

# Acushnet Holdings Corp

## Fourth Quarter & Full Year 2016 Results

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Vice President, Investor Relations

# Disclaimers

## FORWARD-LOOKING STATEMENTS

This presentation includes forward-looking statements that reflect our current views with respect to, among other things, our operations and financial performance. These forward-looking statements are included throughout this presentation 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 such as our anticipated consolidated net sales, consolidated net sales on a constant currency basis and adjusted EBITDA. We use words like “guidance,” “outlook,” “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 presentation.

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## NON-GAAP FINANCIAL MEASURES

This presentation includes certain financial measures not presented in accordance with generally accepted accounting principles (“GAAP”) such as Adjusted EBITDA and net sales in constant currency. These non-GAAP financial measures are not measures of financial performance in accordance with GAAP and may exclude items that are significant in understanding and assessing the Company’s financial results. Therefore, these measures should not be considered in isolation or as an alternative to net income or net sales or other measures under GAAP. You should be aware that the Company’s presentation of these measures may not be comparable to similarly-titled measures used by other companies. For a reconciliation of these measures to the most comparable GAAP measures, we refer you to the earnings release that we have made available on our website ([www.acushnetholdingscorp.com](http://www.acushnetholdingscorp.com)) in connection with this presentation.

For further information, please see our Prospectus dated October 27, 2016 and filed with the SEC pursuant to Rule 424(b) and our periodic reports filed with the SEC pursuant to the Securities Exchange Act of 1934 which are available at the SEC’s website ([www.sec.gov](http://www.sec.gov)). Copies of this presentation and the accompanying webcast are publicly available on our website ([www.acushnetholdingscorp.com](http://www.acushnetholdingscorp.com)). This presentation should be read with the accompanying webcast and related earnings release.

# Acushnet Holdings Corp

## Fourth Quarter & Full Year 2016 Results

Wally Uihlein  
President and CEO

# Operating Model Continues to Deliver

## **Solid performance during a challenging 2016**

- Strength of the company
- Formidable product category positions
- Reliability of proven operating model

## **Key model factors**

- Broad product category portfolio
- Favorable mix of consumables/durables
- Golf brands resonate with the game's dedicated golfers
- Desirable concentration in high margin equipment

# Business Segment Highlights

## *Titleist* Golf Balls

Acceptance of new and improved Pro V1 and Pro V1x

Available in over 30,000 golf shops worldwide by end of 1Q

US PGA ball count YTD 68%, next nearest competitor 10%

Worldwide professional ball count YTD is 72%

Titleist ball has won 62% of all professional events YTD

## *Titleist* Golf Clubs

New 917 drivers and fairways have been well received

Strong network of 2,500 US fitters, 4,000 worldwide fitters

Expect to conduct >200,000 fittings worldwide in 2017

Vokey wedges and Cameron putters also available at fitters worldwide and leaders in the industry

## *Titleist* Golf Gear

Seeing good early returns on investments

Greater design and supply control

Focus: best performance, highest quality, innovative design

Strong demand for new products being delivered including new "Players" stand bags and headwear

## **FJ** Golf Wear

The #1 Shoe in Golf

Exciting intros of new Freestyle, Hyper Flex II, PRO/SL

#1 in golf gloves with professional and amateurs

Exceptional golf apparel growth led by successful Fall 2016 US launch of Women's Golfleisure line

# Looking Ahead

- Industry trends are positive
- Strong product portfolio
- Brands resonate with dedicated golfers
- Proven and resilient operating model
- Goal is to outperform the market over time
- Confident in ability to deliver our 2017 plan
- A solid, long-term, total return investment

# Acushnet Holdings Corp

## Fourth Quarter & Full Year 2016 Results

Bill Burke  
Chief Financial Officer



# Highlights

(\$ in millions)	4Q 2016	Growth Y/Y	Growth Y/Y @ CC	Full Year 2016	Growth Y/Y	Growth Y/Y @ CC
<b>Net Sales<sup>(1)</sup></b>	\$329.8	3.0%	1.3%	\$1,572.3	4.6%	4.5%
<b>Adjusted EBITDA<sup>(2)</sup></b>	\$38.1	28.9%		\$228.4	6.4%	

(1) Excluding the accounting adjustments: Annual sales up 3.5% and 3.4% on constant currency basis. 4Q sales up 0.2% and down 1.5% on a constant currency basis. See Appendix Schedule B.

