-based compensation expense; restructuring and transformation costs; certain transaction fees; extraordinary, unusual or non-recurring losses or charges; indemnification expense (income); certain pension settlement costs; certain other non-cash (gains) losses, net and the net income relating to noncontrolling interests. Adjusted EBITDA is not a measurement of financial performance under U.S. GAAP. It should not be considered an alternative to net income (loss) attributable to Acushnet Holdings Corp. as a measure of our operating performance or any other measure of performance derived in accordance with U.S. GAAP. In addition, Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items, or affected by similar non-recurring items. Adjusted EBITDA has limitations as an analytical tool, and you should not consider such measure either in isolation or as a substitute for analyzing our results as reported under U.S. GAAP. Our definition and calculation of Adjusted EBITDA is not necessarily comparable to other similarly titled measures used by other companies due to different methods of calculation. For a reconciliation of Adjusted EBITDA to net income (loss) attributable to Acushnet Holdings Corp., see “—Results of Operations” below.

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

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

Results of Operations

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

(in thousands)	Year ended December 31, 2020	2019	2018
Net sales	$ 1,612,169	$ 1,681,357	$ 1,633,721
Cost of goods sold	782,333	809,122	791,370
Gross profit	829,836	872,235	842,351
Operating expenses:			
Selling, general and administrative	610,603	627,503	611,883
Research and development	48,942	51,601	51,489
Intangible amortization(1)	11,629	7,478	6,644
Restructuring charges	13,207	—	—
Income from operations	145,455	185,653	172,335
Interest expense, net	15,630	19,613	18,402
Other expense, net	16,776	875	3,629
Income before income taxes	113,049	165,165	150,304
Income tax expense	13,038	40,600	47,232
Net income	100,011	124,565	103,072
Less: Net income attributable to noncontrolling interests	(4,005)	(3,495)	(3,200)
Net income attributable to Acushnet Holdings Corp.	$ 96,006	$ 121,070	$ 99,872
Adjusted EBITDA:			
Net income attributable to Acushnet Holdings Corp.	$ 96,006	$ 121,070	$ 99,872
Interest expense, net	15,630	19,613	18,402
Income tax expense	13,038	40,600	47,232
Depreciation and amortization (1)	45,429	43,002	40,496
Share-based compensation	16,016	10,975	18,563
Restructuring and transformation costs(2)	15,589	—	—
Beam indemnification expense (income) (3)	9,871	(498)	(258)
Other extraordinary, unusual or non-recurring items, net (4)	17,600	1,869	3,319
Net income attributable to noncontrolling interests	4,005	3,495	3,200
Adjusted EBITDA	$ 233,184	$ 240,126	$ 230,826
Adjusted EBITDA margin	14.5 %	14.3 %	14.1 %

(1) For the year ended December 31, 2020, includes a goodwill impairment loss of $3.8 million related to KJUS.
(2) Relates to severance and other costs associated with management's approved restructuring program and other expenses to refine and transform our business model and improve operational efficiencies.
(3) Includes non-cash indemnification expense (income) related to tax audits for the periods in which we were owned by Beam Suntory, Inc. (“Beam”).
(4) Items recorded during the year ended December 31, 2020 include salaries and benefits paid for associates who could not work due to government mandated shutdowns, fringe benefits paid for furloughed associates, spoiled raw materials, incremental costs to support remote work and the cost of additional health and safety equipment of $13.5 million and pension settlement costs of $7.2 million related to lump-sum distributions to participants in our defined benefit plans as a result of the voluntary retirement program as part of management’s approved restructuring program. Items recorded during the year ended December 31, 2019 include transaction fees of $2.7 million. Items recorded during the year ended December 31, 2018 include a non-cash settlement expense of $2.5 million related to benefit payments received by our former CEO in connection with his retirement. Includes other immaterial unusual or non-recurring items, net for the years ended December 31, 2020, 2019 and 2018.

Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

Net sales by reportable segment is summarized as follows:

	Year ended December 31,		Increase/(Decrease)		Constant Currency Increase/(Decrease)	
(in millions)	2020	2019	$ change	% change	$ change	% change
Titleist golf balls	$ 507.8	$ 551.6	$ (43.8)	(7.9) %	$ (43.9)	(8.0) %
Titleist golf clubs	418.4	434.4	(16.0)	(3.7) %	(17.5)	(4.0) %
Titleist golf gear	149.4	150.0	(0.6)	(0.4) %	—	— %
FootJoy golf wear	415.3	441.9	(26.6)	(6.0) %	(27.0)	(6.1) %

Segment operating income by reportable segment is summarized as follows:

	Year ended December 31,		Increase/(Decrease)	
(in millions)	2020	2019	$ change	% change
Titleist golf balls	$ 71.8	$ 93.3	$ (21.5)	(23.0)%
Titleist golf clubs	40.0	38.8	1.2	3.1 %
Titleist golf gear	20.0	17.3	2.7	15.6 %
FootJoy golf wear	18.3	24.4	(6.1)	(25.0)%

Net sales information by region is summarized as follows:

	Year ended December 31,		Increase/(Decrease)		Constant Currency Increase/(Decrease)	
(in millions)	2020	2019	$ change	% change	$ change	% change
United States	$ 839.4	$ 884.8	$ (45.4)	(5.1)%	$ (45.4)	(5.1)%
EMEA(1)	219.0	230.5	(11.5)	(5.0)%	(12.6)	(5.5)%
Japan	151.8	182.7	(30.9)	(16.9)%	(34.3)	(18.8)%
Korea	246.2	223.4	22.8	10.2 %	26.4	11.8 %
Rest of world	155.8	160.0	(4.2)	(2.6)%	(4.3)	(2.7)%
Total net sales	$ 1,612.2	$ 1,681.4	$ (69.2)	(4.1)%	$ (70.2)	(4.2)%

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

Net Sales

Net sales decreased by $69.2 million, or 4.1%, to $1,612.2 million for the year ended December 31, 2020 compared to $1,681.4 million for the year ended December 31, 2019. On a constant currency basis, net sales decreased by $70.2 million, or 4.2%, to $1,611.2 million. The decrease in net sales on a constant currency basis was due to decreases across all reportable segments primarily as a result of the impact of the COVID-19 pandemic and related government-ordered shutdowns primarily during the first and second quarters of 2020. Partially offsetting this was higher demand around golf and golf-related products in the third and fourth quarters as golf courses and on and off-course retail partner locations re-opened, as well as a full year of sales from KJUS, which we acquired in the third quarter of 2019.

Net sales in the United States decreased by $45.4 million, or 5.1%, to $839.4 million for the year ended December 31, 2020 compared to $884.8 million for the year ended December 31, 2019. Overall, sales in the United States were lower as a result of the impact of the COVID-19 pandemic. The decrease in net sales primarily resulted from a decrease of $27.3 million in Titleist golf balls, a decrease of $15.3 million in FootJoy golf wear and a decrease of $10.6 million in Titleist golf clubs. The decrease in net sales was partially offset by an increase of $3.0 million in Titleist golf gear and a full year of sales from KJUS.

Net sales in regions outside of the United States were also impacted by the COVID-19 pandemic. Net sales in regions outside of the United States decreased by $23.8 million, or 3.0%, to $772.8 million for the year ended December 31, 2020 compared to $796.6 million for the year ended December 31, 2019. On a constant currency basis, net sales in such regions decreased by $24.8 million, or 3.1%, to $771.8 million. This decrease in net sales was due to decreases in sales volumes across all reportable segments, primarily as a result of the impact of the COVID-19 pandemic in all regions except Korea, which saw net sales increases across all reportable segments except Titleist golf clubs. A full year of sales from KJUS partially offset declines in EMEA.

Gross Profit

Gross profit decreased by $42.4 million to $829.8 million for the year ended December 31, 2020 compared to $872.2 million for the year ended December 31, 2019. Gross margin decreased to 51.5% for the year ended December 31, 2020 compared to 51.9% for the year ended December 31, 2019. The decrease in gross profit primarily resulted from a decrease of $37.7 million in Titleist golf balls, a decrease of $10.5 million in Titleist golf clubs and a decrease of $9.3 million in FootJoy golf wear, each primarily due to the sales volume declines discussed above. The remaining change in gross profit was primarily due to sales volume growth of products that are not allocated to one of our reportable segments.

The decrease in gross margin was primarily driven by lower gross margin in Titleist golf balls. The Titleist golf balls segment experienced unfavorable manufacturing overhead absorption related to the temporary closure of our United States-based golf ball manufacturing facilities during the second quarter of 2020 as a result of the COVID-19 pandemic.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses decreased by $16.9 million to $610.6 million for the year ended December 31, 2020 compared to $627.5 million for the year ended December 31, 2019. SG&A decreased primarily as a result of expense reduction measures taken across all segments in the first and second quarters of 2020 as a result of the COVID-19 pandemic, partially offset by increased spending in the fourth quarter related to higher net sales as described above and increased employee related expenses. The decrease in SG&A primarily resulted from a decrease of $31.4 million in advertising and promotional costs, partially offset by an increase of $10.1 million in administrative expense primarily due to employee related expenses and an increase of $6.6 million in selling expense primarily related to a full year of KJUS.

Research and Development

Research and development ("R&D") expenses decreased by $2.7 million to $48.9 million for the year ended December 31, 2020 compared to $51.6 million for the year ended December 31, 2019 primarily resulting from expense reduction measures taken in response to the COVID-19 pandemic and a reduction in experimental material expense.

Intangible Amortization

Intangible amortization expense increased $4.1 million to $11.6 million for the year ended December 31, 2020, compared to $7.5 million for the year ended December 31, 2019, primarily related to a goodwill impairment loss of $3.8 million related to KJUS.

Restructuring Charges

During the year ended December 31, 2020, we recorded $11.2 million in severance and other benefits expense related to our voluntary retirement program, as well as $2.0 million in severance and other benefits related to involuntary headcount reductions both associated with our restructuring program approved in the first quarter of 2020.

Interest Expense, net

Interest expense, net decreased by $4.0 million to $15.6 million for the year ended December 31, 2020 compared to $19.6 million for the year ended December 31, 2019. This decrease was primarily due to a decrease in interest rates and a decrease in borrowings during the year ended December 31, 2020, offset in part by an increase in interest rate swap loss.

Other Expense, net

Other expense, net increased by $15.9 million to $16.8 million for the year ended December 31, 2020 compared to $0.9 million for the year ended December 31, 2019. This increase was primarily due to expense resulting from the reversal of an indemnification receivable of $10.4 million related to income taxes indemnified by Beam, for which there was a corresponding tax benefit recognized during the year ended December 31, 2020, and a $7.5 million increase in the non-service cost component of net periodic benefit costs related to both an increase in the amortization of actuarial losses and an increase in settlement costs as a result of our voluntary retirement program.

Income Tax Expense

Income tax expense decreased by $27.6 million to $13.0 million for the year ended December 31, 2020 compared to $40.6 million for the year ended December 31, 2019. Our effective tax rate ("ETR") was 11.5% for the year ended December 31, 2020, compared to 24.6% for the year ended December 31, 2019. The decrease in ETR was primarily driven by the impact of the COVID-19 pandemic on our geographic mix of earnings as well as the reduction of tax expense associated with the U.S. tax of foreign earnings and the income tax benefit pertaining to our change in unrecognized tax benefits resulting from an audit settlement for the periods in which we were owned by Beam.

Net Income Attributable to Acushnet Holdings Corp.

Net income attributable to Acushnet Holdings Corp. decreased by $25.1 million to $96.0 million for the year ended December 31, 2020 compared to $121.1 million for the year ended December 31, 2019, primarily as a result of the factors discussed above.

Adjusted EBITDA

Adjusted EBITDA decreased by $6.9 million to $233.2 million for the year ended December 31, 2020 compared to $240.1 million for the year ended December 31, 2019 due to a decrease in income from operations partially offset by adjustments to net income attributable to Acushnet Holdings Corp. related to restructuring and transformation costs and other extraordinary, unusual or non-recurring items, net (see Results of Operations table). Adjusted EBITDA margin increased to 14.5% for the year ended December 31, 2020 compared to 14.3% for the year ended December 31, 2019.

Segment Results

Titleist Golf Balls Segment

Net sales in our Titleist golf balls segment decreased by $43.8 million, or 7.9%, to $507.8 million for the year ended December 31, 2020 compared to $551.6 million for the year ended December 31, 2019. On a constant currency basis, net sales in our Titleist golf balls segment decreased by $43.9 million, or 8.0%, to $507.7 million. This decrease resulted from the impact of the COVID-19 pandemic on sales volumes as discussed above across all models and regions, with the exception of Korea.

