UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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, 2021**

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: **001-34767**

CLARUS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**58-1972600** (I.R.S. Employer Identification Number)
2084 East 3900 South **Salt Lake City, Utah** (Address of principal executive offices)	**84124** (Zip code)

(801) 278-5552
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Non-accelerated filer	☐
Accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $.0001 per share	CLAR	NASDAQ Global Select Market

As of July 28, 2021, there were 33,800,052 shares of common stock, par value $0.0001, outstanding.

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CLARUS CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CLARUS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share amounts)

	June 30, 2021	December 31, 2020
Assets		
Current assets		
Cash	$ 6,782	$ 17,789
Accounts receivable, less allowance for credit losses and doubtful accounts of $651 and $1,433, respectively	51,235	50,475
Inventories	82,656	68,356
Prepaid and other current assets	13,123	5,385
Income tax receivable	254	117
Total current assets	154,050	142,122
Property and equipment, net	27,495	26,956
Other intangible assets, net	16,963	19,416
Indefinite-lived intangible assets	47,415	47,523
Goodwill	26,715	26,715
Deferred income taxes	11,342	11,113
Other long-term assets	10,229	6,846
Total assets	$ 294,209	$ 280,691
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 42,167	$ 34,665
Income tax payable	1,201	956
Current portion of long-term debt	5,010	4,000
Total current liabilities	48,378	39,621
Long-term debt	22,112	30,621
Deferred income taxes	1,215	1,227
Other long-term liabilities	7,324	4,628
Total liabilities	79,029	76,097
Stockholders' Equity		
Preferred stock, $0.0001 par value per share; 5,000 shares authorized; none issued	-	-
Common stock, $0.0001 par value per share; 100,000 shares authorized; 35,496 and 35,198 issued and 31,485 and 31,228 outstanding, respectively	4	4
Additional paid in capital	518,981	513,979
Accumulated deficit	(280,148)	(286,100)
Treasury stock, at cost	(24,440)	(23,789)
Accumulated other comprehensive income	783	500
Total stockholders' equity	215,180	204,594
Total liabilities and stockholders' equity	$ 294,209	$ 280,691

See accompanying notes to condensed consolidated financial statements.

CLARUS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended	
	June 30, 2021	June 30, 2020
Sales		
Domestic sales	$ 51,876	$ 20,259
International sales	21,433	9,755
Total sales	73,309	30,014
Cost of goods sold	45,288	19,378
Gross profit	28,021	10,636
Operating expenses		
Selling, general and administrative	20,704	14,493
Transaction costs	649	180
Total operating expenses	21,353	14,673
Operating income (loss)	6,668	(4,037)
Other (expense) income		
Interest expense, net	(212)	(257)
Other, net	(4,461)	406
Total other (expense) income, net	(4,673)	149
Income (loss) before income tax	1,995	(3,888)
Income tax expense (benefit)	155	(1,145)
Net income (loss)	1,840	(2,743)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	295	367
Unrealized gain (loss) on hedging activities	108	(549)
Other comprehensive income (loss)	403	(182)
Comprehensive income (loss)	$ 2,243	$ (2,925)
Net income (loss) per share:		
Basic	$ 0.06	$ (0.09)
Diluted	0.06	(0.09)
Weighted average shares outstanding:		
Basic	31,367	29,817
Diluted	33,190	29,817

See accompanying notes to condensed consolidated financial statements.

CLARUS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In thousands, except per share amounts)

	Six Months Ended	
	June 30, 2021	June 30, 2020
Sales		
Domestic sales	$ 99,449	$ 48,807
International sales	49,191	34,762
Total sales	148,640	83,569
Cost of goods sold	93,569	54,421
Gross profit	55,071	29,148
Operating expenses		
Selling, general and administrative	41,589	31,863
Transaction costs	1,125	430
Total operating expenses	42,714	32,293
Operating income (loss)	12,357	(3,145)
Other expense		
Interest expense, net	(450)	(568)
Other, net	(4,601)	(125)
Total other expense, net	(5,051)	(693)
Income (loss) before income tax	7,306	(3,838)
Income tax benefit	(211)	(1,131)
Net income (loss)	7,517	(2,707)
Other comprehensive income, net of tax:		
Foreign currency translation adjustment	(721)	(34)
Unrealized gain on hedging activities	1,004	264
Other comprehensive income	283	230
Comprehensive income (loss)	$ 7,800	$ (2,477)
Net income (loss) per share:		
Basic	$ 0.24	$ (0.09)
Diluted	0.23	(0.09)
Weighted average shares outstanding:		
Basic	31,325	29,789
Diluted	32,970	29,789

