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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 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 (State or other jurisdiction of incorporation or organization)		**45-2644353** (I.R.S. Employer Identification No.)
333 Bridge Street (Address of principal executive offices)	**Fairhaven, Massachusetts**	**02719** (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 - $0.001 par value per share	GOLF	New York Stock Exchange

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	☒	Accelerated filer	☐
Non-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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant had 70,209,026 shares of common stock outstanding as of October 28, 2022.

ACUSHNET HOLDINGS CORP.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2022
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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 section entitled “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:

- the duration and impact of the COVID-19 pandemic, which may precipitate or exacerbate one or more of the following risks and uncertainties;
- a reduction in the number of rounds of golf played or in the number of golf participants;
- unfavorable weather conditions may impact the number of playable days and 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;
- demographic factors may affect the number of golf participants and related spending on our products;
- changes to the Rules of Golf with respect to equipment;
- a significant disruption in the operations of our manufacturing, assembly or distribution facilities;
- our ability to procure raw materials or components of our products;
- a disruption in the operations of our suppliers;
- the cost of raw materials and components;
- currency transaction and translation risk;
- our ability to successfully manage the frequent introduction of new products or satisfy changing consumer preferences, quality and regulatory standards;
- our reliance on technical innovation and high-quality products;
- our ability to adequately enforce and protect our intellectual property rights;
- involvement in lawsuits to protect, defend or enforce our intellectual property rights;
- our ability to prevent infringement of intellectual property rights by others;
- changes to patent laws;
- intense competition and our ability to maintain a competitive advantage in each of our markets;
- limited opportunities for future growth in sales of certain of our products, including golf balls, golf shoes and golf gloves;
- our customers’ financial condition, their levels of business activity and their ability to pay trade obligations;
- a decrease in corporate spending on our custom logo golf balls;
- our ability to maintain and further develop our sales channels;
- consolidation of retailers or concentration of retail market share;
- our ability to maintain and enhance our brands;
- seasonal fluctuations of our business;
- fluctuations of our business based on the timing of new product introductions;
- risks associated with doing business globally;
- compliance with laws, regulations and policies, including the U.S. Foreign Corrupt Practices Act or other applicable anti-corruption legislation, as well as federal, state and local policies and executive orders regarding the COVID-19 pandemic;
- our ability to secure professional golfers to endorse or use our products;
- negative publicity relating to us or the golfers who use our products or the golf industry in general;
- our ability to accurately forecast demand for our products;
- a disruption in the service, or a significant increase in the cost, of our primary delivery and shipping services or a significant disruption at shipping ports;

- our ability to maintain our information systems to adequately perform their functions;
- cybersecurity risks;
- our ability to comply with data privacy and security laws;
- the ability of our eCommerce systems to function effectively;
- impairment of goodwill and identifiable intangible assets;
- our ability to attract and/or retain management and other key employees and hire qualified management, technical and manufacturing personnel;
- our ability to prohibit sales of our products by unauthorized retailers or distributors;
- our ability to grow our presence in existing international markets and expand into additional international markets;
- tax uncertainties, including potential changes in tax laws, unanticipated tax liabilities and limitations on utilization of tax attributes after any change of control;
- adequate levels of coverage of our insurance policies;
- product liability, warranty and recall claims;
- litigation and other regulatory proceedings;
- compliance with environmental, health and safety laws and regulations;
- our ability to secure additional capital at all or on terms acceptable to us and potential dilution of holders of our common stock;
- lack of assurance of positive returns on capital investments;
- risks associated with acquisitions and investments;
- our estimates or judgments relating to our critical accounting estimates;
- terrorist activities and international political instability;
- occurrence of natural disasters or pandemic diseases, including the COVID-19 pandemic;
- a high degree of leverage, ability to service our indebtedness, ability to incur more indebtedness and restrictions in the agreements governing our indebtedness;
- our use of derivative financial instruments;
- the ability of our controlling shareholder to control significant corporate activities, and that our controlling shareholder’s interests may conflict with yours;
- our status as a controlled company;
- the market price of shares of our common stock;
- share repurchase program execution and effects thereof;
- our ability to maintain effective internal controls over financial reporting;
- our ability to pay dividends;
- our status as a holding company;
- dilution from future issuances or sales of our common stock;
- anti-takeover provisions in our organizational documents and Delaware law;
- reports from securities analysts; and
- other factors discussed under the heading "Risk Factors" in our most recent Annual Report on Form 10-K and in any other reports we file with the Securities and Exchange Commission (“SEC”), including this Quarterly Report on Form 10-Q.

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.

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, 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. 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.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INDEX TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ACUSHNET HOLDINGS CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share and per share amounts)	September 30, 2022	December 31, 2021
Assets		
Current assets		
Cash, cash equivalents and restricted cash ($20,602 and $15,612 attributable to the variable interest entity ("VIE"))	$ 108,457	$ 281,677
Accounts receivable, net	324,096	174,435
Inventories ($19,174 and $19,385 attributable to the VIE)	536,742	413,314
Prepaid and other assets	113,728	99,750
Total current assets	1,083,023	969,176
Property, plant and equipment, net ($10,167 and $10,466 attributable to the VIE)	236,240	231,761
Goodwill ($32,312 and $32,312 attributable to the VIE)	199,744	210,431
Intangible assets, net	458,824	465,341
Deferred income taxes	46,973	60,814
Other assets ($2,088 and $2,166 attributable to the VIE)	76,557	68,313
Total assets	$ 2,101,361	$ 2,005,836
Liabilities, Redeemable Noncontrolling Interest and Shareholders' Equity		
Current liabilities		
Short-term debt	$ 27,532	$ 116
Current portion of long-term debt	—	17,500
Accounts payable ($17,063 and $13,275 attributable to the VIE)	178,015	163,607
Accrued taxes	45,117	57,307
Accrued compensation and benefits ($1,062 and $1,511 attributable to the VIE)	84,645	113,453
Accrued expenses and other liabilities ($3,911 and $4,677 attributable to the VIE)	163,504	131,041
Total current liabilities	498,813	483,024
Long-term debt	406,728	297,354
Deferred income taxes	5,222	4,950
Accrued pension and other postretirement benefits	93,107	93,705
Other noncurrent liabilities ($2,115 and $2,218 attributable to the VIE)	46,916	43,237
Total liabilities	1,050,786	922,270
Commitments and contingencies (Note 15)		
Redeemable noncontrolling interest	4,322	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	954,926	948,423
Accumulated other comprehensive loss, net of tax	(145,079)	(99,582)
Retained earnings	483,237	324,966
Treasury stock, at cost; 6,629,483 and 3,314,562 shares (including 869,368 and 537,839 of accrued share repurchases) (Note 10)	(283,155)	(131,039)
Total equity attributable to Acushnet Holdings Corp.	1,010,005	1,042,844
Noncontrolling interests	36,248	37,423
Total shareholders' equity	1,046,253	1,080,267
Total liabilities, redeemable noncontrolling interest and shareholders' equity	$ 2,101,361	$ 2,005,836