(2) See Appendix for Adjusted EBITDA reconciliation

# Segment Results

(\$ in millions)	4Q 2016	Growth Y/Y	Growth Y/Y @ CC	Full Year 2016	Growth Y/Y	Growth Y/Y @ CC
<b>Titleist Golf Balls</b>	\$98.6	(5.9)%	(6.2)%	\$513.9	(4.0)%	(3.7)%
<b>Titleist Golf Clubs<sup>(1)</sup></b>	\$119.8	19.2%	15.5%	\$431.0	11.0%	9.8%
<b>Titleist Golf Gear</b>	\$21.4	(11.8)%	(13.2)%	\$136.2	5.3%	5.5%
<b>FootJoy Golf Wear</b>	\$71.3	(9.5)%	(10.1)%	\$433.1	3.4%	3.6%

(1) Excluding the accounting adjustments: 4Q sales up 15.8% and up 12.1% on a constant currency basis. See Appendix Schedule B.

# Geographic Results

(\$ in millions)	4Q 2016	Growth Y/Y	Growth Y/Y @ CC	Full Year 2016	Growth Y/Y	Growth Y/Y @ CC
<b>United States<sup>(1)</sup></b>	\$154.1	(3.6)%	(3.6)%	\$804.5	(0.1)%	(0.1)%
<b>Japan</b>	\$63.8	31.5%	14.3%	\$219.0	20.2%	7.6%
<b>EMEA</b>	\$32.9	(2.3)%	8.8%	\$210.1	4.5%	9.9%
<b>Korea<sup>(1)</sup></b>	\$42.0	12.2%	10.5%	\$176.0	21.4%	24.4%
<b>ROW</b>	\$37.0	(9.2)%	(9.7)%	\$162.7	(3.9)%	(0.6)%

(1) Excluding the accounting adjustments: 4Q sales in the United States down 5.8%. 4Q sales in Korea down 2.4% and down 3.8% on a constant currency basis. Annual sales in Korea up 10.3% and up 13.3% on a constant currency basis. See Appendix Schedule B.

# Income Statement Highlights

## 4Q & FY 2016 Income Statement Highlights

(\$ in millions)	4Q 2016	FY 2016
<b>Net Sales</b>	Up 3.0%	Up 4.6%
<b>Gross Margin<sup>(1)</sup></b>	50.9%	50.8%
<b>SG&amp;A</b>	Down 1.6%	Down 0.5%
<b>R&amp;D</b>	4.1% of Net Sales	3.1% of Net Sales
<b>Net Income (Loss)</b>	\$(0.2), Up \$20.3 Y/Y	\$45.0, Up \$46.0 Y/Y
<b>Adjusted EBITDA</b>	\$38.1, Up 28.9% Y/Y	\$228.4, Up 6.4% Y/Y
<b>Adjusted EBITDA Margin</b>	11.6% (9.2% in 4Q 2015)	14.5% (14.3% in FY 2015)

(1) Excluding the accounting adjustments: 4Q Gross Margin 50.3%. Full year 2016 Gross Margin 50.3%. See Appendix Schedule A.

# Liquidity/Capital Highlights & Free Cash Flow

## FY 2016 Liquidity / Capital Highlights

- \$76.1 million, cash on hand
- \$224.9 million, available revolving credit facility
- \$60.2 million, available local credit facilities

## FY 2016 Free Cash Flow<sup>(1)</sup>

(\$ in millions)	FY 2016	FY 2015	Y/Y Change
<b>Cash Flows from Operating Activities</b>	\$105.2	\$91.8	Up \$13.4
<b>Capital Expenditures</b>	\$(19.2)	\$(23.2)	Down \$4.0
<b>Free Cash Flow</b>	\$86.0	\$68.6	Up \$17.4

(1) See Appendix for the reconciliation on Non-GAAP measure Free Cash Flow

# 2017 Outlook

(\$ millions)	2017 Outlook
<b>Net Sales</b>	\$1,565 - \$1,595
<b>Net Sales @ CC</b>	Increase by 1.8% to 3.7% when compared to 2016
<b>Adjusted EBITDA</b>	\$220 - \$230

