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 June 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 001-37935

Acushnet Holdings Corp.

(Exact name of registrant as specified in its charter)

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

(800) 225-8500

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock - $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 61,813,629 shares of common stock outstanding as of July 31, 2024.

ACUSHNET HOLDINGS CORP.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2024
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In this Quarterly Report on Form 10-Q, the terms “Acushnet,” “we,” “us,” “our” and the “Company” refer to Acushnet Holdings Corp. and its consolidated subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This 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. 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:

- 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;
- 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;
- 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;
- the execution of our share repurchase program 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 pursue. 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 or intended to be incorporated by reference in any other report or document we file with the SEC.

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)	**June 30, 2024**	**December 31, 2023**
Assets		
Current assets		
Cash, cash equivalents and restricted cash ($13,013 and $12,532 attributable to the variable interest entity ("VIE"))	$ 80,286	$ 65,435
Accounts receivable, net	411,565	201,352
Inventories ($3,714 and $9,621 attributable to the VIE)	482,605	615,535
Prepaid and other assets	119,068	114,370
Total current assets	1,093,524	996,692
Property, plant and equipment, net ($8,508 and $9,044 attributable to the VIE)	299,740	295,343
Goodwill ($32,312 and $32,312 attributable to the VIE)	221,836	225,302
Intangible assets, net	530,187	537,407
Deferred income taxes	24,587	31,454
Other assets ($1,924 and $1,972 attributable to the VIE)	104,284	110,479
Total assets	$ 2,274,158	$ 2,196,677
Liabilities, Redeemable Noncontrolling Interests and Shareholders' Equity		
Current liabilities		
Short-term debt	$ 23,146	$ 28,997
Current portion of long-term debt	713	351
Accounts payable ($2,837 and $6,059 attributable to the VIE)	156,971	150,514
Accrued taxes	45,248	46,398
Accrued compensation and benefits ($480 and $1,233 attributable to the VIE)	87,513	111,136
Accrued expenses and other liabilities ($3,772 and $1,687 attributable to the VIE)	165,596	113,739
Total current liabilities	479,187	451,135
Long-term debt	728,129	671,819
Deferred income taxes	7,323	7,080
Accrued pension and other postretirement benefits	70,983	69,634
Other noncurrent liabilities	79,612	84,137
Total liabilities	1,365,234	1,283,805
Commitments and contingencies (Note 15)		
Redeemable noncontrolling interests	10,215	9,785
Shareholders' equity		
Common stock, $0.001 par value, 500,000,000 shares authorized; 62,728,903 and 63,429,243 shares issued	63	63
Additional paid-in capital	792,559	808,615
Accumulated other comprehensive loss, net of tax	(123,038)	(104,349)
Retained earnings	231,608	159,906
Treasury stock, at cost; (587,520 of accrued share repurchases) (Note 10)	(37,499)	—
Total equity attributable to Acushnet Holdings Corp.	863,693	864,235
Noncontrolling interests	35,016	38,852
Total shareholders' equity	898,709	903,087
Total liabilities, redeemable noncontrolling interests and shareholders' equity	$ 2,274,158	$ 2,196,677

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

ACUSHNET HOLDINGS CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except share and per share amounts)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Net sales	$ 683,867	$ 689,363	$ 1,391,421	$ 1,375,653
Cost of goods sold	312,113	320,840	641,728	641,458
Gross profit	371,754	368,523	749,693	734,195
Operating expenses:				
Selling, general and administrative	246,084	242,015	482,676	464,554
Research and development	16,140	16,507	32,593	31,047
Intangible amortization	3,507	3,511	7,020	7,200
Income from operations	106,023	106,490	227,404	231,394
Interest expense, net	14,104	10,949	27,180	20,845
Other expense, net	543	428	882	1,092
Income before income taxes	91,376	95,113	199,342	209,457
Income tax expense	21,212	20,749	44,619	41,474
Net income	70,164	74,364	154,723	167,983
Less: Net loss (income) attributable to noncontrolling interests	1,264	291	4,467	(53)
Net income attributable to Acushnet Holdings Corp.	$ 71,428	$ 74,655	$ 159,190	$ 167,930
Net income per common share attributable to Acushnet Holdings Corp.:				
Basic	$ 1.12	$ 1.09	$ 2.48	$ 2.46
Diluted	1.11	1.09	2.47	2.45
Weighted average number of common shares:				
Basic	63,935,451	68,341,608	64,278,286	68,277,693
Diluted	64,160,688	68,649,044	64,524,931	68,647,983

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

ACUSHNET HOLDINGS CORP.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Net income	$ 70,164	$ 74,364	$ 154,723	$ 167,983
Other comprehensive loss:				
Foreign currency translation adjustments	(6,989)	(2,493)	(19,060)	(1,928)
Cash flow derivative instruments:				
Unrealized holding gains arising during period	2,185	5,063	6,106	4,230
Reclassification adjustments included in net income	(2,922)	(1,270)	(5,920)	(6,481)
Tax benefit (expense)	314	(1,246)	111	538
Cash flow derivative instruments, net	(423)	2,547	297	(1,713)
Pension and other postretirement benefits:				
Pension and other postretirement benefits adjustments	(163)	(698)	(253)	(1,104)
Tax benefit	41	158	61	248
Pension and other postretirement benefits adjustments, net	(122)	(540)	(192)	(856)
Total other comprehensive loss	(7,534)	(486)	(18,955)	(4,497)
Comprehensive income	62,630	73,878	135,768	163,486
Less: Comprehensive loss (income) attributable to noncontrolling interests	1,239	175	4,733	(233)
Comprehensive income attributable to Acushnet Holdings Corp.	$ 63,869	$ 74,053	$ 140,501	$ 163,253

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

ACUSHNET HOLDINGS CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six months ended June 30,	
(in thousands)	2024	2023
Cash flows from operating activities		
Net income	$ 154,723	$ 167,983
Adjustments to reconcile net income to cash flows provided by operating activities		
Depreciation and amortization	27,751	25,374
Unrealized foreign exchange gain	(86)	(3,341)
Amortization of debt issuance costs	866	337
Share-based compensation	14,967	16,064
Loss (gain) on disposals of property, plant and equipment	766	(15)
Deferred income taxes	6,735	23,302
Changes in operating assets and liabilities		
Accounts receivable	(217,868)	(180,770)
Inventories	120,197	110,388
Accounts payable	3,570	(34,223)
Accrued taxes	1,300	23,572
Other assets and liabilities	(10,804)	(29,054)
Cash flows provided by operating activities	102,117	119,617
Cash flows from investing activities		
Additions to property, plant and equipment	(22,110)	(27,228)
Additions to intangible assets (Note 17)	—	(25,235)
Other, net	—	(887)
Cash flows used in investing activities	(22,110)	(53,350)
Cash flows from financing activities		
Repayments of short-term borrowings, net (Note 5)	—	(4,879)
Proceeds from credit facilities (Note 5)	692,681	779,920
Repayments of credit facilities (Note 5)	(638,797)	(661,605)
Purchases of common stock	(72,250)	(138,021)
Dividends paid on common stock	(28,076)	(27,413)
Payment of employee restricted stock tax withholdings	(16,577)	(11,461)
Other, net	—	1,078
Cash flows used in financing activities	(63,019)	(62,381)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(2,137)	(249)
Net increase in cash, cash equivalents and restricted cash	14,851	3,637
Cash, cash equivalents and restricted cash, beginning of year	65,435	58,904
Cash, cash equivalents and restricted cash, end of period	$ 80,286	$ 62,541
Supplemental non-cash information		
Purchases of property, plant and equipment, accrued not paid	$ 6,859	$ 3,771
Additions to right-of-use assets obtained in exchange for operating lease obligations	5,366	49,574
Additions to right-of-use assets obtained in exchange for finance lease obligations	434	607
Dividend equivalents rights ("DERs") declared not paid	944	1,008
Share repurchase liability (Note 10)	37,499	14,846