Operating income in our Titleist golf balls segment decreased by $21.5 million, or 23.0%, to $71.8 million for the year ended December 31, 2020 compared to $93.3 million for the year ended December 31, 2019. The decrease in operating income was due to a decrease of $37.7 million in gross profit partially offset by a decrease in operating expenses. The decrease in gross profit was primarily due to the sales decline discussed above and unfavorable manufacturing overhead absorption due to the closure of our United States-based golf ball manufacturing facilities during the second quarter of 2020 as a result of the COVID-19 pandemic. Operating expenses decreased primarily due to a decrease of $14.4 million in advertising and promotional costs and a decrease of $3.1 million in R&D costs primarily as a result of the expense reduction measures taken in response to the COVID-19 pandemic, partially offset by an increase of $3.0 million in allocated administration expense primarily due to employee related expenses.

Titleist Golf Clubs Segment

Net sales in our Titleist golf clubs segment decreased by $16.0 million, or 3.7%, to $418.4 million for the year ended December 31, 2020 compared to $434.4 million for the year ended December 31, 2019. On a constant currency basis, net sales in our Titleist golf clubs segment decreased by $17.5 million, or 4.0%, to $416.9 million. This decrease resulted from the impact of the COVID-19 pandemic on sales volumes as discussed above across all models, partially offset by our SM8 wedges introduced in the first quarter of 2020 and our TSi metals introduced in the fourth quarter of 2020.

Operating income in our Titleist golf clubs segment increased by $1.2 million, or 3.1%, to $40.0 million for the year ended December 31, 2020 compared to $38.8 million for the year ended December 31, 2019. The increase in operating income resulted from lower operating expenses, largely offset by lower gross profit. Operating expenses decreased primarily due to a decrease of $10.0 million in advertising and promotional costs and a decrease of $3.6 million in selling expense primarily as a result of the expense reduction measures taken in response to the COVID-19 pandemic, partially offset by an increase of $2.1 million in allocated administration expense primarily due to employee related expenses. Gross profit was $10.5 million lower primarily as a result of the sales volume decrease discussed above.

Titleist Golf Gear Segment

Net sales in our Titleist golf gear segment decreased by $0.6 million, or 0.4%, to $149.4 million for the year ended December 31, 2020 compared to $150.0 million for the year ended December 31, 2019. On a constant currency basis, net sales in our Titleist golf gear segment was unchanged. Sales volumes were impacted by the COVID-19 pandemic as discussed above primarily in our headwear and travel product categories, offset by higher average selling prices across all product categories.

Operating income in our Titleist golf gear segment increased by $2.7 million, or 15.6%, to $20.0 million for the year ended December 31, 2020 compared to $17.3 million for the year ended December 31, 2019. The increase in operating income resulted from lower operating expenses and higher gross profit. Operating expenses decreased primarily due to a decrease of $1.9 million in advertising and promotional costs primarily as a result of the expense reduction measures taken in response to the COVID-19 pandemic. Gross profit increased $1.3 million primarily due to higher average selling prices across all product categories.

FootJoy Golf Wear Segment

Net sales in our FootJoy golf wear segment decreased by $26.6 million, or 6.0%, to $415.3 million for the year ended December 31, 2020 compared to $441.9 million for the year ended December 31, 2019. On a constant currency basis, net sales in our FootJoy golf wear segment decreased by $27.0 million, or 6.1%, to $414.9 million. This decrease resulted from the impact of the COVID-19 pandemic on sales volumes as discussed above primarily in our footwear and apparel product categories and all regions, with the exception of Korea.

Operating income in our FootJoy golf wear segment decreased by $6.1 million, or 25.0%, to $18.3 million for the year ended December 31, 2020 compared to $24.4 million for the year ended December 31, 2019. The decrease in operating income resulted from a decrease of $9.3 million in gross profit primarily as a result of the sales volume decrease discussed above, partially offset by lower operating expenses. Operating expenses decreased primarily due to a decrease of $6.3 million in advertising and promotional costs primarily as a result of the expense reduction measures taken in response to the COVID-19 pandemic, partially offset by an increase of $2.6 million in selling expense.

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

A detailed review of our results of operations for the year ended December 31, 2019 as compared to the year ended December 31, 2018 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Form 10-K for the year ended December 31, 2019, which was filed with the SEC on February 27, 2020, and is incorporated herein by reference.

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, 2020, we had $149.4 million of unrestricted cash (including cash equivalents) (including $6.1 million attributable to our FootJoy golf shoe variable interest entity). As of December 31, 2020, 56.1% of our total unrestricted cash (including cash equivalents) 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.

As noted previously, the COVID-19 pandemic has adversely impacted our results of operations for the year ended December 31, 2020. At the onset of the pandemic, we took several steps to preserve our liquidity position and to manage cash flows on an ongoing basis. Subject to the length and severity of the COVID-19 pandemic, 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 (subject to customary borrowing conditions) will be sufficient to meet our liquidity requirements for at least the next 12 months. Our ability to generate sufficient cash flows from operations is, however, subject to many risks and uncertainties, including future economic trends and conditions, including the current COVID-19 pandemic, demand for our products, foreign currency exchange rates and other risks and uncertainties applicable to our business, as described in "Risk Factors," Item 1A of Part I included elsewhere in this report.

Debt and Financing Arrangements

As of December 31, 2020, we had $392.2 million of availability under our revolving credit facility after giving effect to $7.8 million of outstanding letters of credit. Additionally, we had $58.7 million available under our local credit facilities.

Our credit agreement contains customary affirmative and restrictive covenants, including, among others, financial covenants based on our leverage and interest coverage ratios. On July 3, 2020, we amended our credit agreement to, among other things, provide debt covenant relief for each of the fiscal quarters ending between September 30, 2020 and September 30, 2021. 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 amended credit agreement. The credit agreement also 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, 2020, 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 further description of our credit facilities. Additionally, see "Risk Factors - Risks Related to Our Indebtedness" Item 1A of Part I included elsewhere in this report for further discussion surrounding the risks and uncertainties of our credit facilities.

Capital Expenditures

We made $24.7 million of capital expenditures during the year ended December 31, 2020. We reduced our capital expenditures in response to the COVID-19 pandemic resulting in lower full year capital expenditures in 2020 than in 2019. Capital expenditures in 2021 are expected to be approximately $50.0 million, although the actual amount may vary depending upon a variety of factors, including the timing of implementation of certain capital projects. Capital expenditures generally 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. The increase in anticipated capital expenditures in 2021 is primarily related to key strategic investments in our golf ball operations and precision manufacturing capabilities.

Dividends and Share Repurchase Program

The Board of Directors has authorized us to repurchase up to an aggregate of $100.0 million of our issued and outstanding common stock. Share repurchases may be effected from time to time 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 consistent with our general working capital needs and within the constraints of our credit agreement. 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 Holdings Corp., to purchase from Magnus an equal amount of our common stock as we purchase on the open market, up to an aggregate of $24.9 million, at the same weighted average per share price.

In April 2020, we temporarily suspended stock repurchases under our share repurchase program in light of the COVID-19 pandemic. Prior to this, we repurchased 243,894 shares of common stock on the open market at an average price of $28.60 for an aggregate of $7.0 million during 2020. As a result of these purchases, we recorded an additional liability to repurchase additional shares of common stock from Magnus of $7.0 million (243,894 shares of common stock) bringing the total liability to $8.8 million (299,894 shares of common stock) as of December 31, 2020. Excluding the impact of the share repurchase liability, as of December 31, 2020, we had $63.7 million remaining under the current share repurchase program, including $11.1 million related to the Magnus share repurchase agreement. We have the ability to resume repurchases in our discretion. 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.

During the year ended December 31, 2020, we paid dividends on our common stock of $46.1 million to our shareholders. During the first quarter of 2021, our Board of Directors declared a dividend of $0.165 per share of common stock to shareholders of record as of March 12, 2021 and payable on March 26, 2021.

Cash Flows

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

	Year ended December 31,		
(in thousands)	2020	2019	2018
Cash flows provided by (used in):			
Operating activities	$ 264,425	$ 134,283	$ 163,733
Investing activities	(24,675)	(61,060)	(49,703)
Financing activities	(128,587)	(70,328)	(128,883)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	6,105	275	(1,855)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 117,268	$ 3,170	$ (16,708)

Cash Flows From Operating Activities

Net cash provided by operating activities was $264.4 million for the year ended December 31, 2020 compared to $134.3 million for the year ended December 31, 2019, an increase in cash provided by operating activities of $130.1 million. The increase in cash provided by operating activities was primarily driven by higher cash collections, lower inventory levels due to government-ordered shutdowns and the subsequent increase in demand for golf and golf-related products, and other changes in working capital, partially offset by lower net income. 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 $134.3 million for the year ended December 31, 2019 compared to $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 driven by changes in working capital.

Cash Flows From Investing Activities

Net cash used in investing activities was $24.7 million for the year ended December 31, 2020 compared to $61.1 million for the year ended December 31, 2019, a decrease of $36.4 million, primarily related to a decrease in cash used for business acquisitions, as well as a decrease in capital expenditures.

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, related to an increase in cash used for business acquisitions.

Cash Flows From Financing Activities

Net cash used in financing activities was $128.6 million for the year ended December 31, 2020 compared to $70.3 million for the year ended December 31, 2019, an increase in cash used in financing activities of $58.3 million. This increase was primarily due to an increase in borrowing repayments, offset in part by a decrease in purchases of common stock and payments for employee restricted stock tax withholdings.

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.

Contractual Obligations

The following table summarizes our outstanding contractual obligations as of December 31, 2020:

		Payments Due by Period			
(in thousands)	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt obligations (1)	$ 332,500	$ 17,500	$ 35,000	$ 280,000	$ —
Interest payments related to debt obligations (2)	27,065	7,324	13,588	6,153	—
Pension and other postretirement benefit obligations	276,744	23,701	51,659	59,198	142,186
Purchase obligations (3)	175,261	162,839	10,310	913	1,199
Lease obligations (4)	61,298	15,402	19,154	12,759	13,983
Total	$ 872,868	$ 226,766	$ 129,711	$ 359,023	$ 157,368

(1) Long-term debt obligations consist 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, 2020 remains outstanding until maturity and is calculated based on interest rates in effect as of December 31, 2020. 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, 2020.

(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, 2020, 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 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. We recorded a goodwill impairment loss of $3.8 million for the year ended December 31, 2020 related to KJUS. There were no other impairment losses recorded for the years ended December 31, 2020, 2019 and 2018.

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 2.66% and 2.34%, respectively, for the year ended December 31, 2020. 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 $61.5 million and $2.0 million, respectively, for the year ended December 31, 2020.

Our net periodic benefit cost related to our pension and other postretirement benefit plans is calculated using a weighted average discount rate of 3.24% and 3.12%, respectively, for the year ended December 31, 2020. Decreasing the discount rate by 100 basis points would increase net periodic pension and other postretirement benefit cost by approximately $4.9 million and $0.2 million, respectively, for the year ended December 31, 2020. Additionally, our net periodic benefit cost related to our pension plans is calculated using an expected return on plan assets of 5.01% for the year ended December 31, 2020. Decreasing the expected return on plan assets by 100 basis points would increase net periodic pension benefit cost by approximately $2.4 million for the year ended December 31, 2020.

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, 2020, 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, 2020 and 2019, the cumulative valuation allowance against deferred tax assets was $20.4 million and $18.4 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, as well as inflation risk. 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.

COVID-19 Pandemic

Uncertainty with respect to the economic impact of the COVID-19 pandemic has introduced significant volatility in the financial markets and has impacted interest rates, foreign exchange rates and commodity prices. The COVID-19 pandemic continues to be fluid and uncertain, making it difficult to forecast the ultimate impact it could have on our future operations.

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 credit agreement permits us to agree with the administrative agent for the 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 our interest rate risk. Under these contracts, we pay fixed and receive variable rate interest, in effect converting a portion of our floating rate debt to fixed rate debt. As of December 31, 2020 and 2019, the notional value of our outstanding interest rate swap contracts was $140.0 million and $160.0 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 interest rates on our annual pre-tax interest expense. As of December 31, 2020, we had $195.3 million of outstanding indebtedness at variable interest rates (excluding unamortized debt issuance costs) after giving effect to $140.0 million of hedged floating 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, 2020 would have resulted in an increase of $2.0 million in 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 same sensitivity analysis of movement in variable interest rates as of December 31, 2019, 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.

Foreign Exchange Risk

We are exposed to foreign currency transaction risk related to transactions denominated in a currency other than functional currency. In addition, we are exposed to currency translation risk resulting from the translation of the financial results of our consolidated subsidiaries from their functional currency into U.S. dollars for financial reporting purposes.