See accompanying notes to condensed consolidated financial statements.

CLARUS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended	
	June 30, 2021	June 30, 2020
Cash Flows From Operating Activities:		
Net income (loss)	$ 7,517	$ (2,707)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of property and equipment	2,705	2,265
Amortization of other intangible assets	2,394	1,537
Amortization of debt issuance costs	162	154
Gain on disposition of property and equipment	(8)	(1)
Noncash lease expense	698	364
Stock-based compensation	3,350	1,229
Deferred income taxes	(710)	(1,081)
Changes in operating assets and liabilities:		
Accounts receivable	(1,243)	17,662
Inventories	(14,874)	969
Prepaid and other assets	(6,575)	(149)
Accounts payable and accrued liabilities	6,809	(5,569)
Income taxes	137	(231)
Net cash provided by operating activities	362	14,442
Cash Flows From Investing Activities:		
Proceeds from disposition of property and equipment	25	3
Purchases of property and equipment	(3,225)	(2,021)
Net cash used in investing activities	(3,200)	(2,018)
Cash Flows From Financing Activities:		
Proceeds from revolving credit facilities	15,217	21,089
Repayments on revolving credit facilities	(20,684)	(33,264)
Repayments on term note	(2,000)	-
Proceeds from issuance of term note	-	20,000
Payment of debt issuance costs	-	(44)
Purchase of treasury stock	(651)	(137)
Proceeds from exercise of stock options	1,652	497
Cash dividends paid	(1,565)	(744)
Net cash (used in) provided by financing activities	(8,031)	7,397
Effect of foreign exchange rates on cash	(138)	14
Change in cash	(11,007)	19,835
Cash, beginning of year	17,789	1,703
Cash, end of period	$ 6,782	$ 21,538
Supplemental Disclosure of Cash Flow Information:		
Cash paid for income taxes	$ 353	$ 266
Cash paid for interest	$ 309	$ 478
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Property and equipment purchased with accounts payable	$ 236	$ 456
Lease liabilities arising from obtaining right of use assets	$ 3,933	$ 80
Unpaid debt issuance costs	$ 217	$ -
Stock dividends	$ -	$ 714

See accompanying notes to condensed consolidated financial statements.

CLARUS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands, except per share amounts)

	Common Stock		Additional Paid-In	Accumulated	Treasury Stock		Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Shares	Amount	Income (Loss)	Equity
Balance, December 31, 2019	33,615	$ 3	$ 492,353	$ (288,592)	(3,855)	$ (22,269)	$ (303)	$ 181,192
Net income	-	-	-	36	-	-	-	36
Other comprehensive income	-	-	-	-	-	-	412	412
Cash dividends ($0.025 per share)	-	-	-	(744)	-	-	-	(744)
Stock-based compensation expense	-	-	613	-	-	-	-	613
Balance, March 31, 2020	33,615	$ 3	$ 492,966	$ (289,300)	(3,855)	$ (22,269)	$ 109	$ 181,509
Net loss	-	-	-	(2,743)	-	-	-	(2,743)
Other comprehensive loss	-	-	-	-	-	-	(182)	(182)
Stock dividends ($0.025 per share)	70	-	714	(714)	-	-	-	-
Purchase of treasury stock	-	-	-	-	(14)	(137)	-	(137)
Stock-based compensation expense	-	-	616	-	-	-	-	616
Proceeds from exercise of options	72	-	497	-	-	-	-	497
Balance, June 30, 2020	33,757	$ 3	$ 494,793	$ (292,757)	(3,869)	$ (22,406)	$ (73)	$ 179,560

