ACUSHNET HOLDINGS CORP.

2022 Annual Report


Titleist


Titleist
Mutual of Omaha
iCapital

PARADOX
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FORTINET

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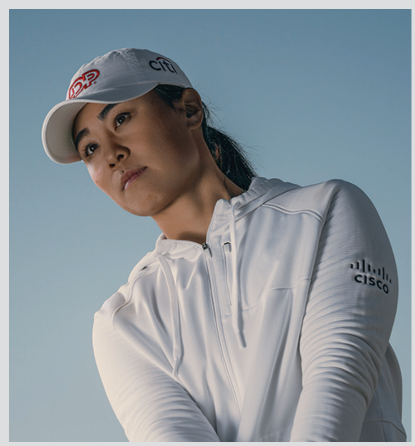
Titleist
United Rentals
EMPOWER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Our Mission

Enrich the experience of dedicated golfers through products and services of superior performance, quality and innovation.

Our Vision

Build a family of golf performance brands that are unrivaled leaders in every category in which we compete.

Our Values

Passion for Dedicated Golfers, Performance & Quality Excellence, Driven to Innovate, A Spirit of Leadership, Integrity & Respect, Bridge Builder Mindset.

OUR BRANDS


Titleist
Titleist
1


BV
VOKEY DESIGN


SCOTTY CAMERON
SCOTTY CAMERON
SUPER SELECT
NEWPORT+
SCOTTY CAMERON
SUPER SELECT
NEWPORT 2+


LINKS KINGS


KJUS

LETTER FROM THE PRESIDENT AND CEO

Dear Valued Stockholders,

Acushnet is enduring and successful because our people are dedicated and committed to making the best and being their very best. Around the globe, our associates are guided by the same north star, as we share an unrelenting focus on enriching the experience of dedicated golfers through products and services of superior performance, quality and innovation. While we remain a company that always looks forward, we are also inspired by our roots and origins as we are poised to celebrate two key milestones in 2023.

Titleist will mark 75 consecutive years as the #1 ball played at the U.S. Open…and still counting

FootJoy, the undisputed #1 shoe in golf, will enjoy its 100th year of shoemaking excellence

The Inspiration Behind the Titleist Script

Phil Young founded the Titleist golf ball business in 1932 when he missed a well-struck putt in a match. Convinced it was caused by the ball and not his putting stroke, Phil x-rayed the golf ball and discovered its core was off-center. This set in motion Phil's life journey to design and manufacture golf balls of superior performance and quality. Phil partnered with Fred Bommer, a fellow MIT graduate, to help him make a more consistent golf ball by focusing on the manufacturing process. It took three years to develop and in 1935, Titleist was introduced as the best ball ever made. Titleist solidified its position as the #1 ball in golf by winning the ball count at the 1949 U.S. Open Championship, and we have won it every year since.

Titleist will mark 75 consecutive years as the #1 ball played at the U.S. Open… and still counting

Our vision is to earn golfers' trust, one golfer at a time. This is best reflected throughout the pyramid of influence, where players' usage validates the performance and quality excellence of Titleist equipment. 2022 highlights include a 74% Titleist ball count on the worldwide professional tours and the winners of the four men's major championships trusting Pro V1 or Pro V1x. Titleist drivers, fairways, hybrids, irons, wedges and putters are also trusted throughout the pyramid. New TSR drivers, which debuted in June, were quickly accepted and had a 1-2 finish at the year's final major, the Open Championship, further validation for what has been the most played driver brand on the PGA Tour for the past 4 years. Trust in Titleist equipment extends to other worldwide tours, PGA Club Professionals and through the Amateur ranks with winning counts at the U.S. Men's and Women's, Boys' and Girls' Amateur Championships.

The exceptionally high standards set by our founders, a passion for helping golfers play better and a never-ending pursuit of performance and quality excellence remain the soul of the Titleist brand.

FootJoy's Storied Heritage

Perley Flint, a Harvard graduate and avid golfer, designed and launched the first line of FootJoy golf shoes in 1923 at the Field and Flint Company, a shoe manufacturer in Brockton, Massachusetts. One of the first prominent players to take note of FootJoy's promise was the talented and charismatic Walter Hagen who, as the Captain of the 1927 Ryder Cup Team,

Equipment counts provided by Darrell Survey Company and Sports Marketing Surveys

chose to outfit the U.S. team in FootJoy golf shoes. This was the first step in FootJoy's journey to becoming the #1 shoe in golf, a leadership position held to this day.

In 1957, two dynamic and talented brothers, Dick and Bill Tarlow, acquired the company and infused in FootJoy a heightened sense of purpose and passion. The Tarlow brothers brought to FootJoy their deep appreciation for product quality and craftsmanship, and their innate understanding of pyramid of influence validation and sales excellence. As important, they instilled an entrepreneurial spirit that continues to drive the company and helps to distinguish golf's leading and most authentic performance wearables brand.

In 2022, FootJoy's product innovation engine and connection with dedicated golfers strengthened its reputation as the #1 shoe and #1 glove in golf and fueled its growth. A commitment to making leading products which deliver performance, comfort and quality, validation among the game's most discerning players, and operational excellence have come to define the FootJoy brand.

FootJoy, the undisputed #1 shoe in golf, will enjoy its 100th year of shoemaking excellence

Strategic Imperatives

Our strategic imperatives serve as a decision-making framework that empowers associates around the world to act with speed and conviction to best drive the company forward.

Deepen Connection to Dedicated Golfers

We are committed to understanding the needs and preferences of dedicated golfers. Golfer connection happens on the course, practice tee and in golf shops, and is supported by our growing digital capabilities. Golfer connection also informs product development, ensuring that the products we offer tomorrow meet and exceed expectations.

Lead Through Innovation

Innovation runs throughout our organization, and we continue to invest in technology, design and development as we aspire to elevate performance, quality and consistency across our products and services.

Transform with Technology

We will leverage technology as we set out to create new and enhanced golfer experiences and more efficient business processes. We aspire to lead in digital engagement, education and commerce with golfers and our trade partners.

Achieve Operational Excellence

Operational excellence is an ongoing pursuit across each of our businesses. Capital investments for new technologies, innovations, expanded capacity and efficiencies advance our company's competitive advantages and position the company for long-term, sustainable success.

Strengthen Our Enduring Culture

Acushnet's enduring culture and passionate, high performing associates are this company's greatest strengths. We live our values and honor what makes each brand and region unique, and we aspire to ensure diversity, inclusion and belonging are woven into the fabric of all that we do.

Our Path Forward

We are confident that the structural health of the golf industry and especially Acushnet's core consumer, the game's dedicated golfer, will remain strong and resilient in the years ahead. New product launches, including 2023 Pro V1 and Pro V1x golf balls, TSR metals, Cameron Super Select Putters, FJ HyperFlex, Premiere Series shoes and HydroSeries apparel, position our brands for growth. We believe our investments in golfer connections, fitting experiences, digital technologies, increased capacity and supply chain infrastructure will strengthen our service levels and the support of our valued trade partners.

Strategic acquisitions in recent years, such as KJUS apparel, Links & Kings, PG Golf and more recently the Club Glove brand of leading golf travel gear, have further diversified our product offerings that appeal to the game's dedicated player. Our teams are committed to developing these new businesses for long-term, sustainable success by following the same blueprint that has inspired Titleist's and FootJoy's growth. Acushnet benefits from our strong balance sheet which supports ongoing investment in our core business, in addition to the return of capital to shareholders through our dividend and share repurchase programs, and acquisitions that fit within and are accretive to our portfolio.

With milestones to celebrate and strategic imperatives to drive our path forward, our 7,300 associates worldwide are energized for the year ahead.

On behalf of Acushnet's Board of Directors and our dedicated team of associates, we thank you for your investment.

Best,

David Maher
President and Chief Executive Officer

Net Sales

$2.3B

Acushnet's net sales rose to nearly $2.3B, an 11% year-over-year increase in constant currency[1]

1 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. See "Key Performance Measures" in "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K included in this Annual Report for a description of how we calculate net sales on a constant currency basis.

FORWARD-LOOKING STATEMENTS

This Annual Report, including our President and CEO's letter to shareholders, includes 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 reflect our current views with respect to, among other things, our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We use words like "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "future," "will," "seek," and similar terms and phrases to identify forward-looking statements, although not all forward-looking statements use these identifying words. The forward-looking statements contained in this Annual 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. For additional information, please see the Special Note Regarding Forward-Looking Statements and the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 1, 2023 (enclosed herein), as it may be updated by our periodic reports subsequently filed with the SEC. 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 Annual Report speaks only as of the date of this Annual 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.

ACUSHNET HOLDINGS CORP.

Following is the company's annual report on Form 10-K
for the fiscal year ended December 31, 2022.

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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, 2022
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. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b) ☐

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, 2022, the aggregate market value of the registrant's common stock held by non-affiliates was approximately $1.4 billion. The registrant's common stock trades on the New York Stock Exchange under the symbol "GOLF."

The registrant had 66,945,802 shares of common stock outstanding as of February 24, 2023.

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 5, 2023, 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, 2022.

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

PART I

ITEM 1. BUSINESS

Overview

We are the global leader in the design, development, manufacture and distribution of performance-driven golf products, which are widely recognized for their quality excellence. Our mission—to be the performance and quality leader in every golf product category in which we compete—has remained consistent since we entered the golf ball business in 1932. Today, we are the steward of two of the most revered brands in golf—Titleist, one of golf's leading performance equipment brands, and FootJoy, one of golf's leading performance wearable 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 seven 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 service other qualified retailers that sell golf products to consumers worldwide and offer a selection of our products direct to consumers via our eCommerce websites.

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, 2022, we recorded net sales of $2,270.3 million, net income attributable to Acushnet Holdings Corp. of $199.3 million and Adjusted EBITDA of $338.4 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. ("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 nearly 40% of our net sales in 2022, and more durable products, which we consider to be golf clubs, golf shoes, golf apparel and golf gear, which collectively represented over 60% of our net sales in 2022.

We operate under the following four reportable segments: Titleist golf balls; Titleist golf clubs; Titleist golf gear; and FootJoy golf wear, which represented approximately 30%, 27%, 9% and 27%, respectively, of net sales in 2022. For further information surrounding the principal products of each reportable segment, see "Our Products" further below. Financial information for our segments, including sales by geographic area, is included in "Management's Discussion and Analysis of Financial Condition and Results of Operations," Item 7 of Part II, included elsewhere in this report and in "Notes to Consolidated Financial Statements – Note 21 – Segment Information," Item 8 of Part II, included elsewhere in this report.

Pyramid of Influence

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

Innovation Leadership

We believe innovation is critical to dedicated golfers, as they depend on the ability of new and innovative products to drive improved performance. We currently employ a research and development ("R&D") team of approximately 200 scientists, chemists, engineers and technicians. We also introduce new product innovations at a cadence that we believe 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 several categories to meet the varying needs of golfers' skill levels, personal styles and preferences. In addition, our expanding eCommerce presence is expected to yield incremental sales and profitability, as well as to foster a deeper and more real time connection with dedicated golfers.

Market Overview and Opportunity

Market Overview

While rounds of play had been relatively stable for years, the game experienced an approximate 8% global increase in rounds in both 2021 and 2020 as dedicated golfers took full advantage of favorable weather, hybrid work schedules and an increase in discretionary time due to the circumstances attendant to the COVID-19 pandemic. The game of golf remained in high demand in 2022, with the number of rounds played approximately 16% higher than the number of rounds played in 2019. We anticipate that rounds of golf played will remain resilient in 2023, driven by golfer demographics, dedicated golfers 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 years and above, primarily "gen-xers," "baby boomers" and, increasingly, "millennials" 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, promising developments in golf include the generational shift with millennial golfers making their marks at both professional and amateur levels and, in 2022, accounting for 25% of golfers overall in the U.S., and the increase in the number of juniors (ages 6-17) who play golf in recent years.

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, investing in digital channel opportunities, and educating golfers on Titleist golf ball performance and quality excellence. We also offer custom imprinting for country clubs, tournaments, corporate logos and personalization.

- *Titleist Clubs, Wedges and Putters*. We intend to continue to launch innovative, high performance golf clubs by further leveraging Titleist 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 also intend to continue to 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 Titleist drivers, fairways, hybrids and irons, Vokey Design wedges and Scotty Cameron putters remain golf's leaders in performance, technology, craftsmanship and selection.

- *FootJoy Footwear*. We continue to invest in design and innovation to bring golf-specific performance advancements to the footwear category. We launched several new models in 2022, and we plan to continue to enrich our consumer connection initiatives with digital content, product trial and fit experiences in key global markets.

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 and glove categories in order to increase our penetration in the adjacent categories of golf gear and golf wear. 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. 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 insights to drive product excellence in these product categories.

- *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 worldwide professional golf tours who trust the FootJoy brand to perform at the highest levels.

- *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.

- *Links & Kings.* In 2018, we acquired Links & Kings, a brand focused on the design and handcrafted production of luxury leather golf and lifestyle products. We intend to increase sales of Links & Kings products by increasing production capacity and leveraging our existing distribution channels.

- *KJUS Outerwear and Apparel.* In the third quarter of 2019, we acquired KJUS, a brand which designs premium technical golf, ski and lifestyle apparel with distinctive, clean designs. 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 also represent longer-term growth opportunities. To meet future demand, we are ensuring that local capabilities and expertise in sales, customer service, merchandising, online presence, golf education and fitting initiatives are in place to support our operations. We continue to hire local talent across all functions in order to better position Titleist and FootJoy products in those markets where participation and popularity of the sport are expected to increase.

Our Products

We design, manufacture and market a broad range of products under the Titleist, 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.

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 2023, we launched new Pro V1 and Pro V1x models with advancements in core technology to amplify the high flex casing layer, soft cast thermoset urethane cover, and advanced aerodynamics. The 2023 models maintained their differences in flight, feel and spin. 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. Pro V1x has a fast, high flight and delivers spin where and when a golfer wants it. Complementing Pro V1 and Pro V1x is another high performance golf ball, Pro V1x Left Dash. Introduced in 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. Titleist Pro V1 and Pro V1x models remain the most trusted, best performing and most consistent golf balls in the game. This is validated by the overwhelming usage and trust of players throughout the pyramid of influence and the marketplace success of these products. On the 2022 worldwide professional tours, Titleist golf balls account for 74% of all golf balls used, over seven times more than the nearest competitor.

In November 2021, we introduced Pro V1 and Pro V1x RCT golf balls. RCT stands for "Radar Capture Technology," a proprietary, patent-pending technology. In development for over two years, these products showcase the technological capabilities of the Titleist Ball R&D and Operations teams. Pro V1 RCT is engineered to deliver the most accurate golf ball data on indoor radar-based launched monitors and was validated in collaboration with a team of fitting experts. Pro V1 and Pro V1x RCT golf balls offer the exact same design, quality and performance as any Pro V1 or Pro V1x with the enhanced benefit of an indoor radar signal that captures actual spin data to deliver a true indoor precision fitting. In September 2022, Pro V1x Left Dash and AVX were also introduced with RCT, enhancing the opportunity for a precise, premium performance golf ball fitting indoors.

An advanced version of the Titleist AVX golf ball launched in early 2022. AVX complements our Pro V1 premium performance, thermoset cast urethane models and also has a loyal golfer following. AVX flies lower, spins less and has an even softer feel than Pro V1 or Pro V1x. Tour Speed, rolled out globally as Titleist's first multi-component thermoplastic urethane golf ball in mid-2020, delivers best-in-class performance when compared with similarly priced competitive offerings. Our Tour Soft golf ball features the largest core Titleist has ever produced and a very thin soft cover for commanding distance and soft, responsive feel. Our Velocity and TruFeel models, which provide golfers with a range of performance, color and price preferences, were also introduced in 2022.

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.

We are also a leader in custom imprinted golf balls. This includes printing high quality reproductions of country club or resort logos, tournament logos, corporate 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. We estimate custom golf ball sales represent, on average, between 25 - 30% of our global net golf ball sales.

Net sales of Titleist golf balls for the years ended December 31, 2022, 2021 and 2020 were $678.8 million, $667.6 million, and $507.8 million, respectively, in each case representing approximately 30% of our total net sales.

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, 2022, 2021 and 2020 were $609.6 million, $551.5 million, and $418.4 million, respectively, in each case representing approximately 25% of our total net sales.

<u>Titleist Clubs</u>

Our current global club line consists of the TSR 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 TSR 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.

<u>Vokey Design Wedges</u>

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 the Vokey Team'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 25 unique loft, sole grind and bounce combinations and four 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.

<u>Scotty Cameron Putters</u>

Scotty Cameron Fine Milled Putters are developed through a specialized and iterative process that blends art and science to create high performance putters. The design inspiration for the Scotty Cameron brand 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 the Scotty Cameron 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 away from third-party product creation and supply chain dependency to enable us to 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, with a focus on delivering performance excellence with 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 and highly fragmented opportunity with numerous competitors in each product category and geographical market.

<u>Titleist Golf Bags</u>

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 2023, we plan to introduce our all-new Titleist Players Stand Bag collection, continuing the momentum of this leading bag franchise sold by leading golf courses across the globe. We also have enjoyed success with our LINKSLEGEND Series of premium golf bags that launched in the Fall of 2022 at leading clubs around the world.

<u>Titleist Golf Headwear</u>

Titleist Golf Headwear is recognized on the professional golf tours globally. 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 Montauk 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 $204.9 million, $192.6 million and $149.4 million for the years ended December 31, 2022, 2021 and 2020, respectively, in each case representing approximately 10% of our total net sales.

FootJoy

FootJoy is one of golf’s leading performance wearable brands, which consists collectively of golf shoes, gloves and apparel. Net sales of FootJoy products for the years ended December 31, 2022, 2021 and 2020 were $618.0 million, $580.6 million, and $415.3 million, respectively, in each case representing approximately 25% 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 seven decades (since 1945). With an exclusive focus on golf, FootJoy shoes are designed, developed and manufactured for all golfers across multiple golf shoe categories, including modern classics, technical performance, casual and athletic.

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 microsite 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 is also a leader in 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. In 2011, FootJoy entered the apparel market with a full line of performance golf apparel and has become one of the leading brands in the U.S., Europe, Korea and other major markets globally.

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 lifestyle 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 seven global custom golf ball imprinting operations and 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 14 million FootJoy and Titleist gloves annually.