# Appendix

# Adjusted EBITDA Reconciliation

Adjusted EBITDA(in thousands):	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Net income (loss) attributable to Acushnet Holdings Corp. ....	\$(179)	\$(20,436)	\$45,012	\$(966)
Income tax expense (benefit) .....	213	(4,652)	39,707	27,994
Interest expense, net.....	5,832	12,201	49,908	60,294
Depreciation and amortization .....	10,279	10,135	40,834	41,702
EAR Plan(a) .....	6,987	12,726	6,047	45,814
Shared-based compensation(b) .....	7,371	—	14,494	5,789
One-time executive bonus(c) .....	—	—	7,500	—
Restructuring charges(d) .....	857	1,643	1,673	1,643
Transaction fees(e) .....	4,905	1,476	16,817	2,141
Beam indemnification expense (income)(f) .....	467	1,438	(2,174)	(3,007)
(Gains) losses on the fair value of our common stock warrants(g) .....	—	13,829	6,112	28,364
Other non-cash (gains) losses, net.....	(61)	(82)	(592)	(169)
Nonrecurring expense (income)(h) .....	—	—	(1,467)	—
Net income attributable to noncontrolling interests(i) .....	1,426	1,275	4,503	5,122
Adjusted EBITDA .....	<u>\$38,097</u>	<u>\$29,553</u>	<u>\$228,374</u>	<u>\$214,721</u>
Adjusted EBITDA margin(j) .....	11.6%	9.2%	14.5%	14.3%



# Adjusted EBITDA Reconciliation (Continued)

- (a) Reflects expenses related to the anticipated full vesting of Equity Appreciation Rights (“EARs”) granted under our EAR Plan and the remeasurement of the liability at each reporting period based on the then-current projection of our common stock equivalent value (as defined in the EAR Plan). See “—Critical Accounting Policies and Estimates—Share-Based Compensation” in our Prospectus dated October 27, 2016 and filed with the SEC pursuant to Rule 424(b). All outstanding EARs under the EAR Plan vested as of December 31, 2015. The EAR Plan expired on December 31, 2016 and the outstanding EAR liability of \$151.5 million was settled in full by a cash payout to participants during the first quarter of 2017.
- (b) For the year ended December 31, 2016, reflects compensation expenses with respect to equity-based grants under the 2015 Omnibus Incentive Plan which were made in 2016. For the year ended December 31, 2015, reflects compensation expense associated with the exercise of substitute stock options by an executive which were granted in connection with the Acquisition. All such stock options have been exercised.
- (c) In the first quarter of 2016, our President and Chief Executive Officer was awarded a cash bonus in the amount of \$7.5 million as consideration for past performance.
- (d) Reflects restructuring charges incurred in connection with the reorganization of certain of our operations in 2016 and 2015.
- (e) Reflects certain fees and expenses we incurred in 2016 and 2015 in connection with our initial public offering and legal fees incurred in both years relating to a dispute arising from the indemnification obligations owed to us by Beam in connection with the Acquisition.
- (f) Reflects the non-cash charges related to the indemnification obligations owed to us by Beam that are included when calculating net income (loss) attributable to the Company.
- (g) Fila Korea Co., Ltd. exercised all of our outstanding common stock warrants in July 2016 and we used the proceeds from such exercise to redeem all of our outstanding 7.5% bonds due 2021.
- (h) Reflects legal judgment in favor of us associated with the Beam value-added tax dispute recorded in other (income) expense.
- (i) Reflects the net income attributable to the interest that we do not own in our FootJoy golf shoe joint venture.
- (j) Adjusted EBITDA margin measures our Adjusted EBITDA as a percentage of sales.

# Non-GAAP Free Cash Flow Reconciliation

The following table provides a reconciliation of cash flows provided by (used in) operating activities to Free Cash Flow:

(\$ in thousands)	<u>Year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cash flows provided by operating activities	\$105,188	\$91,830
Capital Expenditures	<u>(19,175)</u>	<u>(23,201)</u>
Free Cash Flow <sup>(1)</sup>	<u>\$86,013</u>	<u>\$68,629</u>

(1) In connection with the Acquisition, we issued (i) an aggregate principal amount of \$362.5 million of our Convertible Notes and (ii) an aggregate principal amount of \$172.5 million of 7.5% bonds due 2021. All of our outstanding Convertible Preferred Stock and all of our outstanding Convertible Notes were converted into shares of our common stock prior upon the closing of our initial public offering and Fila Korea exercised all of our outstanding common stock warrants in July 2016 and we used the proceeds from such exercise to redeem all our outstanding 7.5% bonds due 2021. Free Cash Flow has not been adjusted to exclude any historical impact from the interest expense on our Convertible Notes and our 7.5% bonds due 2021, which interest expense totaled \$28.1 million and \$35.4 million for the years ended December 31, 2016 and 2015 respectively.