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

ACUSHNET HOLDINGS CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
(in thousands, except share and per share amounts)	**2022**	**2021**	**2022**	**2021**
Net sales	$ 558,246	$ 521,629	$ 1,822,932	$ 1,727,364
Cost of goods sold	263,251	252,792	867,332	813,362
Gross profit	294,995	268,837	955,600	914,002
Operating expenses:				
Selling, general and administrative	202,418	199,787	637,276	586,411
Research and development	14,619	14,597	42,533	39,947
Intangible amortization	1,948	1,967	5,865	5,909
Income from operations	76,010	52,486	269,926	281,735
Interest expense, net	4,534	1,147	7,902	6,611
Other expense, net	2,355	939	5,828	3,170
Income before income taxes	69,121	50,400	256,196	271,954
Income tax expense	15,797	10,475	52,786	62,882
Net income	53,324	39,925	203,410	209,072
Less: Net income attributable to noncontrolling interests	(1,487)	(661)	(4,074)	(3,765)
Net income attributable to Acushnet Holdings Corp.	$ 51,837	$ 39,264	$ 199,336	$ 205,307
Net income per common share attributable to Acushnet Holdings Corp.:				
Basic	$ 0.72	$ 0.53	$ 2.74	$ 2.75
Diluted	0.72	0.52	2.72	2.73
Weighted average number of common shares:				
Basic	71,706,824	74,533,652	72,701,647	74,656,837
Diluted	72,334,398	75,301,431	73,209,719	75,292,647

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

ACUSHNET HOLDINGS CORP.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2022**	**2021**	**2022**	**2021**
Net income	$ 53,324	$ 39,925	$ 203,410	$ 209,072
Other comprehensive loss:				
Foreign currency translation adjustments	(26,527)	(8,768)	(58,592)	(16,810)
Cash flow derivative instruments:				
Unrealized holding gains (losses) arising during period	6,106	(144)	18,155	4,900
Reclassification adjustments included in net income	(2,535)	1,877	(5,476)	4,960
Tax expense	(1,099)	(298)	(3,977)	(2,879)
Cash flow derivative instruments, net	2,472	1,435	8,702	6,981
Pension and other postretirement benefits:				
Pension and other postretirement benefits adjustments	2,252	1,581	5,788	4,937
Tax expense	(576)	(368)	(1,395)	(1,291)
Pension and other postretirement benefits adjustments, net	1,676	1,213	4,393	3,646
Total other comprehensive loss	(22,379)	(6,120)	(45,497)	(6,183)
Comprehensive income	30,945	33,805	157,913	202,889
Less: Comprehensive income attributable to noncontrolling interests	(1,446)	(641)	(3,862)	(3,637)
Comprehensive income attributable to Acushnet Holdings Corp.	$ 29,499	$ 33,164	$ 154,051	$ 199,252

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

ACUSHNET HOLDINGS CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cash flows from operating activities		
Net income	$ 203,410	$ 209,072
Adjustments to reconcile net income to cash flows (used in) provided by operating activities		
Depreciation and amortization	30,894	30,816
Unrealized foreign exchange loss (gain)	12,531	(1,721)
Amortization of debt issuance costs	1,835	1,337
Share-based compensation	18,159	20,822
(Gain) loss on disposals of property, plant and equipment	(3,257)	146
Deferred income taxes	6,928	16,633
Changes in operating assets and liabilities		
Accounts receivable	(176,531)	(105,707)
Inventories	(156,065)	26,242
Accounts payable	21,437	26,627
Accrued taxes	(3,419)	24,366
Other assets and liabilities	(14,964)	31,458
Cash flows (used in) provided by operating activities	(59,042)	280,091
Cash flows from investing activities		
Additions to property, plant and equipment	(33,638)	(19,210)
Other, net	4,542	—
Cash flows used in investing activities	(29,096)	(19,210)
Cash flows from financing activities		
Proceeds from (repayments of) short-term borrowings, net (Note 5)	31,056	(2,177)
Proceeds from revolving credit facility	483,000	—
Repayments of revolving credit facility	(77,400)	—
Repayments of term loan facility (Note 5)	(315,000)	(13,125)
Purchases of common stock	(138,158)	(30,146)
Payment of debt issuance costs	(2,583)	—
Dividends paid on common stock	(39,672)	(37,058)
Dividends paid to noncontrolling interests	(1,601)	(1,360)
Payment of employee restricted stock tax withholdings	(10,661)	(3,946)
Other, net	(3,600)	—
Cash flows used in financing activities	(74,619)	(87,812)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(10,463)	(4,015)
Net (decrease) increase in cash, cash equivalents and restricted cash	(173,220)	169,054
Cash, cash equivalents and restricted cash, beginning of year	281,677	151,452
Cash, cash equivalents and restricted cash, end of period	$ 108,457	$ 320,506
Supplemental non-cash information		
Additions to property, plant and equipment	$ 6,757	$ 3,105
Additions to right-of-use assets obtained in exchange for operating lease obligations	17,919	7,341
Additions to right-of-use assets obtained in exchange for finance lease obligations	335	150
Additions to treasury stock	1,595	—
Dividend equivalents rights ("DERs") declared not paid	1,323	1,537
Contingent consideration (Note 1)	1,400	—
Magnus share repurchase liability (Note 10)	41,577	—

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

ACUSHNET HOLDINGS CORP.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

(in thousands)	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss, Net of Tax	Retained Earnings	Treasury Stock	Total Shareholders' Equity Attributable to Acushnet Holdings Corp.	Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount							
Balances as of June 30, 2021	75,855	$ 76	$ 934,919	$ (96,245)	$ 338,633	$ (54,213)	$ 1,123,170	$ 36,882	$ 1,160,052
Net income	—	—	—	—	39,264	—	39,264	832	40,096
Other comprehensive loss	—	—	—	(6,120)	—	—	(6,120)	—	(6,120)
Share-based compensation	—	—	6,852	—	—	—	6,852	—	6,852
Purchases of common stock (Note 10)	—	—	—	—	—	(12,261)	(12,261)	—	(12,261)
Dividends and dividend equivalents declared	—	—	—	—	(12,692)	—	(12,692)	—	(12,692)
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	(1,249)	(1,249)
Balances as of September 30, 2021	75,855	$ 76	$ 941,771	$ (102,365)	$ 365,205	$ (66,474)	$ 1,138,213	$ 36,465	$ 1,174,678
Balances as of June 30, 2022	76,289	$ 76	$ 949,206	$ (122,700)	$ 444,592	$ (200,001)	$ 1,071,173	$ 34,654	$ 1,105,827
Net income	—	—	—	—	51,837	—	51,837	1,594	53,431
Other comprehensive loss	—	—	—	(22,379)	—	—	(22,379)	—	(22,379)
Share-based compensation	—	—	5,673	—	—	—	5,673	—	5,673
Vesting of restricted common stock, including impact of DERs, net of shares withheld for employee taxes (Note 11)	33	—	47	—	—	—	47	—	47
Purchases of common stock (Note 10)	—	—	—	—	—	(41,577)	(41,577)	—	(41,577)
Share repurchase liability (Note 10)	—	—	—	—	—	(41,577)	(41,577)	—	(41,577)
Dividends and dividend equivalents declared	—	—	—	—	(13,192)	—	(13,192)	—	(13,192)
Balances as of September 30, 2022	76,322	$ 76	$ 954,926	$ (145,079)	$ 483,237	$ (283,155)	$ 1,010,005	$ 36,248	$ 1,046,253