The majority 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 and 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. Exclusive Titleist and FootJoy brand retail stores have been established within key Asia Pacific markets to elevate brand experiences, presence and product presentation for dedicated golfers. Primarily focused on Titleist and FootJoy Apparel collections unique to Korea, Japan and mainland China, these upscale brand and product showcase locations capture the undivided attention of dedicated Titleist and FootJoy brand fans, as well as provide for expanded education, selection and fitting experiences. 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 approximately 400 sales representatives worldwide, who are compensated through a combination of salary and a performance bonus. We currently service over 28,000 direct accounts worldwide. In both our direct sales and distributor markets, our trade partners are subject to our redistribution policy.

Supplementing our core field sales partnerships are Internet-based initiatives and eCommerce websites. Titleist, FootJoy, KJUS, Links & Kings and PG Golf have established eCommerce websites accessible around the globe and we plan to further expand eCommerce initiatives in the coming years. The eCommerce initiative is expected to yield incremental sales and profitability and enriched data on golfers' preferences and trends, as well as to foster a deeper and more real time connection with dedicated golfers.

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 six 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 and technical capabilities.

Seasonality

Weather conditions in most parts of the world, including our primary geographic markets, generally restrict golf from being played year-round, with many of our on-course customers closed during the cold weather months. In general, during the first quarter, we begin selling our products into the golf retail channel for the new golf season. This initial sell-in generally continues into the second quarter. Our second-quarter sales are significantly affected by the amount of sell-through, in particular the amount of higher value discretionary purchases made by customers, which drives the level of reorders of the products sold during the first quarter. Our third-quarter sales are generally dependent on reorder business, and are generally lower than the second quarter, as many retailers begin decreasing their inventory levels in anticipation of the end of the golf season. Our fourth-quarter sales are generally less than the other quarters due to the end of the golf season in many of our key markets, but can also be affected by key product launches, particularly golf clubs. This seasonality, and therefore quarter to quarter fluctuations, can be affected by many factors, including the timing of new product introductions as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Key Factors Affecting our Results of Operations – Product Life Cycles," Item 7 of Part II to this report, as well as weather conditions. This seasonality affects sales in each of our reportable segments differently. In general, however, because of this seasonality, a larger portion of our sales and profitability generally occurs during the first half of the year.

Research and Product Development

Innovating within a highly regulated environment presents unique challenges and opportunities that require a significant investment in people, facilities and financial resources, with separate dedicated R&D teams for each product category. We have six R&D facilities and/or test centers supported by approximately 200 scientists, chemists, engineers and technicians in aggregate. We are committed to continuous improvement and each R&D team is tasked with developing technology that will deliver better quality and performance products in each generation.

For the years ended December 31, 2022, 2021 and 2020 we invested $56.4 million, $55.3 million and $48.9 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 nearly 900 active U.S. utility patents in golf balls, nearly 500 active U.S. utility patents in golf clubs, wedges and putters and nearly 350 active patents in golf shoes and gloves worldwide. In 2022, we filed over 200 U.S. patent applications and over 400 worldwide.

We own or license a large portfolio of trademarks, including for Titleist, Pro V1, Pro V1x, AVX, Union Green, Pinnacle, AP1, AP2, TSR, T Series, CNCPT, Vokey Design, Scotty Cameron, the Circle T Design, FootJoy, FJ, DryJoys, HyperFlex, StaSof, ProDry, MyJoys, Club Glove 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 Topgolf Callaway Brands ("Callaway"), TaylorMade, SRI Sports Limited (Dunlop and Srixon brands) and Bridgestone (Bridgestone and Precept brands).

The golf club, wedge and putter 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, custom fitting 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 and Titleist'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, Peter Millar, GFore 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 Royal and Ancient Golf Club of St. Andrews (the "R&A"), is the governing body for golf in all jurisdictions outside of the United States and Mexico. The USGA and the R&A together are the "Governing Bodies" for golf, and collectively write, interpret and maintain the Rules of Golf.

In addition to their role as rule makers, the Governing Bodies conduct national championships and are involved in other efforts to maintain the history and traditions 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 25 years, which we believe was one of the most active periods for golf equipment regulation in the history of golf. On March 16, 2022, and as updated in June 2022, the Governing Bodies issued an Areas of Interest notice, which is the initial step of the established equipment rule making procedures. These notices provide research and perspectives on topics that might lead to equipment rules changes and give golf's stakeholders the opportunity to provide opinions on the topics. The outcome of this notice and the impact of any resulting potential changes to the Rules of Golf is uncertain at this time.

Golf Balls

Historically, the Rules of Golf 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 Rules of Golf 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 Governing Bodies 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. On October 12, 2021, the Governing Bodies announced that a new Model Local Rule will be available beginning on January 1, 2022 to provide those running professional or elite amateur golf competitions the option of limiting the maximum length of a golf club (excluding putters) to 46 inches.

Our Position

In response to this active regulatory dynamic, our senior management and R&D teams spend significant time and effort in developing and maintaining relationships with the Governing Bodies and we are an active participant with them and other stakeholders in discussions 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. Guided by our strong corporate values, Acushnet's associates are a key source of competitive advantage. As of December 31, 2022, we employed over 7,300 associates worldwide. The addition of over 800 associates in 2022 was necessary to meet the demand for our products. Reflecting our truly global organization, over 2,800 of our associates are located in the Americas, over 600 are located in EMEA, and over 3,700 are located in Asia Pacific. Approximately sixty percent (60%) of our associates are in manufacturing roles across our global manufacturing footprint and approximately fifty-three percent (53%) of our global associates are women.

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 external market. Additionally, partnerships with universities, community organizations and professional groups help us to attract candidates with diverse backgrounds as we continue our focus on building an inclusive and diverse organization, which in turn helps in broadening our reach. We conduct annual talent reviews focused on performance, potential and succession. Managers share open feedback and work closely with associates 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. We seek to foster a culture where all associates can bring their complete, authentic self to work and we aspire to increase the diversity of our associate population globally. Our Diversity, Inclusion and Belonging strategy and initiatives are guided by an associate-led Council, consisting of associates from all facets of the Company. Engagement with associates at all levels is driven through open discussion, listening and engagement surveys. Survey results continue to demonstrate that associate engagement is strong, driven by what we believe to be a strong sense of belonging within the Company and good opportunities to learn and grow. We expect to continue to enhance our associates' experience by listening to our associates, incorporating leading ideas and best practices and working to enhance our associates' experience.

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, mental health care, massage therapy, acupuncture and reflexology) and volunteer activities in our local communities.

The COVID-19 pandemic required the Company to modify Health and Safety programs which we continue to maintain to ensure a healthy and safe workplace across all of our global sites. The learnings from the pandemic have been integrated into our normal business practices which we regularly evaluate and will adapt as needed in the future.

Acushnet aspires to be a high achieving workforce by providing a workplace that inspires connection, innovation and excellence in performance. As a result, we have recently shifted to a hybrid flexibility model, designed to balance the needs of the role with the flexibility associates desire. We believe strongly in deep moments of collaboration and connection which drive our long history of innovation, and the workplace strategy should support those goals. Our workplace experience will optimize time spent in-office by ideating, creating and connecting with peers. Local leaders around the world are empowered to determine the best flexibility approach for their geography based on the type of work and culture they lead.

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.
- 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.
- Our business, financial position, results of operations and cash flows have been, and could continue to be, impacted by the COVID-19 pandemic.
- 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 subject to fluctuations based on the timing of new 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

- A high degree of 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 will qualify for, and may rely 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, 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, rate of inflation, 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 older "millennials" and 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.

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" and, with the USGA, the "Governing Bodies"), 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 Governing Bodies 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 25 years, which we believe was one of the most active periods for golf equipment regulation in the history of golf. The Rules of Golf have historically regulated the size, weight and initial velocity of golf balls. More recently, the Governing Bodies have specifically focused on regulating the overall distance of a golf ball. The Governing Bodies 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 Rules of Golf may be altered in ways that adversely affect the sales of our current or future products, including with respect to the Distance Insights Project. On March 16, 2022, and as updated in June 2022, the Governing Bodies issued an Areas of Interest notice, which is the initial step of the established equipment rule making procedures. These notices provide research and perspectives on topics that might lead to equipment rules changes and give golf's stakeholders the opportunity to provide opinions on the topics. The outcome of this notice and the impact of any resulting 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 the majority 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, slowdowns, labor shortages or excessive turnover;
- 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 logistics and transportation providers. If we encounter problems with our manufacturing, assembly and distribution facilities, our ability to meet customer expectations, manage inventory, avoid errors, 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.

During 2022 we experienced supply chain related disruptions that resulted in several significant cost impacts to our distribution and transportation services necessary to delivery our products to our customers. Our parcel and freight carriers implemented freight rate surcharges related to the ability of the carriers to attract and retain the required number of drivers to handle increased shipping volume during the COVID-19 pandemic. Our 3PL warehouse partners experienced extraordinary levels of labor turnover due to low work force participation and increased competition for warehouse labor that resulted in several unplanned labor rate increases necessary to attract the required work force. Typical supplies for warehouse operations including corrugated cardboard, packaging, and pallets experienced unbudgeted price increases as demand soared and sources of supply struggled to deliver product due to international and domestic capacity constraints in manufacturing and transportation.

Our manufacturing, assembly and distribution networks include computer processes, software and automated equipment that may be subject to a number of risks related to cybersecurity, 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. We continue to be exposed to price increases and availability risks 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. Further supply chain disruptions or shortages in raw materials 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. For example, during 2022 we continued to experience supply chain disruptions causing shortages of various raw materials, and these issues are expected to continue to a lesser extent in 2023. 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.

Our business, financial position, results of operations and cash flows have been, and could continue to be, 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 may include volatility in demand for our products; temporary closures of golf courses, and both on-course and off-course retail locations; cancellation of professional golf tour events; changes in consumer behavior in affected regions that impact discretionary spending; disruptions within our supply chain or at our manufacturing facilities; significant changes in economic or political conditions; and related volatility in financial and market conditions. Our financial results and operations continue to be impacted by the macroeconomic environment. Global supply chain issues and the impact of inflation have resulted and, in 2023, are expected to continue to result, in constrained raw material, component and sourced product availability and increased raw material and other input costs, including higher freight expense.

We cannot predict the full extent of the impact of the pandemic 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. Although we have seen recovery in the geographic regions where we do business, if those regions alter their approach to containment (as did China in late 2022) or fail to fully contain the COVID-19 pandemic, the spread of the virus continues or new, more virulent strains of the virus emerge, 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.

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. In 2022, we continued to experience price increases and availability risks with respect to certain materials and components used by us, our suppliers and our manufacturers, and 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, 2022, $1,042.5 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 21 – Segment Information," Item 8 of Part II, included elsewhere in this report. Substantially all of these net sales generated outside of the United States were generated in the applicable local currency, which include, but are not limited to, the Japanese yen, the Korean won, the British pound sterling, the euro and the Canadian dollar. In contrast, substantially all of the purchases of inventory, raw materials or components by our non-U.S. subsidiaries are made in U.S. dollars. For the year ended December 31, 2022, 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 exchange forward 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. In each of the three years ended December 31, 2022, approximately one-half of our net sales and one-third of our total operating expenses (which amounts represent substantially all of the operating expenses incurred by our non-U.S. subsidiaries) were denominated in foreign currencies. 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, are estimated to represent, on average, between 25 - 30% of our global net golf ball sales. There has long been a strong connection between the business community and golf, and if corporate spending decreases, 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, 2022. However, our top ten customers accounted for approximately 20% of our consolidated net sales in the year ended December 31, 2022. 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.

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

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

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

Our brands have worldwide recognition and our success depends on our ability to maintain and enhance our brand image and reputation. In particular, we believe that maintaining and enhancing the Titleist, Scotty Cameron, Vokey, FootJoy and KJUS 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 “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations – Cyclicality,” Item 7 of Part II to this report, 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 the majority 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. Further, any changes in global or national political movements or trade policies 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, policies and border control procedures continue to evolve and we continue to monitor the impact from related costs and on product transit times into the European Union and United Kingdom.

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 previously 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 data privacy and 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 worldwide professional golf tours. 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. 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 United Parcel Service and 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 United Parcel Service or FedEx Corporation services, ship services, at shipping ports or air carrier services could materially adversely affect our business, financial condition and results of operations. For example, during 2022, late delivery of inbound products due to West Coast port congestion forced us to upgrade a significant portion of outbound freight to express parcel services in order to meet customer delivery date requirements. This upgrade resulted in unbudgeted increases in average cost per pound shipped. 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 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;
- hackers, computer viruses, unauthorized access, software bugs or glitches; and
- accidental or unlawful acts by authorized personnel, including our employees, contractors and vendors.

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 are growing risks related to the security, confidentiality, and integrity of personal and corporate information stored and transmitted electronically, consumer identity theft and user privacy due to increasingly diverse and sophisticated threats to network, systems and data security. Potential attacks span a spectrum from attacks by criminal hackers, hacktivists, or state-sponsored actors, to employee malfeasance and human or technological error. 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, result in higher insurance premiums and materially adversely affect our business, financial condition and results of operations.

Failure to comply with data privacy and security laws and regulations could adversely affect our operating results and business.

A growing number of federal, state and international data privacy and security laws and regulations have been enacted that govern the collection, use, disclosure, transfer, storage, disposal, and protection of sensitive personal information, such as social security numbers, financial information and other personal information. For example, several U.S. territories and all 50 states now have data breach laws that require timely notification to individual victims, and at times regulators, if a company has experienced the unauthorized access or acquisition of sensitive personal data. Other state laws include the California Consumer Privacy Act ("CCPA"), which gives California residents certain privacy rights in the collection and disclosure of their personal information and requires businesses to make certain disclosures and take certain other acts in furtherance of those rights. Additionally, effective starting January 1, 2023, the California Privacy Rights Act (the "CPRA") revised and significantly expanded the scope of the CCPA. The CPRA also creates a new California data protection agency authorized to implement and enforce the CCPA and the CPRA, which could result in increased enforcement. Other states have considered and/or enacted similar privacy laws, including Virginia and Colorado, which passed privacy laws that also go into operation in 2023. We will continue to monitor and assess the impact of these state laws, which may impose substantial penalties for violations, impose significant costs for investigations and compliance, allow private class-action litigation and carry significant potential liability for our business.

Outside of the U.S., data protection laws, including the E.U. General Data Protection Regulation (the "GDPR"), which also forms part of the law of England and Wales, Scotland and Northern Ireland by virtue of section 3 of the European Union (Withdrawal) Act 2018 and as amended by the Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019 (SI 2019/419) ("UK GDPR"), also apply to some of our operations. Legal requirements in many countries relating to the collection, storage, processing and transfer of personal data continue to evolve. The GDPR imposes, among other things, data protection requirements that include strict obligations and restrictions on the ability to collect, analyze and transfer EU personal data, a requirement for prompt notice of data breaches to data subjects and supervisory authorities in certain circumstances, and possible substantial fines for any violations. Other governmental authorities around the world are considering and, in some cases, have enacted, similar privacy and data security laws. Failure to comply with federal, state and international data protection laws and regulations could result in government enforcement actions (which could include substantial civil and/or criminal penalties), private litigation and adverse publicity and could negatively affect our business, financial condition and results of operations.

In addition to the risk that we fail to comply with one or more of these laws and regulations, we are likely to incur substantial costs monitoring and implementing compliance with the array of privacy and security legal regimes to which we are subject. Moreover, many of the laws and regulations in this area are relatively new and their interpretations are uncertain and subject to change. Combined with the frequency with which new privacy and security laws are introduced globally, this means that we may be required to make changes to our operations or practices in an effort to comply with them. Such changes may increase our costs and reduce our revenue. We may also face inconsistent legal requirements across the various jurisdictions in which we operate, further raising both costs of compliance and likelihood that we will fail to satisfy all of our legal requirements.

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. We launched our first such initiatives in the U.S. in 2016. Our eCommerce footprint has grown since then, and we now have eCommerce operations in the U.S., Canada, Europe, Japan and Korea. In our eCommerce services, we process, store and transmit customer data, including payment card information. 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 adversely affect our business, financial condition and results of operations. We would also likely suffer indirect harms such as reputational damage and reticence among other companies to do business with us. 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 34% of our total assets as of December 31, 2022.

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 complex computations and significant judgments, 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, data protection, 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 growth initiatives require significant capital investments and there can be no assurance that we will realize a positive return on these investments.

Initiatives to upgrade our business processes and invest in technological improvements to our manufacturing and assembly facilities involve many risks which could result in, among other things, business interruptions and increased costs, any of which may result in our inability to realize returns on our capital investments. If we have insufficient sales or are unable to realize the full potential of our capital investments, we may not realize a positive return on our investment, which could impact our margins and have a significant adverse effect on our results of operations, financial condition and cash flows.

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

A high degree of 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, 2022, we had $567.8 million of indebtedness. As of December 31, 2022, we had available borrowings under our revolving credit facility of $416.8 million after giving effect to $6.9 million of outstanding letters of credit and we had available borrowings remaining under our local credit facilities of $25.6 million. As of December 31, 2022, we had no outstanding interest rate swap contracts to hedge the interest rate risk on our variable rate debt.

A 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.

We and our subsidiaries may be able to incur significant amounts of debt, which could exacerbate the risks associated with our current 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 may utilize derivative financial instruments to reduce our exposure to market risks from changes in interest rates on our variable rate indebtedness and we may be exposed to risks related to counterparty credit worthiness or non-performance of these instruments.

We may 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 may be 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, 2022, Magnus, which is wholly-owned by Fila, beneficially owned approximately 53.4% 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 may rely 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 37,104,008 shares, or approximately 53.4%, of our outstanding common stock as of December 31, 2022. On January 23, 2023,we purchased an additional 2,168,528 shares of our common stock from Magnus, bringing Fila's ownership of our outstanding common stock to approximately 52.1%. As a result, we qualify as a "controlled company" within the meaning of the corporate governance standards of the NYSE. Consequently, we are not required to comply with certain of the NYSE corporate governance requirements, such as the requirement to have a majority of independent directors on our Board of Directors, or the requirement to have a compensation committee and nominating and corporate governance committee comprised of independent directors. We may rely on one or more of the exemptions going forward. 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.