	Common Stock		Additional Paid-In	Accumulated	Treasury Stock		Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Shares	Amount	Income (Loss)	Equity
Balance, December 31, 2020	35,198	$ 4	$ 513,979	$ (286,100)	(3,970)	$ (23,789)	$ 500	$ 204,594
Net income	-	-	-	5,677	-	-	-	5,677
Other comprehensive loss	-	-	-	-	-	-	(120)	(120)
Cash dividends ($0.025 per share)	-	-	-	(783)	-	-	-	(783)
Purchase of treasury stock	-	-	-	-	(41)	(651)	-	(651)
Stock-based compensation expense	-	-	1,524	-	-	-	-	1,524
Proceeds from exercise of options	127	-	246	-	-	-	-	246
Balance, March 31, 2021	35,325	$ 4	$ 515,749	$ (281,206)	(4,011)	$ (24,440)	$ 380	$ 210,487
Net income	-	-	-	1,840	-	-	-	1,840
Other comprehensive income	-	-	-	-	-	-	403	403
Cash dividends ($0.025 per share)	-	-	-	(782)	-	-	-	(782)
Stock-based compensation expense	-	-	1,826	-	-	-	-	1,826
Proceeds from exercise of options	171	-	1,406	-	-	-	-	1,406
Balance, June 30, 2021	35,496	$ 4	$ 518,981	$ (280,148)	(4,011)	$ (24,440)	$ 783	$ 215,180

See accompanying notes to condensed consolidated financial statements.

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited condensed consolidated financial statements of Clarus Corporation and subsidiaries (which may be referred to as the "Company," "Clarus," "we," "us" or "our") as of June 30, 2021 and December 31, 2020 and for the three and six months ended June 30, 2021 and 2020, have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments, except otherwise disclosed) necessary for a fair presentation of the unaudited condensed consolidated financial statements have been included. The results for the three and six months ended June 30, 2021 are not necessarily indicative of the results to be obtained for the year ending December 31, 2021. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the Securities and Exchange Commission (the "SEC") on March 8, 2021.

Clarus, incorporated in Delaware in 1991, acquired Black Diamond Equipment, Ltd. ("Black Diamond Equipment") in May 2010 and changed its name to Black Diamond, Inc. in January 2011. In October 2012, we acquired PIEPS Holding GmbH and its subsidiaries (collectively, "PIEPS").

On August 14, 2017, the Company changed its name from Black Diamond, Inc. to Clarus Corporation and its stock ticker symbol from "BDE" to "CLAR" on the NASDAQ stock exchange. On August 21, 2017, the Company acquired Sierra Bullets, L.L.C. ("Sierra"). On November 6, 2018, the Company acquired the assets of SKINourishment, Inc. ("SKINourishment").

On October 2, 2020, the Company completed the acquisition of certain assets and liabilities constituting the Barnes business ("Barnes").

On July 1, 2021, the Company completed the acquisition of Australia-based Rhino-Rack Holdings Pty Ltd ("Rhino-Rack"). See Note 16 for a more detailed explanation of the acquisition.

Nature of Business

Headquartered in Salt Lake City, Utah, Clarus, a company focused on the outdoor and consumer industries, is seeking opportunities to acquire and grow businesses that can generate attractive shareholder returns. The Company has net operating tax loss carryforwards which it is seeking to redeploy to maximize shareholder value. Clarus' primary business is as a leading designer, developer, manufacturer and distributor of outdoor equipment and lifestyle products focused on the climb, ski, mountain, sport and skincare markets. The Company's products are principally sold under the Black Diamond®, Sierra®, Barnes®, PIEPS® and SKINourishment® brand names through outdoor specialty and online retailers, distributors and original equipment manufacturers throughout the U.S. and internationally.