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

ACUSHNET HOLDINGS CORP.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

(in thousands)	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss, Net of Tax	Retained Earnings	Treasury Stock	Total Shareholders' Equity Attributable to Acushnet Holdings Corp.	Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount							
Balances as of December 31, 2020	75,666	$ 76	$ 925,385	$ (96,182)	$ 199,776	$ (45,106)	$ 983,949	$ 33,304	$ 1,017,253
Net income	—	—	—	—	205,307	—	205,307	4,521	209,828
Other comprehensive loss	—	—	—	(6,183)	—	—	(6,183)	—	(6,183)
Share-based compensation	—	—	20,331	—	—	—	20,331	—	20,331
Vesting of restricted common stock, including impact of DERs, net of shares withheld for employee taxes (Note 11)	189	—	(3,945)	—	—	—	(3,945)	—	(3,945)
Purchases of common stock (Note 10)	—	—	—	—	—	(21,368)	(21,368)	—	(21,368)
Dividends and dividend equivalents declared	—	—	—	—	(38,227)	—	(38,227)	—	(38,227)
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	(1,360)	(1,360)
Redemption value adjustment (Note 1)	—	—	—	—	(1,651)	—	(1,651)	—	(1,651)
Balances as of September 30, 2021	75,855	$ 76	$ 941,771	$ (102,365)	$ 365,205	$ (66,474)	$ 1,138,213	$ 36,465	$ 1,174,678
Balances as of December 31, 2021	75,855	$ 76	$ 948,423	$ (99,582)	$ 324,966	$ (131,039)	$ 1,042,844	$ 37,423	$ 1,080,267
Purchase of equity from noncontrolling interests (Note 1)	—	—	(838)	—	—	—	(838)	(3,905)	(4,743)
Net income	—	—	—	—	199,336	—	199,336	4,331	203,667
Other comprehensive loss	—	—	—	(45,497)	—	—	(45,497)	—	(45,497)
Share-based compensation	—	—	17,667	—	—	—	17,667	—	17,667
Vesting of restricted common stock, including impact of DERs, net of shares withheld for employee taxes (Note 11)	467	—	(10,326)	—	—	—	(10,326)	—	(10,326)
Purchases of common stock (Note 10)	—	—	—	—	—	(110,539)	(110,539)	—	(110,539)
Share repurchase liability (Note 10)	—	—	—	—	—	(41,577)	(41,577)	—	(41,577)
Dividends and dividend equivalents declared	—	—	—	—	(40,065)	—	(40,065)	—	(40,065)
Dividends declared to noncontrolling interests	—	—	—	—	—	—	—	(1,601)	(1,601)
Redemption value adjustment (Note 1)	—	—	—	—	(1,000)	—	(1,000)	—	(1,000)
Balances as of September 30, 2022	76,322	$ 76	$ 954,926	$ (145,079)	$ 483,237	$ (283,155)	$ 1,010,005	$ 36,248	$ 1,046,253

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

ACUSHNET HOLDINGS CORP.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed 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 Acushnet Holdings Corp. (the "Company"), its wholly-owned subsidiaries and less than wholly-owned subsidiaries, including a variable interest entity ("VIE") in which the Company is the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

Certain information in footnote disclosures normally included in annual financial statements has been condensed or omitted for the interim periods presented in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and U.S. GAAP. The year-end balance sheet data was derived from audited financial statements; however, the accompanying interim notes to the unaudited condensed consolidated financial statements do not include all disclosures required by U.S. GAAP. In the opinion of management, the financial statements contain all normal and recurring adjustments necessary to state fairly the financial position and results of operations of the Company. The results of operations for the three and nine months ended September 30, 2022 are not necessarily indicative of results to be expected for the full year ending December 31, 2022, nor were those of the comparable 2021 periods representative of those actually experienced for the full year ended December 31, 2021. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and related notes for the fiscal year ended December 31, 2021 included in its Annual Report on Form 10-K filed with the SEC on March 1, 2022.

Use of Estimates

The preparation of the Company's unaudited condensed 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 COVID-19 pandemic on its consolidated financial statements. The impact of the COVID-19 pandemic continues to evolve, and both the full impact and duration of the COVID-19 pandemic remain highly uncertain. Accordingly, the Company's business, results of operations, financial position and cash flows could 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 unaudited condensed 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 September 30, 2022 and December 31, 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 Interest

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 unaudited condensed consolidated financial statements. The value attributable to the noncontrolling interests is presented on the unaudited condensed 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 unaudited condensed consolidated statements of operations and unaudited condensed 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 unaudited condensed consolidated balance sheet as of September 30, 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 recorded 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 nine months ended September 30, 2022 and 2021, the Company recorded a redemption value adjustment of $1.0 million and $1.7 million, respectively. The value attributable to the redeemable noncontrolling interest and the related loan to minority shareholders, which is recorded as a reduction to redeemable noncontrolling interest, is presented in the unaudited condensed 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 September 30, 2022 and December 31, 2021.

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 September 30, 2022 and December 31, 2021, the amount of restricted cash included in cash, cash equivalents and restricted cash on the unaudited condensed consolidated balance sheets was $1.7 million and $1.9 million, respectively.

Foreign Currency Transactions

Foreign currency transaction losses included in selling, general and administrative expenses were $6.2 million and $0.7 million for the three months ended September 30, 2022 and 2021, respectively. Foreign currency transaction losses included in selling, general and administrative expenses were $15.0 million and $1.9 million for the nine months ended September 30, 2022 and 2021, respectively.

Recently Adopted Accounting Standards

The Company considers the applicability and impact of all Accounting Standards Updates ("ASUs"). Management determined that recently issued ASUs are not expected to have a material impact on the Company's consolidated financial statements.

2. Allowance for Doubtful Accounts

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

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

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2022	2021	2022	2021
Balance at beginning of period	$ 7,918	$ 7,334	$ 5,980	$ 7,698
Bad debt expense	193	626	2,648	324
Amount of receivables written off	(203)	(224)	(472)	(268)
Foreign currency translation	(227)	(74)	(475)	(92)
Balance at end of period	$ 7,681	$ 7,662	$ 7,681	$ 7,662

3. Inventories

The components of inventories were as follows:

(in thousands)	September 30, 2022	December 31, 2021
Raw materials and supplies	$ 139,282	$ 105,784
Work-in-process	28,650	21,259
Finished goods	368,810	286,271
Inventories	$ 536,742	$ 413,314

4. 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.

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

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2022	2021	2022	2021
Balance at beginning of period	$ 4,077	$ 4,333	$ 4,177	$ 3,831
Provision	1,286	1,414	3,497	4,099
Claims paid	(1,333)	(1,406)	(3,489)	(3,553)
Foreign currency translation and other	(150)	(65)	(305)	(101)
Balance at end of period	$ 3,880	$ 4,276	$ 3,880	$ 4,276

5. Debt and Financing Arrangements

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.

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 unaudited condensed 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 three and nine months ended September 30, 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 September 30, 2022, the Company was in compliance with all covenants under the Second Amended Credit Agreement.

As of September 30, 2022, there were $405.6 million in outstanding borrowings under the Company's revolving credit facility with a weighted average interest rate of 4.28%. As of September 30, 2022, the Company had available borrowings under its revolving credit facility of $537.3 million after giving effect to $7.1 million of outstanding letters of credit.

Other Short-Term Borrowings

The Company has certain unsecured local credit facilities available through its subsidiaries. There were $27.5 million and $0.1 million in outstanding borrowings under the Company's local credit facilities as of September 30, 2022 and December 31, 2021, respectively. The weighted average interest rate applicable to the outstanding borrowings was 0.49% and 2.57% as of September 30, 2022 and December 31, 2021, respectively. As of September 30, 2022, the Company had available borrowings remaining under these local credit facilities of $32.1 million.

Letters of Credit

As of September 30, 2022 and December 31, 2021, there were outstanding letters of credit related to agreements, including the Company's Second Amended Credit Facility, totaling $9.9 million and $17.3 million, respectively, of which $7.5 million and $14.3 million, respectively, was secured. These agreements provided a maximum commitment for letters of credit of $57.5 million as of September 30, 2022.

6. 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 September 30, 2022 and December 31, 2021 was $220.8 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. There were no outstanding foreign exchange forward contracts not designated under hedge accounting as of September 30, 2022 and December 31, 2021. Selling, general and administrative expenses during the nine months ended September 30, 2022 included a gain of $1.2 million related to undesignated foreign exchange forward derivative instruments.