Our share repurchase program could be suspended or terminated, may not enhance long-term stockholder value, and may increase the volatility of the price of our stock and diminish our cash reserves.

During 2022, our Board of Directors authorized us to repurchase up to an additional $250.0 million of our issued and outstanding common stock, bringing the total authorization up to $450.0 million. On February 9, 2023, our Board of Directors authorized us to repurchase up to an additional $250.0 million of our issued and outstanding common stock, bringing the total authorization up to $700.0 million since the share repurchase program was established in 2018. Our repurchase program does not have an expiration date and does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares. Decisions regarding the repurchase of shares will depend on many factors, such as our financial condition, earnings, capital requirements, debt service obligations, covenants associated with certain of our debt service obligations, associated taxes, legal requirements and regulatory constraints. Our share repurchase program could affect the price of our stock and increase volatility and may be suspended or terminated at any time, which may result in a decrease in the trading price of our stock. We cannot guarantee that we will repurchase shares in the future or conduct share repurchase programs.

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 "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities – Dividend Policy", Item 5 of Part II to this report, and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources", Item 7 of Part II to this report.

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, 2022, we had 423,678,477 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 5,962,075 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
Sugarland, Texas	Golf ball recycling and distribution center	87,214	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 and distribution center	146,000	Leased
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 customization and 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	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, Utah, 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 party to 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 March 1, 2023.

Name	Age	Position
David Maher	55	President and Chief Executive Officer
Mary Lou Bohn	62	President, Titleist Golf Balls
Steven Pelisek	62	President, Titleist Golf Clubs
John (Jay) Duke, Jr.	54	President, Titleist Golf Gear
Christopher Lindner	54	President, FootJoy
Thomas Pacheco	54	Executive Vice President, Chief Financial Officer and Chief Accounting Officer
Roland Giroux	62	Executive Vice President, Chief Legal Officer and Corporate Secretary
Brendan Reidy	45	Executive Vice President, Chief People Officer
Roger Czuchra	53	Executive Vice President, Chief Technology and Digital Officer

David Maher, 55, joined the Company in 1991 and was appointed President and Chief Executive Officer in January 2018. From 2001 through 2017, Mr. Maher held a variety of roles at the Company's Fairhaven, Massachusetts headquarters, including Vice President, Titleist U.S. Sales; Senior Vice President, Titleist Worldwide Sales and Global Operations; and Chief Operating Officer. Prior to that, Mr. Maher spent several years in Northern California as a Titleist Sales Representative and Northwest Regional Sales Manager, and previously gained valuable experience in the Company's professional development program, working at the Company's golf ball operations in Massachusetts, the FootJoy factory in Brockton, Massachusetts and in the Company's Southern California golf club operations. Mr. Maher holds a B.S. in Finance from Babson College.

Mary Lou Bohn, 62, joined the Company in 1987 and was appointed President, Titleist Golf Balls in 2016. Prior to that, Ms. Bohn held positions at the Company of Executive Vice President, Titleist Golf Balls and Communications; Vice President Golf Ball Marketing and Titleist Communications; Vice President, Advertising & Communications; and Director, Titleist Advertising. Ms. Bohn holds a B.S./B.A. in Marketing from the University of New Hampshire.

Steven Pelisek, 62, joined the Company in 1993 and was appointed President, Titleist Golf Clubs in 2016. Prior to that, Mr. Pelisek held positions at the Company of General Manager, Titleist Golf Clubs and Vice President, Club Sales for both the Titleist and Cobra golf club brands. In addition, Mr. Pelisek has held both Marketing and Field Sales positions with the Company and with Lynx Golf. Mr. Pelisek holds a B.S. in Engineering and an M.S. in Civil Engineering, both from the University of Maryland.

John (Jay) Duke, Jr., 54, joined the Company and was appointed President, Titleist Golf Gear in 2014. Prior to joining the Company, Mr. Duke was Vice President and Global Franchise Leader for Hasbro - Transformers Global Brand from 2012-2014, President of Karhu Holdings BV from 2008-2012, and 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. Mr. Duke holds a B.A. in Economics and History from Boston College and an MBA from Duke University.

Christopher Lindner, 54, joined the Company and was appointed President, FootJoy in 2016. Prior to joining the Company, Mr. Lindner held positions at Wolverine Worldwide Inc. from 2010 to 2016 where he was President of Keds; Chief Marketing Officer and Senior Vice President of Business Development for Sperry; and Chief Marketing Officer and Senior Vice President of North America Sales for Saucony. Prior to 2010, Mr. Lindner held various positions with Nike, Inc., including as Vice President of Global Marketing for Converse and Vice President of Global Marketing for Bauer Hockey, and leadership positions with Electronic Arts. Mr. Lindner graduated from the University of St. Thomas with a B.A. in Business Administration – Management.

Thomas Pacheco, 54, 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. Prior to joining the Company, Mr. Pacheco was 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. Mr. Pacheco is a Certified Public Accountant and holds an M.B.A from the University of North Carolina and a B.S. in Accounting from Providence College.

Roland Giroux, 62, joined the Company in 2000 and was appointed Executive Vice President, Chief Legal Officer and Corporate Secretary in July 2021. Prior to that, Mr. Giroux held a number of positions with the Company, most recently as Vice President and Associate General Counsel beginning in 2017. Prior to joining the Company, Mr. Giroux was Counsel for Fortune Brands, Inc. and worked at Chadbourne and Parke LLP in the Corporate and Project Finance practice groups. Mr. Giroux holds a B.S. in Chemical Engineering from Rensselaer Polytechnic Institute, an M.B.A. from Long Island University and a J.D. from Pace University.

Brendan Reidy, 45, joined the Company in January 2019 and was appointed Executive Vice President, Chief People Officer in February 2021. Prior to that, Mr. Reidy was the Company's Senior Vice President, Chief Human Resources Officer from January 2019 to February 2021. Prior to joining the Company, he was Vice President Human Resources - Organizational Effectiveness at Biogen, Inc. from January 2015 to April 2018, where he had responsibility for talent management, global learning, culture initiatives and people analytics, and also led HR for the global R&D organization and Global Commercial Operations. Prior to Biogen, Mr. Reidy worked at P&G and Gillette and held a number of positions in HR including as Country HR Manager for Costa Rica and as a leader of key integration projects for the integration of P&G and Gillette. Mr. Reidy holds a B.A. in English from Stonehill College.

Roger Czuchra, 53, joined the Company in November 2022 and was appointed Executive Vice President, Chief Technology and Digital Officer. Prior to joining the Company, he was the Chief Information Officer at Centric Brands from May 2019 to November 2022 and Chief Information Officer, North & Central America at Legrand from July 2015 to May 2019, where he was responsible for developing a global technology foundation and creating a digital-first strategy. Mr. Czuchra has extensive experience with business analytics and transforming the way diverse, global organizations leverage technology for long-term success. Prior to Legrand, he worked at Stanley Black & Decker. Mr. Czuchra holds a B.S. in Business Management from Albertus Magnus College and a Master of Science in Organizational Leadership from Quinnipiac University School of Business.

PART II

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

Market Information

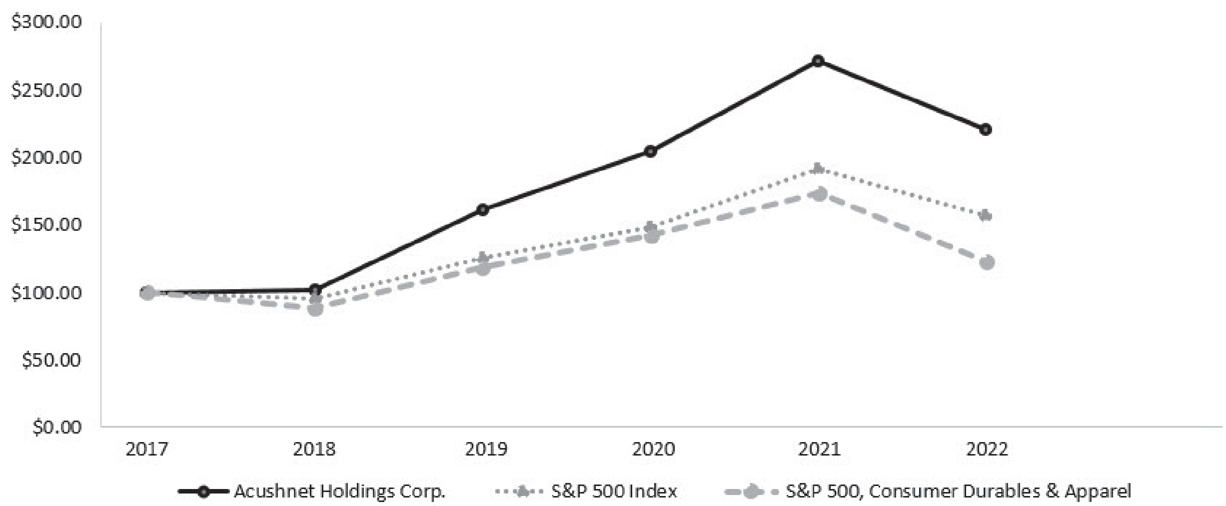
Our common stock has been listed on the New York Stock Exchange (the "NYSE") under the symbol "GOLF" since October 28, 2016.

On February 24, 2023, the last reported sales price of our common stock on the NYSE was $49.11 per share and there were eleven 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 December 31, 2017 through December 31, 2022. Index data was furnished by FactSet. The graph assumes that $100 was invested on December 31, 2017 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



	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22
Acushnet Holdings Corp.	$100.00	$102.10	$160.92	$204.66	$271.57	$220.75
S&P 500	$100.00	$95.62	$125.72	$148.85	$191.58	$156.88
S&P 500 Consumer Durables & Apparel	$100.00	$88.04	$118.33	$142.22	$174.02	$122.93

Recent Sales of Unregistered Securities

None.

Dividend Policy

We paid a total of $52.2 million, $49.2 million, and $46.1 million in dividends on our common stock during the years ended December 31, 2022, 2021 and 2020, 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 11 – 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. On October 20, 2021, our Board of Directors authorized us to repurchase up to an additional $100.0 million of our issued and outstanding common stock. On April 28, 2022, our Board of Directors authorized us to repurchase up to an additional $150.0 million of our issued and outstanding common stock. On July 26, 2022, our Board of Directors authorized us to repurchase up to an additional $100.0 million of our issued and outstanding common stock, bringing the total authorization up to $450.0 million. The repurchase program will remain in effect until completed or until terminated by the Board of Directors.

The following table provides information relating to the Company's purchase of common stock for the fourth quarter of 2022:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (1)(2) *(in thousands)*
October 1, 2022 - October 31, 2022	369,382	$ 44.85	369,382	$ 191,857
November 1, 2022 - November 30, 2022	375,000	45.34	375,000	174,854
December 1, 2022 - December 31, 2022	387,089	45.05	387,089	157,416
Total	1,131,471	$ 45.08	1,131,471	$ 157,416

(1) In connection with our share repurchase program, we have entered into certain share repurchase agreements 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 at the same weighted average per share price. In relation to these agreements, we recorded a liability of $92.6 million to purchase an additional 2,000,839 shares of common stock from Magnus as of December 31, 2022. See "Notes to Consolidated Financial Statements-Note 16-Common Stock," Item 8 of Part II, included elsewhere in this report, for disclosures related to the Magnus share repurchase agreements.

(2) On February 9, 2023, the Board of Directors authorized us to repurchase up to an additional $250.0 million of our issued and outstanding common stock, bringing the total authorization up to $700.0 million since the share repurchase program was established in 2018.

ITEM 6. Reserved

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 wearable 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.

We believe 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.

Our financial results and operations continue to be impacted by the macroeconomic environment, including the ongoing COVID-19 pandemic. Global supply chain issues, the impact of inflation and the impact of changes in foreign currency exchange rates have resulted in constrained raw material, component and sourced product availability and increased raw material and other input costs, including higher freight expense. These increased costs negatively impacted cost of sales for the year ended December 31, 2022, resulting in a lower gross margin as compared to the year ended December 31, 2021. The impact of inflation, particularly in the form of higher raw material costs, as well as the impact of changes in foreign currency exchange rates, is expected to continue in 2023; however, to a lesser extent than experienced in 2022.

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. While rounds of play had been relatively stable for years, the game experienced an approximate 8% global increase in rounds in both 2021 and 2020 as dedicated golfers took full advantage of favorable weather, hybrid work schedules and an increase in discretionary time due to the circumstances attendant to the COVID-19 pandemic. The game of golf remained in high demand in 2022, with the number of rounds played approximately 16% higher than the number of rounds played in 2019. We anticipate that rounds of golf played will remain resilient in 2023, driven by golfer demographics, dedicated golfers and economic conditions.

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, the rate of inflation, 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 years and above, primarily “gen-xers,” “baby boomers” and, increasingly, "millennials" 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, promising developments in golf include the generational shift with millennial golfers making their marks at both professional and amateur levels and, in 2022, accounting for 25% of golfers overall in the U.S., and the increase in the number of juniors (ages 6-17) who play golf in recent years.

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.

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.

Seasonality

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. This seasonality, and therefore quarter to quarter fluctuations, can be affected by many factors, including weather conditions as discussed previously 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 larger portion of our sales and 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 in even-numbered years, we launch our premium performance AVX model and most performance models in the first and second quarters. 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 majority of sales generated by such new products occurring in the spring and summer of the year in which they are launched. Historically, Select models were launched in even-numbered years and Phantom X models launched in odd-numbered years, however, as a result of the market disruptions caused by the COVID-19 pandemic, we now launch Phantom X models in even-numbered years and Select models in odd-numbered years.

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.

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

Net sales generated outside of the United States by our non-U.S. subsidiaries represent approximately 50% of our net sales in each of the three years ended December 31, 2022. 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 each of the three years ended December 31, 2022, 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 exchange forward 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. In each of the three years ended December 31, 2022, approximately one-half of our net sales and one-third of our total operating expenses (which amounts represent substantially all of the operating expenses incurred by our non-U.S. subsidiaries) were denominated in foreign currencies. 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 (loss).

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 (loss) 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, 2022	2021	2020
Net sales	$ 2,270,336	$ 2,147,930	$ 1,612,169
Cost of goods sold	1,091,103	1,029,493	782,333
Gross profit	1,179,233	1,118,437	829,836
Operating expenses:			
Selling, general and administrative	833,422	795,422	610,603
Research and development	56,393	55,335	48,942
Intangible amortization[1]	7,885	7,868	11,629
Restructuring charges	—	—	13,207
Income from operations	281,533	259,812	145,455
Interest expense, net	13,269	7,709	15,630
Other expense, net	8,829	4,280	16,776
Income before income taxes	259,435	247,823	113,049
Income tax expense	54,351	63,583	13,038
Net income	205,084	184,240	100,011
Less: Net income attributable to noncontrolling interests	(5,806)	(5,367)	(4,005)
Net income attributable to Acushnet Holdings Corp.	$ 199,278	$ 178,873	$ 96,006
Adjusted EBITDA:			
Net income attributable to Acushnet Holdings Corp.	$ 199,278	$ 178,873	$ 96,006
Interest expense, net	13,269	7,709	15,630
Income tax expense	54,351	63,583	13,038
Depreciation and amortization [1]	41,706	41,243	45,429
Share-based compensation	24,083	27,639	16,016
Restructuring and transformation costs[2]	—	2,429	15,589
Beam indemnification expense [3]	—	—	9,871
Other extraordinary, unusual or non-recurring items, net [4][5]	(85)	1,494	17,600
Net income attributable to noncontrolling interests	5,806	5,367	4,005
Adjusted EBITDA	$ 338,408	$ 328,337	$ 233,184
Adjusted EBITDA margin	14.9 %	15.3 %	14.5 %

(1) 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 program to refine our business model and improve operational efficiencies.
(3) Includes non-cash indemnification expense related to tax audits for the periods in which we were owned by Beam Suntory, Inc. (“Beam”).
(4) The year ended December 31, 2021 includes pension settlement costs of $2.1 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, as well as other immaterial unusual or non-recurring items, net.
(5) The year ended December 31, 2020 includes 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. The year ended December 31, 2020 also includes 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, as well as other immaterial unusual or non-recurring items, net.

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

Net sales by reportable segment is summarized as follows:

(in millions)	Year ended December 31, 2022	Year ended December 31, 2021	Increase/(Decrease) $ change	Increase/(Decrease) % change	Constant Currency Increase/(Decrease) $ change	Constant Currency Increase/(Decrease) % change
Titleist golf balls	$ 678.8	$ 667.6	$ 11.2	1.7 %	$ 37.9	5.7 %
Titleist golf clubs	609.6	551.5	58.1	10.5 %	89.7	16.3 %
Titleist golf gear	204.9	192.6	12.3	6.4 %	24.1	12.5 %
FootJoy golf wear	618.0	580.6	37.4	6.4 %	71.1	12.2 %

Net sales information by region is summarized as follows:

(in millions)	Year ended December 31, 2022	Year ended December 31, 2021	Increase/(Decrease) $ change	Increase/(Decrease) % change	Constant Currency Increase/(Decrease) $ change	Constant Currency Increase/(Decrease) % change
United States	$ 1,227.8	$ 1,125.0	$ 102.8	9.1 %	$ 102.8	9.1 %
EMEA[(1)]	321.5	296.0	25.5	8.6 %	60.6	20.5 %
Japan	161.0	188.0	(27.0)	(14.4)%	4.2	2.2 %
Korea	312.7	322.6	(9.9)	(3.1)%	29.6	9.2 %
Rest of World	247.3	216.3	31.0	14.3 %	43.5	20.1 %
Total net sales	$ 2,270.3	$ 2,147.9	$ 122.4	5.7 %	$ 240.7	11.2 %

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

Segment operating income by reportable segment is summarized as follows:

(in millions)	Year ended December 31, 2022	Year ended December 31, 2021	Increase/(Decrease) $ change	Increase/(Decrease) % change
Titleist golf balls	$ 112.7	$ 106.2	$ 6.5	6.1 %
Titleist golf clubs	100.9	75.4	25.5	33.8 %
Titleist golf gear	11.7	14.7	(3.0)	(20.4)%
FootJoy golf wear	37.0	44.2	(7.2)	(16.3)%

Net Sales

For the year ended December 31, 2022, net sales increased 5.7%, or 11.2% on a constant currency basis, compared to the year ended December 31, 2021. The increase was driven by growth across all reportable segments primarily as a result of higher sales volumes and higher average selling prices.