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 Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss, Net of Tax	Retained Earnings	Treasury Stock	Total Shareholders' Equity Attributable to Acushnet Holdings Corp.	Noncontrolling Interests	Total Shareholders' Equity
Balances as of March 31, 2023	76,769	$ 77	$ 956,834	$ (113,679)	$ 552,596	$ (408,706)	$ 987,122	$ 38,026	$ 1,025,148
Net income (loss)	—	—	—	—	74,655	—	74,655	(28)	74,627
Other comprehensive loss	—	—	—	(666)	—	—	(666)	—	(666)
Share-based compensation	—	—	8,617	—	—	—	8,617	—	8,617
Vesting of restricted common stock, including impact of DERs, net of shares withheld for employee taxes (Note 11)	13	—	(5)	—	—	—	(5)	—	(5)
Purchases of common stock (Note 10)	—	—	—	—	—	(23,991)	(23,991)	—	(23,991)
Share repurchase liability (Note 10)	—	—	—	—	—	(14,846)	(14,846)	—	(14,846)
Dividends and dividend equivalents declared	—	—	—	—	(13,667)	—	(13,667)	—	(13,667)
Balances as of June 30, 2023	76,782	$ 77	$ 965,446	$ (114,345)	$ 613,584	$ (447,543)	$ 1,017,219	$ 37,998	$ 1,055,217
Balances as of March 31, 2024	63,288	$ 63	$ 794,071	$ (115,479)	$ 205,081	$ —	$ 883,736	$ 35,703	$ 919,439
Net income (loss)	—	—	—	—	71,428	—	71,428	(687)	70,741
Other comprehensive loss	—	—	—	(7,559)	—	—	(7,559)	—	(7,559)
Share-based compensation	—	—	7,379	—	—	—	7,379	—	7,379
Vesting of restricted common stock, including impact of DERs, net of shares withheld for employee taxes (Note 11)	29	—	(1,420)	—	—	—	(1,420)	—	(1,420)
Purchases of common stock (Note 10)	(588)	—	(7,471)	—	(30,028)	—	(37,499)	—	(37,499)
Share repurchase liability (Note 10)	—	—	—	—	—	(37,499)	(37,499)	—	(37,499)
Dividends and dividend equivalents declared	—	—	—	—	(13,873)	—	(13,873)	—	(13,873)
Redemption value adjustment (Note 1)	—	—	—	—	(1,000)	—	(1,000)	—	(1,000)
Balances as of June 30, 2024	62,729	$ 63	$ 792,559	$ (123,038)	$ 231,608	$ (37,499)	$ 863,693	$ 35,016	$ 898,709

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 Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss, Net of Tax	Retained Earnings	Treasury Stock	Total Shareholders' Equity Attributable to Acushnet Holdings Corp.	Noncontrolling Interests	Total Shareholders' Equity
Balances as of December 31, 2022	76,322	$ 76	$ 960,685	$ (109,668)	$ 473,130	$ (385,167)	$ 939,056	$ 37,647	$ 976,703
Sale of equity to noncontrolling interests (Note 1)	—	—	444	—	(180)	—	264	—	264
Net income	—	—	—	—	167,930	—	167,930	351	168,281
Other comprehensive loss	—	—	—	(4,677)	—	—	(4,677)	—	(4,677)
Share-based compensation	—	—	15,736	—	—	—	15,736	—	15,736
Vesting of restricted common stock, including impact of DERs, net of shares withheld for employee taxes (Note 11)	460	1	(11,419)	—	—	—	(11,418)	—	(11,418)
Purchases of common stock (Note 10)	—	—	—	—	—	(47,530)	(47,530)	—	(47,530)
Share repurchase liability (Note 10)	—	—	—	—	—	(14,846)	(14,846)	—	(14,846)
Dividends and dividend equivalents declared	—	—	—	—	(27,296)	—	(27,296)	—	(27,296)
Balances as of June 30, 2023	76,782	$ 77	$ 965,446	$ (114,345)	$ 613,584	$ (447,543)	$ 1,017,219	$ 37,998	$ 1,055,217
Balances as of December 31, 2023	63,429	$ 63	$ 808,615	$ (104,349)	$ 159,906	$ —	$ 864,235	$ 38,852	$ 903,087
Net income (loss)	—	—	—	—	159,190	—	159,190	(3,836)	155,354
Other comprehensive loss	—	—	—	(18,689)	—	—	(18,689)	—	(18,689)
Share-based compensation	—	—	14,639	—	—	—	14,639	—	14,639
Vesting of restricted common stock, including impact of DERs, net of shares withheld for employee taxes (Note 11)	435	—	(16,354)	—	—	—	(16,354)	—	(16,354)
Purchases of common stock (Note 10)	(1,135)	—	(14,341)	—	(58,460)	—	(72,801)	—	(72,801)
Share repurchase liability (Note 10)	—	—	—	—	—	(37,499)	(37,499)	—	(37,499)
Dividends and dividend equivalents declared	—	—	—	—	(28,028)	—	(28,028)	—	(28,028)
Redemption value adjustment (Note 1)	—	—	—	—	(1,000)	—	(1,000)	—	(1,000)
Balances as of June 30, 2024	62,729	$ 63	$ 792,559	$ (123,038)	$ 231,608	$ (37,499)	$ 863,693	$ 35,016	$ 898,709

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 six months ended June 30, 2024 are not necessarily indicative of results to be expected for the full year ending December 31, 2024, nor were those of the comparable 2023 periods representative of those actually experienced for the full year ended December 31, 2023. 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, 2023 included in its Annual Report on Form 10-K filed with the SEC on February 29, 2024.

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.

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 ("Lionscore"), 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 June 30, 2024 and December 31, 2023. In addition, pursuant to the terms of the agreement governing the VIE, the Company is not required to provide financial support to the VIE.

Noncontrolling Interests and Redeemable Noncontrolling Interests

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

Redeemable noncontrolling interests are those noncontrolling interests which are or may become redeemable at a fixed or determinable price on a fixed or determinable date, at the option of the holder, or upon occurrence of an event. The Company initially records the redeemable noncontrolling interest at its acquisition date fair value. The carrying amount of the redeemable noncontrolling interest is subsequently adjusted to the greater amount of either the initial carrying amount, increased or decreased for the redeemable noncontrolling interest's share of comprehensive income (loss) or the redemption value, assuming the noncontrolling interest is redeemable at the balance sheet date. This adjustment is recognized through retained earnings and is not reflected in net income (loss) or comprehensive income (loss). During the three and six months ended June 30, 2024, the Company recorded a $1.0 million redemption value adjustment to increase the carrying amount of redeemable noncontrolling interests. The value attributable to redeemable noncontrolling interests and any related loans to minority shareholders, which are recorded as a reduction to redeemable noncontrolling interests, are presented in the 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 June 30, 2024 and December 31, 2023.

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 June 30, 2024 and December 31, 2023, the amount of restricted cash included in cash, cash equivalents and restricted cash on the unaudited condensed consolidated balance sheets was $1.6 million and $1.7 million, respectively.

Foreign Currency Transactions

Foreign currency transaction losses included in selling, general and administrative expenses were $ 0.9 million and $1.2 million for the three months ended June 30, 2024 and 2023, respectively. Foreign currency transaction losses included in selling, general and administrative expenses were $1.0 million and $2.5 million for the six months ended June 30, 2024 and 2023, respectively.

Recently Issued Accounting Standards

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *"Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures."* The amendments in this update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact this standard will have on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *"Income Taxes (Topic 740) - Improvements to Income Tax Disclosures."* The amendments in this update provide more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact this standard will have on its consolidated financial statements and related disclosures.

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

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

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2024	2023	2024	2023
Balance at beginning of period	$ 8,863	$ 8,508	$ 8,840	$ 8,258
Bad debt expense	339	543	651	797
Amount of receivables written off	(49)	(50)	(245)	(102)
Foreign currency translation	(30)	7	(123)	55
Balance at end of period	$ 9,123	$ 9,008	$ 9,123	$ 9,008

3. Inventories

The components of inventories were as follows:

	June 30,	December 31,
(in thousands)	2024	2023
Raw materials and supplies	$ 142,481	$ 157,455
Work-in-process	27,368	24,949
Finished goods	312,756	433,131
Inventories	$ 482,605	$ 615,535

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 June 30,		Six months ended June 30,	
(in thousands)	2024	2023	2024	2023
Balance at beginning of period	$ 5,182	$ 4,386	$ 4,997	$ 3,951
Provision	2,261	2,070	3,798	3,745
Claims paid/costs incurred	(1,901)	(1,423)	(3,197)	(2,652)
Foreign currency translation	(31)	16	(87)	5
Balance at end of period	$ 5,511	$ 5,049	$ 5,511	$ 5,049

5. Debt and Financing Arrangements

Credit Facility

The Company's credit agreement, dated as of December 23, 2019 (as subsequently amended on July 3, 2020 and August 2, 2022 (the "Credit Agreement")), provides for a $950.0 million multi-currency revolving credit facility, due to mature on August 2, 2027. On May 2, 2024, the Company entered into a third amendment (the “Third Amendment”) to its Credit Agreement (as so amended, the “Amended Credit Agreement”). On June 28, 2024, the Canadian Dollar Offered Rate (“CDOR”) ceased to be published (the “CORRA Transition Date”). Pursuant to the Third Amendment, for loans denominated in Canadian dollars borrowed or continued after the CORRA Transition Date, the Adjusted CDOR (as defined in the Credit Agreement) is replaced by adjusted term CORRA (the Canadian Overnight Repo Rate Average administered by Bank of Canada) plus a credit spread adjustment of 0.29547% (for a one-month Interest Period) or 0.32138% (for a three-month Interest Period) (“Adjusted Term CORRA”). The applicable margin for Adjusted Term CORRA loans remains 1.00% to 1.75%, depending on the Net Average Total Leverage Ratio (as defined in the Amended Credit Agreement).