Interest Rate Derivative Instruments

The Company enters into interest rate swap contracts to reduce interest rate risk related to floating rate debt. Under the contracts, the Company pays fixed and receives variable rate interest, in effect converting a portion of its floating rate debt to fixed rate debt. Interest rate swap contracts are accounted for as cash flow hedges. As of September 30, 2022 and December 31, 2021, there were no interest rate swap contracts outstanding.

Impact on Financial Statements

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

(in thousands) Balance Sheet Location	Hedge Instrument Type	September 30, 2022	December 31, 2021
Prepaid and other assets	Foreign exchange forward	$ 15,990	$ 6,320
Other assets	Foreign exchange forward	4,184	1,491
Accrued expenses and other liabilities	Foreign exchange forward	2,006	488

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

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2022	2021	2022	2021
Type of hedge				
Foreign exchange forward	$ 6,106	$ (144)	$ 18,155	$ 4,908
Interest rate swap	—	—	—	(8)
Total	$ 6,106	$ (144)	$ 18,155	$ 4,900

Gains and losses on derivative instruments designated as cash flow hedges are reclassified from accumulated other comprehensive loss, net of tax at the time the forecasted hedged transaction impacts the statements of operations or at the time the hedge is determined to be ineffective. Based on the current valuation, during the next 12 months the Company expects to reclassify a net gain of $14.2 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 12.

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

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2022	2021	2022	2021
Location of gain (loss) in statements of operations				
Foreign exchange forward:				
Cost of goods sold	$ 2,535	$ (1,877)	$ 5,476	$ (3,391)
Selling, general and administrative [1]	1,779	430	4,737	1,063
Total	$ 4,314	$ (1,447)	$ 10,213	$ (2,328)
Interest Rate Swap:				
Interest expense, net	$ —	$ —	$ —	$ (1,569)
Total	$ —	$ —	$ —	$ (1,569)

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

Credit Risk

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

7. 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.

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2022 were as follows:

	Fair Value Measurements as of September 30, 2022 using:			
(in thousands)	Level 1	Level 2	Level 3	Balance Sheet Location
Assets				
Rabbi trust	$ 3,769	$ —	$ —	Prepaid and other assets
Foreign exchange derivative instruments	—	15,990	—	Prepaid and other assets
Deferred compensation program assets	599	—	—	Other assets
Foreign exchange derivative instruments	—	4,184	—	Other assets
Total assets	$ 4,368	$ 20,174	$ —	
Liabilities				
Foreign exchange derivative instruments	$ —	$ 2,006	$ —	Accrued expenses and other liabilities
Deferred compensation program liabilities	599	—	—	Other noncurrent liabilities
Total liabilities	$ 599	$ 2,006	$ —	

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 6). 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.

8. Pension and Other Postretirement Benefits

Components of net periodic benefit cost were as follows:

	Pension Benefits		Postretirement Benefits	
	Three months ended September 30,			
(in thousands)	2022	2021	2022	2021
Components of net periodic benefit cost				
Service cost	$ 1,954	$ 2,039	$ 141	$ 168
Interest cost	2,204	2,016	89	75
Expected return on plan assets	(1,882)	(2,463)	—	—
Settlement expense	685	531	—	—
Amortization of net loss (gain)	989	845	(120)	(80)
Amortization of prior service cost (credit)	66	69	(35)	(35)
Net periodic benefit cost	$ 4,016	$ 3,037	$ 75	$ 128

Components of net periodic benefit cost were as follows:

	Pension Benefits		Postretirement Benefits	
	Nine months ended September 30,			
(in thousands)	2022	2021	2022	2021
Components of net periodic benefit cost				
Service cost	$ 5,953	$ 6,166	$ 422	$ 503
Interest cost	6,655	6,161	265	226
Expected return on plan assets	(5,644)	(7,409)	—	—
Settlement expense	685	2,068	—	—
Amortization of net loss (gain)	2,966	2,961	(351)	(240)
Amortization of prior service cost (credit)	203	210	(103)	(103)
Net periodic benefit cost	$ 10,818	$ 10,157	$ 233	$ 386

The non-service cost components of net periodic benefit cost are included in other expense, net in the unaudited condensed consolidated statements of operations.

9. Income Taxes

Income tax expense increased $5.3 million to $15.8 million for the three months ended September 30, 2022 compared to $10.5 million for the three months ended September 30, 2021. The Company’s effective tax rate ("ETR") was 22.9% for the three months ended September 30, 2022 compared to 20.8% for the three months ended September 30, 2021. Income tax expense decreased $10.1 million to $52.8 million for the nine months ended September 30, 2022 compared to $62.9 million for the nine months ended September 30, 2021. The Company’s ETR was 20.6% for the nine months ended September 30, 2022 compared to 23.1% for the nine months ended September 30, 2021.

The ETR for the three and nine months ended September 30, 2022 differed from the U.S. statutory tax rate primarily due to the impact of the U.S. deduction for foreign derived intangible income and federal and state tax credits, as well as the U.S. taxation of foreign income and the Company's geographic mix of income. The ETR for the three and nine months ended September 30, 2021 differed from the U.S. statutory tax rate primarily due to the U.S. taxation of foreign income and the Company's geographic mix of income, as well as the impact of the U.S. deduction for foreign derived intangible income and federal and state tax credits.

10. Common Stock

Dividends

The Company declared dividends per common share, including DERs (Note 11), during the periods presented as follows:

	Dividends per Common Share	Amount *(in thousands)*
2022:		
Third Quarter	$ 0.180	$ 13,192
Second Quarter	0.180	13,400
First Quarter	0.180	13,473
Total dividends declared in 2022	$ 0.540	$ 40,065
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

During the fourth quarter of 2022, the Company's Board of Directors declared a dividend of $0.180 per share of common stock to shareholders of record as of December 2, 2022 and payable on December 16, 2022.

Share Repurchase Program

On July 26, 2022, the Board of Directors authorized the Company to repurchase up to an additional $100.0 million of its issued and outstanding common stock, bringing the total authorization up to $450.0 million as of September 30, 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 Holdings Co., Ltd. (“Magnus”), a wholly-owned subsidiary of Fila Holdings Corp., 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 $41.6 million for 869,368 shares of common stock, which was included in accrued expenses and other liabilities and treasury stock on the unaudited condensed consolidated balance sheet as of September 30, 2022.

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

	Three months ended September 30,		Nine months ended September 30,	
(in thousands, except share and per share amounts)	2022	2021	2022	2021
Shares repurchased in the open market:				
Shares repurchased	869,368	242,420	2,283,573	387,076
Average price	$ 47.82	$ 50.58	$ 44.78	$ 49.14
Aggregate value	$ 41,577	$ 12,261	$ 102,252	$ 19,021
Shares repurchased from Magnus:				
Shares repurchased	—	—	699,819	355,341
Average price [1]	$ —	$ —	$ 53.59	$ 31.31
Aggregate value	$ —	$ —	$ 37,501	$ 11,125
Total shares repurchased:				
Shares repurchased	869,368	242,420	2,983,392	742,417
Average price	$ 47.82	$ 50.58	$ 46.84	$ 40.61
Aggregate value	$ 41,577	$ 12,261	$ 139,753	$ 30,146

[1] 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 September 30, 2022, the Company had $208.4 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.

11. 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. As of September 30, 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.