The increase in net sales in the United States was primarily as a result of increases of $51.2 million in Titleist golf clubs, $20.6 million in Titleist golf balls, $13.8 million in FootJoy golf wear and $10.1 million in Titleist golf gear. The increase in Titleist golf clubs was primarily driven by higher sales volumes of SM9 wedges, Phantom X putters, T-Series irons and our newly introduced TSR drivers and fairways. The increase in Titleist golf balls was primarily due to higher average selling prices and higher sales volumes. The increase in FootJoy golf wear was primarily driven by higher average selling prices of footwear and higher sales volumes of apparel. The increase in Titleist golf gear was primarily driven by higher average selling prices across all product categories.

Net sales in regions outside of the United States increased 1.9%, or 13.5% on a constant currency basis. In EMEA, net sales increased across all reportable segments, with the first quarter of 2022 having the largest increase due to the adverse impact of government-ordered shutdowns in this region during the first quarter of 2021. In Korea and Rest of World, net sales increased across all reportable segments. In Japan, net sales increased in FootJoy golf wear and Titleist golf clubs.

Gross Profit

Gross profit increased $60.8 million for the year ended December 31, 2022 compared to the year ended December 31, 2021. Gross margin decreased to 51.9% for the year ended December 31, 2022 compared to 52.1% for the year ended December 31, 2021. The increase in gross profit primarily resulted from an increase of $35.8 million in Titleist golf clubs and an increase of $13.9 million in FootJoy golf wear, both primarily due to sales volume increases. These increases were partially offset by increased inbound freight costs and the unfavorable impact of changes in foreign currency exchange rates across all reportable segments. The decrease in gross margin was primarily due to increased inbound freight costs across all reportable segments.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased $38.0 million for the year ended December 31, 2022 compared to the year ended December 31, 2021. This increase was primarily due to an increase of $26.5 million in selling expense due to higher sales volumes across all reportable segments and higher third party distribution expenses in FootJoy golf wear and Titleist golf gear, as well as an increase of $15.2 million in administrative expense primarily due to higher expenses related to information technology-related investments. These increases were partially offset by a decrease of $4.5 million in advertising and promotional expenses and a decrease in employee related expenses. SG&A also includes an increase of $8.5 million in foreign currency transaction losses, offset in part by an increase in gains on foreign exchange forward contracts of $2.5 million. Overall, SG&A included a favorable impact of changes in foreign currency exchange rates of $32.5 million across all expense categories and reportable segments.

Interest Expense, net

Interest expense, net increased $5.6 million for the year ended December 31, 2022 compared to the year ended December 31, 2021. This increase was primarily due to an increase in interest rates for the year ended December 31, 2022, as well as an increase in borrowings, offset in part by a decrease in losses from interest rate swaps.

Other Expense, net

Other expense, net increased $4.5 million for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to an increase in the non-service cost component of net periodic benefit expense, as well as changes in the fair value of Rabbi trust assets.

Income Tax Expense

Income tax expense decreased $9.2 million for the year ended December 31, 2022 compared to the year ended December 31, 2021. Our effective tax rate ("ETR") was 20.9% for the year ended December 31, 2022 compared to 25.7% for the year ended December 31, 2021. The decrease in ETR was primarily driven by changes in our jurisdictional mix of earnings.

Segment Results

Titleist Golf Balls Segment

Net sales in our Titleist golf balls segment increased 1.7%, or 5.7% on a constant currency basis, for the year ended December 31, 2022 compared to the year ended December 31, 2021. The increase was primarily driven by higher sales volumes and average selling prices. Sales volumes were negatively impacted by certain raw material availability.

Operating income in our Titleist golf balls segment increased $6.5 million, or 6.1%, compared to the prior year period. The increase in operating income resulted from higher gross profit of $9.0 million, partially offset by higher operating expenses of $2.4 million. The increase in gross profit was primarily driven by sales volume increases and higher average selling prices, partially offset by higher manufacturing costs and higher inbound freight costs. Operating expenses increased primarily as a result of increases of $3.5 million and $1.5 million in administrative and selling expenses, respectively, partially offset by a decrease of $2.4 million in advertising and promotional expenses.

Titleist Golf Clubs Segment

Net sales in our Titleist golf clubs segment increased 10.5%, or 16.3% on a constant currency basis, for the year ended December 31, 2022 compared to the year ended December 31, 2021. The increase was largely due to higher sales volumes of our SM9 wedges launched in the first quarter of 2022, Phantom X putters launched in the second quarter of 2022, T-Series irons launched in the third quarter of 2021 and TSR drivers and fairways launched in the third quarter of 2022. This increase was partially offset by lower sales volumes of second model year hybrids.

Operating income in our Titleist golf clubs segment increased $25.5 million, or 33.8%, compared to the prior year period. The increase in operating income resulted from higher gross profit of $35.8 million, partially offset by higher operating expenses of $10.2 million. The increase in gross profit was primarily due to higher sales volumes, partially offset by increased inbound freight and component costs and the unfavorable impact of changes in foreign currency exchange rates. Higher operating expenses were primarily as a result of an increase of $7.0 million in selling expense primarily due to higher distribution expenses and an increase of $4.3 million in administrative expenses, partially offset by a decrease of $2.1 million in advertising and promotional expenses.

Titleist Golf Gear Segment

Net sales in our Titleist golf gear segment increased 6.4%, or 12.5% on a constant currency basis, for the year ended December 31, 2022 compared to the year ended December 31, 2021. The increase was primarily due to higher average selling prices across all product categories.

Operating income in our Titleist golf gear segment decreased $3.0 million, or 20.4%, compared to the prior year period. The decrease in operating income resulted from higher operating expenses of $4.7 million, partially offset by higher gross profit of $1.7 million. Gross profit increased due to higher average selling prices, partially offset by increased inbound freight costs. Operating expenses increased primarily as a result of an increase of $2.9 million in selling expense due to higher third party distribution expenses.

FootJoy Golf Wear Segment

Net sales in our FootJoy golf wear segment increased 6.4%, or 12.2% on a constant currency basis, for the year ended December 31, 2022 compared to the year ended December 31, 2021. The increase was primarily due to increased sales volumes across all product categories.

Operating income in our FootJoy golf wear segment decreased $7.2 million, or 16.3% compared to the prior year period. The decrease in operating income resulted from higher operating expenses of $21.2 million, partially offset by higher gross profit of $13.9 million. Gross profit increased primarily as a result of sales volume increases, partially offset by increased inbound freight costs and the unfavorable impact of changes in foreign currency exchange rates. Operating expenses increased primarily as a result of an increase of $16.4 million in selling expense due to higher sales volumes and higher third party distribution expenses, as well as an increase of $4.6 million in administrative expense.

Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020

A detailed review of our results of operations for the year ended December 31, 2021 as compared to the year ended December 31, 2020 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Annual Report for the year ended December 31, 2021, which was filed with the SEC on March 1, 2022, and is incorporated herein by reference.

Liquidity and Capital Resources

Our primary cash needs relate to working capital, capital expenditures, servicing our debt, paying dividends, pension contributions and repurchasing shares of our common stock. Additionally, from time to time, we may make strategic acquisitions and investments to complement our products, technologies or businesses, which could impact our liquidity needs. 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, 2022, we had $57.1 million of unrestricted cash and cash equivalents (including $13.7 million attributable to our FootJoy golf shoe variable interest entity). As of December 31, 2022, 96.1% of our total unrestricted cash and cash equivalents was held at our non-U.S. subsidiaries, including our FootJoy golf shoe variable interest entity. 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.

As noted previously, the macroeconomic environment, including the ongoing COVID-19 pandemic, could impact our results of operations in ways we cannot currently predict. Nonetheless, 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 current and future economic trends and conditions, demand for our products, availability and cost of our raw materials and components, 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

On August 2, 2022, we amended our credit facility to, among other things, provide a $950.0 million multi-currency revolving credit facility and amend rates per annum at which borrowings in different denominations bear interest. On August 2, 2022, proceeds from borrowings under the multi-currency revolving credit facility were used to, among other things, prepay in full our outstanding term loans and refinance our outstanding borrowings under the revolving credit facility. Immediately prior to payment, the aggregate amounts outstanding related to the term loans and revolving credit facility were approximately $306.3 million and $72.6 million, respectively.

As of December 31, 2022, we had $416.8 million of availability under our revolving credit facility after giving effect to $6.9 million of outstanding letters of credit. Additionally, we had $25.6 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. 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, 2022, we were in compliance with all covenants under our credit agreement.

See "Notes to Consolidated Financial Statements- Note 11- Debt and Financing Arrangements," Item 8 of Part II included elsewhere in this report, for a description of our credit facilities and related credit agreements. 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 related to our credit facilities.

Dividends and Share Repurchase Program

During the year ended December 31, 2022, we paid dividends on our common stock of $52.2 million to our shareholders. During the first quarter of 2023, our Board of Directors declared a dividend of $0.195 per share of common stock to shareholders of record as of March 10, 2023, which is payable on March 24, 2023.

As of December 31, 2022, our Board of Directors had authorized us to repurchase up to an aggregate of $450.0 million of our issued and outstanding common stock. During 2022, we repurchased 4,114,863 shares of common stock at an average price of $46.36 for an aggregate of $190.8 million. Included in this amount were 699,819 shares of common stock repurchased on January 24, 2022 from Magnus Holdings Co., Ltd. ("Magnus"), a wholly-owned subsidiary of Fila Holdings Corp., for an aggregate of $37.5 million, in satisfaction of our obligations pursuant to our previously disclosed Magnus share repurchase agreement.

On June 16, 2022, we entered into a new agreement with Magnus to purchase from Magnus an equal amount of our common stock as we purchase on the open market, up to an aggregate of $75.0 million at the same weighted average per share price (the "2022 Agreement"). On August 30, 2022, we amended and restated the 2022 Agreement to increase the aggregate dollar amount of shares of our common stock that we will purchase from Magnus from $75.0 million to $100.0 million (the "Amended and Restated 2022 Agreement"). As a result of purchases made on the open market subsequent to entering into the 2022 Agreement, we recorded a liability of $92.6 million to repurchase an additional 2,000,839 shares of common stock from Magnus as of December 31, 2022.

As of December 31, 2022, we had $157.4 million remaining under the current share repurchase authorization, including $100.0 million related to the Amended and Restated 2022 Agreement. On February 9, 2023, our Board of Directors authorized us to repurchase up to an additional $250.0 million of our issued and outstanding common stock, bringing the total authorization up to $700.0 million since the share repurchase program was established in 2018.

Between January 1, 2023 and January 13, 2023, we purchased an additional 167,689 shares of our common stock on the open market for an aggregate of $7.4 million, bringing the cumulative total open market purchases since the inception of the 2022 Agreement to $100.0 million. As a result, on January 23, 2023, we purchased 2,168,528 shares of our common stock from Magnus for an aggregate of $100.0 million, in satisfaction of our obligation under the Amended and Restated 2022 Agreement.

See "Notes to Consolidated Financial Statements-Note 16-Common Stock," Item 8 of Part II, included elsewhere in this report, for a description of our share repurchase program and Magnus share repurchase agreements.

Other Acquisitions

On April 1, 2022, we acquired the outstanding equity interest in PG Golf LLC for $5.0 million, including cash consideration of $3.6 million and contingent consideration of $1.4 million. On November 4, 2022, we completed the acquisition of an 80% interest in certain assets and liabilities of TPI EDU, LLC, Onbase University, LP and Racquetfit, LP for cash consideration of $18.4 million. In addition, on December 31, 2022, we separately acquired trademarks related to our putter business for $65.0 million.

In January 2023, we acquired certain trademarks, domains and products of an industry leader specializing in premium performance golf travel products for $25.0 million.

See "Notes to Consolidated Financial Statements-Note 2-Summary of Significant Accounting Policies, Note 8-Business Combinations and Note 9-Goodwill and Intangible Assets," Item 8 of Part II, included elsewhere in this report, for additional information regarding our acquisitions during the year ended December 31, 2022.

Capital Expenditures

We made $61.4 million of capital expenditures during the year ended December 31, 2022. Capital expenditures in 2023 are expected to be approximately $75.0 million, although the actual amount may vary depending upon a variety of factors, including the timing of certain capital project implementations and receipt of capital purchases due to supply chain challenges. 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.

Cash Flows

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

	Year ended December 31,		
(in thousands)	2022	2021	2020
Cash flows from:			
Operating activities	$ (67,787)	$ 314,122	$ 264,425
Investing activities	(140,222)	(37,597)	(24,675)
Financing activities	(8,584)	(140,326)	(128,587)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(6,180)	(5,974)	6,105
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (222,773)	$ 130,225	$ 117,268

Cash Flows from Operating Activities

The change in cash flows from operating activities for the year ended December 31, 2022 compared to the year ended December 31, 2021 was driven by changes in working capital. Working capital at any specific point in time is subject to many variables, including seasonality and inventory management, the timing of cash receipts and payments, vendor payment terms and fluctuations in foreign exchange rates. During the year ended December 31, 2022, changes in working capital were primarily related to changes in inventory driven by many factors including an increase in demand for our product, inventory build up in anticipation of 2023 product launches, and improved inventory position and supply chain as compared with 2021.

Cash Flows from Investing Activities

The increase in cash used in investing activities for the year ended December 31, 2022 as compared to the year ended December 31, 2021 was primarily driven by cash paid for business and trademark acquisitions during the year ended December 31, 2022, as well as increased capital expenditures for the same period.

Cash Flows from Financing Activities

The decrease in cash used in financing activities for the year ended December 31, 2022 as compared to the year ended December 31, 2021 was primarily due to an increase in borrowings, offset in part by an increase in purchases of our common stock.

Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020

A review of our cash flow activities for the year ended December 31, 2021 as compared to the year ended December 31, 2020 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Annual Report for the year ended December 31, 2021, which was filed with the SEC on March 1, 2022, and is incorporated herein by reference.

Contractual Obligations

Our principal contractual obligations and commitments consist of long term debt obligations, interest on debt obligations (including unused commitment fees related to our revolving credit facility), operating and finance lease obligations, purchase obligations and pension and other postretirement benefit obligations.

See "Notes to Consolidated Financial Statements-Note 11-Debt and Financing Arrangements", "Note 4-Leases", "Note 22-Commitments and Contingencies" and "Note 14-Pension and Other Postretirement Benefits" in Item 8 of Part II of this Annual Report for more information on the nature and timing of obligations for debt, leases, purchase obligations and pension and postretirement benefit plans, respectively. The future amount of interest expense payments are expected to vary as discussed in "Interest Rate Risk," Item 7A of Part II, included elsewhere in this Annual Report.

Off-Balance Sheet Arrangements

As of December 31, 2022, other than as discussed above, 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, 2022, 2021 and 2020.

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 5.16% and 5.10%, respectively, for the year ended December 31, 2022. 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 $30.0 million and $1.2 million, respectively, for the year ended December 31, 2022.

Our net periodic benefit cost related to our pension and other postretirement benefit plans is calculated using a weighted average discount rate of 2.93% and 2.71%, respectively, for the year ended December 31, 2022. Decreasing the discount rate by 100 basis points would decrease net periodic pension cost by approximately $0.3 million and increase other postretirement benefit cost by approximately $0.2 million for the year ended December 31, 2022. Additionally, our net periodic benefit cost related to our pension plans is calculated using an expected return on plan assets of 3.44% for the year ended December 31, 2022. Decreasing the expected return on plan assets by 100 basis points would increase net periodic pension benefit cost by approximately $2.1 million for the year ended December 31, 2022.

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, 2022, 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, 2022 and 2021, the cumulative valuation allowance against deferred tax assets was $34.1 million and $30.0 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.

Recently Issued Accounting Standards

We have reviewed all recently issued accounting 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 accounting 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 and availability, 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.

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 11 - 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. Increases in interest rates may reduce our net income by increasing the cost of our debt.

From time to time we enter 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, 2022 and 2021, there were no interest rate swap contracts outstanding. See "Notes to Consolidated Financial Statement – Note 12 - 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, 2022, we had $566.6 million of outstanding indebtedness at variable interest rates. 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, 2022 would have resulted in an increase of $5.7 million in our annual pre-tax interest expense.

As of December 31, 2021, we had $315.1 million of outstanding indebtedness at variable interest rates (excluding unamortized debt issuance costs). The same sensitivity analysis for movement in variable interest rates as of December 31, 2021, indicated that a one percentage point increase in the interest rate applied to these borrowings as of December 31, 2021 would have resulted in an increase of $3.2 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, 2022 was $246.4 million, representing a net settlement asset of $3.6 million. The sensitivity analysis of changes in the fair value of our foreign exchange forward contracts outstanding as of December 31, 2022, while not predictive in nature, indicated that the net settlement asset of $3.6 million would decrease by $17.9 million resulting in a net settlement liability of $14.3 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, 2021 was $228.8 million, representing a net settlement asset of $7.3 million. The same sensitivity analysis for changes in the fair value of our foreign exchange forward contracts as of December 31, 2021, indicated that if the U.S. dollar uniformly weakened by 10% against all currencies covered by our contracts, the net settlement asset of $7.3 million would decrease by $15.6 million resulting in a net settlement liability of $8.3 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 foreign 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 Risk

We are exposed to commodity price and availability risks 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, and inflation in the cost of our products, overhead costs or wage rates may adversely affect our operating results. During the year ended December 31, 2022, the impact of inflation resulted in increased raw material and other input costs as compared to the year ended December 31, 2021. Should the current higher inflationary environment continue, including increased raw material and other input costs, our business, results of operations, financial position and cash flows could be materially impacted in the future.

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. 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, 2022, 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, 2022.

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, 2022. 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, 2022, 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.