We use financial instruments to reduce the earnings and shareholders' equity volatility relating to transaction risk. The principal financial instruments we enter into on a routine basis are foreign exchange forward contracts, primarily pertaining to the U.S. dollar, the Japanese yen, the British pound sterling, the Canadian dollar, the Korean won and the euro. The periods of the foreign exchange forward contracts designated as hedges correspond to the periods of the forecasted hedged transactions, which do not exceed 24 months subsequent to the latest balance sheet date. We do not enter into derivative financial instrument contracts for trading or speculative purposes.

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 gross U.S. dollar equivalent notional amount of all foreign exchange forward contracts outstanding at December 31, 2020 was $248.1 million, representing a net settlement liability of $6.2 million. The sensitivity analysis, while not predictive in nature, indicated that the net settlement liability of $6.2 million at December 31, 2020 would increase by $20.7 million resulting in a net settlement liability of $26.9 million if the U.S. dollar uniformly weakened by 10% against all currencies covered by our contracts. 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 same sensitivity analysis 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 at December 31, 2019 would decrease by $22.8 million resulting in a net settlement liability of $19.8 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 with investment grade credit ratings. We monitor the credit quality of these financial institutions 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 traditionally been immaterial. However, due to the uncertainty that exists with respect to the economic impact of the COVID-19 pandemic, our business, results of operations, financial position and cash flows could be materially impacted.

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 of 1934, 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, 2020, 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, 2020.

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, 2020. 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, 2020, 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, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As a result of the COVID-19 pandemic, many of our employees began working remotely in March 2020 and continue to do so. This change to our working environment did not have a material effect on our internal control over financial reporting during the most recent quarter. We will continue to monitor and assess any impacts from the COVID-19 pandemic on 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 "Information About Our Executive Officers" in Part I of this Form 10-K. The remaining information required by this Item will be included in our Proxy Statement and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

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

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

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

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

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

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

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

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

(3) Exhibits Index:

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Acushnet Holdings Corp. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on November 2, 2016 (No. 001-37935)).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Acushnet Holdings Corp. (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)).
3.3	Amended and Restated Bylaws of Acushnet Holdings Corp. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on November 2, 2016 (no. 001-37935)).
4.1	Description of Securities (incorporated by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 10-K filed on February 27, 2020 (No. 001-37935)).
10.1†	Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement under the Acushnet Holdings Corp. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K filed on February 27, 2020 (No. 001-37935)).
10.2†	Form of Performance Stock Unit Grant Notice and Performance Stock Unit Agreement under the Acushnet Holdings Corp. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K filed on February 27, 2020 (No. 001-37935)).
10.3†	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)).
10.4†	Acushnet Company Supplemental Retirement Plan (as amended and restated effective December 31, 2015) (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (No. 333-212116)).
10.5†	Acushnet Company Amended and Restated Trust Agreement, dated as of August 31, 2016 (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (No. 333-212116)).
10.6†	Amended and Restated Acushnet Company Excess Deferral Plan II (effective July 29, 2011) (incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form S-1 (No. 333-212116)).
10.7	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)).
10.8	First Amendment to Credit Agreement, dated as of July 3, 2020, among Acushnet Holdings Corp., Acushnet Company, Acushnet Canada Inc., Acushnet Europe Ltd., certain other subsidiaries of Acushnet Company and Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 9, 2020 (No. 001-37935)).
10.9	Joint Venture Agreement between Acushnet Cayman Limited and Myre Overseas Corporation, dated as of June 1, 1995 (incorporated by reference to Exhibit 10.18 to the Registrant's Registration Statement on Form S-1 (No. 333-212116)).
10.10	Registration Rights Agreement, dated October 26, 2016, among the Company and the Holders (as defined therein) (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 1, 2016 (No. 001-37935)).
10.11†	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)).
10.12†	Acushnet Holdings Corp. Independent Directors Deferral Plan (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 (No. 333-212116)).
10.13†	Acushnet Holdings Corp. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-8 filed on October 27, 2016 (No. 001-37935)).
10.14†	Employment Agreement between Acushnet Holdings Corp. and David E. Maher, dated as of December 22, 2017 (incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K filed on March 7, 2018 (No. 001-37935).
10.15†	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)).
10.16	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)).
21.1	List of Subsidiaries (filed herewith).

23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
24.1	Power of Attorney (filed herewith).
31.1	Certification of Periodic Report by Chief Executive Officer Pursuant to Rule 13a–14(a) or 15d–14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Periodic Report by Chief Financial Officer Pursuant to Rule 13a–14(a) or 15d–14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.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.

† 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
Title: *President and Chief Executive Officer*

Date: February 25, 2021

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

Signature	Capacity	Date
/s/ David Maher David Maher	President and Chief Executive Officer (Principal Executive Officer)	February 25, 2021
/s/ Thomas Pacheco Thomas Pacheco	Executive Vice President, Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	February 25, 2021
* Yoon Soo Yoon	Chairman	February 25, 2021
* Jennifer Estabrook	Director	February 25, 2021
* Gregory Hewett	Director	February 25, 2021
* Sean Sullivan	Director	February 25, 2021
* Steven Tishman	Director	February 25, 2021
* Walter Uihlein	Director	February 25, 2021
* Keun Chang Yoon	Director	February 25, 2021

*By: /s/ Brendan Gibbons
Name: Brendan Gibbons
Title: *Attorney In Fact*

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Acushnet Holdings Corp. and its subsidiaries (the "Company") as of December 31, 2020 and 2019, 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, 2020, 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, 2020, 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, 2020 and 2019**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 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, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principles

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.

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.

Accounting for Income Taxes

As described in Note 14 to the consolidated financial statements, the Company recorded income tax expense of $13.0M for the year ended December 31, 2020, and has net deferred tax assets of $76.2M, inclusive of a valuation allowance of $20.4M, and total gross unrecognized tax benefits, excluding related interest and penalties, of $7.8M as of December 31, 2020. As disclosed by management, the Company is subject to income tax in the U.S. and foreign jurisdictions. The use of significant judgments and estimates, as well as the interpretation and application of complex tax laws is required by management to determine its provision for income taxes.

The principal considerations for our determination that performing procedures relating to accounting for income taxes is a critical audit matter are the significant judgments by management when interpreting and applying complex tax laws and regulations in determining the provision for income taxes; this in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to the provision for income taxes.

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 the provision for income taxes. These procedures also included, among others, testing the income tax provision, including permanent and temporary differences, the effective tax rate reconciliation, and considering the Company’s compliance with tax laws.

/s/PricewaterhouseCoopers LLP

Boston, Massachusetts
February 25, 2021

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

(in thousands, except share and per share amounts)	December 31, 2020	December 31, 2019
Assets		
Current assets		
Cash, cash equivalents and restricted cash ($6,843 and $8,514 attributable to the variable interest entity ("VIE"))	$ 151,452	$ 34,184
Accounts receivable, net	201,518	215,428
Inventories ($13,830 and $11,958 attributable to the VIE)	357,682	398,368
Prepaid and other assets	89,155	94,838
Total current assets	799,807	742,818
Property, plant and equipment, net ($10,538 and $11,374 attributable to the VIE)	222,811	231,575
Goodwill ($32,312 and $32,312 attributable to the VIE)	215,186	214,056
Intangible assets, net	473,533	480,794
Deferred income taxes	80,060	70,541
Other assets ($2,239 and $2,517 attributable to the VIE)	75,158	77,265
Total assets	$ 1,866,555	$ 1,817,049
Liabilities, Redeemable Noncontrolling Interest and Shareholders' Equity		
Current liabilities		
Short-term debt	$ 2,810	$ 54,123
Current portion of long-term debt	17,500	17,500
Accounts payable ($8,702 and $8,360 attributable to the VIE)	112,867	102,335
Accrued taxes	40,952	36,032
Accrued compensation and benefits ($1,454 and $3,542 attributable to the VIE)	82,290	72,465
Accrued expenses and other liabilities ($3,699 and $4,468 attributable to the VIE)	101,260	76,663
Total current liabilities	357,679	359,118
Long-term debt	313,619	330,701
Deferred income taxes	3,821	4,837
Accrued pension and other postretirement benefits	121,929	118,852
Other noncurrent liabilities ($2,261 and $5,202 attributable to the VIE)	52,128	51,908
Total liabilities	849,176	865,416
Commitments and contingencies (Note 22)		
Redeemable noncontrolling interest	126	807
Shareholders' equity		
Common stock, $0.001 par value, 500,000,000 shares authorized; 75,666,367 and 75,619,587 shares issued	76	76
Additional paid-in capital	925,385	910,507
Accumulated other comprehensive loss, net of tax	(96,182)	(112,028)
Retained earnings	199,776	151,039
Treasury stock, at cost; 1,671,754 and 1,183,966 shares (including 299,894 and 56,000 of accrued share repurchase) (Note 15)	(45,106)	(31,154)
Total equity attributable to Acushnet Holdings Corp.	983,949	918,440
Noncontrolling interests	33,304	32,386
Total shareholders' equity	1,017,253	950,826
Total liabilities, redeemable noncontrolling interest and shareholders' equity	$ 1,866,555	$ 1,817,049

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

ACUSHNET HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share amounts)	Year ended December 31, 2020	2019	2018
Net sales	$ 1,612,169	$ 1,681,357	$ 1,633,721
Cost of goods sold	782,333	809,122	791,370
Gross profit	829,836	872,235	842,351
Operating expenses:			
Selling, general and administrative	610,603	627,503	611,883
Research and development	48,942	51,601	51,489
Intangible amortization	11,629	7,478	6,644
Restructuring charges	13,207	—	—
Income from operations	145,455	185,653	172,335
Interest expense, net (Note 18)	15,630	19,613	18,402
Other expense, net	16,776	875	3,629
Income before income taxes	113,049	165,165	150,304
Income tax expense	13,038	40,600	47,232
Net income	100,011	124,565	103,072
Less: Net income attributable to noncontrolling interests	(4,005)	(3,495)	(3,200)
Net income attributable to Acushnet Holdings Corp.	$ 96,006	$ 121,070	$ 99,872
Net income per common share attributable to Acushnet Holdings Corp.:			
Basic	$ 1.29	$ 1.61	$ 1.34
Diluted	1.28	1.60	1.32
Weighted average number of common shares:			
Basic	74,494,310	75,418,204	74,766,176
Diluted	75,060,610	75,759,605	75,472,342

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

ACUSHNET HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
(in thousands)	**2020**	**2019**	**2018**
Net income	$ 100,011	$ 124,565	$ 103,072
Other comprehensive income (loss):			
Foreign currency translation adjustments	27,281	666	(11,971)
Cash flow derivative instruments			
Unrealized holding (losses) gains arising during period	(6,823)	3,305	6,222
Reclassification adjustments included in net income	(2,220)	(7,476)	1,886
Tax benefit (expense)	2,495	909	(1,668)
Cash flow derivative instruments, net	(6,548)	(3,262)	6,440
Pension and other postretirement benefits			
Pension and other postretirement benefits adjustments	(6,362)	(26,537)	5,690
Tax benefit (expense)	1,475	6,144	(1,375)
Pension and other postretirement benefits adjustments, net	(4,887)	(20,393)	4,315
Total other comprehensive income (loss)	15,846	(22,989)	(1,216)
Comprehensive income	115,857	101,576	101,856
Less: Comprehensive income attributable to noncontrolling interests	(4,243)	(3,577)	(3,114)
Comprehensive income attributable to Acushnet Holdings Corp.	$ 111,614	$ 97,999	$ 98,742