Through our Black Diamond, PIEPS, and SKINourishment brands, we offer a broad range of products including: high-performance, activity-based apparel (such as shells, insulation, midlayers, pants and logowear); rock-climbing footwear and equipment (such as carabiners, protection devices, harnesses, belay devices, helmets, and ice-climbing gear); technical backpacks and high-end day packs; trekking poles; headlamps and lanterns; gloves and mittens; and skincare and other sport-enhancing products. We also offer advanced skis, ski poles, ski skins, and snow safety products, including avalanche airbag systems, avalanche transceivers, shovels, and probes. Through our Sierra and Barnes brands, we manufacture a wide range of high-performance bullets and ammunition for both rifles and pistols that are used for precision target shooting, hunting and military and law enforcement purposes.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The more significant estimates relate to the fair value of assets acquired in business combinations, excess or obsolete inventory, allowance for credit losses and doubtful accounts, and valuation of deferred tax assets. We base our estimates on historical experience, projected future cash flows, and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Significant Accounting Policies

Accounting Pronouncements not yet adopted

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional expedients and exceptions to existing guidance on contract modifications and hedge accounting to facilitate the market transition from existing reference rates, such as the London Inter-Bank Offered Rate ("LIBOR") which is being phased out in 2021, to alternate reference rates, such as the Secured Overnight Financing Rate ("SOFR"). The standard is currently effective and upon adoption may be applied prospectively to contract modifications made on or before December 31, 2022. The provisions have impact as contract modifications and other changes occur while LIBOR is phased out. The Company is in the process of evaluating the optional relief guidance provided within this ASU. Management will continue its assessment and monitor regulatory developments during the LIBOR transition period.

NOTE 2. ACQUISITIONS

Barnes

On September 30, 2020, Sierra entered into an Asset Purchase Agreement (the "Barnes Asset Purchase Agreement") with Remington Outdoor Company, Inc. and certain of its subsidiaries (the "Seller"), pursuant to which Sierra agreed to (i) acquire certain assets of the Seller constituting the Barnes business ("Barnes"), including equipment, inventory, intellectual property (including exclusive use of Barnes' intellectual property in the all-copper and powdered metallurgy ammunition fields as well as its trademarks) and a leasehold interest in certain real property located in Mona, Utah (collectively, the "Barnes Purchased Assets") and (ii) assume certain liabilities related to the Barnes Purchased Assets in a transaction to be effected in Seller's bankruptcy proceeding under Chapter 11 of title 11 of the United States Code, §§ 101 et seq. (the "Bankruptcy Code") which commenced on July 27, 2020 in the United States Bankruptcy Court for the Northern District of Alabama (the "Bankruptcy Court"). Pursuant to the Barnes Asset Purchase Agreement, the purchase price to be paid for the Barnes Purchased Assets is $30,500 (the "Barnes Purchase Price"). On October 2, 2020, Sierra completed the acquisition of the Barnes Purchased Assets. The acquisition was accounted for as a business combination.

The Company believes the acquisition of Barnes is expected to provide the Company with a greater combined global revenue base, increased gross margins, profitability and free cash flows, and access to increased liquidity to further acquire and grow businesses.

(in thousands, except per share amounts)

The following table is a reconciliation to the fair value of the purchase consideration and how the purchase consideration is allocated to assets acquired and liabilities assumed which have been estimated at their fair values. The excess of purchase consideration over the assets acquired and liabilities assumed is recorded as goodwill. Goodwill is included in the Sierra segment.

	Barnes Estimated Fair Value
Total Purchase Consideration	$ 30,500
Assets Acquired and Liabilities Assumed	
Assets	
Cash	$ 2
Inventories	4,535
Prepaid and other current assets	612
Property and equipment	4,036
Other intangible assets	7,500
Indefinite-lived intangible assets	5,600
Goodwill	8,625
Other long-term assets	4,355
Total Assets	35,265
Liabilities	
Accounts payable and accrued liabilities	842
Other long-term liabilities	3,923
Total Liabilities	4,765
Net Book Value Acquired	$ 30,500

The estimated fair value of inventory was recorded at expected sales price less cost to sell plus a reasonable profit margin for selling efforts.