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, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

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 March 1, 2022 (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 March 1, 2022 (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	Second Amendment and Agency Resignation, Appointment and Assumption, dated as of August 2, 2022, by and among Acushnet Holdings Corp., Acushnet Company, Acushnet Canada Inc., Acushnet Europe Limited, certain subsidiaries of Acushnet Company, the lenders party thereto, Wells Fargo Bank, National Association, as the resigning administrative agent, and JPMorgan Chase Bank, N.A., as the successor administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on August 4, 2022 (No. 001-37935)).
10.8	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)).
10.9	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)).
10.10†	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)).
10.11†	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)).
10.12†	Acushnet Holdings Corp. 2015 Omnibus Incentive Plan, as amended on February 16, 2017 (filed herewith).
10.13†	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).
10.14†	Acushnet Holdings Corp. Employee Deferral Plan (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K filed on March 7, 2018 (No. 001-37935)).
21.1	List of Subsidiaries (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
24.1	Power of Attorney (filed herewith).
31.1	Certification of Periodic Report by Chief Executive Officer Pursuant to Rule 13a–14(a) or 15d–14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Periodic Report by Chief Financial Officer Pursuant to Rule 13a–14(a) or 15d–14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
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 (formatted in Inline XBRL and contained in Exhibit 101).

† 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: March 1, 2023

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)	March 1, 2023
/s/ Thomas Pacheco Thomas Pacheco	Executive Vice President, Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	March 1, 2023
* Yoon Soo Yoon	Chairman	March 1, 2023
* Gregory Hewett	Director	March 1, 2023
* Ho Yeon Lee	Director	March 1, 2023
* Jan Singer	Director	March 1, 2023
* Sean Sullivan	Director	March 1, 2023
* Steven Tishman	Director	March 1, 2023
* Keun Chang Yoon	Director	March 1, 2023

*By: /s/ Roland Giroux
Name: Roland Giroux
Title: *Attorney In Fact*

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Acushnet Holdings Corp. and its subsidiaries (the "Company") as of as of December 31, 2022 and 2021, 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, 2022, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, 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, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

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 15 to the consolidated financial statements, the Company recorded income tax expense of $54.4 million for the year ended December 31, 2022 and has net deferred tax assets of $41.7 million, inclusive of a valuation allowance of $34.1 million, and total gross unrecognized tax benefits, excluding related interest and penalties, of $9.5 million as of December 31, 2022. 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, considering the Company’s compliance with tax laws, and evaluating management's assessment of whether certain tax positions are more-likely-than-not of being sustained.

/s/PricewaterhouseCoopers LLP

Boston, Massachusetts
March 1, 2023

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, 2022	December 31, 2021
Assets		
Current assets		
Cash, cash equivalents and restricted cash ($14,376 and $15,612 attributable to the variable interest entity ("VIE"))	$ 58,904	$ 281,677
Accounts receivable, net	216,695	174,435
Inventories ($17,866 and $19,385 attributable to the VIE)	674,684	413,314
Prepaid and other assets	108,793	99,750
Total current assets	1,059,076	969,176
Property, plant and equipment, net ($10,089 and $10,466 attributable to the VIE)	254,472	231,761
Goodwill ($32,312 and $32,312 attributable to the VIE)	224,814	210,431
Intangible assets, net	525,903	465,341
Deferred income taxes	47,551	60,814
Other assets ($2,083 and $2,166 attributable to the VIE)	81,991	68,313
Total assets	$ 2,193,807	$ 2,005,836
Liabilities, Redeemable Noncontrolling Interests and Shareholders' Equity		
Current liabilities		
Short-term debt	$ 40,336	$ 116
Current portion of long-term debt	—	17,500
Accounts payable ($11,914 and $13,275 attributable to the VIE)	166,998	163,607
Accrued taxes	40,922	57,307
Accrued compensation and benefits ($1,651 and $1,511 attributable to the VIE)	98,245	113,453
Accrued expenses and other liabilities ($3,380 and $4,677 attributable to the VIE)	202,124	131,041
Total current liabilities	548,625	483,024
Long-term debt	527,509	297,354
Deferred income taxes	5,896	4,950
Accrued pension and other postretirement benefits	74,234	93,705
Other noncurrent liabilities ($2,145 and $2,218 attributable to the VIE)	54,177	43,237
Total liabilities	1,210,441	922,270
Commitments and contingencies (Note 22)		
Redeemable noncontrolling interests	6,663	3,299
Shareholders' equity		
Common stock, $0.001 par value, 500,000,000 shares authorized; 76,321,523 and 75,855,036 shares issued	76	76
Additional paid-in capital	960,685	948,423
Accumulated other comprehensive loss, net of tax	(109,668)	(99,582)
Retained earnings	473,130	324,966
Treasury stock, at cost; 8,892,425 and 3,314,562 shares (including 2,000,839 and 537,839 of accrued share repurchase) (Note 16)	(385,167)	(131,039)
Total equity attributable to Acushnet Holdings Corp.	939,056	1,042,844
Noncontrolling interests	37,647	37,423
Total shareholders' equity	976,703	1,080,267
Total liabilities, redeemable noncontrolling interests and shareholders' equity	$ 2,193,807	$ 2,005,836

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, 2022	2021	2020
Net sales	$ 2,270,336	$ 2,147,930	$ 1,612,169
Cost of goods sold	1,091,103	1,029,493	782,333
Gross profit	1,179,233	1,118,437	829,836
Operating expenses:			
Selling, general and administrative	833,422	795,422	610,603
Research and development	56,393	55,335	48,942
Intangible amortization	7,885	7,868	11,629
Restructuring charges	—	—	13,207
Income from operations	281,533	259,812	145,455
Interest expense, net (Note 19)	13,269	7,709	15,630
Other expense, net	8,829	4,280	16,776
Income before income taxes	259,435	247,823	113,049
Income tax expense	54,351	63,583	13,038
Net income	205,084	184,240	100,011
Less: Net income attributable to noncontrolling interests	(5,806)	(5,367)	(4,005)
Net income attributable to Acushnet Holdings Corp.	$ 199,278	$ 178,873	$ 96,006
Net income per common share attributable to Acushnet Holdings Corp.:			
Basic	$ 2.77	$ 2.40	$ 1.29
Diluted	2.75	2.38	1.28
Weighted average number of common shares:			
Basic	71,958,879	74,536,637	74,494,310
Diluted	72,560,098	75,265,074	75,060,610

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

ACUSHNET HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	Year ended December 31, 2022	2021	2020
Net income	$ 205,084	$ 184,240	$ 100,011
Other comprehensive (loss) income :			
Foreign currency translation adjustments	(30,940)	(23,009)	27,281
Cash flow derivative instruments			
Unrealized holding gain (loss) arising during period	10,856	10,049	(6,823)
Reclassification adjustments included in net income	(9,840)	4,991	(2,220)
Tax (expense) benefit	(585)	(4,223)	2,495
Cash flow derivative instruments, net	431	10,817	(6,548)
Pension and other postretirement benefits			
Pension and other postretirement benefits adjustments	25,473	13,332	(6,362)
Tax (expense) benefit	(5,050)	(4,540)	1,475
Pension and other postretirement benefits adjustments, net	20,423	8,792	(4,887)
Total other comprehensive (loss) income	(10,086)	(3,400)	15,846
Comprehensive income	194,998	180,840	115,857
Less: Comprehensive income attributable to noncontrolling interests	(5,775)	(5,310)	(4,243)
Comprehensive income attributable to Acushnet Holdings Corp.	$ 189,223	$ 175,530	$ 111,614

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)	2022	2021	2020
Cash flows from operating activities			
Net income	$ 205,084	$ 184,240	$ 100,011
Adjustments to reconcile net income to cash flows (used in) provided by operating activities			
Depreciation and amortization	41,706	41,243	45,429
Unrealized foreign exchange loss (gain)	13,568	(168)	(1,893)
Amortization of debt issuance costs	2,000	1,540	1,218
Share-based compensation	24,083	27,639	16,016
(Gain) loss on disposals of property, plant and equipment	(3,294)	156	(38)
Deferred income taxes	9,060	12,020	(3,984)
Changes in operating assets and liabilities			
Accounts receivable	(58,893)	16,679	22,744
Inventories	(275,973)	(64,238)	49,006
Accounts payable	8,840	48,784	9,952
Accrued taxes	(11,427)	20,339	2,708
Other assets and liabilities	(22,541)	25,888	23,256
Cash flows (used in) provided by operating activities	(67,787)	314,122	264,425
Cash flows from investing activities			
Additions to property, plant and equipment	(61,364)	(37,597)	(24,675)
Additions to intangible assets (Note 9)	(65,000)	—	—
Business acquisitions	(18,400)	—	—
Other, net	4,542	—	—
Cash flows used in investing activities	(140,222)	(37,597)	(24,675)
Cash flows from financing activities			
Proceeds from (repayments of) short-term borrowings, net (Note 11)	3,362	(2,704)	(52,057)
Proceeds from revolving credit facilities (Note 11)	976,953	—	—
Repayments of revolving credit facilities (Note 11)	(414,104)	—	—
Repayments of term loan facility (Note 11)	(315,000)	(17,500)	(17,500)
Purchases of common stock	(189,111)	(65,497)	(6,976)
Payment of debt issuance costs	(2,583)	—	(1,067)
Dividends paid on common stock	(52,239)	(49,167)	(46,065)
Dividends paid to noncontrolling interests	(1,601)	(1,512)	(4,426)
Payment of employee restricted stock tax withholdings	(10,661)	(3,946)	(496)
Other, net	(3,600)	—	—
Cash flows used in financing activities	(8,584)	(140,326)	(128,587)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(6,180)	(5,974)	6,105
Net (decrease) increase in cash, cash equivalents and restricted cash	(222,773)	130,225	117,268
Cash, cash equivalents and restricted cash, beginning of year	281,677	151,452	34,184
Cash, cash equivalents and restricted cash, end of year	$ 58,904	$ 281,677	$ 151,452
Supplemental information			
Cash paid for interest to third parties	$ 11,632	$ 6,890	$ 14,985
Cash paid for income taxes	56,413	28,919	29,794
Supplemental non-cash information			
Purchases of property, plant and equipment, accrued not paid	4,308	6,567	1,562
Additions to right-of-use assets obtained in exchange for operating lease obligations	28,038	8,691	22,675
Additions to right-of-use assets obtained in exchange for finance lease obligations	525	950	427
Additions to treasury stock	1,648	—	—
Dividend equivalents rights ("DERs") declared not paid	1,742	2,046	1,221
Contingent considerations (Note 2)	1,400	—	—
Additions to redeemable noncontrolling interests (Note 8)	4,600	—	—
Share repurchase liability (Note 16)	92,583	29,214	6,976

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, net of tax	Retained Earnings	Treasury Stock	Total Shareholders' Equity Attributable to Acushnet Holdings Corp.	Noncontrolling
Balances as of December 31, 2019	75,620	$ 76	$ 910,507	$ (112,028)	$ 151,039	$ (31,154)	$ 918,440	$ 32,386
Net income	—	—	—	—	96,006	—	96,006	5,344
Other comprehensive income	—	—	—	15,846	—	—	15,846	—
Share-based compensation	—	—	15,363	—	—	—	15,363	—
Vesting of restricted common stock, including impact of DERs, net of shares withheld for employee taxes (Note 17)	46	—	(485)	—	—	—	(485)	—
Purchases of common stock (Note 16)	—	—	—	—	—	(6,976)	(6,976)	—
Share repurchase liability (Note 16)	—	—	—	—	—	(6,976)	(6,976)	—
Dividends and dividend equivalents declared	—	—	—	—	(47,269)	—	(47,269)	—
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	(4,426)
Balances as of December 31, 2020	75,666	76	925,385	(96,182)	199,776	(45,106)	983,949	33,304
Net income	—	—	—	—	178,873	—	178,873	5,591
Other comprehensive (loss) income	—	—	—	(3,400)	—	—	(3,400)	40
Share-based compensation	—	—	26,984	—	—	—	26,984	—
Vesting of restricted common stock, including impact of DERs, net of shares withheld for employee taxes (Note17)	189	—	(3,946)	—	—	—	(3,946)	—
Purchases of common stock (Note 16)	—	—	—	—	—	(56,719)	(56,719)	—
Share repurchase liability (Note 16)	—	—	—	—	—	(29,214)	(29,214)	—
Dividends and dividend equivalents declared	—	—	—	—	(50,846)	—	(50,846)	—
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	(1,512)
Redemption value adjustment (Note 2)	—	—	—	—	(2,837)	—	(2,837)	—
Balances as of December 31, 2021	75,855	76	948,423	(99,582)	324,966	(131,039)	1,042,844	37,423
Purchase of equity from noncontrolling interests (Note 2)	—	—	(838)	—	—	—	(838)	(3,905)
Net income	—	—	—	—	199,278	—	199,278	5,751
Other comprehensive loss	—	—	—	(10,086)	—	—	(10,086)	(21)
Share-based compensation	—	—	23,426	—	—	—	23,426	—
Vesting of restricted common stock, including impact of DERs, net of shares withheld for employee taxes (Note 17)	467	—	(10,326)	—	—	—	(10,326)	—
Purchases of common stock (Note 16)	—	—	—	—	—	(161,545)	(161,545)	—
Share repurchase liability (Note 16)	—	—	—	—	—	(92,583)	(92,583)	—
Dividends and dividend equivalents declared	—	—	—	—	(53,051)	—	(53,051)	—
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	(1,601)
Redemption value adjustment (Note 2)	—	—	—	—	1,937	—	1,937	—
Balances at December 31, 2022	76,322	$ 76	$ 960,685	$ (109,668)	$ 473,130	$ (385,167)	$ 939,056	$ 37,647

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

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.

Use of Estimates

The preparation of the Company's consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and judgments that affect reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The Company has evaluated and continues to evaluate the potential impact of the current macroeconomic environment on its estimates and judgements. These impacts continue to evolve, and both the full impact and duration remain highly uncertain. Accordingly, the Company's business, results of operations, financial position and cash flows could be materially impacted in ways that the Company cannot currently predict.

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, 2022 and 2021. 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 Interests

The ownership interests held by owners other than the Company in less than wholly-owned subsidiaries are classified as noncontrolling interests. The financial results and position of noncontrolling interests are included 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. 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.

On April 1, 2022, the Company acquired the outstanding equity interest in PG Golf LLC for $5.0 million, including cash consideration of $3.6 million and contingent consideration of $1.4 million, which was included in other noncurrent liabilities on the consolidated balance sheet as of December 31, 2022.

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 Company initially records the redeemable noncontrolling interest at its acquisition date fair value. The carrying amount of the redeemable noncontrolling interest is subsequently adjusted to the greater amount of either the initial carrying amount, increased or decreased for the redeemable noncontrolling interest's share of comprehensive income (loss) or the redemption value, assuming the noncontrolling interest is redeemable at the balance sheet date. This adjustment is recognized through retained earnings and is not reflected in net income (loss) or comprehensive income (loss). During the year ended December 31, 2022, the Company recorded a $1.9 million redemption value adjustment to decrease the carrying amount of redeemable noncontrolling interests. During the year ended December 31, 2021, the Company recorded a $2.8 million redemption value adjustment to increase the carrying value of redeemable noncontrolling interests. The value attributable to redeemable noncontrolling interests and any related loans to minority shareholders, which are recorded as a reduction to redeemable noncontrolling interests, are presented in the consolidated balance sheets as temporary equity between liabilities and shareholders' equity. The amount of the loan to minority shareholders was $4.4 million as of both December 31, 2022 and 2021.

See additional discussion regarding the redeemable noncontrolling interest acquired by the Company during the fourth quarter of 2022 in Note 8.

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, 2022 and 2021, the amount of restricted cash included in cash, cash equivalents and restricted cash on the consolidated balance sheets was $1.8 million and $1.9 million, respectively. Book overdrafts not subject to offset with other accounts with the same financial institution are classified as accounts payable. As of December 31, 2022 and 2021, book overdrafts in the amount of $4.4 million and $5.8 million, respectively, were recorded in accounts payable.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to concentration of credit risk are cash and cash equivalents 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, 2022 and 2021, the Company had unrestricted cash and cash equivalents of $54.9 million and $65.7 million, respectively, in banks located outside the United States. The risk with respect to the Company's accounts receivable is managed by the Company through its policy of monitoring the creditworthiness of its customers to which it grants credit terms in the normal course of business. See Note 5 for additional information.

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.

Long-Lived Assets

Long-lived assets, including property, plant and equipment and amortizing intangible assets, are recorded at cost less accumulated depreciation and amortization, respectively. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets, except for leasehold and tenant improvements which are amortized over the shorter of the lease term or 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

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.

Impairment

A long-lived asset (including right of use 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 a goodwill impairment loss 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 9 for additional information.

Leases

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 of 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.

All leases are accounted for under Accounting Standards Codification ("ASC") 842 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 Company recognizes operating lease right-of-use assets and operating lease liabilities on its consolidated balance sheets. Right-of-use assets represent the right to use the leased asset for the lease term. Lease liabilities represent the present value of the lease payments under the lease. Right-of-use assets are 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.

The lease classification affects the expense recognition in the consolidated statements 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 statements of operations. Finance lease charges are split, where amortization of the right-of-use asset is recorded as depreciation 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 Company has elected to not separate non-lease components within its lease portfolio and 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.

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 assets and debt issuance costs associated with all other indebtedness are netted against long-term debt on the consolidated balance sheets. See Note 11 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 12 and 13). The carrying value of accounts receivable, accounts payable and accrued expenses approximates fair value due to the short-term nature of these assets and liabilities. The carrying value of the Company's variable interest rate debt approximates fair value due to the variable nature of the interest rate.

See Note 13 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 2022, 2021 and 2020, 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 14 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 indemnified certain tax obligations that relate to periods during which Fortune Brands, Inc. owned Acushnet Company (Note 22). These estimated tax obligations were recorded in accrued taxes and other noncurrent liabilities, and the related indemnification receivable were recorded in other assets on the consolidated balance sheets. Any changes in the value of these specifically identified tax obligations were recorded in the period identified in income tax expense and the related change in the indemnification asset was recorded in other expense, net on the consolidated statements of operations. See Note 15 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 10 for additional information.

Advertising and Promotion

Advertising and promotional costs are included in selling, general and administrative expense on the consolidated statements 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 $211.9 million, $216.4 million and $162.1 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Selling

Selling expenses including field sales, sales administration, shipping and handling costs and commissions paid on certain retail sales are included in selling, general and administrative expense on the consolidated statements of operations. Shipping and handling costs included in selling expenses were $56.0 million, $52.4 million and $35.3 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Research and Development

Research and development is expensed as incurred and includes product development costs, product improvement costs, product engineering costs and process improvement costs.