A summary of the Company's RSUs and PSUs as of September 30, 2022 and changes during the nine months then ended is presented below:

	Number of RSUs	Weighted-Average Fair Value RSUs	Number of PSUs	Weighted-Average Fair Value PSUs
Outstanding as of December 31, 2021	691,373	$ 33.66	367,067	$ 32.84
Granted	371,445	43.90	167,611	43.96
Vested [1]	(91,641)	35.39	—	—
Forfeited	(21,470)	36.02	(3,518)	37.08
Outstanding as of September 30, 2022	949,707	$ 37.44	531,160	$ 36.32

(1) Includes 52,849 shares of common stock related to RSUs that were not delivered as of September 30, 2022.

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

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2022	2021	2022	2021
RSUs	$ 3,149	$ 2,843	$ 10,101	$ 9,153
PSUs	2,524	4,009	7,566	11,178

The remaining unrecognized compensation expense related to unvested RSUs and unvested PSUs was $19.0 million and $12.9 million, respectively, as of September 30, 2022 and are expected to be recognized over the related weighted average period of 1.4 years and 1.7 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:

	Nine months ended September 30, 2022		Nine months ended September 30, 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	405,334	—

Compensation Expense

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

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2022	2021	2022	2021
Cost of goods sold	$ 342	$ 315	$ 984	$ 567
Selling, general and administrative	5,085	6,299	15,998	19,207
Research and development	410	398	1,177	1,048
Total compensation expense before income tax	5,837	7,012	18,159	20,822
Income tax benefit	1,219	1,610	3,744	4,722
Total compensation expense, net of income tax	$ 4,618	$ 5,402	$ 14,415	$ 16,100

12. Accumulated Other Comprehensive Loss, Net of Tax

Accumulated other comprehensive loss, net of tax consists of foreign currency translation adjustments, unrealized gains and losses from derivative instruments designated as cash flow hedges (Note 6) and pension and other postretirement adjustments (Note 8).

The components of and adjustments to accumulated other comprehensive loss, net of tax, were as follows:

(in thousands)	Foreign Currency Translation	Foreign Exchange Derivative Instruments	Pension and Other Postretirement	Accumulated Other Comprehensive Loss, Net of Tax
Balance as of December 31, 2021	$ (66,915)	$ 5,167	$ (37,834)	$ (99,582)
Other comprehensive (loss) income before reclassifications	(58,592)	18,155	2,388	(38,049)
Amounts reclassified from accumulated other comprehensive loss, net of tax	—	(5,476)	3,400	(2,076)
Tax expense	—	(3,977)	(1,395)	(5,372)
Balance as of September 30, 2022	$ (125,507)	$ 13,869	$ (33,441)	$ (145,079)

13. Net Income per Common Share

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

	Three months ended September 30,		Nine months ended September 30,	
(in thousands, except share and per share amounts)	2022	2021	2022	2021
Net income attributable to Acushnet Holdings Corp.	$ 51,837	$ 39,264	$ 199,336	$ 205,307
Weighted average number of common shares:				
Basic	71,706,824	74,533,652	72,701,647	74,656,837
RSUs	390,826	589,891	336,486	535,521
PSUs	236,748	177,888	171,586	100,289
Diluted	72,334,398	75,301,431	73,209,719	75,292,647
Net income per common share attributable to Acushnet Holdings Corp.:				
Basic	$ 0.72	$ 0.53	$ 2.74	$ 2.75
Diluted	$ 0.72	$ 0.52	$ 2.72	$ 2.73

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 three and nine months ended September 30, 2022 and 2021 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 three and nine months ended September 30, 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:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
RSUs	852	—	126,262	97,161

14. 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 three and nine months ended September 30, 2022 and 2021 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:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2022	2021	2022	2021
Net sales				
Titleist golf balls	$ 181,243	$ 167,204	$ 546,374	$ 543,106
Titleist golf clubs	153,877	135,605	478,880	444,253
Titleist golf gear	59,194	46,618	172,473	164,713
FootJoy golf wear	131,694	137,908	507,133	461,978
Other	32,238	34,294	118,072	113,314
Total net sales	$ 558,246	$ 521,629	$ 1,822,932	$ 1,727,364
Segment operating income				
Titleist golf balls	$ 38,281	$ 31,977	$ 100,920	$ 106,788
Titleist golf clubs	26,949	13,482	88,236	84,660
Titleist golf gear	6,430	559	20,276	22,686
FootJoy golf wear	1,919	4,446	45,256	53,574
Other	3,618	3,234	21,212	16,253
Total segment operating income	77,197	53,698	275,900	283,961
Reconciling items:				
Interest expense, net	(4,534)	(1,147)	(7,902)	(6,611)
Non-service cost component of net periodic benefit cost	(1,996)	(958)	(4,676)	(3,874)
Other	(1,546)	(1,193)	(7,126)	(1,522)
Total income before income tax	$ 69,121	$ 50,400	$ 256,196	$ 271,954

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.

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2022	2021	2022	2021
United States	$ 327,639	$ 282,649	$ 974,187	$ 906,608
EMEA [(1)]	70,614	68,930	274,840	246,879
Japan	34,364	47,919	118,554	149,884
Korea	69,919	75,783	254,089	251,834
Rest of world	55,710	46,348	201,262	172,159
Total net sales	$ 558,246	$ 521,629	$ 1,822,932	$ 1,727,364

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

15. 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 September 30, 2022 were as follows:

	Payments Due by Period					
(in thousands)	**Remainder of 2022**	**2023**	**2024**	**2025**	**2026**	**Thereafter**
Purchase obligations [1]	$ 230,201	$ 55,502	$ 12,320	$ 6,456	$ 2,465	$ 33,818

(1) The reported amounts exclude those liabilities included on the unaudited condensed consolidated balance sheet as of September 30, 2022.

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.

ITEM 2. 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 our unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this 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 "Part II, Item 1A. Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q and in our other filings with the Securities and Exchange Commission ("SEC"). Actual results may differ materially from those contained in any forward-looking statements. You should carefully read "Special Note Regarding Forward-Looking Statements" following the Table of Contents. Unless otherwise noted, the figures in the following discussion are unaudited.

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 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 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 net sales are diversified by both product category and mix, as well as geography. Our product categories include golf balls, golf clubs, wedges and putters, golf shoes, golf gloves, golf gear and golf outerwear and apparel. Our product portfolio contains a favorable mix of consumable products, which we consider to be golf balls and golf gloves, and more durable products, which we consider to be golf clubs, golf shoes, golf gear and golf outerwear and apparel. Our net sales are also diversified by geography with a substantial majority of our net sales generated in five countries: the United States, Japan, Korea, the United Kingdom and Canada. We have the following reportable segments: Titleist golf balls; Titleist golf clubs; Titleist golf gear; and FootJoy golf wear.

Our financial results and operations continue to be impacted by the macroeconomic environment, including the ongoing COVID-19 pandemic. Global supply chain issues and the impact of inflation 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 nine months ended September 30, 2022, resulting in a lower gross margin as compared to the nine months ended September 30, 2021. Inflation, particularly in the form of higher raw material costs combined with higher shipping costs, is expected to remain an issue for the remainder of 2022.

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 generally accepted accounting principles in the United States ("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. 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 we do not allocate these to the reportable segments.