In connection with the acquisition, the Company acquired exclusive rights to Barnes' trademarks, customer relationships, and product technologies. The amounts assigned to each class of intangible asset, other than goodwill acquired, and the related average useful lives are as follows:

	Gross	Average Useful Life
Intangibles subject to amortization		
Customer relationships	$ 5,700	10.0 years
Product technologies	1,800	10.0 years
Intangibles not subject to amortization		
Trademarks	5,600	N/A
	$ 13,100	10.0 years

The goodwill consists largely of the synergies expected from combining operations. The acquisition of Barnes is treated as a purchase of assets for tax purposes. As such, the basis in the assets of Barnes is equal for both book and tax, which results in no initial recognition of deferred tax assets or liabilities. Furthermore, the full amount of goodwill recorded of $8,625 is expected to be deductible for tax purposes. No pre-existing relationships existed between the Company and the Sellers prior to the acquisition. Barnes revenue and operating income were included in the Sierra segment.

(in thousands, except per share amounts)

The following unaudited pro forma results are based on the individual historical results of the Company and Barnes, with adjustments to give effect as if the acquisition and borrowings used to finance the acquisition had occurred on January 1, 2019, after giving effect to certain adjustments including the amortization of intangible assets, depreciation of fixed assets, interest expense and taxes and assumes the purchase price was allocated to the assets purchased and liabilities assumed based on their fair market values at the date of purchase.

	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
Sales	$ 36,060	$ 94,024
Net loss	$ (1,869)	$ (1,515)
Net loss per share - basic	$ (0.06)	$ (0.05)
Net loss per share - diluted	$ (0.06)	$ (0.05)

The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred had the transaction been consummated as of January 1, 2019. Furthermore, such pro forma information is not necessarily indicative of future operating results of the combined companies and should not be construed as representative of the operating results of the combined companies for any future dates or periods.

NOTE 3. INVENTORIES

Inventories, as of June 30, 2021 and December 31, 2020, were as follows:

	June 30, 2021	December 31, 2020
Finished goods	$ 55,520	$ 50,132
Work-in-process	7,550	6,429
Raw materials and supplies	19,586	11,795
	$ 82,656	$ 68,356

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment, net, as of June 30, 2021 and December 31, 2020, were as follows:

	June 30, 2021	December 31, 2020
Land	$ 3,160	$ 3,160
Building and improvements	7,412	7,324
Furniture and fixtures	5,781	5,715
Computer hardware and software	6,454	5,707
Machinery and equipment	27,482	26,848
Construction in progress	4,593	3,042
	54,882	51,796
Less accumulated depreciation	(27,387)	(24,840)
	$ 27,495	$ 26,956

(in thousands, except per share amounts)

NOTE 5. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table summarizes the balances in goodwill by segment:

	Black Diamond	Sierra	Total
Balance at December 31, 2020	-	26,715	26,715
Balance at June 30, 2021	$ -	$ 26,715	$ 26,715

Indefinite Lived Intangible Assets

The following table summarizes the changes in indefinite lived intangible assets:

Balance at December 31, 2020	$ 47,523
Impact of foreign currency exchange rates	(108)
Balance at June 30, 2021	$ 47,415

Other Intangible Assets, net

The following table summarizes the changes in gross other intangible assets:

Gross balance at December 31, 2020	$ 40,840
Impact of foreign currency exchange rates	(155)
Gross balance at June 30, 2021	$ 40,685

Other intangible assets, net of amortization as of June 30, 2021 and December 31, 2020, were as follows:

	June 30, 2021	December 31, 2020
Customer lists and relationships	$ 31,844	$ 31,930
Product technologies	6,631	6,700
Tradename / trademark	1,263	1,263
Core technologies	947	947
	40,685	40,840
Less accumulated amortization	(23,722)	(21,424)
	$ 16,963	$ 19,416

(in thousands, except per share amounts)

NOTE 6. LONG-TERM DEBT

Long-term debt as of June 30, 2021 and December 31, 2020, was as follows:

	June 30, 2021	December 31, 2020
Revolving credit facility (a)	$ 10,112	$ 15,579
Foreign credit facilities (b)	1,010	1,042
Term note (c)	16,000	18,000
	27,122	34,621
Less current portion	(5,010)	(4,000)
	$ 22,112	$ 30,621

(a) As of June 30, 2021, the Company had drawn $10,112 on the $60,000 revolving commitment that was available under the credit agreement with JPMorgan Chase Bank, N.A., with a maturity date of May 3, 2024. The Company pays interest monthly on any borrowings on the Credit Agreement. As of June 30, 2021 and December 31, 2020, the rate was 1.6250% and 2.0625%, respectively.