The 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 Amended 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 June 30, 2024, the Company was in compliance with all covenants under its Amended Credit Agreement.

As of June 30, 2024 and December 31, 2023, there were $ 379.7 million and $325.2 million, respectively, in outstanding borrowings under the Company's multi-currency revolving credit facility with a weighted average interest rate of 6.49% and 6.57%, respectively. As of June 30, 2024, the Company had available borrowings under its multi-currency revolving credit facility of $565.8 million after giving effect to $ 4.5 million of outstanding letters of credit.

Senior Unsecured Notes

On October 3, 2023, Acushnet Company (the "Issuer"), a wholly owned subsidiary of the Company, completed the issuance and sale of $350.0 million in gross proceeds of the Issuer's 7.375% senior unsecured notes due 2028 (the “Notes”). The Notes were issued pursuant to an Indenture, dated October 3, 2023 (the “Indenture”), among the Issuer, U.S. Bank Trust Company, National Association, as trustee of the Notes, and the Company and certain subsidiaries of the Issuer as guarantors. The proceeds from the Notes offering were used to repay $345.6 million of the outstanding borrowings under the Company's multi-currency revolving credit facility, as well as to pay fees and expenses related to the Notes offering. In connection with the Notes offering, the Company incurred fees and expenses of approximately $6.4 million, of which approximately $6.3 million was capitalized as debt issuance costs within long-term debt on the unaudited condensed consolidated balance sheet and is being amortized to interest expense, net over the term of the Notes using the effective interest rate method. The fair value of the Notes, based on third-party quotes (Level 2), as of June 30, 2024 and December 31, 2023 was $362.7 million and $365.1 million, respectively.

The Notes bear interest at a stated interest rate of 7.375% (an effective interest rate of 7.813%) per year, with interest payable semi-annually on April 15 and October 15 of each year, beginning on April 15, 2024. Accrued interest related to the Notes of $5.6 million and $6.5 million was included within accrued expenses and other liabilities on the unaudited condensed consolidated balance sheets as of June 30, 2024 and December 31, 2023, respectively.

The Indenture contains covenants that, among other things, limit the ability of the Company and its restricted subsidiaries to incur additional debt or issue certain preferred stock; pay dividends or repurchase or redeem capital stock; prepay, redeem or repurchase certain debt; make loans and investments; sell assets; incur liens; enter into certain types of transactions with the Company’s affiliates; and consolidate or merge with or into other companies. As of June 30, 2024, the Company was in compliance with all covenants under the Indenture.

Other Short-Term Borrowings

The Company has certain unsecured local credit facilities available through its subsidiaries. Amounts outstanding under other short-term borrowings are presented in short-term debt in the unaudited condensed consolidated balance sheets with the proceeds and repayments presented on a gross basis in the unaudited condensed consolidated statements of cash flows. There were $23.1 million and $29.0 million in outstanding borrowings under the Company's local credit facilities as of June 30, 2024 and December 31, 2023, respectively. The weighted average interest rate applicable to the outstanding borrowings was 0.34% and 0.45% as of June 30, 2024 and December 31, 2023, respectively. As of June 30, 2024, the Company had available borrowings remaining under these local credit facilities of $34.6 million.

Letters of Credit

As of June 30, 2024 and December 31, 2023, there were outstanding letters of credit related to agreements, including the Credit Agreement, totaling $7.4 million and $11.3 million, respectively, of which $4.5 million and $8.1 million, respectively, was secured. These agreements provided a maximum commitment for letters of credit of $57.9 million as of June 30, 2024.

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 June 30, 2024 and December 31, 2023 was $209.7 million and $209.6 million, respectively.

Interest Rate Derivative Instruments

From time to time, 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. The notional value of the Company's outstanding interest rate swap contracts was $100.0 million as of June 30, 2024 and December 31, 2023.

Impact on Financial Statements

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

(in thousands)		**June 30,**	**December 31,**
Balance Sheet Location	**Hedge Instrument Type**	**2024**	**2023**
Prepaid and other assets	Foreign exchange forward	$ 4,578	$ 4,378
	Interest rate swap	553	452
Accrued expenses and other liabilities	Foreign exchange forward	1,093	1,931
	Interest rate swap	—	63
Other noncurrent liabilities	Interest rate swap	—	88

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

(in thousands)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Type of hedge				
Foreign exchange forward	$ 1,995	$ 3,538	$ 5,337	$ 3,061
Interest rate swap	190	1,525	769	1,169
Total	$ 2,185	$ 5,063	$ 6,106	$ 4,230

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 $6.4 million related to foreign exchange derivative instruments from accumulated other comprehensive loss, net of tax, into cost of goods sold and a net gain of $0.6 million related to interest rate derivative instruments from accumulated other comprehensive loss, net of tax, into interest expense, net. For further information related to amounts recognized in accumulated other comprehensive loss, net of tax, see Note 12.

The hedge instrument gains recognized on the unaudited condensed consolidated statements of operations were as follows:

(in thousands)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Location of gains in statements of operations				
Foreign exchange forward:				
Cost of goods sold	$ 2,665	$ 1,097	$ 5,403	$ 6,293
Selling, general and administrative [(1)]	658	147	1,381	357
Total	$ 3,323	$ 1,244	$ 6,784	$ 6,650
Interest Rate Swap:				
Interest expense, net	$ 257	$ 173	$ 517	$ 188
Total	$ 257	$ 173	$ 517	$ 188

(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 June 30, 2024 were as follows:

	Fair Value Measurements as of June 30, 2024 using:			
(in thousands)	Level 1	Level 2	Level 3	Balance Sheet Location
Assets				
Rabbi trust	$ 4,663	$ —	$ —	Prepaid and other assets
Foreign exchange derivative instruments	—	4,578	—	Prepaid and other assets
Interest rate derivative instruments	—	553	—	Prepaid and other assets
Deferred compensation program assets	803	—	—	Other assets
Total assets	$ 5,466	$ 5,131	$ —	
Liabilities				
Foreign exchange derivative instruments	$ —	$ 1,093	$ —	Accrued expenses and other liabilities
Deferred compensation program liabilities	803	—	—	Other noncurrent liabilities
Total liabilities	$ 803	$ 1,093	$ —	

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 were as follows:

	Fair Value Measurements as of December 31, 2023 using:			
(in thousands)	Level 1	Level 2	Level 3	Balance Sheet Location
Assets				
Rabbi trust	$ 4,334	$ —	$ —	Prepaid and other assets
Foreign exchange derivative instruments	—	4,378	—	Prepaid and other assets
Interest rate derivative instruments	—	452	—	Prepaid and other assets
Deferred compensation program assets	725	—	—	Other assets
Total assets	$ 5,059	$ 4,830	$ —	
Liabilities				
Foreign exchange derivative instruments	$ —	$ 1,931	$ —	Accrued expenses and other liabilities
Interest rate derivative instruments	—	63	—	Accrued expenses and other liabilities
Deferred compensation program liabilities	725	—	—	Other noncurrent liabilities
Interest rate derivative instruments	—	88	—	Other noncurrent liabilities
Total liabilities	$ 725	$ 2,082	$ —	

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.

Interest rate derivative instruments are interest rate swap contracts used to reduce interest rate risk related to the Company's floating rate debt (Note 6). The valuation for the interest rate swap is calculated as the net of the discounted future cash flows of the pay and receive legs of the swap. Mid-market interest rates on the valuation date are used to create the forward curve for floating legs and discount curve.

8. Pension and Other Postretirement Benefits

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

	Pension Benefits		Postretirement Benefits	
	Three months ended June 30,			
(in thousands)	2024	2023	2024	2023
Components of net periodic benefit cost (credit)				
Service cost	$ 1,306	$ 1,416	$ 75	$ 96
Interest cost	2,685	2,716	127	159
Expected return on plan assets	(1,834)	(1,966)	—	—
Settlements	—	(27)	—	—
Amortization of net loss (gain)	59	24	(239)	(246)
Amortization of prior service cost (credit)	23	46	(34)	(34)
Net periodic benefit cost (credit)	$ 2,239	$ 2,209	$ (71)	$ (25)

	Pension Benefits		Postretirement Benefits	
	Six months ended June 30,			
(in thousands)	2024	2023	2024	2023
Components of net periodic benefit cost (credit)				
Service cost	$ 2,631	$ 2,850	$ 166	$ 215
Interest cost	5,388	5,659	260	331
Expected return on plan assets	(3,672)	(3,928)	—	—
Settlements	—	(27)	—	—
Amortization of net loss (gain)	117	45	(508)	(447)
Amortization of prior service cost (credit)	46	92	(68)	(68)
Net periodic benefit cost (credit)	$ 4,510	$ 4,691	$ (150)	$ 31

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

9. Income Taxes

Income tax expense increased $0.5 million to $21.2 million for the three months ended June 30, 2024 compared to $ 20.7 million for the three months ended June 30, 2023. The Company’s effective tax rate ("ETR") was 23.2% for the three months ended June 30, 2024 compared to 21.8% for the three months ended June 30, 2023. Income tax expense increased $3.1 million to $44.6 million for the six months ended June 30, 2024 compared to $41.5 million for the six months ended June 30, 2023. The Company’s ETR was 22.4% for the six months ended June 30, 2024 compared to 19.8% for the six months ended June 30, 2023.