Results of Operations

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

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2022**	**2021**	**2022**	**2021**
Net sales	$ 558,246	$ 521,629	$ 1,822,932	$ 1,727,364
Cost of goods sold	263,251	252,792	867,332	813,362
Gross profit	294,995	268,837	955,600	914,002
Operating expenses:				
Selling, general and administrative	202,418	199,787	637,276	586,411
Research and development	14,619	14,597	42,533	39,947
Intangible amortization	1,948	1,967	5,865	5,909
Income from operations	76,010	52,486	269,926	281,735
Interest expense, net	4,534	1,147	7,902	6,611
Other expense, net	2,355	939	5,828	3,170
Income before income taxes	69,121	50,400	256,196	271,954
Income tax expense	15,797	10,475	52,786	62,882
Net income	53,324	39,925	203,410	209,072
Less: Net income attributable to noncontrolling interests	(1,487)	(661)	(4,074)	(3,765)
Net income attributable to Acushnet Holdings Corp.	$ 51,837	$ 39,264	$ 199,336	$ 205,307
Adjusted EBITDA:				
Net income attributable to Acushnet Holdings Corp.	$ 51,837	$ 39,264	$ 199,336	$ 205,307
Interest expense, net	4,534	1,147	7,902	6,611
Income tax expense	15,797	10,475	52,786	62,882
Depreciation and amortization	10,229	10,178	30,894	30,816
Share-based compensation	5,837	7,012	18,159	20,822
Other extraordinary, unusual or non-recurring items, net	(3,180)	1,517	(155)	3,099
Net income attributable to noncontrolling interests	1,487	661	4,074	3,765
Adjusted EBITDA	$ 86,541	$ 70,254	$ 312,996	$ 333,302
Adjusted EBITDA margin	15.5 %	13.5 %	17.2 %	19.3 %

Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021

Net sales by reportable segment is summarized as follows:

(in millions)	Three months ended September 30, 2022	Three months ended September 30, 2021	Increase/(Decrease) $ change	Increase/(Decrease) % change	Constant Currency Increase/(Decrease) $ change	Constant Currency Increase/(Decrease) % change
Titleist golf balls	$ 181.2	$ 167.2	$ 14.0	8.4 %	$ 22.3	13.3 %
Titleist golf clubs	153.9	135.6	18.3	13.5 %	26.9	19.8 %
Titleist golf gear	59.2	46.6	12.6	27.0 %	16.3	35.0 %
FootJoy golf wear	131.7	137.9	(6.2)	(4.5)%	3.4	2.5 %

Net sales information by region is summarized as follows:

(in millions)	Three months ended September 30, 2022	Three months ended September 30, 2021	Increase/(Decrease) $ change	Increase/(Decrease) % change	Constant Currency Increase/(Decrease) $ change	Constant Currency Increase/(Decrease) % change
United States	$ 327.6	$ 282.6	$ 45.0	15.9 %	$ 45.0	15.9 %
EMEA [1]	70.6	68.9	1.7	2.5 %	12.8	18.6 %
Japan	34.4	47.9	(13.5)	(28.2)%	(4.8)	(10.0)%
Korea	69.9	75.8	(5.9)	(7.8)%	5.0	6.6 %
Rest of world	55.7	46.4	9.3	20.0 %	12.3	26.5 %
Total net sales	$ 558.2	$ 521.6	$ 36.6	7.0 %	$ 70.3	13.5 %

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

Segment operating income by reportable segment is summarized as follows:

(in millions)	Three months ended September 30,		Increase/(Decrease)	
Segment operating income	2022	2021	$ change	% change
Titleist golf balls	$ 38.3	$ 32.0	$ 6.3	19.7 %
Titleist golf clubs	26.9	13.5	13.4	99.3 %
Titleist golf gear	6.4	0.6	5.8	*
FootJoy golf wear	1.9	4.4	(2.5)	(56.8)%

* Percentage change not meaningful

Net Sales

For the three months ended September 30, 2022, net sales increased 7.0%, or 13.5% on a constant currency basis, as compared to the three months ended September 30, 2021. The increase on a constant currency basis was driven primarily by higher sales volumes across all reportable segments.

The increase in net sales in the United States was primarily driven by an increase of $20.5 million in Titleist golf clubs, $17.1 million in Titleist golf balls and $9.7 million in Titleist golf gear. The increase in Titleist golf clubs was driven by higher sales volumes of our newly introduced TSR drivers and fairways, Phantom X putters and SM9 wedges. The increase in Titleist golf balls was primarily driven by increased sales volumes of our premium performance models. The increase in Titleist golf gear was driven by higher sales volumes of headwear and golf gloves and higher average selling prices across all categories. These increases were partially offset by a decrease of $3.7 million in FootJoy golf wear primarily as a result of lower sales volumes in footwear.

Net sales in regions outside the United States decreased 3.5%, or increased 10.6% on a constant currency basis. In EMEA and Rest of world, net sales increased across all reportable segments. In Korea, the increase was primarily due to increases in all reportable segments except FootJoy golf wear. In Japan, net sales decreased primarily due to lower sales volumes in Titleist golf clubs due to lower sales volumes of irons and changes in the launch timing of TSR drivers and fairways in this region.

Gross Profit

Gross profit increased $26.2 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Gross margin increased to 52.8% for the three months ended September 30, 2022 compared to 51.5% for the three months ended September 30, 2021. The increase in gross profit primarily resulted from an increase of $13.8 million in Titleist golf clubs and an increase of $6.1 million in Titleist golf balls primarily due to higher sales volumes and an increase of $6.7 million in Titleist golf gear primarily due to higher sales volumes and average selling prices. These increases were partially offset by higher inbound freight costs, primarily in Titleist golf gear and Titleist golf balls.

The increase in gross margin was primarily due to favorable manufacturing costs in Titleist golf clubs and higher average selling prices in Titleist golf gear.

Selling, General and Administrative Expenses

SG&A expenses increased $2.6 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. This increase was primarily as a result of an increase of $3.0 million in administrative expense due to higher expenses related to information technology-related investments, an increase of $2.6 million in selling expense as a result of higher sales volumes and higher third party distribution expenses in FootJoy golf wear and Titleist golf gear. These increases were partially offset by a decrease of $3.0 million in advertising and promotional expenses. Additionally, SG&A includes an increase of $5.5 million in foreign currency transaction losses, offset in part by an increase in gains on foreign exchange forward contracts of $1.3 million. Overall, SG&A included a favorable impact of changes in foreign currency exchange rates of $9.3 million across all expense categories and reportable segments.

Interest Expense, net

Interest expense, net increased $3.4 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. This increase was primarily due to an increase in interest rates for the three months ended September 30, 2022, as well as costs associated with amending our credit agreement in August 2022.

Other Expense, net

Other expense, net increased $1.5 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021 primarily due to an increase in the non-service cost component of net periodic benefit expense.

Income Tax Expense

Income tax expense increased $5.3 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Our effective tax rate ("ETR") was 22.9% for the three months ended September 30, 2022 compared to 20.8% for the three months ended September 30, 2021. The change in the 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 8.4%, or 13.3% on a constant currency basis, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase was primarily due to increased sales volumes of our premium performance models reflecting improvement in certain raw material availability.

Operating income in our Titleist golf balls segment increased $6.3 million, or 19.7%, compared to the prior year period. The increase in operating income primarily resulted from an increase of $6.1 million in gross profit primarily due to higher sales volumes, partially offset by higher manufacturing costs and higher inbound freight costs.

Titleist Golf Clubs Segment

Net sales in our Titleist golf clubs segment increased 13.5%, or 19.8% on a constant currency basis, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase was largely due to higher sales volumes of our newly introduced TSR drivers and fairways launched in the third quarter of 2022, Phantom X putters launched in the second quarter of 2022 and SM9 wedges launched in the first quarter of 2022. This increase was partially offset by lower sales volumes of second model year irons and hybrids.

Operating income in our Titleist golf clubs segment increased $13.4 million, or 99.3% compared to the prior year period. The increase in operating income primarily resulted from an increase of $13.8 million in gross profit due to higher sales volumes and lower manufacturing costs.