All obligations under the Credit Agreement are secured by 100% of our domestic, and 65% of our foreign, subsidiary equity interests, as well as accounts receivable, inventory, intellectual property and certain other assets owned by the Company. The Credit Agreement contains restrictions on the Company's ability to pay dividends or make distributions or other restricted payments if certain conditions in the Credit Agreement are not fulfilled. The Credit Agreement also includes other customary affirmative and negative covenants, including financial covenants relating to the Company's consolidated total leverage ratio and fixed charge coverage ratio. The Company was in compliance with the debt covenants set forth in the Credit Agreement as of June 30, 2021.

(b) A foreign subsidiary of the Company has a revolving credit facility with a financial institution which matures on March 31, 2022. The foreign subsidiary pays interest monthly on any borrowings on the credit facility. As of June 30, 2021 and December 31, 2020, the rate was 1.3387% and 1.3387%, respectively.

(c) Under the Credit Agreement, the Company had access to a term loan facility that was available for drawdown until May 3, 2020. On April 30, 2020, the Company borrowed $20,000 under such term loan facility. The Company is required to repay the term loan through quarterly payments of $1,000 each beginning with September 30, 2020, and any remaining obligations will be repaid in full on the maturity date of the Credit Agreement of May 3, 2024. The Company pays interest monthly on any borrowings on the Credit Agreement. As of June 30, 2021 and December 31, 2020, the rate was 1.6250% and 2.0625%, respectively.

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's primary exchange rate risk management objective is to mitigate the uncertainty of anticipated cash flows attributable to changes in foreign currency exchange rates. The Company primarily focuses on mitigating changes in cash flows resulting from sales denominated in currencies other than the U.S. dollar. The Company manages this risk primarily by using currency forward and option contracts. If the anticipated transactions are deemed probable, the resulting relationships are formally designated as cash flow hedges. The Company accounts for these contracts as cash flow hedges and tests effectiveness by determining whether changes in the expected cash flow of the derivative offset, within a range, changes in the expected cash flow of the hedged item.

As of June 30, 2021, the Company held currency forward contracts to mitigate currency fluctuations related to the cash purchase price of Rhino-Rack totaling AUD 193,650 with a maturity date of July 1, 2021. These contracts are not designated as accounting hedges and the changes in fair value of the instruments are recognized in earnings. During the three and six months ended June 30, 2021, losses of $(4,513) were recorded in other, net expense.

At June 30, 2021, the Company's derivative contracts had remaining maturities of less than one year. The counterparties to these transactions had both long-term and short-term investment grade credit ratings. The maximum net exposure of the Company's credit risk to the counterparties is generally limited to the aggregate unrealized loss of all contracts with that counterparty, which is $4,684 as of June 30, 2021. The Company's exposure of counterparty credit risk is limited to the aggregate unrealized gain on all contracts. At June 30, 2021, there was no such exposure to the counterparties. The Company's derivative counterparties have strong credit ratings and as a result, the Company does not require collateral to facilitate transactions.

(in thousands, except per share amounts)

The Company held the following contracts designated as hedging instruments as of June 30, 2021 and December 31, 2020:

	June 30, 2021	
	Notional Amount	Latest Maturity
Foreign exchange contracts - Canadian Dollars	$9,692	February 2022
Foreign exchange contracts - Euros	€ 17,185	February 2022

	December 31, 2020	
	Notional Amount	Latest Maturity
Foreign exchange contracts - Canadian Dollars	$14,587	February 2022
Foreign exchange contracts - Euros	€ 24,481	February 2022

For contracts that qualify as effective hedge instruments, the effective portion of gains and losses resulting from changes in fair value of the instruments are included in accumulated other comprehensive income and reclassified to sales in the period the underlying hedged transaction is recognized in earnings. Gains (losses) of $(422) and $294 were reclassified to sales during the three months ended June 30, 2021 and 2020, respectively, and $(743) and $582 were reclassified to sales during the six months ended June 30, 2021 and 2020, respectively.