The ETR for the three and six months ended June 30, 2024 differed from the U.S. statutory tax rate primarily due to the U.S. taxation of foreign income, state income taxes and the Company's geographic mix of income earned by the Company's international subsidiaries, partially offset by the impact of the U.S. deduction for foreign derived intangible income and federal and state tax credits. The ETR for the three and six months ended June 30, 2023 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.

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)*
2024:		
Second Quarter	$ 0.215	$ 13,873
First Quarter	0.215	14,155
Total dividends declared in 2024	$ 0.430	$ 28,028
2023:		
Fourth Quarter	$ 0.195	$ 12,941
Third Quarter	0.195	13,098
Second Quarter	0.195	13,667
First Quarter	0.195	13,629
Total dividends declared in 2023	$ 0.780	$ 53,335

During the third quarter of 2024, the Company's Board of Directors declared a dividend of $ 0.215 per share of common stock to shareholders of record as of September 6, 2024 and payable on September 20, 2024.

Share Repurchase Program

As of June 30, 2024, the Board of Directors had authorized the Company to repurchase up to $ 1.0 billion of its issued and outstanding common stock. Share repurchases may be effected from time to time in open market or privately negotiated transactions, including transactions with affiliates, with the timing of purchases and the amount of stock purchased generally determined at the discretion of the Company consistent with the Company's general working capital needs and within the constraints of the Amended Credit Agreement and the Indenture (Note 5). This program may be extended or otherwise modified by the Board of Directors at any time and will remain in effect until completed or until terminated by the Board of Directors.

On June 16, 2022, 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 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 would purchase from Magnus from $75.0 million to $100.0 million, (the "Amended and Restated 2022 Agreement"). In relation to this agreement, the Company recorded a share repurchase liability of $92.6 million for 2,000,839 shares of common stock, which was included in accrued expenses and other liabilities and treasury stock on the consolidated balance sheet as of December 31, 2022. Between January 1, 2023 and January 13, 2023, the Company purchased an additional 167,689 shares of its common stock on the open market for an aggregate of $ 7.4 million, bringing the cumulative total open market purchases since the inception of the 2022 Agreement to $100.0 million. As a result, on January 23, 2023, the Company purchased 2,168,528 shares of its common stock from Magnus for an aggregate of $ 100.0 million, in satisfaction of its obligation under the Amended and Restated 2022 Agreement.

On June 9, 2023, the Company entered into an agreement with Magnus to purchase from Magnus an equal amount of its common stock as it purchases on the open market over the period of time from June 12, 2023 through October 27, 2023, up to an aggregate of $100.0 million, at the same weighted average per share price (the "2023 Agreement"). In relation to the 2023 Agreement, on November 3, 2023, the Company purchased 1,824,994 shares of its common stock from Magnus for an aggregate of $100.0 million in satisfaction of its obligation under the 2023 Agreement.

On March 14, 2024, the Company entered into an agreement with Magnus to purchase from Magnus an equal amount of its common stock as it purchases on the open market over the period of time from April 1, 2024 through June 28, 2024, up to an aggregate of $37.5 million, at the same weighted average per share price (the "March 2024 Agreement"). In relation to this agreement, the Company recorded a share repurchase liability of $37.5 million for 587,520 shares of common stock, which was included in accrued expenses and other liabilities and treasury stock on the consolidated balance sheet as of June 30, 2024.

On June 14, 2024, 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, 2024 through December 31, 2024, up to an aggregate of $62.5 million, at the same weighted average per share price.

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

	Three months ended June 30,		Six months ended June 30,	
(in thousands, except share and per share amounts)	2024	2023	2024	2023
Shares repurchased in the open market:				
Shares repurchased	587,520	482,500	1,134,753	828,889
Average price	$ 63.83	$ 49.72	$ 64.16	$ 48.39
Aggregate value [1]	$ 37,499	$ 23,990	$ 72,801	$ 40,112
Shares repurchased from Magnus:				
Shares repurchased	—	—	—	2,168,528
Average price [2]	$ —	$ —	$ —	$ 46.11
Aggregate value	$ —	$ —	$ —	$ 100,001
Total shares repurchased:				
Shares repurchased	587,520	482,500	1,134,753	2,997,417
Average price	$ 63.83	$ 49.72	$ 64.16	$ 46.74
Aggregate value	$ 37,499	$ 23,990	$ 72,801	$ 140,113

[1] Includes $0.6 million and $2.1 million related to shares repurchased not settled as of June 30, 2024 and 2023, respectively.

[2] In accordance with the share repurchase agreements, shares purchased from Magnus are accrued for at the same weighted average price as those purchased on the open market, as if the purchase from Magnus had occurred on the same day. As such, the average price of Magnus repurchases during any given 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 June 30, 2024, the Company had $ 302.2 million remaining under the current share repurchase authorization, including $ 100.0 million related to outstanding Magnus share repurchase agreements. On July 10, 2024, the Company purchased 587,520 shares of its common stock from Magnus for an aggregate of $37.5 million in satisfaction of its obligation under the March 2024 Agreement.

Common Stock Retirement

The Company records retirements of repurchased common stock, upon either formal or constructive retirement, at cost and allocates the excess of the repurchase price over the par value of shares acquired to both retained earnings and additional paid-in capital. The portion allocated to additional paid-in capital is calculated on a pro rata basis of the shares to be retired and the total shares issued and outstanding as of the date of retirement. When shares of common stock are retired, they are deducted from the number of shares issued.

As of June 30, 2024, the Company presented as retired 1,134,753 shares of its repurchased common stock with an aggregate repurchase price of $72.8 million, which the company intends to formally retire in 2024.

11. Equity Incentive Plans

Under the Acushnet Holdings Corp. 2015 Omnibus Incentive Plan (the “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 June 30, 2024, 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 targets, 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 targets. 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 June 30, 2024 and changes during the six months then ended is presented below:

	Number of RSUs	Weighted-Average Fair Value RSUs	Number of PSUs [3]	Weighted-Average Fair Value PSUs
Outstanding as of December 31, 2023	868,063	$ 46.45	480,254	$ 46.07
Granted	307,816	66.72	156,087	66.77
Vested [1][2]	(492,950)	46.51	(133,099)	45.36
Forfeited	(17,092)	32.48	(2,275)	56.40
Outstanding as of June 30, 2024	665,837	$ 56.14	500,967	$ 52.66

(1) Includes 56,588 shares of common stock related to RSU's that were not delivered as of June 30, 2024.

(2) Based upon the Company's level of achievement of the applicable performance metrics, the recipients of the133,099 PSUs that vested during the six months ended June 30, 2024, were entitled to receive 266,198 shares of common stock. As of June 30, 2024, there were 86,762 shares of common stock that had not been delivered in connection with the vesting of these PSUs.

(3) Number of PSUs reflects 100% of the target level grant and may not be indicative of the performance level expected to be achieved.