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 the resulting transaction gain or loss recorded as selling, general and administrative expense on the consolidated statements of operations.

Foreign currency transaction gain (loss) included in selling, general and administrative expense was a loss of $11.9 million, a loss of $3.4 million and a gain of $3.9 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Derivative Financial Instruments

All derivative instruments are measured at fair value and recognized as either assets or liabilities on the consolidated balance sheets. If the derivative instrument is designated as a fair value hedge, the gain or loss resulting from changes in the fair value of the derivative instruments and of the hedged item are immediately recognized in the statements of operations. If the derivative instrument is designated as a cash flow hedge, the gain or loss is initially recorded as a component of accumulated other comprehensive loss, net of tax. The gain or loss is subsequently reclassified into the statements of operations at the time the forecasted transaction impacts the statements of operations or at the time the hedge is deemed to be ineffective. Cash flows from derivative financial instruments and the related hedged transactions are included in cash flows from operating activities. See Note 12 for additional information.

Share-based Compensation

The Company has an equity incentive 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 share based compensation expense when they occur. See Note 17 for additional information.

Recently Adopted Accounting Standards

Income Taxes

On January 1, 2021, the Company adopted Accounting Standards Update ("ASU") 2019-12, *"Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes"*. The amendments in this update simplified the accounting for income taxes by removing certain exceptions to general principles in Topic 740. The amendments also improved consistent application and simplified U.S. GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The adoption of this standard did not have a material impact on the consolidated financial statements.

Recently Issued Accounting Standards

The Company considers the applicability and impact of all ASU's. Management determined that recently issued ASU's are not expected to have a material impact 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 $11.3 million and $10.8 million as of December 31, 2022 and 2021, respectively. The value of inventory expected to be recovered related to sales returns was $5.0 million and $5.8 million as of December 31, 2022 and 2021, respectively.

Contract Balances

Accounts receivable, net, includes 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 current and forecasted 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 21 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. Certain leases include one or more options to renew, with renewal terms that can extend the lease term up to three years.

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

(in thousands)		Year ended December 31,		
Lease costs	**Location in Statement of Operations**	**2022**	**2021**	**2020**
Operating	Cost of goods sold	$ 2,364	$ 1,888	$ 2,640
	Selling, general and administrative	13,337	14,305	12,057
	Research and development	763	763	854
Finance				
Amortization of lease assets	Selling, general and administrative	335	178	108
Interest on lease liabilities	Interest expense, net	60	32	22
Short-term and low value lease cost		623	333	1,148
Variable lease cost		2,827	1,463	1,496
Total lease cost		$ 20,309	$ 18,962	$ 18,325

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

		Year ended December 31,	
(in thousands)	**Balance Sheet Location**	**2022**	**2021**
Right-of-use assets			
Finance	Property, plant and equipment, net	$ 1,562	$ 1,372
Operating	Other assets	57,586	45,873
	Total lease assets	$ 59,148	$ 47,245
Lease liabilities			
Finance	Accrued expenses and other liabilities	$ 364	$ 277
Operating	Accrued expenses and other liabilities	14,821	11,926
Finance	Long-term debt	1,201	1,097
Operating	Other noncurrent liabilities	44,830	35,879
	Total lease liabilities	$ 61,216	$ 49,179

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

	Year ended December 31,		
	2022	**2021**	**2020**
Weighted average remaining lease term (years):			
Operating	4.9	5.7	5.9
Finance	4.5	5.1	5.0
Weighted average discount rate:			
Operating	2.72 %	2.82 %	2.94 %
Finance	4.23 %	3.70 %	3.66 %

The following table reconciles the undiscounted cash flows for leases as of December 31, 2022 to lease liabilities recorded on the consolidated balance sheet:

(in thousands)	Operating Leases	Finance Leases	Total
2023	$ 16,535	$ 423	$ 16,958
2024	14,708	409	15,117
2025	12,176	387	12,563
2026	7,508	275	7,783
2027	6,692	194	6,886
Thereafter	7,384	32	7,416
Total future lease payments	65,003	1,720	66,723
Less: Interest	(5,352)	(155)	(5,507)
Present value of lease liabilities	$ 59,651	$ 1,565	$ 61,216
Accrued expenses and other liabilities	$ 14,821	$ 364	$ 15,185
Long-term debt	—	1,201	1,201
Other noncurrent liabilities	44,830	—	44,830
Total lease liabilities	$ 59,651	$ 1,565	$ 61,216

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

	Year ended December 31,		
(in thousands)	2022	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases	$ 16,333	$ 16,457	$ 15,402
Operating cash flows for finance leases	60	32	22
Financing cash flows for finance leases	334	177	107

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 current macroeconomic environment) which could affect the collectability of the reported amounts. All of these factors have been considered in the estimate of expected credit losses for the periods presented.

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

	Year ended December 31,		
(in thousands)	2022	2021	2020
Balance at beginning of year	$ 5,980	$ 7,698	$ 5,338
Bad debt expense (recovery)	3,199	(975)	2,556
Amount of receivables written off	(704)	(463)	(572)
Foreign currency translation and other	(217)	(280)	376
Balance at end of year	$ 8,258	$ 5,980	$ 7,698

6. Inventories

The components of inventories were as follows:

(in thousands)	December 31, 2022	December 31, 2021
Raw materials and supplies	$ 154,881	$ 105,784
Work-in-process	29,689	21,259
Finished goods	490,114	286,271
Inventories	$ 674,684	$ 413,314

7. Property, Plant and Equipment, Net

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

(in thousands)	December 31, 2022	December 31, 2021
Land	$ 14,238	$ 14,615
Buildings and improvements	169,855	155,334
Machinery and equipment	212,916	193,214
Furniture, computers and equipment	52,282	46,340
Computer software	87,512	82,322
Construction in progress	42,940	38,074
Property, plant and equipment, gross	579,743	529,899
Accumulated depreciation and amortization	(325,271)	(298,138)
Property, plant and equipment, net	$ 254,472	$ 231,761

During the years ended December 31, 2022, 2021 and 2020, software development costs of $7.2 million, $7.5 million and $8.9 million were capitalized. Capitalized software development costs as of December 31, 2022, 2021 and 2020 consisted of software placed into service of $6.1 million, $5.2 million and $7.2 million, respectively, and amounts recorded in construction in progress of $1.1 million, $2.3 million and $1.7 million, respectively. Amortization expense on capitalized software development costs was $9.0 million, $8.1 million and $7.1 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Total depreciation and amortization expense related to property, plant and equipment was $33.8 million, $33.3 million and $33.8 million for the years ended December 31, 2022, 2021 and 2020, respectively.

8. Business Combinations

On November 4, 2022, the Company completed the acquisition of an 80% interest in certain assets and liabilities of TPI EDU, LLC, Onbase University, LP and Racquetfit, LP, (together known as "TPI") for cash consideration of $18.4 million. As part of the acquisition, the Company recorded a redeemable noncontrolling interest of $4.6 million (Note 2). TPI is a leading supplier of online courses, certifications, educational programs, live seminars, and other educational services in the golf, baseball and tennis industries. The results of TPI have been included in the Company's Titleist golf club reporting segment since the date of acquisition.

9. 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
December 31, 2020	$ 128,747	$ 58,391	$ 14,167	$ 3,668	$ 10,213	$ 215,186
Foreign currency translation	(2,798)	(1,358)	(329)	(60)	(210)	(4,755)
December 31, 2021	125,949	57,033	13,838	3,608	10,003	210,431
Additions (Note 8)	—	20,148	—	—	—	20,148
Foreign currency translation	(3,391)	(1,647)	(399)	(73)	(255)	(5,765)
December 31, 2022	$ 122,558	$ 75,534	$ 13,439	$ 3,535	$ 9,748	$ 224,814

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, 2022, 2021 and 2020. As of December 31, 2022, the cumulative balance of goodwill impairment recorded was $3.8 million 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:

(in thousands)	December 31, 2022 Gross	Accumulated Amortization	Net Book Value	December 31, 2021 Gross	Accumulated Amortization	Net Book Value
Indefinite-lived:						
Trademarks	$ 429,051	$ —	$ 429,051	$ 429,051	$ —	$ 429,051
Amortizing:						
Trademarks	71,277	(2,534)	68,743	5,577	(1,849)	3,728
Completed technology	76,943	(61,656)	15,287	74,743	(56,539)	18,204
Customer relationships	27,490	(14,729)	12,761	27,301	(13,045)	14,256
Licensing fees and other	32,597	(32,536)	61	32,714	(32,612)	102
Total intangible assets	$ 637,358	$ (111,455)	$ 525,903	$ 569,386	$ (104,045)	$ 465,341

On November 4, 2022, the Company acquired trademarks of $0.7 million with a weighted average life of 11 years, $2.2 million of completed technology with a weighted average life of 11 years, and $0.9 million of customer relationships with a weighted average life of 5 years (Note 8). In addition, on December 31, 2022, the Company separately acquired trademarks related to its putter business of $65.0 million with a weighted average life of 20 years.

Identifiable intangible asset amortization expense was $7.9 million, $7.9 million and $7.8 million for the years ended December 31, 2022, 2021 and 2020, respectively.

There were no impairment losses recorded to indefinite-lived intangible assets during the years ended December 31, 2022, 2021 and 2020.

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,	
2023	$ 11,525
2024	11,505
2025	9,369
2026	5,896
2027	4,930
Thereafter	53,627
Total	$ 96,852

In January 2023, the Company acquired certain trademarks, domains and products from an industry leader specializing in premium performance golf travel products for $25.0 million.

10. Product Warranty

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

(in thousands)	Year ended December 31, 2022	2021	2020
Balance at beginning of year	$ 4,177	$ 3,831	$ 4,048
Provision	4,911	5,315	4,199
Claims paid/costs incurred	(4,986)	(4,846)	(4,589)
Foreign currency translation	(151)	(123)	173
Balance at end of year	$ 3,951	$ 4,177	$ 3,831

11. Debt and Financing Arrangements

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

(in thousands)	December 31, 2022	December 31, 2021
Term loan facility	$ —	$ 315,000
Multi-currency revolving credit facility	526,308	—
Other short-term borrowings	40,336	116
Finance lease obligations	1,201	1,097
Debt issuance costs	—	(1,243)
Total	567,845	314,970
Less: short-term debt and current portion of long-term debt	40,336	17,616
Total long-term debt and finance lease obligations	$ 527,509	$ 297,354

The debt issuance costs of $1.2 million as of December 31, 2021 relates to the term loan facility.

Second Amended Credit Facility

On August 2, 2022, the Company entered into a second amendment and agency resignation, appointment and assumption (the “Second Amendment”) to its Amended and Restated Credit Agreement, dated as of December 23, 2019 (as subsequently amended on July 3, 2020 (the “First Amended Credit Agreement”), and the First Amended Credit Agreement, as amended pursuant to the Second Amendment (the “Second Amended Credit Agreement”), with Acushnet Company, Acushnet Canada Inc. and Acushnet Europe Limited, as borrowers, certain subsidiaries of Acushnet Company, together with the Company, as guarantors, the lenders party thereto, Wells Fargo Bank, National Association, as resigning administrative agent, and JPMorgan Chase Bank, N.A., as successor administrative agent (the “Administrative Agent”). The Second Amended Credit Agreement, together with related security, guarantee and other agreements, is referred to as the “Second Amended Credit Facility.” The First Amended Credit Agreement, together with related security, guarantee and other agreements, is referred to as the “First Amended Credit Facility.”

The Second Amended Credit Facility provides a $950.0 million multi-currency revolving credit facility, including a $50.0 million letter of credit sublimit, a $75.0 million swing line sublimit, a C$50.0 million sublimit for borrowings by Acushnet Canada, Inc., a £45.0 million sublimit for borrowings by Acushnet Europe Limited and an alternative currency sublimit of $200.0 million for borrowings in Canadian dollars, euros, pounds sterling, Japanese yen and other currencies agreed to by the lenders and the Administrative Agent. The Second Amended Credit Facility matures on August 2, 2027, and as a result, the related borrowings have been classified as long term debt, with the proceeds and repayments under the revolving credit facility presented on a gross basis in the consolidated statements of cash flows. The Second Amended Credit Facility is collateralized by certain assets, including inventory, accounts receivable, fixed assets and intangible assets of the Company.

On August 2, 2022, borrowings under the Second Amended Credit Facility, were used to prepay in full the outstanding term loans under the First Amended Credit Facility, refinance outstanding revolving credit facility borrowings under the First Amended Credit Facility and pay accrued interest and closing fees. Immediately prior to payment, the aggregate amounts outstanding related to the term loans and revolving credit facility were approximately $306.3 million and $72.6 million, respectively. In connection with amending its credit facility, the Company incurred debt issuance costs of approximately $2.6 million, which were included in other assets on the consolidated balance sheet and will be amortized to interest expense, net over the term of the Second Amended Credit Facility. In addition, the prepayment of the First Amended Credit Facility resulted in additional interest expense of approximately $1.3 million for the twelve months ended December 31, 2022.

Acushnet Company has the right under the Second Amended Credit Facility to request term loans and/or increases in the revolving commitments in an aggregate principal amount not to exceed (i) the greater of $325.0 million and 100% of the last four quarters' EBITDA plus (ii) an unlimited amount, so long as the Net Average Secured Leverage Ratio (as defined in the Second Amended Credit Agreement) does not exceed 2.50:1.00 on a pro forma basis. The lenders under the Second Amended Credit Facility will not be under any obligation to provide any such term loans or increases to the revolving commitments, and the incurrence of any term loans or increases to the revolving credit commitments is subject to customary conditions precedent.

Borrowings under the Second Amended Credit Facility bear interest at a rate per annum equal to, at the applicable Borrower’s option, (i) for loans denominated in U.S. dollars, either (A) a base rate, which is the greatest of (1) the prime rate last published in the Wall Street Journal, (2) the greater of the federal funds effective rate as determined by the Federal Reserve Bank of New York and the overnight bank funding rate as determined by the Federal Reserve Bank of New York, in either case, plus 0.50% and (3) the one-month Term SOFR Rate, plus 0.10% per annum, plus 1.00%, or (B) the greater of the Term SOFR Rate for the applicable interest period, plus 0.10% per annum, and zero; (ii) for loans denominated in Sterling, the greater of an Adjusted Daily Simple RFR determined based on SONIA and zero; (iii) for loans denominated in Euros, the greater of an Adjusted EURIBOR Rate for the applicable interest period and zero; (iv) for loans denominated in Canadian Dollars, the greater of an Adjusted Canadian Dollar Offered Rate for the applicable interest period and zero; and (v) for loans denominated in Japanese Yen, the greater of an Adjusted TIBOR Rate for the applicable interest period and zero, in the case of sub-clauses (i) through (v) above, plus an applicable margin. Under the Second Amended Credit Agreement, the applicable margin is 0.00% to 0.75% for base rate borrowings and 1.00% to 1.75% for Adjusted Term SOFR borrowings, Adjusted Daily Simple RFR borrowings, Adjusted EURIBOR Rate borrowings, Adjusted Canadian Dollar Offered Rate borrowings and Adjusted TIBOR Rate borrowings, in each case, depending on the Net Average Total Leverage Ratio (as defined in the Second Amended Credit Agreement). In addition, the Second Amended Credit Facility requires a commitment fee rate payable in respect of unused portions of the revolving credit facility of 0.125% to 0.275% per annum, depending on the Net Average Total Leverage Ratio.

The Second Amended Credit Agreement contains customary affirmative and restrictive covenants, including, among others, financial covenants based on the Company's leverage and interest coverage ratios. The quarterly-tested maximum Net Average Total Leverage Ratio covenant in the Second Amended Credit Agreement is 3.75:1.00, which is subject to increase to 4.25:1.00 for the four fiscal quarters immediately following certain acquisitions. The quarterly-tested Consolidated Interest Coverage Ratio covenant in the Second Amended Credit Agreement shall be less than 3.00:1.00. It 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, 2022, the Company was in compliance with all covenants under the Second Amended Credit Agreement.

The weighted average interest rate applicable to the Company's multi-currency revolving credit facility as of December 31, 2022 was 5.40%. As of December 31, 2022, the Company had available borrowings under its revolving credit facility of $416.8 million after giving effect to $6.9 million of outstanding letters of credit.

First Amended Credit Facility

The First Amended Credit Facility provided 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.

Borrowings under the credit facility bore 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 was 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 was 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 was 0.15% to 0.30% per annum, depending on the net average total leverage ratio. The initial commitment fee rate was 0.20% per annum. The Company was also required to pay customary letter of credit fees. The interest rate applicable to the term loan facility as of December 31, 2021 was 1.10%.

The Company was 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 maximum net average total leverage ratio under the credit facility was 3.50 to 1.00, which was 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) was 3.00 to 1.00.

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, the interest rate margins, commitment fee and covenant baskets 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”). 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. On March 5, 2021, the Company issued a notice exercising its right to an early termination of the Covenant Relief Period.

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. Amounts outstanding under other short-term borrowings are presented in short-term debt in the consolidated balance sheets with the proceeds and repayments presented on a gross basis in the consolidated statements of cash flows when the original maturity exceeds 90 days. The weighted average interest rate applicable to the outstanding borrowings was 0.85% and 2.57% as of December 31, 2022 and 2021, respectively. As of December 31, 2022, the Company had available borrowings remaining under these local credit facilities of $25.6 million.

Letters of Credit

As of December 31, 2022, there were outstanding letters of credit related to agreements, including the Company's Second Amended Credit Facility, totaling $10.0 million of which $7.3 million was secured. These agreements provided a maximum commitment for letters of credit of $58.0 million as of December 31, 2022. As of December 31, 2021, there were outstanding letters of credit related to agreements, including the Company's First Amended Credit Facility, totaling $17.3 million, of which $14.3 million was secured.

Payments of Debt Obligations due by Period

As of December 31, 2022, principal payments due on outstanding long-term debt obligations were as follows:

(in thousands)

Year ending December 31,		
2023	$	—
2024		—
2025		—
2026		—
2027		526,308
Thereafter		—
Total	$	526,308

12. 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, 2022 and 2021 was $242.4 million and $228.8 million, respectively.