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

ACUSHNET HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
(in thousands)	**2020**	**2019**	**2018**
Cash flows from operating activities			
Net income	$ 100,011	$ 124,565	$ 103,072
Adjustments to reconcile net income to cash flows provided by operating activities			
Depreciation and amortization	45,429	43,002	40,496
Unrealized foreign exchange (gains) losses	(1,893)	215	3,960
Amortization of debt issuance costs	1,218	1,884	1,409
Share-based compensation	16,016	10,975	18,563
(Gain) loss on disposals of property, plant and equipment	(38)	13	128
Deferred income taxes	(3,984)	8,474	15,541
Changes in operating assets and liabilities			
Accounts receivable	22,744	(27,092)	571
Inventories	49,006	(25,168)	805
Accounts payable	9,952	10,851	(5,789)
Accrued taxes	2,708	2,655	4,311
Other assets and liabilities	23,256	(16,091)	(19,334)
Cash flows provided by operating activities	264,425	134,283	163,733
Cash flows from investing activities			
Additions to property, plant and equipment	(24,675)	(32,956)	(32,801)
Business acquisitions, net of cash acquired	—	(28,104)	(16,902)
Cash flows used in investing activities	(24,675)	(61,060)	(49,703)
Cash flows from financing activities			
(Repayments of) proceeds from short-term borrowings, net	(52,057)	54,115	(17,742)
Proceeds from term loan facility	—	350,000	—
Repayments of term loan facility	(17,500)	(330,469)	(21,094)
Repayments of delayed draw term loan A facility	—	(54,375)	(40,625)
Purchases of common stock	(6,976)	(29,352)	—
Debt issuance costs	(1,067)	(2,373)	(381)
Dividends paid on common stock	(46,065)	(43,490)	(39,057)
Dividends paid to noncontrolling interests	(4,426)	(3,354)	(7,350)
Payment of employee restricted stock tax withholdings	(496)	(11,030)	(2,634)
Cash flows used in financing activities	(128,587)	(70,328)	(128,883)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	6,105	275	(1,855)
Net increase (decrease) in cash, cash equivalents and restricted cash	117,268	3,170	(16,708)
Cash, cash equivalents and restricted cash, beginning of year	34,184	31,014	47,722
Cash, cash equivalents and restricted cash, end of year	$ 151,452	$ 34,184	$ 31,014
Supplemental information			
Cash paid for interest to third parties	$ 14,985	$ 18,218	$ 18,344
Cash paid for income taxes	29,794	31,269	27,389
Non-cash additions to property, plant and equipment	1,562	2,820	2,568
Non-cash additions to right-of-use assets obtained in exchange for operating lease obligations	22,675	9,530	—
Non-cash additions to right-of-use assets obtained in exchange for finance lease obligations	427	289	—
Dividend equivalents rights ("DERs") declared not paid	1,221	775	882
Share repurchase liability (Note 15)	6,976	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

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Shareholders' Equity Attributable to Acushnet Holdings Corp.	Noncontrolling Interests	Total Shareholders' Equity
Balances as of December 31, 2017	74,479	$ 74	$ 894,727	$ (81,691)	$ 8,199	$ —	$ 821,309	$ 32,664	$ 853,973
Adoption of new accounting standards (Note 2)	—	—	—	(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 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)
Balances as of December 31, 2018	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 DERs, net of shares withheld for employee taxes (Note16)	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)
Balances as of December 31, 2019	75,620	76	910,507	(112,028)	151,039	(31,154)	918,440	32,386	950,826
Net income	—	—	—	—	96,006	—	96,006	5,344	101,350
Other comprehensive income	—	—	—	15,846	—	—	15,846	—	15,846
Share-based compensation	—	—	15,363	—	—	—	15,363	—	15,363
Vesting of restricted common stock, including impact of DERs, net of shares withheld for employee taxes (Note 16)	46	—	(485)	—	—	—	(485)	—	(485)
Purchases of common stock (Note 15)	—	—	—	—	—	(6,976)	(6,976)	—	(6,976)
Share repurchase liability (Note 15)	—	—	—	—	—	(6,976)	(6,976)	—	(6,976)
Dividends and dividend equivalents declared	—	—	—	—	(47,269)	—	(47,269)	—	(47,269)
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	(4,426)	(4,426)
Balances at December 31, 2020	75,666	$ 76	$ 925,385	$ (96,182)	$ 199,776	$ (45,106)	$ 983,949	$ 33,304	$ 1,017,253

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 select 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 Corp., 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.

Risks and Uncertainties

In March 2020, the World Health Organization declared a pandemic related to the novel coronavirus (“COVID-19”). Through the end of June 2020, the Company's business was significantly disrupted by the COVID-19 pandemic. In Asia, the Company's operations were impacted earlier in the year and were at varying stages of recovery at the end of June, with Korea nearly fully recovered while Japan and other markets continued to progress. In the United States and Europe, as a result of government-ordered shutdowns, most on-course retail pro shops and off-course retail partner locations were closed for some portion of March, most of April and part of May 2020. Also, as a result of these orders, the Company was forced to temporarily close or substantially limit its operations in its manufacturing facilities and distribution centers in the United States and Europe from the end of March until mid-May 2020. During this period, the Company was largely unable to manufacture or ship products in these regions and took steps to strengthen its financial position and balance sheet, bolster its liquidity position and provide additional financial flexibility, including by reducing discretionary spending, reducing capital expenditures, suspending its share repurchase program, and amending its credit agreement (see Note 10). The Company's manufacturing facilities and distribution centers were re-opened in mid-May 2020 with protocols designed to promote the health and safety of its associates in accordance with state and local government re-opening guidance. The protocols included reconfiguring the Company's manufacturing and distribution facilities to allow for social distancing, implementing stringent safety measures in all facilities, implementing work-from-home policies wherever possible and suspending non-critical business travel. By the end of June 2020, substantially all of the golf courses, on-course retail pro shops and off-course retail partner locations in the United States and Europe had re-opened and rounds of play have been strong since golf courses have reopened. The impact of the COVID-19 pandemic continues to evolve and remains highly uncertain including the duration and severity of the pandemic, additional government related shutdowns and a significant decrease in the current level of rounds of play and the related demand for golf-related products.

The Company has evaluated and continues to evaluate the potential impact of the COVID-19 pandemic on its consolidated financial statements, including: impairment of goodwill and indefinite-lived intangible assets; impairment of long-lived assets, including property, plant and equipment; the fair value and collectability of receivables and other financial assets; the valuation of inventory; the effectiveness of foreign exchange forward contracts designated as cash flow hedges and the credit quality of the financial institutions with which the Company enters into derivative contracts; continuing compliance with debt covenants related to the Company's credit facility; and the probability of achievement of the performance metrics related to the Company's performance stock units ("PSUs"). The primary impacts to the Company's consolidated financial statements as of the year ended December 31, 2020 include the hedge de-designation of certain foreign exchange forward contracts deemed ineffective (Note 11) and an impairment loss related to goodwill recorded in connection with the KJUS acquisition (Note 8).

The impact of the COVID-19 pandemic continues to evolve, and both the full impact and duration of the COVID-19 pandemic remain highly uncertain. Accordingly, the Company's business, results of operations, financial position and cash flows could continue to be materially impacted in ways that the Company cannot currently predict.

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. The Company has also made estimates related to the impact of the COVID-19 pandemic within its consolidated financial statements and there may be changes to those estimates in future periods. Actual results could differ from these 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, 2020 and 2019. 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 financial statements. 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 and the related loan to the minority shareholders, which is recorded as a reduction to redeemable noncontrolling interest, is presented in the consolidated balance sheets as temporary equity between liabilities and shareholders' equity. The amount of the loan to minority shareholders included in temporary equity on the consolidated balance sheets was $4.4 million as of both December 31, 2020 and 2019. 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, Cash Equivalents and Restricted Cash

Cash held in Company checking accounts is included in cash. Cash equivalents consist of short-term highly liquid investments with original maturities of three months or less which are readily convertible into cash. The Company classifies as restricted certain cash that is not available for use in its operations. As of December 31, 2020 and 2019, the amount of restricted cash included in cash, cash equivalents and restricted cash on the consolidated balance sheets was $2.0 million. Book overdrafts not subject to offset with other accounts with the same financial institution are classified as accounts payable. As of December 31, 2020 and 2019, book overdrafts in the amount of $4.4 million and $2.4 million, respectively, were recorded in accounts payable.

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, 2020 and 2019, the Company had $83.8 million and $30.0 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 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. The Company performs its annual impairment tests in the fourth quarter of each fiscal year.

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.

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 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 2020, 2019 and 2018, 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 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 operations.

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 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 statements 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 $162.1 million, $193.5 million and $192.2 million for the years ended December 31, 2020, 2019 and 2018, 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 statements of operations. Shipping and handling costs included in selling expenses were $35.3 million, $36.7 million and $34.1 million for the years ended December 31, 2020, 2019 and 2018, 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 functional currency are re-measured into functional currency with resulting transaction gains or losses recorded as selling, general and administrative expense on the consolidated statements of operations. Foreign currency transaction gains (losses) included in selling, general and administrative expense was a gain of $3.9 million, a loss of $0.5 million and a loss of $1.9 million for the years ended December 31, 2020, 2019 and 2018, 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 performance against specified 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

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

On December 31, 2020, the Company adopted Accounting Standards Update ("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. The adoption of this standard did not have a material impact on the consolidated financial statements.

Intangibles —Goodwill and Other —Internal-Use Software

On January 1, 2020, the Company adopted 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 aligned 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). The adoption of this standard did not have a material impact on the consolidated financial statements.

Financial Instruments —Credit Losses

On January 1, 2020, the Company adopted ASU 2016-13, *"Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"* ("ASU 2016-13"), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The CECL methodology 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. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including trade receivables. The only financial assets held by the Company that are subject to evaluation under the CECL model are trade receivables. The Company adopted ASU 2016-13 using the modified retrospective method. The adoption of this standard did not have an impact on the carrying value of trade receivables. Results for reporting periods beginning after January 1, 2020 are presented under ASU 2016-13 while prior period amounts continue to be reported in accordance with previously applicable U.S. GAAP.

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. 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.

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. Variable lease costs are expensed as incurred and include maintenance costs, real estate taxes and property insurance. The expense recognition for operating leases and finance leases under ASC 842 is consistent with previous guidance. 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.

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.

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.

Revenue

On January 1, 2018, the Company adopted ASC Topic 606, *Revenue* ("ASC 606") using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. 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 adoption of ASC 606 did not have any other material impacts to the financial statements.

Comprehensive Income

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 2017 Tax Act from accumulated other comprehensive loss, net of tax to retained earnings. Certain tax effects become stranded in accumulated other comprehensive income 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, the Company reclassified the stranded income tax effects resulting from the 2017 Tax Act, decreasing accumulated other comprehensive loss, net of tax 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.

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.

3. Revenue

Accounting Policies

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

Substantially all of the Company's revenue is recognized at a point in time and relates to customers who are not engaged in a long-term supply agreement or any form of contract with the Company. Substantially all 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 prepaid and 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 $11.5 million and $10.2 million as of December 31, 2020 and 2019, respectively. The value of inventory expected to be recovered related to sales returns was $6.3 million and $6.1 million as of December 31, 2020 and 2019, 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.

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:

(in thousands) Lease costs	Location in Statement of Operations	Year ended December 31, 2020	2019
Operating	Cost of goods sold	$ 2,640	$ 2,361
	Selling, general and administrative	12,057	11,775
	Research and development	854	773
Finance			
Amortization of lease assets	Selling, general and administrative	108	8
Interest on lease liabilities	Interest expense, net	22	2
Short-term and low value lease cost		1,148	1,011
Variable lease cost		1,496	1,327
Total lease cost		$ 18,325	$ 17,257

Total rental expense for all operating leases amounted to $15.7 million for the year ended December 31, 2018.

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

(in thousands)	Balance Sheet Location	December 31, 2020	December 31, 20
Right-of-use assets			
Finance	Property, plant and equipment, net	$ 601	$
Operating	Other assets	53,891	44
	Total lease assets	$ 54,492	$ 44
Lease liabilities			
Finance	Accrued expenses and other liabilities	$ 119	$
Operating	Accrued expenses and other liabilities	14,316	1
Finance	Long-term debt	482	
Operating	Other noncurrent liabilities	40,992	34
	Total lease liabilities	$ 55,909	$ 4

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

	December 31, 2020	December 31, 2019
Weighted average remaining lease term (years):		
Operating	5.9	5.8
Finance	5.0	5.9
Weighted average discount rate:		
Operating	2.94 %	3.42 %
Finance	3.66 %	4.18 %

The following table reconciles the undiscounted cash flows for leases as of December 31, 2020 to lease liabilities recorded on the consolidated balance sheet:

(in thousands)	Operating Leases	Finance Leases	Total
2021	$ 15,263	$ 139	$ 15,402
2022	11,273	135	11,408
2023	7,615	131	7,746
2024	6,636	127	6,763
2025	5,882	114	5,996
Thereafter	13,972	11	13,983
Total future lease payments	60,641	657	61,298
Less: Interest	(5,333)	(56)	(5,389)
Present value of lease liabilities	$ 55,308	$ 601	$ 55,909
Accrued expenses and other liabilities	$ 14,316	$ 119	$ 14,435
Long-term debt	—	482	482
Other noncurrent liabilities	40,992	—	40,992
Total lease liabilities	$ 55,308	$ 601	$ 55,909

Supplemental cash flow information related to the Company's leases are as follows:

	Year ended December 31,	
(in thousands)	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 15,402	$ 14,804
Operating cash flows for finance leases	22	2
Financing cash flows for finance leases	107	8

5. Allowance for Doubtful Accounts

The Company estimates expected credit losses using a number of factors, including customer credit ratings, age of receivables, historical credit loss information and current and forecasted economic conditions (including the impact of the COVID-19 pandemic) which could affect the collectability of the reported amounts. All of these factors have been considered in the estimate of expected credit losses as of December 31, 2020.