## Schedule A: Schedule of Calculations Giving Effect to the Accounting Adjustments

During the fourth quarter of 2016, the Company made the following two immaterial revenue adjustments:

- (1) Revenue related to shipments of trial clubs in the United States was previously recognized at the time of shipment. Now, such revenue is recognized at the time of customer acceptance.
- (2) Commissions paid on consignment sales at certain retail locations in Korea were recorded as a reduction of revenue. Now, such commission expense is recorded in SG&A.

The Company assessed the impact of these adjustments to the unaudited consolidated financial statements for the first, second and third quarters of 2016 and periods prior to 2016 and concluded that they were not material, individually or in the aggregate, to the Company's unaudited consolidated financial statements for the aforementioned periods. However, to facilitate comparisons in future periods, the Company has decided to make these adjustments to its previously issued unaudited consolidated financial statements for the first three quarterly periods within 2016. Periods prior to 2016 were not adjusted

<i>(dollars in thousands)</i>				
	Year ended December 31, 2016 as prepared prior to accounting adjustments	Trial Clubs	Korea Retail	Year ended December 31, 2016 as Reported
<b>Consolidated statements of income</b>				
Net Sales	\$1,556,235	-	16,040	\$1,572,275
Cost of goods sold	773,550	-	-	773,550
Gross profit	782,685	-	16,040	798,725
Selling, general and administrative expense	584,764	-	16,040	600,804
Income from operations	140,836	-	-	140,836
Income before income taxes	89,222	-	-	89,222
Income tax provision	39,708	-	-	39,708
Net income (loss)	49,515	-	-	49,515
Net income (loss) attributable to Acushnet Holdings Corp.	45,012	-	-	45,012
<i>(dollars in thousands)</i>				
	Three months ended December 31, 2016 as prepared prior to accounting adjustments	Trial Clubs	Korea Retail	Three months ended December 31, 2016 as Reported
<b>Consolidated statements of income</b>				
Net Sales	\$320,887	3,434	5,440	\$329,761
Cost of goods sold	159,427	2,340	-	161,767
Gross profit	161,460	1,094	5,440	167,994
Selling, general and administrative expense	138,930	-	5,440	144,370
Income from operations	6,514	1,094	-	7,608
Income before income taxes	365	1,094	-	1,459
Income tax provision	(170)	383	-	213
Net income (loss)	536	711	-	1,247
Net income (loss) attributable to Acushnet Holdings Corp.	(890)	711	-	(179)

## Schedule A: Schedule of Calculations Giving Effect to the Accounting Adjustments (Continued)

<i>(dollars in thousands)</i>				
	Three months ended September 30, 2016 as reported prior to accounting adjustments	Trial Clubs	Korea Retail	Three months ended September 30, 2016 after accounting adjustments
<b>Consolidated statements of income</b>				
Net Sales	\$332,353	3,033	3,932	\$339,318
Cost of goods sold	170,369	2,047	-	172,416
Gross profit	161,984	986	3,932	166,902
Selling, general and administrative expense	139,063	-	3,932	142,995
Income from operations	8,620	986	-	9,606
Income before income taxes	(4,603)	986	-	(3,617)
Income tax provision	440	345	-	785
Net income (loss)	(5,043)	641	-	(4,402)
Net income (loss) attributable to Acushnet Holdings Corp.	(6,167)	641	-	(5,526)

  

<i>(dollars in thousands)</i>				
	Three months ended June 30, 2016 as reported prior to accounting adjustments	Trial Clubs	Korea Retail	Three months ended June 30, 2016 after accounting adjustments
<b>Consolidated statements of income</b>				
Net Sales	\$460,199	(1,636)	4,698	\$463,261
Cost of goods sold	226,423	(1,122)	-	225,301
Gross profit	233,776	(514)	4,698	237,960
Selling, general and administrative expense	153,423	-	4,698	158,121
Income from operations	66,951	(514)	-	66,437
Income before income taxes	49,933	(514)	-	49,419
Income tax provision	22,121	(180)	-	21,941
Net income (loss)	27,812	(334)	-	27,478
Net income (loss) attributable to Acushnet Holdings Corp.	27,389	(334)	-	27,055

  