The Company also enters into foreign exchange forward contracts, which either do not qualify as hedging instruments or have not been designated as such, 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 expenses. The gross U.S. dollar equivalent notional amount outstanding of all foreign exchange forward contracts not designated under hedge accounting as of December 31, 2022 was $4.0 million. There were no outstanding foreign exchange forward contracts not designated under hedge accounting as of December 31, 2021. Selling, general and administrative expenses during the year ended December 31, 2022 included a gain of $1.2 million related to undesignated foreign exchange forward derivative instruments.

Interest Rate Derivative Instruments

The Company may enter 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. Interest rate swap contracts are accounted for as cash flow hedges. As of December 31, 2022 and 2021, there were no interest rate swap contracts outstanding.

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, 2022	December 31, 2021
Prepaid and other assets	Foreign exchange forward	$ 7,393	$ 6,320
Other assets	Foreign exchange forward	1,341	1,491
Accrued expenses and other liabilities	Foreign exchange forward	4,710	488
Other noncurrent liabilities	Foreign exchange forward	344	—

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

	Year ended December 31,		
(in thousands)	2022	2021	2020
Type of hedge			
Foreign exchange forward	$ 10,856	$ 10,057	$ (4,591)
Interest rate swap	—	(8)	(2,232)
Total	$ 10,856	$ 10,049	$ (6,823)

Based on the current valuation, during the next 12 months the Company expects to reclassify a net gain of $6.6 million related to foreign exchange derivative instruments from accumulated other comprehensive loss, net of tax into cost of goods sold. For further information related to amounts recognized in accumulated other comprehensive loss, net of tax, see Note 18.

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

	Year ended December 31,		
(in thousands)	2022	2021	2020
Location of gain (loss) in consolidated statements of operations			
Foreign exchange forward:			
Cost of goods sold	$ 9,840	$ (3,422)	$ 5,044
Selling, general and administrative [(1)(2)]	2,991	1,686	(2,205)
Total	$ 12,831	$ (1,736)	$ 2,839
Interest Rate Swap:			
Interest expense, net	$ —	$ (1,569)	$ (3,318)
Total	$ —	$ (1,569)	$ (3,318)

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

(2) Selling, general and administrative expenses for the year ended December 31, 2020 excludes a net gain of $0.5 million reclassified out of accumulated other comprehensive loss, net of tax related to de-designated foreign exchange cash flow hedges deemed ineffective as a result of the COVID-19 pandemic.

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.

13. Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2022 were as follows:

	Fair Value Measurements as of December 31, 2022 using:			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Balance Sheet Location**
Assets				
Rabbi trust	$ 3,940	$ —	$ —	Prepaid and other assets
Foreign exchange derivative instruments	—	7,393	—	Prepaid and other assets
Deferred compensation program assets	631	—	—	Other assets
Foreign exchange derivative instruments	—	1,341	—	Other assets
Total assets	$ 4,571	$ 8,734	$ —	
Liabilities				
Foreign exchange derivative instruments	$ —	$ 4,758	$ —	Accrued expenses and other liabilities
Deferred compensation program liabilities	631	—	—	Other noncurrent liabilities
Foreign exchange derivative instruments	—	344	—	Other noncurrent liabilities
Total liabilities	$ 631	$ 5,102	$ —	

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 were as follows:

	Fair Value Measurements as of December 31, 2021 using:			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Balance Sheet Location**
Assets				
Rabbi trust	$ 5,364	$ —	$ —	Prepaid and other assets
Foreign exchange derivative instruments	—	6,320	—	Prepaid and other assets
Deferred compensation program assets	842	—	—	Other assets
Foreign exchange derivative instruments	—	1,491	—	Other assets
Total assets	$ 6,206	$ 7,811	$ —	
Liabilities				
Foreign exchange derivative instruments	$ —	$ 488	$ —	Accrued expenses and other liabilities
Deferred compensation program liabilities	842	—	—	Other noncurrent liabilities
Total liabilities	$ 842	$ 488	$ —	

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 12). 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.

14. 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, 2022:

(in thousands)	Pension Benefits (Underfunded)	Pension Benefits (Overfunded)	Postretirement Benefits
Change in projected benefit obligation ("PBO")			
Benefit obligation at December 31, 2021	$ 311,155	$ 33,782	$ 16,453
Service cost	7,844	—	563
Interest cost	8,300	555	353
Actuarial gain	(79,231)	(10,387)	(1,527)
Settlements	(26,469)	—	—
Participants' contributions	—	—	787
Benefit payments	(3,637)	(1,581)	(2,365)
Foreign currency translation	(1,152)	(3,161)	—
Projected benefit obligation at December 31, 2022	216,810	19,208	14,264
Accumulated benefit obligation at December 31, 2022	196,785	18,987	14,264
Change in plan assets			
Fair value of plan assets at December 31, 2021	228,232	45,705	—
Return on plan assets	(51,939)	(13,661)	—
Employer contributions	4,260	—	1,578
Participants' contributions	—	—	787
Settlements	(26,469)	—	—
Benefit payments	(3,637)	(1,581)	(2,365)
Foreign currency translation	(218)	(4,282)	—
Fair value of plan assets at December 31, 2022	150,229	26,181	—
Funded status (fair value of plan assets less PBO)	$ (66,581)	$ 6,973	$ (14,264)

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, 2021:

(in thousands)	Pension Benefits (Underfunded)	Pension Benefits (Overfunded)	Postretirement Benefits
Change in projected benefit obligation			
Benefit obligation at December 31, 2020	$ 327,212	$ 35,826	$ 19,277
Service cost	8,189	—	670
Interest cost	7,721	505	302
Actuarial loss	(4,594)	(1,506)	(2,179)
Settlements	(22,125)	—	—
Participants’ contributions	—	—	632
Benefit payments	(3,405)	(899)	(2,249)
Foreign currency translation	(1,843)	(144)	—
Projected benefit obligation at December 31, 2021	311,155	33,782	16,453
Accumulated benefit obligation at December 31, 2021	279,535	32,725	16,453
Change in plan assets			
Fair value of plan assets at December 31, 2020	220,270	48,255	—
Return on plan assets	9,167	(1,453)	—
Employer contributions	24,499	—	1,617
Participants’ contributions	—	—	632
Settlements	(22,125)	—	—
Benefit payments	(3,405)	(899)	(2,249)
Foreign currency translation	(174)	(198)	—
Fair value of plan assets at December 31, 2021	228,232	45,705	—
Funded status (fair value of plan assets less PBO)	$ (82,923)	$ 11,923	$ (16,453)

Significant changes in the underfunded defined benefit PBO for the years ended December 31, 2022 and 2021 are primarily driven by changes in the U.S. defined benefit plans. The changes in the U.S. defined benefit plans' PBO for the year ended December 31, 2022 includes a $41.0 million actuarial gain attributable to the change in discount rates, a $44.6 million gain attributable to the change in the lump sum conversion rates and a $8.2 million loss attributable to plan experience being different than anticipated, primarily related to higher salary increases than expected and lump sums paid during 2022. The change in the U.S. defined benefit plan PBO for the year ended December 31, 2021 includes a $10.6 million actuarial gain attributable to the change in discount rates and a $5.1 million loss attributable to plan experience being different than anticipated, primarily related to higher salary increases than expected.

The Company had one overfunded defined benefit plan for the years ended December 31, 2022 and 2021. Significant changes in the overfunded defined benefit PBO for the year ended December 31, 2022 include a $12.3 million actuarial gain attributable to the change in discount rates, offset in part by an actuarial loss of $2.0 million due to census data updates. Significant changes in the overfunded defined benefit PBO for the year ended December 31, 2021 include a $2.4 million actuarial gain attributable to the change in discount rates and a $1.2 million actuarial loss attributable to the increase in inflation assumption.

The change in the postretirement benefit plan PBO for the year ended December 31, 2022 includes a $3.2 million gain due to the change in the discount rate, offset in part by a $1.4 million actuarial loss attributable to plan experience, primarily related to claims losses, and a $0.3 million loss due to updated health care trend rates. The change in the postretirement benefit plan PBO for the year ended December 31, 2021 includes a $1.3 million gain related to updates to demographic and health care trend assumptions and a $0.7 million actuarial gain attributable to the change in the discount rate.

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)	2022	2021	2022	2021
Other assets	$ 6,973	$ 11,923	$ —	$ —
Accrued compensation and benefits	(5,422)	(4,469)	(1,189)	(1,202)
Accrued pension and other postretirement benefits	(61,159)	(78,454)	(13,075)	(15,251)
Net liability recognized	$ (59,608)	$ (71,000)	$ (14,264)	$ (16,453)

The amounts in accumulated other comprehensive loss 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)	2022	2021	2020	2022	2021	2020
Net actuarial (loss) gain at beginning of year	$ (52,739)	$ (64,349)	$ (61,801)	$ 6,362	$ 4,640	$ 8,454
Actuarial gain (loss)	16,455	4,131	(14,835)	1,527	2,179	(2,710)
Settlement impact	2,733	3,087	7,157	—	—	—
Amortization of actuarial loss (gain)	3,952	3,943	5,221	(469)	(320)	(967)
Amortization of prior service cost (credit)	270	279	280	(137)	(137)	(137)
Foreign currency translation	1,121	170	(371)	—	—	—
Net actuarial (loss) gain at end of year	$ (28,208)	$ (52,739)	$ (64,349)	$ 7,283	$ 6,362	$ 4,640

Components of net periodic benefit cost (credit) were as follows:

	Pension Benefits			Postretirement Benefits		
	Year ended December 31,			Year ended December 31,		
(in thousands)	2022	2021	2020	2022	2021	2020
Components of net periodic benefit cost (credit)						
Service cost	$ 7,844	$ 8,189	$ 9,504	$ 563	$ 670	$ 600
Interest cost	8,855	8,226	9,449	353	302	432
Expected return on plan assets	(7,563)	(9,683)	(10,996)	—	—	—
Settlement expense	2,733	3,087	7,157	—	—	—
Amortization of net loss (gain)	3,952	3,943	5,221	(469)	(320)	(967)
Amortization of prior service cost (credit)	270	279	280	(137)	(137)	(137)
Net periodic benefit cost (credit)	$ 16,091	$ 14,041	$ 20,615	$ 310	$ 515	$ (72)

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

The weighted average assumptions used to determine benefit obligations at December 31, 2022 and 2021 were as follows:

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Discount rate	5.16 %	2.93 %	5.10 %	2.71 %
Rate of compensation increase	3.81 %	3.81 %	N/A	N/A

The weighted average assumptions used to determine net periodic benefit cost (credit) for the years ended December 31, 2022, 2021 and 2020 were as follows:

	Pension Benefits			Postretirement Benefits		
	2022	2021	2020	2022	2021	2020
Discount rate	2.93 %	2.66 %	3.24 %	2.71 %	2.34 %	3.12 %
Expected long-term rate of return on plan assets	3.44 %	4.28 %	5.01 %	N/A	N/A	N/A
Rate of compensation increase	3.81 %	3.56 %	3.97 %	N/A	N/A	N/A

The assumed healthcare cost trend rates used to determine benefit obligations and net periodic benefit cost (credit) for postretirement benefits as of and for the years ended December 31, 2022, 2021 and 2020 were as follows:

	2022	2021	2020
Healthcare cost trend rate assumed for next year	6.75%/8.00%	5.80%/7.31%	5.81%/7.88%
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	2031	2030	2027

Plan Assets

Pension assets by major category of plan assets and the type of fair value measurement as of December 31, 2022 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				
Insurance Contracts / Individual securities				
Fixed income	$ 26,540	$ —	$ 26,540	$ —
Commingled funds				
Measured at net asset value	149,870	—	—	—
	$ 176,410	$ —	$ 26,540	$ —

Pension assets by major category of plan assets and the type of fair value measurement as of December 31, 2021 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				
Cash	$ 462	$ 462	$ —	$ —
Individual securities				
Fixed income	46,670	—	46,670	—
Commingled funds				
Measured at net asset value	226,805	—	—	—
	$ 273,937	$ 462	$ 46,670	$ —

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 seeks to reduce asset-liability risk as the funded ratio of the plan improves. The mix of return seeking and liability hedging assets is determined by taking into account factors such as the funded status level of the plan, the characteristics of the plan's liabilities, asset volatility 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, 2022, the U.S. defined benefit plan asset allocation of these trusts targeted a return-seeking investment allocation of 26% to 32% and a liability-hedging investment allocation of 68% to 74%. During the year ended December 31, 2021, the U.S. defined benefit plan asset allocation of these trusts targeted a return-seeking investment allocation of 30% to 62% and a liability-hedging investment allocation of 38% to 70%. 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 3.91% 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 $5.7 million during 2023 based on current assumptions as of December 31, 2022.

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,		
2023	$ 25,783	$ 1,189
2024	20,813	1,301
2025	23,091	1,374
2026	23,921	1,349
2027	24,844	1,455
Thereafter	111,599	6,957
	$ 230,051	$ 13,625

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, 2022 and 2021, the international pension plans had total projected benefit obligations of $35.4 million and $52.3 million, respectively, and fair values of plan assets of $27.8 million and $47.6 million, respectively. The majority of the plan assets are invested in equity securities and insured pension assets. The net periodic benefit cost related to international plans was $3.3 million, $2.1 million and $1.8 million for the years ended December 31, 2022, 2021 and 2020, respectively.

In the third quarter of 2021, the Company executed a buy-in policy contract with an insurance company which fully insures the benefits of one of its defined benefit pension plans outside the United States. The initial value of the insurance asset was equal to the premium paid to secure the policy (i.e., the fair value of the plan assets plus additional funding to execute the buy-in contract). As a result, the Company does not anticipate any further material contributions to the plan.

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 $20.0 million, $14.8 million and $13.7 million for the years ended December 31, 2022, 2021 and 2020, respectively.

15. Income Taxes

The components of income before income taxes were as follows:

(in thousands)	Year ended December 31, 2022	2021	2020
Domestic operations	$ 130,568	$ 122,724	$ 16,711
Foreign operations	128,867	125,099	96,338
Income before income taxes	$ 259,435	$ 247,823	$ 113,049

Income tax expense (benefit) was as follows:

(in thousands)	Year ended December 31, 2022	2021	2020
Current expense (benefit)			
United States	$ 2,755	$ 2,820	$ (7,456)
Foreign	42,536	48,743	24,478
Current income tax expense	45,291	51,563	17,022
Deferred expense (benefit)			
United States	10,122	17,297	(3,777)
Foreign	(1,062)	(5,277)	(207)
Deferred income tax expense (benefit)	9,060	12,020	(3,984)
Total income tax expense	$ 54,351	$ 63,583	$ 13,038

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, 2022	2021	2020
Income tax expense computed at federal statutory income tax rate	$ 54,481	$ 52,043	$ 23,740
Foreign taxes, net of credits	(6,063)	(2,029)	(6,676)
Net adjustments for uncertain tax positions	768	793	(8,123)
State and local taxes	3,430	4,184	264
Nondeductible expenses	1,413	2,347	4,069
Valuation allowance	4,079	9,626	1,980
Tax credits	(3,418)	(3,322)	(2,526)
Miscellaneous other, net	(339)	(59)	310
Income tax expense as reported	$ 54,351	$ 63,583	$ 13,038
Effective income tax rate	20.9 %	25.7 %	11.5 %

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

	December 31,	
(in thousands)	**2022**	**2021**
Deferred tax assets		
Compensation and benefits	$ 15,453	$ 20,089
Share-based compensation	9,234	8,757
Pension and other postretirement benefits	12,787	15,365
Inventories	25,223	19,054
R&D capitalization	36,426	23,988
Lease liability	16,248	12,686
Partnership investment	—	361
Transaction costs	1,026	953
Nondeductible accruals and reserves	12,240	11,979
Miscellaneous	254	1,212
Net operating loss and other tax carryforwards	58,741	71,920
Gross deferred tax assets	187,632	186,364
Valuation allowance	(34,109)	(30,030)
Total deferred tax assets	153,523	156,334
Deferred tax liabilities		
Property, plant and equipment	(4,874)	(5,380)
Identifiable intangible assets	(80,235)	(74,147)
Right-of-use assets	(15,380)	(11,908)
Tax on unremitted earnings	(7,354)	(6,065)
Foreign exchange derivative instruments	(2,158)	(1,359)
Miscellaneous	(1,867)	(1,611)
Total deferred tax liabilities	(111,868)	(100,470)
Net deferred tax asset	$ 41,655	$ 55,864

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, 2022 and 2021, the Company had state net operating loss ("NOL") carryforwards of $74.8 million and $90.8 million, respectively. These NOL carryforwards will begin to expire in 2023. As of December 31, 2022 and 2021, the Company had foreign tax credit carryforwards of $31.9 million and $47.5 million, respectively. These foreign tax credits will begin to expire in 2026. As of December 31, 2022 and 2021, the Company had U.S. general business credit carryforwards of $24.9 million and $21.9 million, respectively. These credits will begin to expire in 2031. As of December 31, 2022 and 2021, the Company had state income tax credits of $8.7 million and $8.3 million, respectively. These credits will begin to expire in 2031.

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

	Year ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
Valuation allowance at beginning of year	$ 30,030	$ 20,404	$ 18,424
Increases recorded to income tax provision	4,079	9,626	1,980
Valuation allowance at end of year	$ 34,109	$ 30,030	$ 20,404

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 its respective tax jurisdictions as well as projections of future income driven by sustained profitability.

In 2022, the change in the valuation allowance of $4.1 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 2021 and 2020, 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.

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 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)	**2022**	**2021**	**2020**
Unrecognized tax benefits at beginning of year	$ 8,658	$ 7,822	$ 12,367
Gross additions - prior year tax positions	—	—	53
Gross additions - current year tax positions	1,054	1,004	720
Gross reductions - prior year tax positions	(174)	(168)	(671)
Gross reductions - acquired tax positions settled with tax authorities	—	—	(4,647)
Unrecognized tax benefits at end of year	$ 9,538	$ 8,658	$ 7,822

As of December 31, 2022, 2021 and 2020, the unrecognized tax benefits of $9.5 million, $8.7 million and $7.8 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, 2022, 2021 and 2020, the Company does not have unrecognized tax benefits related to periods prior to the Company's acquisition.

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, 2022, 2021 and 2020, the Company recognized a liability of $0.2 million for interest and penalties. During the years ended December 31, 2022 and 2021, the Company recognized de minimis interest and penalties as a component of income tax expense. 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.