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

	Year ended December 31,		
(in thousands)	2020	2019	2018
Balance at beginning of year	$ 5,338	$ 7,272	$ 9,975
Bad debt expense	2,556	573	(583)
Amount of receivables written off	(572)	(2,706)	(1,873)
Foreign currency translation and other	376	199	(247)
Balance at end of year	$ 7,698	$ 5,338	$ 7,272

6. Inventories

The components of inventories were as follows:

(in thousands)	December 31, 2020	December 31, 2019
Raw materials and supplies	$ 74,302	$ 87,675
Work-in-process	22,913	22,024
Finished goods	260,467	288,669
Inventories	$ 357,682	$ 398,368

7. Property, Plant and Equipment, Net

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

(in thousands)	December 31, 2020	December 31, 2019
Land	$ 14,622	$ 14,551
Buildings and improvements	151,453	146,727
Machinery and equipment	181,955	171,230
Furniture, computers and equipment	45,070	40,143
Computer software	77,791	70,458
Construction in progress	19,844	25,044
Property, plant and equipment, gross	490,735	468,153
Accumulated depreciation and amortization	(267,924)	(236,578)
Property, plant and equipment, net	$ 222,811	$ 231,575

During the years ended December 31, 2020, 2019 and 2018, software development costs of $8.9 million, $11.8 million and $4.1 million were capitalized. Capitalized software development costs as of December 31, 2020, 2019 and 2018 consisted of software placed into service of $7.2 million, $7.2 million and $1.7 million, respectively, and amounts recorded in construction in progress of $1.7 million, $4.6 million and $2.4 million, respectively. Amortization expense on capitalized software development costs was $7.1 million, $6.6 million and $6.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Total depreciation and amortization expense related to property, plant and equipment was $33.8 million, $32.4 million and $32.2 million for the years ended December 31, 2020, 2019 and 2018, 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:

(in thousands)	Titleist Golf Balls	Titleist Golf Clubs	Titleist Golf Gear	FootJoy Golf Wear	Other	Total
Balances at December 31, 2018	$ 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)
Balances at December 31, 2019	125,981	57,048	13,841	3,608	13,578	214,056
Impairment	—	—	—	—	(3,800)	(3,800)
Foreign currency translation	2,766	1,343	326	60	435	4,930
Balances at December 31, 2020	$ 128,747	$ 58,391	$ 14,167	$ 3,668	$ 10,213	$ 215,186

During the fourth quarter of 2020, the Company recognized a goodwill impairment loss of $3.8 million related to KJUS. This impairment loss was included in intangible amortization on the consolidated statements of operations and depreciation and amortization on the consolidated statements of cash flows. There were no other impairment losses recorded to goodwill during the years ended December 31, 2020, 2019 and 2018.

As of December 31, 2020, the cumulative balance of goodwill impairment recorded was $3.8 million, all of which was recognized during the year ended December 31, 2020 and is included in the carrying amount of the goodwill allocated to Other.

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

	December 31, 2020						December 31, 2019					
(in thousands)	Gross		Accumulated Amortization		Net Book Value		Gross		Accumulated Amortization		Net Book Value	
Indefinite-lived:												
Trademarks	$	429,051	$	—	$	429,051	$	429,051	$	—	$	429,051
Amortizing:												
Trademarks		5,577		(1,174)		4,403		5,503		(492)		5,011
Completed technology		74,743		(51,455)		23,288		74,715		(46,370)		28,345
Customer relationships		27,892		(11,242)		16,650		27,127		(8,923)		18,204
Licensing fees and other		32,702		(32,561)		141		32,666		(32,483)		183
Total intangible assets	$	569,965	$	(96,432)	$	473,533	$	569,062	$	(88,268)	$	480,794

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.

Identifiable intangible asset amortization expense was $7.8 million, $7.5 million and $8.0 million for the years ended December 31, 2020, 2019 and 2018, respectively, of which $1.4 million associated with certain licensing fees was included in cost of goods sold for the year ended December 31, 2018.

There were no impairment losses recorded to indefinite-lived intangible assets during the years ended December 31, 2020, 2019 and 2018.

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

(in thousands)		
Year ending December 31,		
2021	$	7,907
2022		7,907
2023		7,907
2024		7,887
2025		5,761
Thereafter		7,113
Total	$	44,482

9. Product Warranty

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

	Year ended December 31,					
(in thousands)	2020		2019		2018	
Balance at beginning of year	$	4,048	$	3,331	$	3,823
Provision		4,199		6,863		5,909
Claims paid/costs incurred		(4,589)		(6,481)		(6,315)
Foreign currency translation and other		173		335		(86)
Balance at end of year	$	3,831	$	4,048	$	3,331

10. Debt and Financing Arrangements

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

(in thousands)	December 31, 2020	December 31, 2019
Term loan facility	$ 332,500	$ 350,000
Revolving credit facility	—	50,321
Other short-term borrowings	2,810	3,802
Finance lease obligations	482	273
Debt issuance costs	(1,863)	(2,072)
Total	333,929	402,324
Less: short-term debt and current portion of long-term debt	20,310	71,623
Total long-term debt and finance lease obligations	$ 313,619	$ 330,701

The debt issuance costs of $1.9 million and $2.1 million as of December 31, 2020 and 2019 relates to the term loan facility.

Credit Agreement

On December 23, 2019, the Company entered into an amended and restated credit agreement (the "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 credit agreement, together with related security, guarantee and other agreements, is referred to as the "credit facility."

The 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 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 credit agreement) does not exceed 2.25:1.00 on a pro forma basis. The lenders under the 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 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. Under the 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 credit agreement). In addition, the Company is required to pay a commitment fee on any unutilized commitments under the revolving credit facility. Under the credit agreement, the commitment fee rate payable in respect of unused portions of the revolving credit facility is 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 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.

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 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 maximum net average total leverage ratio under the credit facility is 3.50 to 1.00, which is subject to increase to 3.75 to 1.00 in connection with certain acquisitions, and the minimum consolidated interest coverage ratio (as defined in the credit agreement) is 3.00 to 1.00.

The initial net proceeds from the 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.

On July 3, 2020, the Company amended its credit agreement dated December 23, 2019 (the "First Amendment"). The First Amendment amended the credit agreement to, among other things, modify the maximum net average total leverage ratio for each of the fiscal quarters ending after June 30, 2020 and on or before September 30, 2021 (for such period of time, the "Covenant Relief Period"). During the Covenant Relief Period, in lieu of complying with a maximum net average total leverage ratio of 3.50 to 1.00, the Company is required to comply with maximum net average total leverage ratios of 5.50 to 1.00 for the fiscal quarter ending September 30, 2020, 6.50 to 1.00 for the fiscal quarters ending December 31, 2020 and March 31, 2021, 4.50 to 1.00 for the fiscal quarter ending June 30, 2021 and 4.00 to 1.00 for the fiscal quarter ending September 30, 2021. Beginning with the fiscal quarter ending December 31, 2021, the Company will be required to comply with its previous maximum net average total leverage ratio of 3.50 to 1.00.

The First Amendment also modified the interest rate applicable to borrowings under the credit agreement during the Covenant Relief Period from a range of 1.00% to 1.75% over the Eurodollar Rate (as defined in the credit agreement, which includes a 0.75% floor during the Covenant Relief Period) or 0.00% to 0.75% over the Base Rate (as defined in the credit agreement) to a range of 1.00% to 2.50% over the Eurodollar Rate or 0.00% to 1.50% over the Base Rate. The First Amendment modified the commitment fee rate payable during the Covenant Relief Period in respect of unused portions of the revolving credit facility from a range of 0.15% to 0.30% to a range of 0.15% to 0.45%.

During the Covenant Relief Period, the Company has the right under the amended credit agreement to establish a new revolving credit facility (a "364-Day Revolving Credit Facility") providing for up to $150.0 million of revolving commitments of a new class maturing no later than the earlier of (x) 364 days from establishment of such facility and (y) the latest maturity applicable to then-outstanding term loans and existing revolving credit loans under the credit facility. The lenders under the credit facility will not be under any obligation to provide commitments under a 364-Day Revolving Credit Facility, and the establishment of a 364-Day Revolving Credit Facility is subject to customary conditions precedent.

The First Amendment amended the incremental facilities provision in the credit agreement by permitting the Company to request additional term loans and/or increases to the existing revolving credit facility in an aggregate principal amount not to exceed (i) $225.0 million (the "Free and Clear Incremental Amount") plus (ii) an unlimited amount so long as the net average secured leverage ratio (as defined in the credit agreement) does not exceed 2.25 to 1.00 on a pro forma basis (the "Incremental

Provision”). Under the amended credit agreement, the Incremental Provision is unavailable during the Covenant Relief Period. In addition, at any time that a 364-Day Revolving Credit Facility is in effect, outstanding commitments and loans under such 364-Day Revolving Credit Facility will reduce the Free and Clear Incremental Amount.

In connection with amending its credit agreement, the Company incurred fees and expenses of approximately $1.1 million, of which approximately $0.8 million was capitalized as debt issuance costs included in other assets and long-term debt on the consolidated balance sheet. The remaining $0.3 million was included in interest expense, net on the consolidated statement of operations.

The interest rate applicable to the term loan facility as of December 31, 2020 and 2019 was 2.00% and 3.04%, respectively. There were no outstanding borrowings under the revolving credit facility as of December 31, 2020. 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, 2020, the Company had available borrowings under its revolving credit facility of $392.2 million after giving effect to $7.8 million of outstanding letters of credit.

Debt Covenants

The 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 credit agreement also restricts the ability of Acushnet Holdings Corp. to engage in certain mergers or consolidations or engage in any activities other than permitted activities. The Company’s credit agreement contains certain customary affirmative and restrictive covenants, including, among others, financial covenants based on the Company’s leverage and interest coverage ratios. The credit agreement includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations to be immediately due and payable.

As of December 31, 2020, the Company was in compliance with all covenants under the credit agreement.

Change of Control

A change of control is an event of default under the credit agreement which could result in the acceleration of all outstanding indebtedness and the termination of all commitments under the credit agreement and would allow the lenders under the credit agreement to enforce their rights with respect to the collateral granted. A change of control occurs if any person (other than certain permitted parties, including Fila) 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 2.00% and 2.29% as of December 31, 2020 and 2019, respectively. As of December 31, 2020, the Company had available borrowings remaining under these local credit facilities of $58.7 million.

Letters of Credit

As of December 31, 2020, there were outstanding letters of credit related to agreements, including the Company's credit facility, totaling $11.7 million of which $8.3 million was secured. As of December 31, 2019, there were outstanding letters of credit related to agreements, including the Company's credit facility, totaling $14.8 million of which $11.6 million was secured. These agreements provided a maximum commitment for letters of credit of $53.9 million and $59.8 million as of December 31, 2020 and 2019, respectively.

Payments of Debt Obligations due by Period

As of December 31, 2020, principal payments due on outstanding long-term debt obligations were as follows:

(in thousands)		
Year ending December 31,		
2021	$	17,500
2022		17,500
2023		17,500
2024		280,000
Total	$	332,500

11. Derivative Financial Instruments

The Company principally uses derivative financial instruments to reduce the impact of foreign currency fluctuations and interest rate variability on the Company's results of operations. 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 forward contracts are foreign exchange derivative instruments primarily used to reduce foreign currency risk related to transactions denominated in a currency other than functional currency. These instruments are designated as cash flow hedges. The periods of the foreign exchange forward contracts correspond to the periods of the hedged 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, 2020 and 2019 was $248.1 million and $287.9 million, respectively.

As a result of the impact of the COVID-19 pandemic, during the year ended December 31, 2020 , the Company de-designated certain foreign exchange cash flow hedges deemed ineffective, none of which were outstanding as of December 31, 2020. See Note 2 for further discussion on the Company's evaluation and response to the COVID-19 pandemic.

The Company also enters into foreign exchange forward contracts, which do not qualify as hedging instruments, to reduce foreign currency transaction risk related to certain intercompany assets and liabilities denominated in a currency other than functional currency. 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, 2020 and 2019.