Titleist Golf Gear Segment

Net sales in our Titleist golf gear segment increased 27.0%, or 35.0% on a constant currency basis, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase was driven by higher sales volumes in headwear, golf bag and golf glove product categories and higher average selling prices across all product categories.

Operating income in our Titleist golf gear segment increased $5.8 million compared to the prior year period. The increase in operating income primarily resulted from an increase of $6.7 million in gross profit due to higher sales volumes in headwear, golf bags and golf glove product categories and higher average selling prices across all product categories, partially offset by higher inbound freight costs.

FootJoy Golf Wear Segment

Net sales in our FootJoy golf wear segment decreased 4.5%, or increased 2.5% on a constant currency basis, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase in constant currency was primarily due to higher sales volumes in the apparel product category, partially offset by decreases in footwear.

Operating income in our FootJoy golf wear segment decreased $2.5 million, or 56.8% compared to the prior year period. The decrease in operating income primarily resulted from higher operating expenses as a result of an increase in third party distribution expenses.

Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021

Net sales by reportable segment is summarized as follows:

(in millions)	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Increase/(Decrease) $ change	Increase/(Decrease) % change	Constant Currency Increase/(Decrease) $ change	Constant Currency Increase/(Decrease) % change
Titleist golf balls	$ 546.4	$ 543.1	$ 3.3	0.6 %	$ 22.8	4.2 %
Titleist golf clubs	478.9	444.3	34.6	7.8 %	55.3	12.4 %
Titleist golf gear	172.5	164.7	7.8	4.7 %	16.8	10.2 %
FootJoy golf wear	507.1	462.0	45.1	9.8 %	70.9	15.3 %

Net sales information by region is summarized as follows:

(in millions)	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Increase/(Decrease) $ change	Increase/(Decrease) % change	Constant Currency Increase/(Decrease) $ change	Constant Currency Increase/(Decrease) % change
United States	$ 974.2	$ 906.6	$ 67.6	7.5 %	$ 67.6	7.5 %
EMEA	274.8	246.9	27.9	11.3 %	56.2	22.8 %
Japan	118.6	149.9	(31.3)	(20.9)%	(11.9)	(7.9)%
Korea	254.1	251.8	2.3	0.9 %	31.9	12.7 %
Rest of world	201.2	172.2	29.0	16.8 %	36.8	21.4 %
Total net sales	$ 1,822.9	$ 1,727.4	$ 95.5	5.5 %	$ 180.6	10.5 %

Segment operating income by reportable segment is summarized as follows:

(in millions)	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Increase/(Decrease) $ change	Increase/(Decrease) % change
Segment operating income				
Titleist golf balls	$ 100.9	$ 106.8	$ (5.9)	(5.5)%
Titleist golf clubs	88.2	84.7	3.5	4.1 %
Titleist golf gear	20.3	22.7	(2.4)	(10.6)%
FootJoy golf wear	45.3	53.6	(8.3)	(15.5)%

Net Sales

For the nine months ended September 30, 2022, net sales increased 5.5%, or 10.5% on a constant currency basis, compared to the nine months ended September 30, 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 an increase of $33.7 million in Titleist golf clubs, an increase of $11.9 million in FootJoy golf wear, an increase of $9.2 million in Titleist golf balls and an increase of $7.8 million in Titleist golf gear. The increase in Titleist golf clubs was primarily driven by higher sales volumes of SM9 wedges, T-Series irons and Phantom X putters. The increase in FootJoy golf wear was primarily driven by higher average selling prices across all product categories except apparel. The increase in Titleist golf balls was primarily due to higher average selling prices. The increase in Titleist golf gear was primarily driven by higher average selling prices across all product categories.

Net sales in regions outside the United States increased 3.4%, or 13.8% on a constant currency basis. In EMEA, net sales increased across all reportable segments, primarily due to the adverse impact of government-ordered shutdowns in this region in the first quarter of 2021. In Korea and Rest of world, net sales increased across all reportable segments. In Japan, net sales decreased primarily due to lower sales volumes in Titleist golf clubs due to changes in the launch timing of TSR drivers and fairways in this region.

Gross Profit

Gross profit increased $41.6 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. Gross margin decreased to 52.4% for the nine months ended September 30, 2022 compared to 52.9% for the nine months ended September 30, 2021. The increase in gross profit primarily resulted from an increase of $16.4 million in Titleist golf clubs and an increase of $15.6 million in FootJoy golf wear, both primarily due to sales volume increases. These increases were partially offset by increased inbound freight costs 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

SG&A expenses increased $50.9 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This increase was primarily due to an increase of $28.7 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 $16.3 million in administrative expense primarily due to higher expenses related to information technology-related investments. Additionally, SG&A includes an increase of $13.1 million in foreign currency transaction losses, offset in part by an increase in gains on foreign exchange forward contracts of $4.9 million. Overall, SG&A included a favorable impact of changes in foreign currency exchange rates of $21.5 million across all expense categories and reportable segments.

Research and Development

R&D expenses increased $2.6 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 and was primarily related to an increase in employee-related costs.

Interest Expense, net

Interest expense, net increased $1.3 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This increase was primarily due to an increase in interest rates for the nine months ended September 30, 2022, as well as costs associated with amending our credit agreement in August 2022 offset, in part, by a decrease in losses from interest rate swaps.

Other Expense, net

Other expense, net increased $2.6 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to changes in the fair value of Rabbi trust assets, as well as an increase in the non-service cost component of net periodic benefit expense.

Income Tax Expense

Income tax expense decreased $10.1 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. Our ETR was 20.6% for the nine months ended September 30, 2022 compared to 23.1% for the nine months ended September 30, 2021. The decrease in the 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 0.6%, or 4.2% on a constant currency basis, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase was primarily driven by higher average selling prices.

Operating income in our Titleist golf balls segment decreased $5.9 million, or 5.5% compared to the prior year period. The decrease in operating income resulted from higher operating expenses of $7.1 million, partially offset by higher gross profit of $1.3 million. The increase in gross profit was primarily driven by higher sales volumes, partially offset by higher manufacturing costs and higher inbound freight costs. Operating expenses increased primarily as a result of increases of $4.6 million and $2.2 million in administrative and selling expenses, respectively.

Titleist Golf Clubs Segment

Net sales in our Titleist golf clubs segment increased 7.8%, or 12.4% on a constant currency basis, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase was largely due to higher sales volumes of our SM9 wedges launched in the first quarter of 2022, T-Series irons launched in the third quarter of 2021 and Phantom X putters launched in the second quarter of 2022. This increase was partially offset by lower sales volumes of second model year drivers, fairways and hybrids.

Operating income in our Titleist golf clubs segment increased $3.5 million, or 4.1% compared to the prior year period. The increase in operating income resulted from higher gross profit of $16.4 million, partially offset by higher operating expenses of $12.8 million. The increase in gross profit was primarily due to higher sales volumes, partially offset by increased inbound freight and component costs. Higher operating expenses were primarily as a result of an increase of $6.1 million in selling expense primarily due to higher distribution expenses and an increase of $4.8 million in administrative expenses.

Titleist Golf Gear Segment

Net sales in our Titleist golf gear segment increased 4.7%, or 10.2% on a constant currency basis, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase was primarily due to higher average selling prices across all product categories, partially offset by a sales volume decrease in golf bags due to supply chain and fulfillment constraints.

Operating income in our Titleist golf gear segment decreased $2.4 million, or 10.6% compared to the prior year period. The decrease in operating income resulted from higher operating expenses of $4.9 million, partially offset by higher gross profit of $2.5 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 9.8%, or 15.3% on a constant currency basis, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase was primarily due to increased sales volumes across all product categories and higher average selling prices in footwear.