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

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2024	2023	2024	2023
RSUs	$ 5,632	$ 4,800	$ 10,128	$ 8,954
PSUs	1,747	3,817	4,511	6,782

The remaining unrecognized compensation expense related to unvested RSUs and unvested PSUs was $ 29.9 million and $16.5 million, respectively, as of June 30, 2024, and is expected to be recognized over the related weighted average period of 1.5 years and 2.0 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:

	Six months ended June 30, 2024		Six months ended June 30, 2023	
	RSUs	PSUs	RSUs	PSUs
Shares of common stock issued	465,992	219,831	448,897	231,580
Shares of common stock withheld by the Company as payment by employees in lieu of cash to satisfy tax withholding obligations	(155,596)	(95,814)	(128,291)	(91,842)
Net shares of common stock issued	310,396	124,017	320,606	139,738
Cumulative undelivered shares of common stock	491,381	471,078	479,991	420,447

Compensation Expense

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

		Three months ended June 30,		Six months ended June 30,	
(in thousands)		2024	2023	2024	2023
Cost of goods sold	$	$400	$ 382	$803	755
Selling, general and administrative		6,728	8,023	13,317	14,246
Research and development		415	376	847	1,063
Total compensation expense before income tax		7,543	8,781	14,967	16,064
Income tax benefit		1,737	1,867	3,409	3,359
Total compensation expense, net of income tax	$	$ 5,806	$ 6,914	$ 11,558	12,705

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	Interest Rate Swap Derivative Instruments	Pension and Other Postretirement	Accumulated Other Comprehensive Loss, Net of Tax
Balance as of December 31, 2023	$ (95,425)	$ 3,929	$ 227	$ (13,080)	$ (104,349)
Other comprehensive (loss) income before reclassifications	(18,794)	5,337	769	160	(12,528)
Amounts reclassified from accumulated other comprehensive loss, net of tax	—	(5,403)	(517)	(413)	(6,333)
Tax benefit (expense)	—	172	(61)	61	172
Balance as of June 30, 2024	$ (114,219)	$ 4,035	$ 418	$ (13,272)	$ (123,038)

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 June 30,		Six months ended June 30,	
(in thousands, except share and per share amounts)	2024	2023	2024	2023
Net income attributable to Acushnet Holdings Corp.	$ 71,428	$ 74,655	$ 159,190	$ 167,930
Weighted average number of common shares:				
Basic	63,935,451	68,341,608	64,278,286	68,277,693
RSUs	175,808	202,311	221,930	271,206
PSUs	49,429	105,125	24,715	99,084
Diluted	64,160,688	68,649,044	64,524,931	68,647,983
Net income per common share attributable to Acushnet Holdings Corp.:				
Basic	$ 1.12	$ 1.09	$ 2.48	$ 2.46
Diluted	$ 1.11	$ 1.09	$ 2.47	$ 2.45

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 six months ended June 30, 2024 and 2023 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 2024 and 2023, 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 six months ended June 30, 2024 and 2023.

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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
RSUs	211,442	—	217,579	129,748

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. Segment operating income includes directly attributable expenses and certain shared costs of corporate administration that are allocated to the reportable segments, but excludes certain other costs, such as interest expense, net; restructuring costs; the non-service cost component of net periodic benefit cost; transaction fees; as well as certain other non-operating gains and losses that the Company does not allocate to the reportable segments. The CODM does not evaluate a measure of assets when assessing performance.

Results shown for the three and six months ended June 30, 2024 and 2023 are not necessarily those which would be achieved if each segment was an unaffiliated business enterprise. There are no intersegment transactions.

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

(in thousands)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Net sales				
Titleist golf balls	$ 247,470	$ 237,567	$ 455,457	$ 429,568
Titleist golf clubs	177,518	188,020	381,404	368,801
Titleist golf gear	68,915	69,871	137,087	136,914
FootJoy golf wear	157,209	158,231	349,616	363,505
Other	32,755	35,674	67,857	76,865
Total net sales	$ 683,867	$ 689,363	$ 1,391,421	$ 1,375,653
Segment operating income				
Titleist golf balls	$ 61,017	$ 49,200	$ 103,184	$ 87,821
Titleist golf clubs	25,144	41,401	74,740	81,946
Titleist golf gear	13,911	13,679	24,024	25,869
FootJoy golf wear	7,873	3,595	34,312	34,396
Other	2,368	4,349	6,544	10,913
Total segment operating income	110,313	112,224	242,804	240,945
Reconciling items:				
Interest expense, net	(14,104)	(10,949)	(27,180)	(20,845)
Restructuring costs (Note 16)	—	—	(6,967)	—
Non-service cost component of net periodic benefit cost	(787)	(672)	(1,563)	(1,657)
Other	(4,046)	(5,490)	(7,752)	(8,986)
Total income before income tax	$ 91,376	$ 95,113	$ 199,342	$ 209,457

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

(in thousands)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
United States	$ 408,527	$ 401,372	$ 826,770	$ 771,303
EMEA [1]	86,675	86,099	188,354	190,859
Japan	29,843	32,773	66,993	79,148
Korea	83,825	86,631	159,076	175,615
Rest of World	74,997	82,488	150,228	158,728
Total net sales	$ 683,867	$ 689,363	$ 1,391,421	$ 1,375,653

[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 June 30, 2024 were as follows:

	Payments Due by Period					
(in thousands)	Remainder of 2024	2025	2026	2027	2028	Thereafter
Purchase obligations [1]	$ 260,375	$ 32,918	$ 5,289	$ 2,472	$ 2,414	$ 7,239

[1] The reported amounts exclude those liabilities included in accounts payable or accrued liabilities on the unaudited condensed consolidated balance sheet as of June 30, 2024.

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.

16. Restructuring Costs

During the first quarter of 2024, Lionscore approved a plan to permanently close certain production lines at the VIE's Fujian Fuh Deh Leh ("FDL") factory as footwear production volume is shifted to a third party supplier. As a result of the closure, FDL plans to involuntarily separate certain direct and indirect manufacturing employees during 2024 (the "Plan"). After the restructuring, the remaining direct and indirect manufacturing employees at FDL will continue to service the remaining production lines. In relation to the Plan, during the six months ended June 30, 2024, the Company recorded involuntary employee termination costs of $7.0 million included in selling, general and administrative expenses on the unaudited condensed consolidated statement of operations. Accrued restructuring costs associated with the Plan are included within accrued expenses and other liabilities on the unaudited condensed consolidated balance sheet as they are expected to be paid out within a year. There are no further material costs expected to be incurred in relation to the Plan. However, Lionscore could implement additional restructuring programs in the future. See Note 1 and Note 14 for further information.

The activity related to the Plan was as follows:

(in thousands)	Three months ended June 30, 2024	Six months ended June 30, 2024
Balance at beginning of period	$ 2,247	—
Provision	—	6,967
Payments	(234)	(4,954)
Balance at end of period	$ 2,013	2,013

17. Other Business Developments

In January 2023, the Company acquired certain trademarks from West Coast Trends, Inc., an industry leader specializing in Club Glove premium performance golf travel products, for $25.2 million including cash consideration of $22.2 million and contingent consideration of $3.0 million, which was subsequently paid in 2023. The trademarks acquired were included in the Company's Titleist golf gear reporting segment and will be amortized over a weighted average life of 10 years.

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 Quarterly Report on Form 10-Q. 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. 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, and these products 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.

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 net 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 our credit 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 (loss) 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 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 our reportable segments, but excludes interest expense, net; restructuring costs; the non-service cost component of net periodic benefit cost; transaction fees and certain 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.

(in thousands)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Net sales	$ 683,867	$ 689,363	$ 1,391,421	$ 1,375,653
Cost of goods sold	312,113	320,840	641,728	641,458
Gross profit	371,754	368,523	749,693	734,195
Operating expenses:				
Selling, general and administrative	246,084	242,015	482,676	464,554
Research and development	16,140	16,507	32,593	31,047
Intangible amortization	3,507	3,511	7,020	7,200
Income from operations	106,023	106,490	227,404	231,394
Interest expense, net	14,104	10,949	27,180	20,845
Other expense, net	543	428	882	1,092
Income before income taxes	91,376	95,113	199,342	209,457
Income tax expense	21,212	20,749	44,619	41,474
Net income	70,164	74,364	154,723	167,983
Less: Net loss (income) attributable to noncontrolling interests	1,264	291	4,467	(53)
Net income attributable to Acushnet Holdings Corp.	$ 71,428	$ 74,655	$ 159,190	$ 167,930
Adjusted EBITDA:				
Net income attributable to Acushnet Holdings Corp.	$ 71,428	$ 74,655	$ 159,190	$ 167,930
Interest expense, net	14,104	10,949	27,180	20,845
Income tax expense	21,212	20,749	44,619	41,474
Depreciation and amortization	13,970	12,743	27,751	25,374
Share-based compensation	7,543	8,781	14,967	16,064
Restructuring costs [1]	—	719	6,967	719
Transformation costs [2][3]	4,077	3,967	7,902	6,923
Other extraordinary, unusual or non-recurring items, net	(57)	(207)	595	(535)
Net (loss) income attributable to noncontrolling interests	(1,264)	(291)	(4,467)	53
Adjusted EBITDA	$ 131,013	$ 132,065	$ 284,704	$ 278,847
Adjusted EBITDA margin	19.2 %	19.2 %	20.5 %	20.3 %

[1] For the six months ended June 30, 2024, relates to restructuring costs associated with the closure of certain production lines at our footwear manufacturing joint venture.

[2] For the three and six months ended June 30, 2024, includes $2.8 million and $5.9 million, respectively, related to the optimization of our information technology systems.

[3] For the three and six months ended June 30, 2024 and 2023, includes costs associated with the optimization of our distribution and custom fulfillment capabilities.