Interest Rate Derivative Instruments

The Company enters into interest rate swap contracts to reduce interest rate risk related to floating rate debt. Under the contracts, the Company pays fixed and receives variable rate interest, in effect converting a portion of its floating rate debt to fixed rate debt. The interest rate swap contracts are accounted for as cash flow hedges. As of December 31, 2020 and 2019, the notional value of the Company's outstanding interest rate swap contracts was $140.0 million and $160.0 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, 2020	December 31, 2019
Prepaid and other assets	Foreign exchange forward	$ 1,166	$ 4,549
Other assets	Foreign exchange forward	30	1,109
Accrued expenses and other liabilities	Foreign exchange forward	6,400	2,561
	Interest rate swap	1,571	1,862
Other noncurrent liabilities	Foreign exchange forward	985	115
	Interest rate swap	—	789

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

	Year ended December 31,		
(in thousands)	2020	2019	2018
Type of hedge			
Foreign exchange forward	$ (4,591)	$ 5,490	$ 8,148
Interest rate swap	(2,232)	(2,185)	(1,926)
	$ (6,823)	$ 3,305	$ 6,222

Based on the current valuation, during the next 12 months the Company expects to reclassify a net loss of $4.5 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 $1.6 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.

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

	Year ended December 31,		
(in thousands)	2020	2019	2018
Location of gain (loss) in statement of operations			
Foreign exchange forward:			
Cost of goods sold	$ 5,044	$ 8,465	$ (1,410)
Selling, general and administrative [(1)(2)]	(2,205)	204	1,665
Total	$ 2,839	$ 8,669	$ 255
Interest Rate Swap:			
Interest expense, net	$ (3,318)	$ (989)	$ (476)
Total	$ (3,318)	$ (989)	$ (476)

(1) Relates to gains (losses) on foreign exchange forward contracts derived from previously designated cash flow hedges.
(2) Selling, general and administrative expense for the year ended December 31, 2020 excludes net gains of $0.5 million reclassified out of accumulated other comprehensive loss, net of tax related to hedges deemed ineffective.

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, as well as its own credit quality, 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, 2020 were as follows:

(in thousands)	Fair Value Measurements as of December 31, 2020 using: Level 1	Level 2	Level 3	Balance Sheet Location
Assets				
Rabbi trust	$ 5,160	$ —	$ —	Prepaid and other assets
Foreign exchange derivative instruments	—	1,166	—	Prepaid and other assets
Deferred compensation program assets	802	—	—	Other assets
Foreign exchange derivative instruments	—	30	—	Other assets
Total assets	$ 5,962	$ 1,196	$ —	
Liabilities				
Foreign exchange derivative instruments	$ —	$ 6,400	$ —	Accrued expenses and other liabilities
Interest rate derivative instrument	—	1,571	—	Accrued expenses and other liabilities
Deferred compensation program liabilities	802	—	—	Other noncurrent liabilities
Foreign exchange derivative instruments	—	985	—	Other noncurrent liabilities
Total liabilities	$ 802	$ 8,956	$ —	

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

(in thousands)	Fair Value Measurements as of December 31, 2019 using: Level 1	Level 2	Level 3	Balance Sheet Location
Assets				
Rabbi trust	$ 6,070	$ —	$ —	Prepaid and other assets
Foreign exchange derivative instruments	—	4,549	—	Prepaid and other assets
Deferred compensation program assets	870	—	—	Other assets
Foreign exchange derivative instruments	—	1,109	—	Other assets
Total assets	$ 6,940	$ 5,658	$ —	
Liabilities				
Foreign exchange derivative instruments	$ —	$ 2,561	$ —	Accrued expenses and other liabilities
Interest rate derivative instruments	—	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 derivative instruments	—	789	—	Other noncurrent liabilities
Total liabilities	$ 870	$ 5,327	$ —	

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

13. Pension and Other Postretirement Benefits

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

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

The following table presents the change in benefit obligation, change in plan assets and funded status for the Company's defined benefit and postretirement benefit plans for the year ended December 31, 2020:

(in thousands)	Pension Benefits (Underfunded)	Pension Benefits (Overfunded)	Postretirement Benefits
Change in projected benefit obligation ("PBO")			
Benefit obligation at December 31, 2019	$ 312,540	$ 29,089	$ 16,825
Service cost	9,504	—	600
Interest cost	8,866	583	432
Actuarial loss	33,074	5,436	2,710
Settlements	(34,005)	—	—
Participants’ contributions	—	—	499
Benefit payments	(3,560)	(722)	(1,789)
Foreign currency translation	793	1,440	—
Projected benefit obligation at December 31, 2020	327,212	35,826	19,277
Accumulated benefit obligation at December 31, 2020	293,070	34,299	19,277
Change in plan assets			
Fair value of plan assets at December 31, 2019	204,349	42,955	—
Return on plan assets	30,541	4,130	—
Employer contributions	22,816	—	1,290
Participants’ contributions	—	—	499
Settlements	(34,005)	—	—
Benefit payments	(3,560)	(722)	(1,789)
Foreign currency translation	129	1,892	—
Fair value of plan assets at December 31, 2020	220,270	48,255	—
Funded status (fair value of plan assets less PBO)	$ (106,942)	$ 12,429	$ (19,277)

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:

(in thousands)	Pension Benefits (Underfunded)	Pension Benefits (Overfunded)	Postretirement Benefits
Change in projected benefit obligation			
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
Change in plan assets			
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)

Significant changes in the underfunded defined benefit PBO for the years ended December 31, 2020 and 2019 are primarily driven by changes in the U.S. defined benefit plans. The change in the U.S. defined benefit plan PBO for the year ended December 31, 2020 includes a $22.9 million actuarial loss attributable to the change in discount rates, a $14.0 million loss attributable to decreases in lump sum interest rates and a $3.3 million actuarial gain attributable to a reduction in the salary scale. The change in the U.S. defined benefit plan PBO for the year ended December 31, 2019 includes a $33.6 million actuarial loss attributable to the change in discount rates, a $15.9 million actuarial loss attributable to decreases in lump sum interest rates and an experience gain of $3.4 million.

The Company had one overfunded defined benefit plan for the years ended December 31, 2020 and 2019. Significant changes in the overfunded defined benefit PBO for the year ended December 31, 2020 include a $3.6 million actuarial loss attributable to the change in discount rates and a $1.7 million actuarial loss attributable to the increase in inflation assumption. Significant changes in the overfunded defined benefit PBO for the year ended December 31, 2019 include a $3.7 million actuarial loss attributable to the change in discount rates and a $0.8 million actuarial gain attributable to the decrease in inflation assumption.

The change in the postretirement benefit plan PBO for the year ended December 31, 2020 includes a $1.4 million actuarial loss attributable to the change in discount rates and a $1.0 million loss due to plan experience different than anticipated. The change in the postretirement benefit plan PBO for the year ended December 31, 2019 includes a $2.2 million actuarial loss attributable to the change in discount rates.

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

	Pension Benefits		Postretirement Benefits	
	December 31,		December 31,	
(in thousands)	2020	2019	2020	2019
Other assets	$ 12,429	$ 13,866	$ —	$ —
Accrued compensation and benefits	(3,024)	(5,357)	(1,266)	(807)
Accrued pension and other postretirement benefits	(103,918)	(102,834)	(18,011)	(16,018)
Net liability recognized	$ (94,513)	$ (94,325)	$ (19,277)	$ (16,825)

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

	Pension Benefits			Postretirement Benefits		
	Year ended December 31,			Year ended December 31,		
(in thousands)	2020	2019	2018	2020	2019	2018
Net actuarial (loss) gain at beginning of year	$ (61,801)	$ (39,125)	$ (44,892)	$ 8,454	$ 12,315	$ 12,392
Actuarial (loss) gain	(14,835)	(27,123)	(882)	(2,710)	(2,288)	1,600
Prior service cost	—	(1,464)	(285)	—	—	—
Curtailment impact	—	—	(97)	—	—	—
Settlement impact	7,157	4,324	4,982	—	—	—
Amortization of actuarial loss (gain)	5,221	1,530	1,687	(967)	(1,436)	(1,540)
Amortization of prior service cost (credit)	280	247	175	(137)	(137)	(137)
Foreign currency translation	(371)	(190)	187	—	—	—
Net actuarial (loss) gain at end of year	$ (64,349)	$ (61,801)	$ (39,125)	$ 4,640	$ 8,454	$ 12,315

Net periodic benefit cost were as follows:

	Pension Benefits			Postretirement Benefits		
	Year ended December 31,			Year ended December 31,		
(in thousands)	2020	2019	2018	2020	2019	2018
Components of net periodic benefit cost						
Service cost	$ 9,504	$ 8,839	$ 9,067	$ 600	$ 574	$ 657
Interest cost	9,449	10,937	11,897	432	557	490
Expected return on plan assets	(10,996)	(12,987)	(13,041)	—	—	—
Curtailment income	—	(118)	(97)	—	—	—
Settlement expense	7,157	4,324	4,982	—	—	—
Amortization of net loss (gain)	5,221	1,530	1,687	(967)	(1,436)	(1,540)
Amortization of prior service cost (credit)	280	247	175	(137)	(137)	(137)
Net periodic benefit cost (credit)	$ 20,615	$ 12,772	$ 14,670	$ (72)	$ (442)	$ (530)

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, 2020 and 2019 were as follows:

	Pension Benefits		Postretirement Benefits	
	2020	2019	2020	2019
Discount rate	2.66 %	3.24 %	2.34 %	3.12 %
Rate of compensation increase	3.56 %	3.97 %	N/A	N/A

The weighted average assumptions used to determine net periodic benefit cost (credit) for the years ended December 31, 2020, 2019 and 2018 were as follows:

	Pension Benefits			Postretirement Benefits		
	2020	2019	2018	2020	2019	2018
Discount rate	3.24 %	4.25 %	3.62 %	3.12 %	4.27 %	3.61 %
Expected long-term rate of return on plan assets	5.01 %	5.84 %	5.77 %	N/A	N/A	N/A
Rate of compensation increase	3.97 %	4.00 %	4.01 %	N/A	N/A	N/A

The assumed healthcare cost trend rates used to determine benefit obligations and net periodic benefit credit for postretirement benefits as of and for the years ended December 31, 2020, 2019 and 2018 were as follows:

	2020	2019	2018
Healthcare cost trend rate assumed for next year	5.81%/7.88%	6.03%/8.44%	6.25%/9.00%
Rate that the cost trend rate is assumed to decline (the ultimate trend rate)	4.50 %	4.50 %	4.50 %
Year that the rate reaches the ultimate trend rate	2027	2027	2027

Plan Assets

Pension assets by major category of plan assets and the type of fair value measurement as of December 31, 2020 were as follows:

(in thousands)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset category				
Individual securities				
Fixed income	$ 1,668	$ —	$ 1,668	$ —
Commingled funds				
Measured at net asset value	266,857	—	—	—
	$ 268,525	$ —	$ 1,668	$ —

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

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

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, 2020, the U.S. defined benefit plan asset allocation of these trusts targeted a return-seeking investment allocation of 55% to 75% and a liability-hedging investment allocation of 25% to 45%. 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%. Return-seeking investments include equities, real estate, high yield bonds and other instruments. Liability-hedging investments include assets such as corporate and government fixed income securities.

The Company's future expected blended long-term rate of return on plan assets of 4.28% 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 $18.3 million during 2021 based on current assumptions as of December 31, 2020.

Estimated Future Retirement Benefit Payments

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

(in thousands)	Pension Benefits	Postretirement Benefits
Year ending December 31,		
2021	$ 22,435	$ 1,266
2022	23,891	1,358
2023	25,062	1,348
2024	27,992	1,402
2025	28,366	1,438
Thereafter	135,271	6,915
	$ 263,017	$ 13,727

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, 2020 and 2019, the international pension plans had total projected benefit obligations of $55.9 million and $48.8 million, respectively, and fair values of plan assets of $50.4 million and $45.1 million, respectively. The majority of the plan assets are invested in equity securities. The net periodic benefit cost related to international plans was $1.8 million, $0.9 million and $0.4 million for the years ended December 31, 2020, 2019 and 2018, respectively.

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 $13.7 million, $16.3 million and $16.5 million for the years ended December 31, 2020, 2019 and 2018, respectively.