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 were periodically examined by various tax authorities. Beam was responsible for managing United States tax audits related to periods prior to July 29, 2011. Acushnet Company was obligated to support these audits and was 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 the Company's 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 2020 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 state and local income tax returns, as well as certain international jurisdictions, 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, 2022.

16. Common Stock

As of December 31, 2022 and 2021, 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 17), during the periods presented as follows:

	Dividends per Common Share	Amount *(in thousands)*
2022:		
Fourth Quarter	$ 0.180	$ 12,986
Third Quarter	0.180	13,192
Second Quarter	0.180	13,400
First Quarter	0.180	13,473
Total dividends declared in 2022	$ 0.720	$ 53,051
2021:		
Fourth Quarter	$ 0.165	$ 12,619
Third Quarter	0.165	12,692
Second Quarter	0.165	12,768
First Quarter	0.165	12,767
Total dividends declared in 2021	$ 0.660	$ 50,846
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

During the first quarter of 2023, the Company's Board of Directors declared a dividend of $0.195 per share of common stock to shareholders of record as of March 10, 2023, which is payable on March 24, 2023.

Share Repurchase Program

During the year ended December 31, 2022, the Board of Directors authorized the Company to repurchase up to an additional $250.0 million of its issued and outstanding common stock, bringing the total authorization under its existing share repurchase program up to $450.0 million as of December 31, 2022. 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.

On May 10, 2019, 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 (the "2019 Agreement"). As the Company purchased a cumulative total of $24.9 million of its common stock through open market purchases, the determination date, as defined in the 2019 Agreement, was automatically triggered on March 18, 2021. As a result, on April 2, 2021, the Company purchased 355,341 shares of its common stock for an aggregate of $11.1 million from Magnus, in satisfaction of its obligations under the 2019 Agreement.

On November 8, 2021, the Company entered into a new 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 $37.5 million, at the same weighted average per share price (the "2021 Agreement"). In relation to the 2021 Agreement, the Company recorded a share repurchase liability of $29.2 million for 537,839 shares of its common stock which was included in accrued expenses and other liabilities and treasury stock on the consolidated balance sheet as of December 31, 2021. Between January 1, 2022 and January 14, 2022, the Company purchased an additional 161,980 shares of its common stock on the open market for an aggregate of $8.3 million, bringing the cumulative total open market purchases to $37.5 million. As a result, on January 24, 2022, the Company purchased 699,819 shares of its common stock for an aggregate of $37.5 million from Magnus, in satisfaction of its obligations under the 2021 Agreement.

On June 16, 2022, the Company entered into a new agreement with Magnus to purchase from Magnus an equal amount of its common stock as it purchases on the open market over the period of time from July 1, 2022 through January 13, 2023, up to an aggregate of $75.0 million, at the same weighted average per share price (the "2022 Agreement"). On August 30, 2022, the Company amended and restated the 2022 Agreement to increase the aggregate dollar amount of shares of its common stock that it will purchase from Magnus from $75.0 million to $100.0 million, (the "Amended and Restated 2022 Agreement"). In relation to this agreement, the Company recorded a share repurchase liability of $92.6 million for 2,000,839 shares of common stock, which was included in accrued expenses and other liabilities and treasury stock on the consolidated balance sheet as of December 31, 2022.

The Company's share repurchase activity for the periods presented was as follows:

	Year ended December 31,					
(in thousands, except share and per share amounts)	2022		2021		2020	
Shares repurchased in the open market [1]:						
Shares repurchased		3,415,044		1,049,522		243,894
Average price	$	44.88	$	51.81	$	28.60
Aggregate value	$	153,258	$	54,372	$	6,976
Shares repurchased from Magnus:						
Shares repurchased		699,819		355,341		—
Average price [2]	$	53.59	$	31.31	$	—
Aggregate value	$	37,501	$	11,125	$	—
Total shares repurchased:						
Shares repurchased		4,114,863		1,404,863		243,894
Average price	$	46.36	$	46.62	$	28.60
Aggregate value	$	190,759	$	65,497	$	6,976

(1) In March 2021, the Company resumed share repurchases, which had been temporarily suspended in April 2020 in light of the COVID-19 pandemic.

(2) In accordance with the share repurchase agreements, shares purchased from Magnus are accrued for at the same weighted average price as those purchased on the open market, as if the purchase from Magnus had occurred on the same day. As such, the average price of Magnus repurchases during the current period will differ from open market repurchases due to the settlement of the previously recorded share repurchase liability, as well as, open market purchases made after the completion of the Magnus Share repurchase agreements.

As of December 31, 2022, the Company had $157.4 million remaining under the current share repurchase authorization, including $100.0 million related to the Amended and Restated 2022 Agreement. This program will remain in effect until completed or until terminated by the Board of Directors.

Between January 1, 2023 and January 13, 2023, the Company purchased an additional 167,689 shares of its common stock on the open market for an aggregate of $7.4 million, bringing the cumulative total open market purchases since the inception of the 2022 Agreement to $100.0 million. As a result, on January 23, 2023, the Company purchased 2,168,528 shares of its common stock from Magnus for an aggregate of $100.0 million, in satisfaction of its obligation under the Amended and Restated 2022 Agreement.

On February 9, 2023, the Company's Board of Directors authorized the Company to repurchase up to an additional $250.0 million of its issued and outstanding common stock, bringing the total authorization up to $700.0 million since the share repurchase program was established in 2018.

17. 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"), performance stock units ("PSUs") and other share-based and cash-based awards to members of the Board of Directors, officers, employees, consultants and advisors of the Company. The 2015 Plan is administered by the compensation committee (the “Administrator”). The Administrator has the authority to establish the terms and conditions of any award issued or granted under the 2015 Plan. As of December 31, 2022, the only awards granted under the 2015 Plan were 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 either over three years or, beginning in 2022, with one-third of each grant vesting annually, subject to the recipient’s continued service to the Company. PSUs granted to Company officers and other employees vest based upon the Company's performance against specified metrics, generally over a three year performance period, subject to the recipient's continued service to the Company. At the end of the performance period, the number of shares of common stock that could be issued is determined 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, 2022, there were 5,962,075 remaining shares of common stock reserved for issuance under the 2015 Plan of which 3,295,205 remain available for future grants.

A summary of the Company's RSUs and PSUs as of December 31, 2022, 2021 and 2020 and changes during the years then ended is presented below:

	Number of RSUs	Weighted-Average Fair Value RSUs	Number of PSUs[5]	Weighted-Average Fair Value PSUs
Outstanding as of December 31, 2019	947,243	$ 23.49	207,077	$ 23.47
Granted	519,514	25.92	252,031	25.45
Vested [1]	(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
Granted	314,060	45.81	145,882	45.36
Vested [2][3]	(806,645)	24.43	(189,181)	23.47
Forfeited	(69,215)	27.46	(47,210)	28.74
Outstanding as of December 31, 2021	691,373	$ 33.66	367,067	$ 32.84
Granted	379,895	43.97	167,611	43.96
Vested [4]	(91,641)	35.39	—	—
Forfeited	(34,932)	37.88	(5,312)	38.86
Outstanding as of December 31, 2022	944,695	$ 37.48	529,366	$ 36.30

(1) Included 115,677 shares of common stock related to RSUs that were not delivered as of December 31, 2020. The aggregate fair value of RSUs vested was $5.1 million.

(2) Included 546,726 shares of common stock related to RSUs that were not delivered as of December 31, 2021. The aggregate fair value of RSUs vested was $38.4 million.

(3) Based upon the Company's level of achievement of the applicable performance metrics, the recipients of the 189,181 PSUs vested during the year ended December 31, 2021, were entitled to receive 378,362 shares of common stock. As of December 31, 2021, no shares of common stock had been delivered in connection with these PSUs vesting. The aggregate fair value of PSUs vesting during the year ended December 31, 2021, as adjusted for the Company's achievement of the applicable performance metrics, was $20.1 million.

(4) Included 52,849 shares of common stock related to RSUs that were not delivered as of December 31, 2022. The aggregate fair value of RSUs vested was $4.0 million.

(5) Number of PSUs assume that 100% of the target level of performance was achieved.

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

	Year ended December 31,		
(in thousands)	2022	2021	2020
RSU	$ 13,269	$ 12,113	$ 12,055
PSU	10,157	14,871	3,308

The remaining unrecognized compensation expense related to unvested RSUs and unvested PSUs granted was $15.7 million and $10.2 million, respectively, as of December 31, 2022 and is expected to be recognized over the related weighted average period of 1.4 years and 1.5 years, respectively.

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, 2022		Year ended December 31, 2021	
	RSUs	PSUs	RSUs	PSUs
Shares of common stock issued	525,029	188,527	278,607	—
Shares of common stock withheld by the Company as payment by employees in lieu of cash to satisfy tax withholding obligations	(159,854)	(87,215)	(89,938)	—
Net shares of common stock issued	365,175	101,312	188,669	—
Cumulative undelivered shares of common stock	407,173	191,242	831,882	378,362

Compensation Expense

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

(in thousands)	Year ended December 31, 2022	2021	2020
Cost of goods sold	$ 1,316	$ 874	$ 1,342
Selling, general and administrative	21,183	25,388	13,710
Research and development	1,584	1,377	964
Total compensation expense before income tax	24,083	27,639	16,016
Income tax benefit	4,174	4,631	3,582
Total compensation expense, net of income tax	$ 19,909	$ 23,008	$ 12,434

18. Accumulated Other Comprehensive Loss, Net of Tax

Accumulated other comprehensive loss, net of tax consists of foreign currency translation adjustments (Note 2), unrealized gains and losses from derivative instruments designated as cash flow hedges (Note 12) and pension and other postretirement adjustments (Note 14).

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

(in thousands)	Foreign Currency Translation	Foreign Exchange Derivative Instruments	Interest Rate Swap Derivative Instruments	Pension and Other Postretirement	Accumulated Other Comprehensive Loss, Net of Tax
Balances as of December 31, 2020	$ (43,906)	$ (4,471)	$ (1,179)	$ (46,626)	$ (96,182)
Other comprehensive (loss) income before reclassifications	(23,009)	10,057	(8)	6,480	(6,480)
Amounts reclassified from accumulated other comprehensive loss, net of tax	—	3,422	1,569	6,852	11,843
Tax expense	—	(3,841)	(382)	(4,540)	(8,763)
Balances as of December 31, 2021	$ (66,915)	$ 5,167	$ —	$ (37,834)	$ (99,582)
Other comprehensive (loss) income before reclassifications	(30,940)	10,856	—	19,124	(960)
Amounts reclassified from accumulated other comprehensive loss, net of tax	—	(9,840)	—	6,349	(3,491)
Tax expense	—	(585)	—	(5,050)	(5,635)
Balances as of December 31, 2022	$ (97,855)	$ 5,598	$ —	$ (17,411)	$ (109,668)

19. Interest Expense, Net and Other Expense, Net

The components of interest expense, net were as follows:

(in thousands)	Year ended December 31, 2022	2021	2020
Third party interest expense	$ 14,012	$ 6,730	$ 12,796
Loss on interest rate swap	—	1,569	3,318
Third party interest income	(743)	(590)	(484)
Total interest expense, net	$ 13,269	$ 7,709	$ 15,630

The components of other expense, net were as follows:

(in thousands)	Year ended December 31, 2022	2021	2020
Indemnification losses	$ —	$ —	$ 9,871
Non-service cost component of net periodic benefit cost	7,994	5,697	10,439
Other expense (income)	835	(1,417)	(3,534)
Total other expense, net	$ 8,829	$ 4,280	$ 16,776

20. Net Income per Common Share

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

(in thousands, except share and per share amounts)	Year ended December 31, 2022	2021	2020
Net income attributable to Acushnet Holdings Corp.	$ 199,278	$ 178,873	$ 96,006
Weighted average number of common shares:			
Basic	71,958,879	74,536,637	74,494,310
RSUs	354,960	560,449	566,300
PSUs	246,259	167,988	—
Diluted	72,560,098	75,265,074	75,060,610
Net income per common share attributable to Acushnet Holdings Corp.:			
Basic	$ 2.77	$ 2.40	$ 1.29
Diluted	$ 2.75	$ 2.38	$ 1.28

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, 2022, 2021, and 2020 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. During both 2022 and 2021, the minimum performance target was achieved relating to certain PSUs and as a result, these PSUs have been included in diluted shares outstanding for the years ended December 31, 2022 and 2021.

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, 2022	2021	2020
RSUs	107,497	72,871	—

21. Segment Information

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

The CODM primarily evaluates performance using segment operating income (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, 2022, 2021 and 2020 are not necessarily those which would be achieved if each segment was an unaffiliated business enterprise. There are no intersegment transactions.

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

(in thousands)	Year ended December 31, 2022	2021	2020
Net sales			
Titleist golf balls	$ 678,844	$ 667,552	$ 507,839
Titleist golf clubs	609,573	551,532	418,417
Titleist golf gear	204,946	192,613	149,418
FootJoy golf wear	617,951	580,550	415,258
Other	159,022	155,683	121,237
Total net sales	$ 2,270,336	$ 2,147,930	$ 1,612,169
Segment operating income			
Titleist golf balls	$ 112,738	$ 106,202	$ 71,812
Titleist golf clubs	100,926	75,397	40,033
Titleist golf gear	11,652	14,696	19,968
FootJoy golf wear	36,982	44,210	18,319
Other	24,252	23,437	9,515
Total segment operating income	286,550	263,942	159,647
Reconciling items:			
Interest expense, net	(13,269)	(7,709)	(15,630)
Restructuring charges	—	—	(13,207)
Non-service cost component of net periodic benefit cost	(7,994)	(5,697)	(10,439)
Other	(5,852)	(2,713)	(7,322)
Total income before income tax	$ 259,435	$ 247,823	$ 113,049

Depreciation and amortization expense by reportable segment are as follows:

(in thousands)	Year ended December 31, 2022	2021	2020
Depreciation and amortization			
Titleist golf balls	$ 21,644	$ 22,248	$ 22,611
Titleist golf clubs	8,672	8,136	7,484
Titleist golf gear	1,843	1,715	1,523
FootJoy golf wear	6,677	6,293	7,064
Other [(1)]	2,870	2,851	6,747
Total depreciation and amortization	$ 41,706	$ 41,243	$ 45,429

(1) Includes a goodwill impairment loss of $3.8 million for the year ended December 31, 2020. See further discussion at Note 9.

Information as to the Company's operations in different geographical areas is presented below. Net sales are categorized based on the location in which the sale originates.

(in thousands)	Year ended December 31, 2022	2021	2020
Net sales			
United States	$ 1,227,801	$ 1,125,006	$ 839,379
EMEA [(1)]	321,545	296,003	218,971
Japan	161,027	187,985	151,835
Korea	312,655	322,609	246,183
Rest of World	247,308	216,327	155,801
Total net sales	$ 2,270,336	$ 2,147,930	$ 1,612,169

(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:

	Year ended December 31,	
(in thousands)	2022	2021
Long-lived assets		
United States	$ 178,375	$ 158,222
EMEA	10,949	11,365
Japan	2,529	1,006
Korea	6,495	6,480
Rest of World [1]	56,124	54,688
Total long-lived assets	$ 254,472	$ 231,761

[1] Includes manufacturing facilities in Thailand with long lived assets of $44.2 million and $42.5 million as of December 31, 2022 and 2021, respectively.

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 advertising (including media placement and production costs), finished goods inventory, capital expenditures and endorsement arrangements with professional golfers.

The Company's purchase obligations as of December 31, 2022 were as follows:

	Payments Due by Period					
(in thousands)	2023	2024	2025	2026	2027	Thereafter
Purchase obligations[1]	$ 258,304	$ 17,482	$ 5,477	$ 2,480	$ 2,489	$ 9,653

(1) The reported amounts exclude those liabilities included in accounts payable or accrued liabilities on the consolidated balance sheet as of December 31, 2022.

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. 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, 2022 and 2021, the Company did not have an indemnification receivable related to periods prior to the Company’s acquisition of Acushnet Company (see Note 15).

Litigation

The Company and its subsidiaries are party to 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, which included both a voluntary bridge to retirement ("VBR") program for certain eligible employees and involuntary headcount reductions ("Other"). During the year ended December 31, 2020, the Company recorded severance and other benefits expense of $11.2 million related to its VBR program and $2.0 million related to its Other restructuring program. There are no further costs expected to be incurred in relation to these programs. There were no restructuring program liabilities remaining on the balance sheet as of December 31, 2022.

DIRECTORS AND OFFICERS

Board of Directors

Yoon Soo (Gene) Yoon, Chairman
Chairman,
Fila Holdings Corp.

Gregory Hewett
Principal,
GH Consulting LLC

Ho Yeon (Aaron) Lee
Chief Financial Officer,
Fila Holdings Corp.

David Maher
President and Chief Executive Officer,
Acushnet Holdings Corp.

Jan Singer
Former Chief Executive Officer,
J. Crew Group, Inc.

Sean Sullivan
Executive Vice President and Chief
Financial Officer, SiriusXM Holdings, Inc.

Steven Tishman
Managing Director,
Houlihan Lokey

Keun Chang (Kevin) Yoon
President and Chief Executive Officer,
Fila Holdings Corp.

Senior Corporate Officers

David Maher
President and
Chief Executive Officer

Mary Louise Bohn
President,
Titleist Golf Balls

Steven Pelisek
President,
Titleist Golf Clubs

John Duke, Jr.
President,
Titleist Golf Gear

Christopher Lindner
President,
FootJoy

Thomas Pacheco
Executive Vice President,
Chief Financial Officer and
Chief Accounting Officer

Roland Giroux
Executive Vice President, Chief Legal
Officer and Corporate Secretary

Brendan Reidy
Executive Vice President,
Chief People Officer

Roger Czuchra
Executive Vice President, Chief
Technology and Digital Officer

CORPORATE INFORMATION

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Stock Exchange Information
NYSE Ticker Symbol: GOLF

Transfer Agent
Computershare Trust Company, N.A.
P.O. Box 505000
Louisville, KY 40233

Annual Meeting
The Annual Meeting of Stockholders will be held on June 5, 2023.

Investor Information
Individual stockholders, security analysts, portfolio managers and other institutional investors seeking information about the Company should contact Acushnet Holdings Corp. Investor Relations by email at IR@acushnetgolf.com.

ACUSHNET HOLDINGS CORP.

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