Operating income in our FootJoy golf wear segment decreased $8.3 million, or 15.5% compared to the prior year period. The decrease in operating income resulted from higher operating expenses of $23.9 million, partially offset by higher gross profit of $15.6 million. Gross profit increased primarily as a result of sales volume increases and higher average selling prices, partially offset by increased inbound freight costs. Operating expenses increased primarily as a result of an increase of $17.2 million in selling expense due to higher sales volumes, higher third party distribution expenses and higher retail commission expense in Korea, as well as an increase of $4.5 million in administrative expense.

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. 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 September 30, 2022, we had $106.8 million of unrestricted cash and cash equivalents (including $19.9 million attributable to our FootJoy golf shoe variable interest entity). As of September 30, 2022, 83.3% 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, including liquidity needs related to debt service requirements.

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 our Annual Report on Form 10-K for the year ended December 31, 2021.

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 September 30, 2022, we had $537.3 million of availability under our revolving credit facility after giving effect to $7.1 million of outstanding letters of credit. Additionally, we had $32.1 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 September 30, 2022, we were in compliance with all covenants under our credit agreement.

See “Notes to Unaudited Condensed Consolidated Financial Statements – Note 5 – Debt and Financing Arrangements,” Item 1 of Part I included elsewhere in this report and “Notes to Consolidated Financial Statements-Note-10-Debt and Financing Arrangements” in our Annual Report on Form 10-K for the year ended December 31, 2021 for a description of our credit facilities and related credit agreements. Additionally, see "Risk Factors - Risks Related to Our Indebtedness" as described in our Annual Report on Form 10-K for the year ended December 31, 2021 for further discussion surrounding the risks and uncertainties related to our credit facilities.

Dividends and Share Repurchase Program

During the nine months ended September 30, 2022, we paid dividends on our common stock of $39.7 million to our shareholders. During the fourth quarter of 2022, our Board of Directors declared a dividend of $0.18 per share of common stock to shareholders of record as of December 2, 2022 and payable on December 16, 2022.

As of September 30, 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 the nine months ended September 30, 2022, we repurchased 2,983,392 shares of common stock at an average price of $46.84 for an aggregate of $139.8 million. Included in this amount were 699,819 shares of common stock repurchased from Magnus Holdings Co., Ltd. (“Magnus”), a wholly-owned subsidiary of Fila Holdings Corp., for an aggregate of $37.5 million on January 24, 2022, 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 $41.6 million to repurchase an additional 869,368 shares of common stock from Magnus as of September 30, 2022.

As of September 30, 2022, we had $208.4 million remaining under the current share repurchase authorization, including $100.0 million related to the Amended and Restated 2022 Agreement. See “Notes to Unaudited Condensed

Consolidated Financial Statements-Note-10-Common Stock," Item 1 of Part I included elsewhere in this report for a description of our share repurchase program and Magnus share repurchase agreements.

Capital Expenditures

We made $33.6 million of capital expenditures during the nine months ended September 30, 2022. Capital expenditures for the full year are expected to be approximately $50 million to $55 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:

	Nine months ended September 30,	
(in thousands)	2022	2021
Cash flows from:		
Operating activities	$ (59,042)	$ 280,091
Investing activities	(29,096)	(19,210)
Financing activities	(74,619)	(87,812)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(10,463)	(4,015)
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (173,220)	$ 169,054

Cash Flows from Operating Activities

The change in cash flows from operating activities was primarily 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.

Cash Flows from Investing Activities

The increase in cash used in investing activities was primarily driven by changes in capital expenditures.

Cash Flows from Financing Activities

The decrease in cash used in financing activities was primarily due to an increase in proceeds from borrowings offset in part by an increase in purchases of our common stock.

Off-Balance Sheet Arrangements

As of September 30, 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

There have been no material changes to our critical accounting estimates from the information provided in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Recently Issued Accounting Standards

We have reviewed all recently issued accounting standards and have determined that, other than as disclosed in "Notes to Unaudited Condensed Consolidated Financial Statements-Note-1-Summary of Significant Accounting Policies," Item 1 of Part I included elsewhere in this report, such accounting standards will not have a significant impact on our consolidated financial statements or otherwise do not apply to our operations.

ITEM 3. 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 Unaudited Condensed Consolidated Financial Statements-Note-5- Debt and Financing Arrangements," Item1 of Part I, 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.

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 September 30, 2022, we had $433.1 million of outstanding indebtedness at variable interest rates (excluding unamortized debt issuance costs). 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 September 30, 2022 would have resulted in an increase of $4.3 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 September 30, 2022 was $220.8 million, representing a net settlement asset of $18.2 million. The sensitivity analysis of changes in the fair value of our foreign exchange forward contracts outstanding as of September 30, 2022, while not predictive in nature, indicated that the net settlement asset of $18.2 million would decrease by $13.3 million resulting in a net settlement asset of $4.9 million, if the U.S. dollar uniformly weakened by 10% against all currencies covered by our contracts.

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 three and nine months ended September 30, 2022, the impact of inflation resulted in increased raw material and other input costs as compared to the three and nine months ended September 30, 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 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the fiscal quarter ended September 30, 2022. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting. There were no changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. 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 1A. Risk Factors

You should carefully consider each of the risk factors included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, as well as the other information set forth in this report. There have been no material changes to the risk factors as described in our Annual Report on Form 10-K for the year ended December 31, 2021.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information relating to the Company's purchase of common stock for the third 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)*
July 1, 2022 - July 31, 2022	241,962	$ 45.51	241,962	$ 238,987
August 1, 2022 - August 31, 2022	277,000	50.28	277,000	225,059
September 1, 2022 - September 30, 2022	350,406	47.48	350,406	208,423
Total	869,368	$ 47.82	869,368	$ 208,423

(1) 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 as of September 30, 2022 up to $450.0 million.

(2) On August 30, 2022, we amended and restated our existing agreement with Magnus Holdings Co., Ltd. ("Magnus"), a wholly-owned subsidiary of Fila Holdings Corp., 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. In relation to this agreement, we recorded a liability of $41.6 million to repurchase an additional 869,368 shares of common stock from Magnus as of September 30, 2022. See "Notes to Unaudited Condensed Consolidated Financial Statements-Note-10-Common Stock," Item 1 of Part I included elsewhere in this report for a description of our share repurchase program and Magnus share repurchase agreements.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

None.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

Exhibit No.	Description
10.1	Amended and Restated Stock Repurchase Agreement, dated August 30, 2022, by and between Acushnet Holdings Corp. and Magnus Holdings Co., Ltd. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on September 2, 2022 (No. 001-37935)).
31.1	Certification of Periodic Report by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Periodic Report by Chief Financial Officer under 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 (furnished 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 (furnished 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	Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACUSHNET HOLDINGS CORP.

Dated: November 3, 2022

By: /s/ David Maher
David Maher
President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 3, 2022

By: /s/ Thomas Pacheco
Thomas Pacheco
Executive Vice President, Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, David Maher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Acushnet Holdings Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ DAVID MAHER

Name: David Maher

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Thomas Pacheco, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Acushnet Holdings Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ THOMAS PACHECO

Name: Thomas Pacheco

Executive Vice President, Chief Financial Officer and Chief Accounting Officer

Exhibit 32.1

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

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

(1) the Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Acushnet Holdings Corp.

Date: November 3, 2022

/s/ DAVID MAHER

Name: David Maher

President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

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

(1) the Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Acushnet Holdings Corp.

Date: November 3, 2022

/s/ THOMAS PACHECO

Name: Thomas Pacheco

Executive Vice President, Chief Financial Officer and Chief Accounting Officer