Three Months Ended June 30, 2024 Compared to the Three Months Ended June 30, 2023

Net sales by reportable segment is summarized as follows:

(in millions)	Three months ended June 30, 2024	Three months ended June 30, 2023	Increase/(Decrease) $ change	Increase/(Decrease) % change	Constant Currency Increase/(Decrease) $ change	Constant Currency Increase/(Decrease) % change
Titleist golf balls	$ 247.5	$ 237.6	$ 9.9	4.2 %	$ 12.6	5.3 %
Titleist golf clubs	177.5	188.0	(10.5)	(5.6) %	(7.8)	(4.1) %
Titleist golf gear	68.9	69.9	(1.0)	(1.4) %	0.1	0.1 %
FootJoy golf wear	157.2	158.2	(1.0)	(0.6) %	1.1	0.7 %

Net sales information by region is summarized as follows:

(in millions)	Three months ended June 30, 2024	Three months ended June 30, 2023	Increase/(Decrease) $ change	Increase/(Decrease) % change	Constant Currency Increase/(Decrease) $ change	Constant Currency Increase/(Decrease) % change
United States	$ 408.5	$ 401.4	$ 7.1	1.8 %	$ 7.1	1.8 %
EMEA [(1)]	86.7	86.1	0.6	0.7 %	0.9	1.0 %
Japan	29.8	32.8	(3.0)	(9.1) %	1.2	3.7 %
Korea	83.8	86.6	(2.8)	(3.2) %	0.7	0.8 %
Rest of World	75.1	82.5	(7.4)	(9.0) %	(5.8)	(7.0) %
Total net sales	$ 683.9	$ 689.4	$ (5.5)	(0.8) %	$ 4.1	0.6 %

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

Segment operating income by reportable segment is summarized as follows:

(in millions) Segment operating income	Three months ended June 30, 2024	Three months ended June 30, 2023	Increase/(Decrease) $ change	Increase/(Decrease) % change
Titleist golf balls	$ 61.0	$ 49.2	$ 11.8	24.0 %
Titleist golf clubs	25.1	41.4	(16.3)	(39.4)%
Titleist golf gear	13.9	13.7	0.2	1.5 %
FootJoy golf wear	7.9	3.6	4.3	119.4 %

For the three months ended June 30, 2024, net sales decreased 0.8%, or increased 0.6% on a constant currency basis, as compared to the three months ended June 30, 2023. The increase on a constant currency basis was primarily due to higher sales volumes in Titleist golf balls, partially offset by lower sales volumes in Titleist golf clubs.

The increase in net sales in the United States was primarily the result of increases in Titleist golf balls of $13.4 million and in FootJoy golf wear of $4.0 million, partially offset by a decrease in Titleist golf clubs of $10.5 million. The increase in Titleist golf balls was primarily driven by higher sales volumes of Pro V1 and Pro V1x, and our latest generation AVX golf balls. The increase in FootJoy golf wear was primarily a result of higher average selling prices in apparel and higher net sales in footwear. The decrease in Titleist golf clubs was primarily due to lower sales volumes of drivers, fairways, hybrids and Super Select putters, which were all in their second model year, partially offset by higher sales volumes of our T-Series irons, as well as SM10 wedges and Phantom putters.

Net sales in regions outside the United States decreased 4.4%, or 1.0% on a constant currency basis primarily, due to lower net sales in Rest of World partially offset by increases in Japan, EMEA and Korea. In Rest of World, the decrease in net sales was primarily due to lower net sales in FootJoy golf wear, primarily footwear.

Gross Profit

Gross profit increased $3.3 million for the three months ended June 30, 2024 compared to the three months ended June 30, 2023. Gross margin increased to 54.4% for the three months ended June 30, 2024 compared to 53.5% for the three months ended June 30, 2023. The increase in gross profit primarily resulted from an increase of $13.0 million in Titleist golf balls primarily due to the sales volume increase discussed previously, as well as lower manufacturing costs, an increase of $2.9 million in Titleist golf gear primarily due to higher average selling prices and an increase of $1.8 million in FootJoy golf wear primarily due to a favorable shift in product mix. The increase in gross profit was partially offset by a decrease of $12.9 million in Titleist golf clubs primarily due to the sales volume decrease discussed previously and repositioning of products in their second year of a two-year product life cycle. The increase in gross margin was primarily due to lower manufacturing costs in Titleist golf balls, partially offset by the repositioning of second model year golf clubs as discussed previously.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased $4.1 million for the three months ended June 30, 2024 compared to the three months ended June 30, 2023. This increase was primarily a result of increases of $3.0 million in administrative expense and $2.1 million in selling expense. The increase in administrative expense was primarily due to higher information technology-related expenses. The increase in selling expense was primarily due to higher distribution expense in the United States. Additionally, SG&A includes the favorable impact of changes in foreign currency exchange rates.

Interest Expense, net

Interest expense, net increased $3.2 million for the three months ended June 30, 2024 compared to the three months ended June 30, 2023 primarily due to an increase in borrowings.

Income Tax Expense

Income tax expense increased $0.5 million for the three months ended June 30, 2024 compared to the three months ended June 30, 2023. Our effective tax rate (“ETR”) was 23.2% for the three months ended June 30, 2024 compared to 21.8% for the three months ended June 30, 2023. 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 4.2%, or 5.3% on a constant currency basis, for the three months ended June 30, 2024 compared to the three months ended June 30, 2023, primarily driven by higher sales volumes of Pro V1 and Pro V1x, and our latest generation AVX golf balls launched in the first quarter of 2024.

Operating income in our Titleist golf balls segment increased $11.8 million, or 24.0%, compared to the prior year period. The increase in operating income was primarily due to an increase of $13.0 million in gross profit, partially offset by higher operating expenses of $1.2 million. The increase in gross profit was driven by the higher sales volumes discussed previously and lower manufacturing costs. Higher operating expenses were primarily the result of an increase of $2.1 million in administrative expenses, largely offset by a decrease of $1.8 million in advertising and promotional expenses primarily due to the timing of promotional expenses.

Titleist Golf Clubs Segment

Net sales in our Titleist golf clubs segment decreased 5.6%, or 4.1% on a constant currency basis, for the three months ended June 30, 2024 compared to the three months ended June 30, 2023. The decrease was largely due lower sales volumes of drivers, fairways, hybrids and Super Select putters, which were all in their second model year, partially offset by higher sales volumes of our T-Series irons launched in the third quarter of 2023, as well as SM10 wedges and Phantom putters, each launched in the first quarter of 2024.

Operating income in our Titleist golf clubs segment decreased $16.3 million, or 39.4% compared to the prior year period. The decrease in operating income primarily resulted from a decrease of $12.9 million in gross profit and higher operating expenses of $3.4 million. The decrease in gross profit was primarily driven by the lower sales volumes discussed previously and repositioning of products in their second year of a two-year product life cycle. Higher operating expenses were primarily a result of increases of $2.0 million and $1.3 million in advertising and promotional, and selling expenses, respectively, largely due to professional tour and new product launch expenses.

Titleist Golf Gear Segment

Net sales in our Titleist golf gear segment decreased 1.4%, and were flat on a constant currency basis, for the three months ended June 30, 2024 compared to the three months ended June 30, 2023 as increased sales volumes in travel product categories and higher average selling prices across all product categories were offset by lower sales volumes in golf bags.

Operating income in our Titleist golf gear segment increased $0.2 million, or 1.5% compared to the prior year period. The increase in operating income primarily resulted from an increase of $2.9 million in gross profit, partially offset by higher operating expenses of $2.7 million. The increase in gross profit was primarily due to higher average selling prices. Higher operating expenses were primarily a result of an increase of $1.9 million in selling primarily due to higher distribution expense.

FootJoy Golf Wear Segment

Net sales in our FootJoy golf wear segment decreased 0.6%, or increased 0.7% on a constant currency basis, for the three months ended June 30, 2024 compared to the three months ended June 30, 2023. The increase in constant currency was largely due to higher net sales in apparel, partially offset by lower net sales in footwear.

Operating income in our FootJoy golf wear segment increased $4.3 million, or 119.4% compared to the prior year period. The increase in operating income primarily resulted from an increase of $1.8 million in gross profit and lower operating expenses of $2.4 million. The increase in gross profit was primarily due to a favorable shift in product mix. Operating expenses decreased primarily as a result of a decrease of $3.0 million in selling expense, largely due to lower distribution expense.