14. Income Taxes

The components of income before income taxes were as follows:

	Year ended December 31,		
(in thousands)	2020	2019	2018
Domestic operations	$ 16,711	$ 70,632	$ 54,003
Foreign operations	96,338	94,533	96,301
Income before income taxes	$ 113,049	$ 165,165	$ 150,304

Income tax expense (benefit) was as follows:

(in thousands)	Year ended December 31, 2020	2019	2018
Current expense (benefit)			
United States	$ (7,456)	$ 1,121	$ 1,795
Foreign	24,478	31,005	29,896
Current income tax expense	17,022	32,126	31,691
Deferred expense (benefit)			
United States	(3,777)	9,539	16,222
Foreign	(207)	(1,065)	(681)
Deferred income tax expense (benefit)	(3,984)	8,474	15,541
Total income tax expense	$ 13,038	$ 40,600	$ 47,232

The following table represents a reconciliation of income taxes computed at the federal statutory income tax rate of 21% to income tax expense as reported:

(in thousands)	Year ended December 31, 2020	2019	2018
Income tax expense computed at federal statutory income tax rate	$ 23,740	$ 34,685	$ 31,564
Foreign taxes, net of credits	(6,676)	714	13,316
Impact of the 2017 Tax Act	—	—	10,801
Net adjustments for uncertain tax positions	(8,123)	799	771
State and local taxes	264	1,832	2,349
Nondeductible expenses	4,069	1,179	962
Valuation allowance	1,980	2,882	(10,038)
Tax credits	(2,526)	(607)	(2,800)
Miscellaneous other, net	310	(884)	307
Income tax expense as reported	$ 13,038	$ 40,600	$ 47,232
Effective income tax rate	11.5 %	24.6 %	31.4 %

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. 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.

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 that are not permanently reinvested, as required.

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

(in thousands)	December 31, 2020	December 31, 2019
Deferred tax assets		
Compensation and benefits	$ 16,418	$ 13,208
Share-based compensation	5,576	2,682
Pension and other postretirement benefits	23,234	24,260
Inventories	19,021	15,379
R&D capitalization	18,945	12,925
Lease liability	14,113	9,669
Partnership investment	282	223
Transaction costs	1,159	1,365
Nondeductible accruals and reserves	9,238	6,907
Miscellaneous	929	2,802
Foreign exchange derivative instruments	1,701	—
Net operating loss and other tax carryforwards	80,564	80,360
Gross deferred tax assets	191,180	169,780
Valuation allowance	(20,404)	(18,424)
Total deferred tax assets	170,776	151,356
Deferred tax liabilities		
Property, plant and equipment	(6,068)	(6,687)
Identifiable intangible assets	(67,505)	(62,349)
Right-of-use assets	(13,646)	(9,407)
Tax on unremitted earnings	(5,812)	(5,774)
Foreign exchange derivative instruments	—	(154)
Miscellaneous	(1,506)	(1,281)
Total deferred tax liabilities	(94,537)	(85,652)
Net deferred tax asset	$ 76,239	$ 65,704

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, 2020 and 2019, the Company had state net operating loss ("NOL") carryforwards of $120.5 million and $141.3 million, respectively. These NOL carryforwards will begin to expire in 2022. As of December 31, 2020 and 2019, the Company had foreign tax credit carryforwards of $55.2 million and $55.0 million, respectively. These foreign tax credits will begin to expire in 2022. As of December 31, 2020 and 2019, the Company had U.S. general business credit carryforwards of $19.3 million and $16.9 million, respectively. These credits will begin to expire in 2031. As of December 31, 2020 and 2019, the Company had state research tax credits of $8.4 million and $8.2 million, respectively. These credits will begin to expire in 2030.

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

(in thousands)	Year ended December 31, 2020	2019	2018
Valuation allowance at beginning of year	$ 18,424	$ 15,542	$ 25,579
Increases (decreases) recorded to income tax provision	1,980	2,882	(10,037)
Valuation allowance at end of year	$ 20,404	$ 18,424	$ 15,542

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.

In 2020, the change in the valuation allowance of $2.0 million is principally due to excess U.S. foreign tax credits arising from the Company's Japan branch operations and state tax attributes that it expects to expire unutilized. In 2019, the change in valuation allowance was principally due to excess U.S. foreign tax credits arising from its Japan branch operations and state tax attributes that it expects 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.

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:

	Year ended December 31,		
(in thousands)	**2020**	**2019**	**2018**
Unrecognized tax benefits at beginning of year	$ 12,367	$ 11,646	$ 11,049
Gross additions - prior year tax positions	53	—	—
Gross additions - current year tax positions	720	787	801
Gross additions - acquired tax positions	—	659	—
Gross reductions - prior year tax positions	(671)	(248)	(91)
Gross reductions - acquired tax positions settled with tax authorities	(4,647)	(461)	(113)
Impact of change in foreign exchange rates	—	(16)	—
Unrecognized tax benefits at end of year	$ 7,822	$ 12,367	$ 11,646

As of December 31, 2020, 2019 and 2018, the unrecognized tax benefits of $7.8 million, $12.4 million and $11.6 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, 2020, the Company does not have unrecognized tax benefits related to periods prior to the Company's acquisition. As of both December 31, 2019 and 2018, the Company had unrecognized tax benefits included in the amounts above of $5.0 million 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 operations. As of December 31, 2020, the Company recognized a liability of $0.2 million for interest and penalties. As of December 31, 2019 and 2018, the Company recognized a liability of $3.9 million and $3.3 million, respectively for interest and penalties, of which $3.4 million and $3.0 million, respectively, is indemnified by Beam. During the year ended December 31, 2020, the Company recognized an income tax benefit of $3.6 million related to interest and penalties as a component of income tax expense, of which $3.7 million resulted in a corresponding reduction of the Beam indemnification asset and is included in other expense, net on the consolidated statements of operations. For the years ended December 31, 2019 and 2018, the Company recognized interest and penalties as a component of income tax expense in the amounts of $0.5 million and $0.3 million, respectively, of which $0.5 million and $0.3 million resulted in a corresponding adjustment to the Beam indemnification asset and is included in other expense, net in the consolidated statements of operations.

Prior to the Company's acquisition of Acushnet Company, Acushnet Company or its subsidiaries filed certain combined tax returns with Beam. Those and other subsidiaries' income tax returns are periodically examined by various tax authorities. Beam is responsible for managing United States tax audits related to periods prior to July 29, 2011. Acushnet Company is obligated to support these audits and is responsible for managing all non-U.S. audits. In 2020, the Company settled an income tax audit with the Commonwealth of Massachusetts related to the pre-acquisition period which resulted in a refund of $1.2 million. The settlement's effect on our unrecognized tax benefits is presented above.

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, Japan for years after 2015, 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, 2020.

15. Common Stock

As of December 31, 2020 and 2019, 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 per Common Share	Amount *(in thousands)*
2020:		
Fourth Quarter	$ 0.155	$ 11,983
Third Quarter	0.155	11,790
Second Quarter	0.155	11,761
First Quarter	0.155	11,735
Total dividends declared in 2020	$ 0.620	$ 47,269
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	$ 0.56	$ 42,977
2018:		
Fourth Quarter	$ 0.13	$ 9,968
Third Quarter	0.13	9,954
Second Quarter	0.13	9,917
First Quarter	0.13	9,917
Total dividends declared in 2018	$ 0.52	$ 39,756

During the first quarter of 2021, the Company's Board of Directors declared a dividend of $0.165 per share of common stock to shareholders of record as of March 12, 2021 and payable on March 26, 2021.

Share Repurchase Program

As of December 31, 2020, the Board of Directors has authorized the Company to repurchase up to an aggregate of $100.0 million of its issued and outstanding common stock.

Share repurchases may be effected from time to time 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 consistent with the Company's general working capital needs and within the constraints of the Company’s credit agreement. 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, up to an aggregate of $24.9 million, at the same weighted average per share price.

In April 2020, the Company temporarily suspended stock repurchases under its share repurchase program in light of the COVID-19 pandemic. The Company has the ability to resume repurchases in its discretion. See Note 2 for further discussion on the Company's evaluation and response to the COVID-19 pandemic.

The Company's share repurchase activity was as follows:

	Year ended December 31,	
(in thousands, except share and per share amounts)	2020	2019
Shares repurchased in the open market:		
Shares repurchased	243,894	591,983
Average price	$ 28.60	$ 26.31
Aggregate value	$ 6,976	$ 15,577
Shares repurchased from Magnus:		
Shares repurchased	—	535,983
Average price [1]	$ —	$ 25.70
Aggregate value	$ —	$ 13,775
Total shares repurchased:		
Shares repurchased	243,894	1,127,966
Average price	$ 28.60	$ 26.02
Aggregate value	$ 6,976	$ 29,352

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

In relation to the Magnus share repurchase agreement, the Company recorded a share repurchase liability of $8.8 million and $1.8 million for 299,894 and 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 sheets as of December 31, 2020 and 2019, respectively. Excluding the impact of the share repurchase liability, as of December 31, 2020, the Company had $63.7 million remaining under the current share repurchase authorization, including $11.1 million related to the Magnus share repurchase agreement.

16. Equity Incentive Plans

Under the Acushnet Holdings Corp. 2015 Omnibus Incentive Plan (“2015 Plan”), the Company may grant stock options, stock appreciation rights, restricted shares of common stock, restricted stock units ("RSUs"), 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, 2020, 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 generally vest over three years, with one-third of each grant vesting annually, subject to the recipient's continued employment with the Company. RSUs granted to other employees, consultants and advisors of the Company vest in accordance with the terms of the grants, generally over 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 defined in the award agreement, generally over a three year performance period. At the end of the performance period, the number of shares of common stock that could be issued is fixed based upon the Company's performance against these metrics. The number of shares that could be issued can range from 0% to 200% of the recipient'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, 2020, there were 6,616,925 remaining shares of common stock reserved for issuance under the 2015 Plan of which 4,105,688 remain available for future grants.

A summary of the Company's RSUs and PSUs as of December 31, 2020 and 2019 and changes during the years then ended is presented below:

	Number of RSUs	Weighted-Average Fair Value RSUs	Number of PSUs	Weighted-Average Fair Value PSUs
Outstanding as of December 31, 2018	881,832	$ 21.75	—	$ —
Granted	655,522	23.51	207,077	23.47
Vested [1]	(567,836)	20.81	—	—
Forfeited	(22,275)	23.92	—	—
Outstanding as of December 31, 2019	947,243	$ 23.49	207,077	$ 23.47
Granted	519,514	25.92	252,031	25.45
Vested [2]	(145,985)	24.64	(789)	25.45
Forfeited	(67,599)	24.08	(743)	25.45
Outstanding as of December 31, 2020	1,253,173	$ 24.33	457,576	$ 24.55

(1) 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.

(2) Included 115,677 shares of common stock related to RSUs and no shares of common stock related to PSUs that were not delivered as of December 31, 2020. The aggregate fair value of RSUs vested was $5.1 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 December 31, 2020		Year ended December 31, 2019	
	RSUs	PSUs	RSUs	PSUs
Shares of common stock issued [1]	63,232	789	410,787	900,226
Shares of common stock withheld by the Company as payment by employees in lieu of cash to satisfy tax withholding obligations	(16,972)	(269)	(126,242)	(325,246)
Net shares of common stock issued	46,260	520	284,545	574,980
Cumulative undelivered shares of common stock	303,803	—	220,582	—

(1) Shares of common stock issued in 2019 related to PSUs, represents PSUs that vested in 2018 but were delivered in common stock during the year ended December 31, 2019.

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

	Year ended December 31,		
(in thousands)	2020	2019	2018
RSU	$ 12,055	$ 9,140	$ 12,353
PSU	3,308	1,507	6,210

The remaining unrecognized compensation expense related to unvested RSUs and unvested PSUs granted was $13.2 million and $6.2 million, respectively, as of December 31, 2020 and is expected to be recognized over the related weighted average period of 1.8 years and 1.9 years, respectively.

Compensation Expense

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

(in thousands)	Year ended December 31, 2020	2019	2018
Cost of goods sold	$ 1,342	$ 722	$ 680
Selling, general and administrative	13,710	9,402	16,507
Research and development	964	851	1,376
Total compensation expense before income tax	16,016	10,975	18,563
Income tax benefit	3,582	2,440	4,398
Total compensation expense, net of income tax	$ 12,434	$ 8,535	$ 14,165

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).