<i>(dollars in thousands)</i>				
	Three months March 31, 2016 as reported prior to accounting adjustments	Trial Clubs	Korea Retail	Three months March 31, 2016 after accounting adjustments
<b>Consolidated statements of income</b>				
Net Sales	\$442,796	(4,831)	1,970	\$439,935
Cost of goods sold	217,331	(3,265)	-	214,066
Gross profit	225,465	(1,566)	1,970	225,869
Selling, general and administrative expense	153,348	-	1,970	155,318
Income from operations	58,751	(1,566)	-	57,185
Income before income taxes	43,527	(1,566)	-	41,961
Income tax provision	17,317	(548)	-	16,769
Net income (loss)	26,210	(1,018)	-	25,192
Net income (loss) attributable to Acushnet Holdings Corp.	24,680	(1,018)	-	23,662

## Schedule B: 4Q & FY 2016 Results Without Giving Effect to the Accounting Adjustments

The Company's financial information for the fourth quarter 2016 and full year 2016 as reported gives effect to the revenue adjustments described in Schedule A. The tables of financial information set forth below illustrate what the fourth quarter 2016 and full year 2016 summary financial results and certain information regarding net sales would have been if reported without giving effect to the revenue adjustments described in Schedule A. The Company did not make the accounting adjustments for periods during 2015 or prior.

The net sales information set forth below reflects the segment (Titleist golf clubs) and regions (United States and Korea) impacted by the revenue adjustments. The net sales information for the Titleist golf clubs segment for the full year 2016 is not included below because the accounting adjustments resulted in no change for the full year period. The net sales information for the other segments and regions were not impacted by the revenue adjustments.

### Summary of Fourth Quarter 2016 Financial Results (unaudited)

	Three months ended December 31, 2016 as prepared prior to accounting adjustments	Three months ended December 31, 2015	Increase/(Decrease)		Constant Currency Increase/(Decrease)	
			\$ change	% change	\$ change	% change
(in millions)						
Net sales .....	\$320.9	\$320.2	\$0.7	0.2%	(\$4.7)	(1.5)%
Net loss attributable to Acushnet Holdings Corp .....	\$(0.9)	\$(20.4)	\$19.5	NM		
Adjusted EBITDA .....	\$37.0	\$29.6	\$7.4	25.0%		

### Summary of Full Year 2016 Financial Results (unaudited)

	Year ended December 31, 2016 as prepared prior to accounting adjustments	Year ended December 31, 2015	Increase/(Decrease)		Constant Currency Increase/(Decrease)	
			\$ change	% change	\$ change	% change
(in millions)						
Net sales .....	\$1,556.2	\$1,503.0	\$53.3	3.5%	\$51.1	3.4%
Net income attributable to Acushnet Holdings Corp .....	\$45.0	\$(1.0)	\$46.0	NM		
Adjusted EBITDA .....	\$228.4	\$214.7	\$13.7	6.4%		

## Schedule B: 4Q & FY 2016 Results Without Giving Effect to the Accounting Adjustments(Continued)

### Fourth Quarter Net Sales by Segment (unaudited)

	Three months ended December 31, 2016 as prepared prior to accounting adjustments	Three months ended December 31, 2015	Increase/(Decrease)		Constant Currency Increase/(Decrease)	
			\$ change	% change	\$ change	% change
			(in thousands)			
Titleist golf clubs .....	\$116,387	\$100,494	\$15,893	15.8%	\$12,145	12.1%

### Fourth Quarter Net Sales by Region (unaudited)

	Three months ended December 31, 2016 as prepared prior to accounting adjustments	Three months ended December 31, 2015	Increase/(Decrease)		Constant Currency Increase/(Decrease)	
			\$ change	% change	\$ change	% change
			(in thousands)			
United States.....	\$150,688	\$159,891	\$(9,203)	(5.8)%	\$(9,203)	(5.8)%
Korea .....	\$36,559	\$37,447	\$(888)	(2.4)%	\$(1,434)	(3.8)%

### Year Ended Net Sales by Region (unaudited)

	Year ended December 31, 2016 as prepared prior to accounting adjustments	Year ended December 31, 2015	Increase/(Decrease)		Constant Currency Increase/(Decrease)	
			\$ change	% change	\$ change	% change
			(in thousands)			
United States.....	\$804,516	\$805,470	\$(954)	(0.1)%	\$(954)	(0.1)%
Korea .....	\$159,916	\$144,956	\$14,960	10.3%	\$19,253	13.3%