Six Months Ended June 30, 2024 Compared to the Six Months Ended June 30, 2023

Net sales by reportable segment is summarized as follows:

	Six months ended June 30,		Increase/(Decrease)		Constant Currency Increase/(Decrease)	
(in millions)	2024	2023	$ change	% change	$ change	% change
Titleist golf balls	$ 455.5	$ 429.6	$ 25.9	6.0 %	$ 30.6	7.1 %
Titleist golf clubs	381.4	368.8	12.6	3.4 %	17.5	4.7 %
Titleist golf gear	137.1	136.9	0.2	0.1 %	1.7	1.2 %
FootJoy golf wear	349.6	363.5	(13.9)	(3.8) %	(10.6)	(2.9) %

Net sales information by region is summarized as follows:

	Six months ended June 30,		Increase/(Decrease)		Constant Currency Increase/(Decrease)	
(in millions)	2024	2023	$ change	% change	$ change	% change
United States	$ 826.8	$ 771.3	$ 55.5	7.2 %	$ 55.5	7.2 %
EMEA [1]	188.4	190.9	(2.5)	(1.3) %	(4.7)	(2.5) %
Japan	67.0	79.1	(12.1)	(15.3) %	(3.6)	(4.6) %
Korea	159.1	175.6	(16.5)	(9.4) %	(10.0)	(5.7) %
Rest of World	150.1	158.8	(8.7)	(5.5) %	(5.5)	(3.5) %
Total net sales	$ 1,391.4	$ 1,375.7	$ 15.7	1.1 %	$ 31.7	2.3 %

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

Segment operating income by reportable segment is summarized as follows:

(in millions)	Six months ended June 30,		Increase/(Decrease)	
Segment operating income	**2024**	**2023**	**$ change**	**% change**
Titleist golf balls	$ 103.2	$ 87.8	$ 15.4	17.5 %
Titleist golf clubs	74.7	81.9	(7.2)	(8.8) %
Titleist golf gear	24.0	25.9	(1.9)	(7.3) %
FootJoy golf wear	34.3	34.4	(0.1)	(0.3) %

Net Sales

For the six months ended June 30, 2024 net sales increased 1.1%, or 2.3% on a constant currency basis, compared to the six months ended June 30, 2023. This increase was driven primarily by higher sales volumes in Titleist golf balls and Titleist golf clubs, partially offset by lower sales volumes in FootJoy golf wear. A decline in sales volumes of products that are not allocated to one of our four reportable segments also contributed to the change in net sales.

The increase in net sales in the United States was due to increases across all reportable segments, as a result of increases in Titleist golf balls of $32.1 million, Titleist golf clubs of $11.1 million, FootJoy golf wear of $5.5 million and Titleist golf gear of $5.5 million. The increase in Titleist golf balls was primarily driven by higher sales volumes of Pro V1 and Pro V1x and our latest generation AVX, Tour Soft and TruFeel models. The increase in Titleist golf clubs was primarily driven by higher sales volumes of our SM10 wedges and T-Series irons. The increase in FootJoy golf wear was primarily due to higher average selling prices in apparel. The increase in Titleist golf gear was primarily due to higher sales volumes in travel product categories.

Net sales in regions outside the United States decreased 6.6%, or 3.9% on a constant currency basis. In Korea, the decrease was primarily due to lower net sales of products that are not allocated to one of our four reportable segments and lower net sales in FootJoy golf wear, primarily apparel, and Titleist golf gear. In Rest of World, the decrease was primarily due to lower net sales in FootJoy golf wear, primarily footwear and apparel. In EMEA, the decrease was primarily due to lower net sales in FootJoy golf wear, primarily footwear and apparel, and lower net sales of products that are not allocated to one of our four reportable segments, partially offset by an increase in Titleist golf clubs. In Japan, net sales decreased primarily due to lower net sales in FootJoy golf wear, primarily footwear, lower net sales of Titleist golf gear and lower net sales of products that are not allocated to one of our four reportable segments, partially offset by higher net sales in Titleist golf clubs.

Gross Profit

Gross profit increased $15.5 million for the six months ended June 30, 2024 compared to the six months ended June 30, 2023. Gross margin increased to 53.9% for the six months ended June 30, 2024 compared to 53.4% for the six months ended June 30, 2023. The increase in gross profit was primarily the result of increases in Titleist golf balls of $21.3 million, in Titleist golf gear of $3.8 million and in Titleist golf clubs of $2.4 million largely due to the sales volume changes discussed previously and lower manufacturing costs in Titleist golf balls. These increases were partially offset by a decrease in FootJoy golf wear of $5.3 million primarily due to the sales volume change discussed previously and unfavorable manufacturing overhead absorption. A decrease in gross profit of products not allocated to one of our four reportable segments also contributed to the change in gross profit. The increase in gross margin was primarily due to lower manufacturing costs in Titleist golf balls.

Selling, General and Administrative Expenses

SG&A expenses increased $18.1 million for the six months ended June 30, 2024 compared to the six months ended June 30, 2023. This increase was primarily a result of increases of $4.9 million in administrative expense, $3.9 million in selling expense and $3.4 million in advertising and promotional expenses, and also includes $7.0 million of restructuring costs associated with our footwear manufacturing joint venture, as well as the favorable impact of changes in foreign currency exchange rates. Administrative expense increased primarily due to higher information technology-related expenses. The increase in selling expense was primarily due to higher employee-related expenses, partially offset by lower retail commission expense in Korea. The increase in advertising and promotional expenses was primarily related to higher professional tour expenses and new product launches.

Research and Development

R&D expenses increased $1.6 million for the six months ended June 30, 2024 compared to the six months ended June 30, 2023 primarily as a result of increases in employee-related expenses.

Interest Expense, net

Interest expense, net increased $6.4 million for the six months ended June 30, 2024 compared to the six months ended June 30, 2023 primarily due to an increase in borrowings and interest rates.

Income Tax Expense

Income tax expense increased $3.1 million for the six months ended June 30, 2024 compared to the six months ended June 30, 2023. Our ETR was 22.4% for the six months ended June 30, 2024 compared to 19.8% for the six months ended June 30, 2023. The change in ETR was primarily driven by changes in our jurisdictional mix of earnings.

Segment Results

Titleist Golf Balls Segment

Net sales in our Titleist golf balls segment increased 6.0%, or 7.1% on a constant currency basis, for the six months ended June 30, 2024 compared to the six months ended June 30, 2023. The increase was primarily driven by higher sales volumes of Pro V1 and Pro V1x, and our latest generation AVX, Tour Soft and TruFeel models launched in the first quarter of 2024.

Operating income in our Titleist golf balls segment increased $15.4 million, or 17.5% compared to the prior year period. The increase in operating income resulted from higher gross profit of $21.3 million, partially offset by higher operating expenses of $6.3 million. The increase in gross profit was primarily driven by the higher sales volumes discussed previously and lower manufacturing costs. Higher operating expenses were primarily a result of increases of $3.3 million and $3.2 million in selling expense and administrative expenses, respectively.

Titleist Golf Clubs Segment

Net sales in our Titleist golf clubs segment increased 3.4%, or 4.7% on a constant currency basis, for the six months ended June 30, 2024 compared to the six months ended June 30, 2023. The increase was largely due to higher sales volumes of our SM10 wedges launched in the first quarter of 2024 and T-Series irons launched in the third quarter of 2023. This increase was partially offset by lower sales volumes of drivers, hybrids and fairways, which were all in their second model year.

Operating income in our Titleist golf clubs segment decreased $7.2 million, or 8.8% compared to the prior year period. The decrease in operating income resulted from higher operating expenses of $9.6 million partially offset by higher gross profit of $2.4 million. The increase in gross profit was primarily due to the higher sales volumes discussed previously, partially offset by repositioning of products in their second year of a two-year product life cycle. Higher operating expenses were primarily a result of increases of $4.2 million and $4.0 million in selling expense and advertising and promotional expenses, respectively.

Titleist Golf Gear Segment

Net sales in our Titleist golf gear segment increased 0.1%, or 1.2% on a constant currency basis, for the six months ended June 30, 2024 compared to the six months ended June 30, 2023. The increase was driven by higher sales volumes in travel product categories and higher average selling prices across all product categories, partially offset by lower sales volumes in golf bags.

Operating income in our Titleist golf gear segment decreased $1.9 million, or 7.3% compared to the prior year period. The decrease in operating income resulted from higher operating expenses of $5.4 million, partially offset by higher gross profit of $3.8 million. The increase in gross profit was largely due to the higher net sales discussed previously and lower cost of customization. Operating expenses increased primarily due to higher selling expense of $4.0 million primarily due to higher distribution expense and employee-related expenses.

FootJoy Golf Wear Segment

Net sales in our FootJoy golf wear segment decreased 3.8%, or 2.9% on a constant currency basis, for the six months ended June 30, 2024 compared to the six months ended June 30, 2023. The decrease was primarily due to lower sales volumes across all product categories and lower average selling prices in footwear, partially offset by higher average selling prices in apparel.

Operating income in our FootJoy golf wear segment decreased $0.1 million, or 0.3% compared to the prior year period. The decrease in operating income resulted from lower gross profit of $5.3 million, largely offset by lower operating expenses of $5.2 million. Gross profit decreased primarily as a result of the sales volume decrease discussed previously and unfavorable manufacturing overhead absorption, partially offset by higher average selling prices in apparel. Lower operating expenses were primarily a result of a decrease of $6.0 million in selling expense, largely due to lower distribution expense and lower retail commission expense in Korea.