The components of and changes in accumulated other comprehensive loss, net of tax, were as follows:

(in thousands)	Foreign Currency Translation Adjustments	Gains (Losses) on Foreign Exchange Derivative Instruments	Gains (Losses) on Interest Rate Derivative Instruments	Pension and Other Postretirement Adjustments	Accumulated Other Comprehensive Loss
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)
Other comprehensive income (loss) before reclassifications	27,281	(4,591)	(2,232)	(17,916)	2,542
Amounts reclassified from accumulated other comprehensive loss, net of tax	—	(5,538)	3,318	11,554	9,334
Tax benefit (expense)	—	2,757	(262)	1,475	3,970
Balances as of December 31, 2020	$ (43,906)	$ (4,471)	$ (1,179)	$ (46,626)	$ (96,182)

18. Interest Expense, Net and Other Expense, Net

The components of interest expense, net were as follows:

(in thousands)	Year ended December 31, 2020	2019	2018
Third party interest expense	$ 12,796	$ 19,472	$ 19,171
Loss on interest rate swap	3,318	989	476
Third party interest income	(484)	(848)	(1,245)
Total interest expense, net	$ 15,630	$ 19,613	$ 18,402

The components of other expense, net were as follows:

(in thousands)	Year ended December 31, 2020	2019	2018
Indemnification losses (gains)	$ 9,871	$ (498)	$ (258)
Non-service cost component of net periodic benefit cost	10,439	2,917	4,416
Other income	(3,534)	(1,544)	(529)
Total other expense, net	$ 16,776	$ 875	$ 3,629

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.:

(in thousands, except share and per share amounts)	Year ended December 31, 2020	2019	2018
Net income attributable to Acushnet Holdings Corp.	$ 96,006	$ 121,070	$ 99,872
Weighted average number of common shares:			
Basic	74,494,310	75,418,204	74,766,176
Diluted	75,060,610	75,759,605	75,472,342
Net income per common share attributable to Acushnet Holdings Corp.:			
Basic	$ 1.29	$ 1.61	$ 1.34
Diluted	$ 1.28	$ 1.60	$ 1.32

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

The Company's potential dilutive securities for the years ended December 31, 2020, 2019, and 2018 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, 2020	2019	2018
RSUs	—	1,013	13,885

20. Segment Information

The Company's operating segments are based on how the Chief Operating Decision Maker ("CODM") makes decisions about assessing performance and allocating resources. The Company has four reportable segments that are organized on the basis of product categories. These segments include Titleist golf balls, Titleist golf clubs, Titleist golf gear and FootJoy golf wear.

The CODM primarily evaluates performance using segment operating income (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; restructuring charges, 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, 2020, 2019 and 2018 are not necessarily those which would be achieved if each segment was an unaffiliated business enterprise. There are no intersegment transactions.

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

	Year ended December 31,		
(in thousands)	2020	2019	2018
Net sales			
Titleist golf balls	$ 507,839	$ 551,596	$ 523,967
Titleist golf clubs	418,417	434,357	445,341
Titleist golf gear	149,418	149,984	146,067
FootJoy golf wear	415,258	441,871	439,681
Other	121,237	103,549	78,665
Total net sales	$ 1,612,169	$ 1,681,357	$ 1,633,721
Segment operating income			
Titleist golf balls	$ 71,812	$ 93,305	$ 78,973
Titleist golf clubs	40,033	38,811	45,156
Titleist golf gear	19,968	17,300	15,430
FootJoy golf wear	18,319	24,429	17,974
Other	9,515	15,043	15,560
Total segment operating income	159,647	188,888	173,093
Reconciling items:			
Interest expense, net	(15,630)	(19,613)	(18,402)
Restructuring charges	(13,207)	—	—
Non-service cost component of net periodic benefit cost	(10,439)	(2,917)	(4,416)
Transaction fees	—	(2,654)	(599)
Other	(7,322)	1,461	628
Total income before income tax	$ 113,049	$ 165,165	$ 150,304

Depreciation and amortization expense by reportable segment are as follows:

	Year ended December 31,		
(in thousands)	2020	2019	2018
Depreciation and amortization			
Titleist golf balls	$ 22,611	$ 22,694	$ 24,155
Titleist golf clubs	7,484	7,451	7,408
Titleist golf gear	1,523	1,603	1,531
FootJoy golf wear	7,064	6,451	6,731
Other [(1)]	6,747	4,803	671
Total depreciation and amortization	$ 45,429	$ 43,002	$ 40,496

[(1)] Includes a goodwill impairment loss of $3.8 million for the year ended December 31, 2020. See further discussion at Note 8.

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.

	Year ended December 31,		
(in thousands)	2020	2019	2018
Net sales			
United States	$ 839,379	$ 884,791	$ 826,111
EMEA [(1)]	218,971	230,465	219,803
Japan	151,835	182,681	199,107
Korea	246,183	223,365	221,146
Rest of world	155,801	160,055	167,554
Total net sales	$ 1,612,169	$ 1,681,357	$ 1,633,721

[(1)] 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:

(in thousands)	Year ended December 31, 2020	2019
Long-lived assets		
United States	$ 146,712	$ 148,883
EMEA	11,969	11,906
Japan	614	663
Korea	6,636	7,441
Rest of world [2]	56,880	62,682
Total long-lived assets	$ 222,811	$ 231,575

[2] Includes manufacturing facilities in Thailand with long lived assets of $44.6 million and $49.4 million as of December 31, 2020 and 2019, 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, 2020.

Purchase obligations by the Company as of December 31, 2020 were as follows:

	Payments Due by Period					
(in thousands)	2021	2022	2023	2024	2025	Thereafter
Purchase obligations	$ 162,839	$ 9,552	$ 758	$ 460	$ 453	$ 1,199

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, the Company's estimate of its receivable for these indemnifications was $9.5 million, which was recorded in other assets on the consolidated balance sheet. During the year ended December 31, 2020, the Company recognized $9.9 million in other expense, net on the consolidated statement of operations related to the reduction of the indemnification receivable. As of December 31, 2020, the Company does not have an indemnification receivable related to periods prior to the Company's acquisition of Acushnet Company (see Note 14).

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. Restructuring Charges

During the first quarter of 2020, management approved a restructuring program to refine its business model and improve operational efficiencies. This program included both a voluntary bridge to retirement ("VBR") program for certain eligible employees and involuntary headcount reductions ("Other"). The VBR program is part of the Company's long-term strategic planning process and is designed to bridge eligible employees to retirement. As part of this program, employees were offered severance in the form of salary continuation, including benefits, as well as accrued bonus incentives. Costs associated with the involuntary headcount reductions include severance and other benefits related to these headcount reductions.

The activity related to the Company's restructuring programs was as follows:

	Year ended December 31, 2020	
(in thousands)	VBR	Other
Balance at beginning of period	$ —	$ —
Provision	11,249	1,958
Payments	(5,353)	(1,237)
Foreign currency translation and other	347	57
Balance at end of period	$ 6,243	$ 778

There are no further costs expected to be incurred with these programs. The Company could implement additional restructuring programs in the future as a result of the impacts of the COVID-19 pandemic or other operational efficiency improvement opportunities.

The restructuring program liabilities recognized on the consolidated balance sheets were as follows:

(in thousands)		Year ended December 31,
Balance Sheet Location	Restructuring Program	2020
Accrued compensation and benefits	VBR	$ 6,018
	Other	778
Other noncurrent liabilities	VBR	225

24. Unaudited Quarterly Financial Data

The table below summarizes quarterly results for fiscal 2020:

	Quarter ended (unaudited)			
(in thousands)	**December 31,**	**September 30,**	**June 30,**	**March 31,**
2020				
Net sales	$ 420,494	$ 482,932	$ 300,002	$ 408,741
Gross profit	220,403	252,021	156,457	200,955
Income from operations	27,092	85,204	11,731	21,428
Net income	23,237	64,046	3,753	8,975
Net income attributable to Acushnet Holdings Corp.	21,600	63,216	2,313	8,877
Net income per common share attributable to Acushnet Holdings Corp.:				
Basic	$ 0.29	$ 0.85	$ 0.03	$ 0.12
Diluted	$ 0.29	$ 0.84	$ 0.03	$ 0.12

The table below summarizes quarterly results for fiscal 2019:

	Quarter ended (unaudited)			
(in thousands)	**December 31,**	**September 30,**	**June 30,**	**March 31,**
2019				
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

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.

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

Name	State or Other Jurisdiction of Incorporation or Organization
Acushnet Company	Delaware
AASI, Inc.	Delaware
ACTM LLC	Delaware
Acushnet Australia Pty. Ltd.	Australia
Acushnet Canada Inc.	Canada
Acushnet Cayman Limited	Cayman Islands
Acushnet Danmark ApS	Denmark
Acushnet Espana, S.L.U.	Spain
Acushnet Europe Ltd.	United Kingdom
Acushnet FootJoy (Thailand) Limited	Thailand
Acushnet France S.A.S.	France
Acushnet GmbH	Germany
Acushnet Golf Products Trading (Shenzhen) Co. Ltd.	China
Acushnet Golf (Thailand) Limited	Thailand
Acushnet Hong Kong Limited	Hong Kong
Acushnet International Inc.	Delaware
Acushnet Ireland Limited	Ireland
Acushnet Japan, Inc.	Delaware
Acushnet Korea Co., Ltd.	South Korea
Acushnet Malaysia Sdn. Bhd.	Malaysia
Acushnet Nederland B.V.	Netherlands
Acushnet Netherlands Manufacturing B.V.	Netherlands
Acushnet Netherlands Services B.V.	Netherlands
Acushnet New Zealand Limited	New Zealand
Acushnet Osterreich GmbH	Austria
Acushnet Singapore Pte Ltd.	Singapore
Acushnet South Africa (Pty.) Ltd.	South Africa
Acushnet Sverige Aktiebolag	Sweden
Acushnet Titleist (Thailand) Limited	Thailand
Changsha Acushnet Sports Products Co. Ltd.	China
KJUS Holdings Inc.	Delaware
KJUS North America, Inc.	Colorado
KJUS Retail Deutschland GmbH	Germany
LK Deutschland GmbH	Germany
LK International AG	Switzerland
LK Oesterreich GmbH	Austria
Panthera Holdings Limited	England
PG Golf LLC	Delaware
Webb Acquisition Co.	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-214275) of Acushnet Holdings Corp. of our report dated February 25, 2021 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 25, 2021

Exhibit 24.1

POWER OF ATTORNEY

The undersigned directors and officers of Acushnet Holdings Corp. hereby constitute and appoint Brendan M. Gibbons, Roland A. Giroux and Chad M. Van Ess and each of them, as his or her true and lawful attorneys-in-fact and agents, with power to act with or without the others and with full power of substitution and resubstitution, to do any and all acts and things and to execute any and all instruments which said attorneys and agents and each of them may deem necessary or desirable to enable the registrant to comply with the U.S. Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the U.S. Securities and Exchange Commission thereunder in connection with the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the "Annual Report"), including specifically, but without limiting the generality of the foregoing, power and authority to sign the name of the registrant and the name of the undersigned, individually and in his or her capacity as a director or officer of the registrant, to the Annual Report as filed with the Securities and Exchange Commission, to any and all amendments thereto, and to any and all instruments or documents filed as part thereof or in connection therewith; and each of the undersigned hereby ratifies and confirms all that said attorneys and agents and each of them shall do or cause to be done by virtue hereof.

Signature	Capacity	Date
/s/ DAVID MAHER David Maher	President and Chief Executive Officer (Principal Executive Officer)	February 25, 2021
/s/ THOMAS PACHECO Thomas Pacheco	Executive Vice President, Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	February 25, 2021
/s/ YOON SOO YOON Yoon Soo (Gene) Yoon	Chairman	February 25, 2021
/s/ JENNIFER ESTABROOK Jennifer Estabrook	Director	February 25, 2021
/s/ GREGORY HEWETT Gregory Hewett	Director	February 25, 2021
/s/ SEAN SULLIVAN Sean Sullivan	Director	February 25, 2021

Signatures continued on next page

/s/ STEVEN TISHMAN Steven Tishman	Director	February 25, 2021
/s/ WALTER UIHLEIN Walter Uihlein	Director	February 25, 2021
/s/ KEUN CHANG YOON Keun Chang Yoon	Director	February 25, 2021

Exhibit 31.1

CERTIFICATIONS

I, David Maher, certify that:

1. I have reviewed this Annual Report on Form 10-K of Acushnet Holdings Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (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 25, 2021

/s/ DAVID MAHER

Name: David Maher

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Thomas Pacheco, certify that:

1. I have reviewed this Annual Report on Form 10-K of Acushnet Holdings Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (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 25, 2021

/s/ THOMAS PACHECO

Name: Thomas Pacheco

Executive Vice President, Chief Financial Officer and Chief Accounting Officer

Exhibit 32.1

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

I, David Maher, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report on Form 10-K for the year ended December 31, 2020, (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 25, 2021

By: /s/ DAVID MAHER

Name: David Maher

Title: *President and Chief Executive Officer*

Exhibit 32.2

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

I, Thomas Pacheco, Executive Vice President, Chief Financial Officer and Chief Accounting 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, 2020, (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 25, 2021

By: /s/ THOMAS PACHECO

Name: Thomas Pacheco

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