Liquidity and Capital Resources

Our primary cash needs relate to working capital, capital expenditures, servicing our debt, paying dividends, repurchasing shares of our common stock and pension contributions. Additionally, from time to time, we may make strategic acquisitions and investments to complement our products, technologies or businesses, which could impact our liquidity needs. We expect to rely on cash flows from operations and borrowings under our multi-currency 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 June 30, 2024, we had $78.7 million of unrestricted cash and cash equivalents (including $12.3 million attributable to our FootJoy golf shoe variable interest entity). As of June 30, 2024, 96.4% of our total unrestricted cash and cash equivalents was held by subsidiaries in regions outside of the United States, 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.

Macroeconomic factors 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, 2023.

Debt and Financing Arrangements

As of June 30, 2024, we had $565.8 million of availability under our multi-currency revolving credit facility after giving effect to $4.5 million of outstanding letters of credit. Additionally, we had $34.6 million of availability under certain local credit facilities of our subsidiaries.

The credit agreement governing our multi-currency revolving credit facility contains customary affirmative and restrictive covenants, including, among others, financial covenants based on our leverage and interest coverage ratios. This 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 June 30, 2024, we were in compliance with all covenants under our credit agreement.

The indenture governing our senior unsecured notes contains covenants that, among other things, limit the ability of the Company and its restricted subsidiaries to incur additional debt or issue certain preferred stock; pay dividends or repurchase or redeem capital stock; prepay, redeem or repurchase certain debt; make loans and investments; sell assets; incur liens; enter into certain types of transactions with the Company's affiliates; and consolidate or merge with or into other companies. As of June 30, 2024, we were in compliance with all covenants under the indenture.

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-11-Debt and Financing Arrangements" in our Annual Report on Form 10-K for the year ended December 31, 2023 for a description of our debt and financing arrangements. 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, 2023 for further discussion surrounding the risks and uncertainties related to our debt and financing arrangements.

Dividends and Share Repurchase Program

During the six months ended June 30, 2024, we paid dividends on our common stock of $28.1 million to our shareholders. During the third quarter of 2024, our Board of Directors declared a dividend of $0.215 per share of common stock to shareholders of record as of September 6, 2024 and payable on September 20, 2024.

As of June 30, 2024, our Board of Directors had authorized us to repurchase up to an aggregate of $1.0 billion of our issued and outstanding common stock. During the six months ended June 30, 2024, we repurchased 1,134,753 shares of common stock at an average price of $64.16 for an aggregate of $72.8 million.

On March 14, 2024, we entered into an agreement with Magnus Holdings Co., Ltd. ("Magnus"), a wholly-owned subsidiary of Fila Holdings Corp., to purchase from Magnus an equal amount of our common stock as we purchase on the open market over the period of time from April 1, 2024 through June 28, 2024, up to an aggregate of $37.5 million, at the same weighted average per share price (the "March 2024 Agreement"). In relation to this agreement, we recorded a liability of $37.5 million to purchase an additional 587,520 shares of common stock from Magnus as of June 30, 2024. As a result, on July 10, 2024, we purchased 587,520 shares of our common stock from Magnus for an aggregate of $37.5 million in satisfaction of our obligation under the March 2024 Agreement.

On June 14, 2024, 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 over the period of time from July 1, 2024 through December 31, 2024, up to an aggregate of $62.5 million, at the same weighted average per share price.

As of June 30, 2024, we had $302.2 million remaining under the current share repurchase authorization, including $100.0 million related to outstanding Magnus share repurchase agreements.

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 $22.1 million of capital expenditures during the six months ended June 30, 2024. Capital expenditures for the full year are expected to be approximately $80.0 million, although the actual amount may vary depending upon a variety of factors, including the timing of certain capital project implementations and receipt of capital purchases. 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 and facilities 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:

	Six months ended June 30,	
(in thousands)	2024	2023
Cash flows from:		
Operating activities	$ 102,117	$ 119,617
Investing activities	(22,110)	(53,350)
Financing activities	(63,019)	(62,381)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(2,137)	(249)
Net increase in cash, cash equivalents and restricted cash	$ 14,851	$ 3,637

Cash Flows from Operating Activities

The decrease in cash provided by operating activities was primarily driven by a decrease in net income and a decrease in deferred income tax expense, offset in part by an increase in working capital. At any specific point in time, working capital 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 decrease in cash used in investing activities was primarily driven by cash paid for the acquisition of trademarks related to our gear business during the six months ended June 30, 2023, as well as a decrease in capital expenditures for the six months ended June 30, 2024.

Cash Flows from Financing Activities

The change in cash used in financing activities was primarily driven by a decrease in cash paid for purchases of common stock, offset by a decrease in net proceeds from borrowings and an increase in payments of employee restricted stock tax withholdings.

Off-Balance Sheet Arrangements

As of June 30, 2024, 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, 2023.

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," Item 1 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.

From time to time, we enter into interest rate swap contracts to reduce our interest rate risk. Under these contracts, we pay fixed and receive variable rate interest, in effect converting a portion of our floating rate debt to fixed rate debt. As of June 30, 2024, the notional value of our outstanding interest rate swap contract was $100.0 million. See "Notes to Unaudited Condensed Consolidated Financial Statements-Note-6-Derivative Financial Instruments," Item 1 of Part I, included elsewhere in this report for further discussion of our interest rate swap contract.

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 June 30, 2024, we had $305.9 million of outstanding indebtedness at variable interest rates after giving effect to $100.0 million of hedged floating rate indebtedness. The sensitivity analysis, while not predictive in nature, indicated that a one percentage point increase in the interest rate applied to these borrowings as of June 30, 2024 would have resulted in an increase of $3.1 million in our annual pre-tax interest expense. This sensitivity analysis disregards fluctuations in balances of our outstanding variable rate indebtedness due to borrowings and repayments throughout the year.

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 June 30, 2024 was $209.7 million, representing a net settlement asset of $3.5 million. The sensitivity analysis of changes in the fair value of our foreign exchange forward contracts outstanding as of June 30, 2024, while not predictive in nature, indicated that the net settlement asset of $3.5 million would decrease by $14.7 million resulting in a net settlement liability of $11.2 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 ionomers for the manufacturing of our golf balls, titanium and steel for 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. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe that inflation in the form of increased raw materials and other input costs, including inbound freight and wage rates, have impacted our business, results of operations, financial position and cash flows during the three and six months ended June 30, 2024 and 2023. Sustained and higher inflationary environments, including increased raw material and other input costs, could materially impact our business, results of operations, financial position and cash flows 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 June 30, 2024. 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 June 30, 2024 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, 2023, 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, 2023.

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 second quarter of 2024:

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)*
April 1, 2024 - April 30, 2024	208,689	$ 63.09	208,689	$ 326,510
May 1, 2024 - May 31, 2024	209,000	63.66	209,000	313,205
June 1, 2024 - June 30, 2024	169,831	64.94	169,831	302,176
Total	587,520	$ 63.83	587,520	

[(1)] On March 14, 2024, we entered into an agreement with Magnus Holdings Co., Ltd. ("Magnus"), a wholly-owned subsidiary of Fila Holdings Corp., to purchase from Magnus an equal amount of our common stock as we purchase on the open market over the period of time from April 1, 2024 through June 28, 2024, up to an aggregate of $37.5 million, at the same weighted average per share price ("March 2024 Agreement"). In relation to this agreement, we recorded a share repurchase liability of $37.5 million for 587,520 shares of our common stock as of June 30, 2024. On July 10, 2024, we purchased 587,520 shares of our common stock from Magnus for an aggregate of $37.5 million in satisfaction of our obligation under the March 2024 Agreement.

[(2)] On June 14, 2024, 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 over the period of time from July 1, 2024 through December 31, 2024, up to an aggregate of $62.5 million, at the same weighted average per share price.

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	Stock Repurchase Agreement, dated June 14, 2024, 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 June 14, 2024).
10.2	Third Amendment to Credit Agreement, dated as of May 2, 2024, by and between Acushnet Company and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on May 7, 2024).
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: August 6, 2024	By:	/s/ David Maher
		David Maher
		President and Chief Executive Officer
		(Principal Executive Officer)
Dated: August 6, 2024	By:	/s/ Sean Sullivan
		Sean Sullivan
		Executive Vice President and Chief Financial Officer
		(Principal Financial 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: August 6, 2024

/s/ DAVID MAHER

Name: David Maher

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Sean Sullivan, 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: August 6, 2024

/s/ SEAN SULLIVAN

Name: Sean Sullivan

Executive Vice President and Chief Financial 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 June 30, 2024, (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: August 6, 2024

/s/ DAVID MAHER

Name: David Maher

President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

I, Sean Sullivan, Executive Vice President and Chief Financial 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 June 30, 2024, (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: August 6, 2024

/s/ SEAN SULLIVAN

Name: Sean Sullivan

Executive Vice President and Chief Financial Officer