The following table presents the balance sheet classification and fair value of derivative instruments as of June 30, 2021 and December 31, 2020:

	Classification	June 30, 2021		December 31, 2020	
Derivative instruments in asset positions:					
Designated forward exchange contracts	Prepaid and other current assets	$	184	$	-
Derivative instruments in liability positions:					
Designated forward exchange contracts	Accounts payable and accrued liabilities	$	355	$	1,539
Undesignated forward exchange contracts	Accounts payable and accrued liabilities	$	4,513	$	-
Designated forward exchange contracts	Other long-term liabilities	$	-	$	90

NOTE 8. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income ("AOCI") primarily consists of foreign currency translation adjustments and changes in our forward foreign exchange contracts. The following table sets forth the changes in AOCI, net of tax, for the three months ended June 30, 2021:

	Foreign Currency Translation Adjustments		Unrealized Gains (Losses) on Cash Flow Hedges		Total	
Balance as of March 31, 2021	$	464	$	(84)	$	380
Other comprehensive income (loss) before reclassifications		295		(215)		80
Amounts reclassified from other comprehensive income		-		323		323
Net current period other comprehensive income		295		108		403
Balance as of June 30, 2021	$	759	$	24	$	783

(in thousands, except per share amounts)

The following table sets forth the changes in AOCI, net of tax, for the three months ended June 30, 2020:

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Cash Flow Hedges	Total
Balance as of March 31, 2020	$ (687)	$ 796	$ 109
Other comprehensive income (loss) before reclassifications	367	(326)	41
Amounts reclassified from other comprehensive income	-	(223)	(223)
Net current period other comprehensive income (loss)	367	(549)	(182)
Balance as of June 30, 2020	$ (320)	$ 247	$ (73)

The following table sets forth the changes in AOCI, net of tax, for the six months ended June 30, 2021:

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Cash Flow Hedges	Total
Balance as of December 31, 2020	$ 1,480	$ (980)	$ 500
Other comprehensive (loss) income before reclassifications	(721)	435	(286)
Amounts reclassified from other comprehensive income	-	569	569
Net current period other comprehensive (loss) income	(721)	1,004	283
Balance as of June 30, 2021	$ 759	$ 24	$ 783

The following table sets forth the changes in AOCI, net of tax, for the six months ended June 30, 2020:

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Cash Flow Hedges	Total
Balance as of December 31, 2019	$ (286)	$ (17)	$ (303)
Other comprehensive (loss) income before reclassifications	(34)	706	672
Amounts reclassified from other comprehensive loss	-	(442)	(442)
Net current period other comprehensive (loss) income	(34)	264	230
Balance as of June 30, 2020	$ (320)	$ 247	$ (73)

The effects on net income of amounts reclassified from unrealized gains on cash flow hedges for foreign exchange contracts for the three and six months ended June 30, 2021 and 2020, were as follows:

	Gains (losses) reclassified from AOCI to the Consolidated Statements of Comprehensive Income (Loss)			
	Three Months Ended		Six Months Ended	
Affected line item in the Consolidated Statements of Comprehensive Income (Loss)	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Foreign exchange contracts:				
Sales	$ (422)	$ 294	$ (743)	$ 582
Less: Income tax (benefit) expense	(99)	71	(174)	140
Amount reclassified, net of tax	$ (323)	$ 223	$ (569)	$ 442
Total reclassifications from AOCI	$ (323)	$ 223	$ (569)	$ 442

(in thousands, except per share amounts)

NOTE 9. FAIR VALUE MEASUREMENTS

We measure certain financial assets and liabilities at fair value on a recurring basis. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, under a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value as follows:

Level 1 - inputs to the valuation methodology are quoted market prices for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 - inputs to the valuation methodology are based on prices or valuation techniques that are unobservable.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2021 and December 31, 2020 were as follows:

	June 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Designated forward exchange contracts	$ -	$ 184	$ -	$ 184
	$ -	$ 184	$ -	$ 184
Liabilities				
Designated forward exchange contracts	$ -	$ 355	$ -	$ 355
Undesignated forward exchange contracts	-	4,513	-	4,513
	$ -	$ 4,868	$ -	$ 4,868

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Designated forward exchange contracts	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -
Liabilities				
Designated forward exchange contracts	$ -	$ 1,629	$ -	$ 1,629
	$ -	$ 1,629	$ -	$ 1,629

Derivative financial instruments are recorded at fair value based on current market pricing models. No nonrecurring fair value measurements existed at June 30, 2021 and December 31, 2020.

NOTE 10. STOCKHOLDERS' EQUITY

On August 6, 2018, the Company announced that its Board of Directors approved the initiation of a quarterly cash dividend program of $0.025 per share of the Company's common stock (the "Quarterly Cash Dividend") or $0.10 per share on an annualized basis. The declaration and payment of future Quarterly Cash Dividends is subject to the discretion of and approval of the Company's Board of Directors. On May 1, 2020, the Company announced that, in light of the operational impact of the COVID-19 pandemic, its Board of Directors temporarily replaced its Quarterly Cash Dividend with a stock dividend (the "Quarterly Stock Dividend"). On October 19, 2020, the Company announced that its Board of Directors approved the reinstatement of its Quarterly Cash Dividend. On July 30, 2021, the Company announced that its Board of Directors approved the payment on August 20, 2021 of the Quarterly Cash Dividend of $0.025 to the record holders of shares of the Company's common stock as of the close of business on August 9, 2021.

(in thousands, except per share amounts)

NOTE 11. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing earnings (loss) by the weighted average number of common shares outstanding during each period. Diluted earnings (loss) per share is computed by dividing earnings (loss) by the total of the weighted average number of shares of common stock outstanding during each period, plus the effect of dilutive outstanding stock options and unvested restricted stock grants. Potentially dilutive securities are excluded from the computation of diluted earnings (loss) per share if their effect is anti-dilutive to the loss from continuing operations.

The following table is a reconciliation of basic and diluted shares of common stock outstanding used in the calculation of earnings (loss) per share:

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Weighted average shares outstanding - basic	31,367	29,817	31,325	29,789
Effect of dilutive stock awards	1,823	-	1,645	-
Weighted average shares outstanding - diluted	33,190	29,817	32,970	29,789
Net income (loss) per share:				
Basic	$ 0.06	$ (0.09)	$ 0.24	$ (0.09)
Diluted	0.06	(0.09)	0.23	(0.09)

For the three months ended June 30, 2021 and 2020, equity awards of 1,034 and 4,633, respectively, and for the six months ended June 30, 2021 and 2020, equity awards of 1,017 and 4,590, respectively, were anti-dilutive and therefore not included in the calculation of earnings (loss) per share for these periods.

NOTE 12. STOCK-BASED COMPENSATION PLAN

Under the Company’s current 2015 Stock Incentive Plan (the “2015 Plan”), the Company’s Board of Directors has flexibility to determine the type and amount of awards to be granted to eligible participants, who must be employees, directors, officers or consultants of the Company or its subsidiaries. The 2015 Plan allows for grants of incentive stock options, nonqualified stock options, restricted stock awards, stock appreciation rights, and restricted units. The aggregate number of shares of common stock that may be granted through awards under the 2015 Plan to any employee in any calendar year may not exceed 500 shares. The 2015 Plan will continue in effect until December 2025 unless terminated sooner.

Options Granted:

During the six months ended June 30, 2021, the Company issued stock options for an aggregate of 500 shares under the 2015 Plan to directors and employees of the Company. The options issued during the six months ended June 30, 2021 generally vest and become exercisable over a period of one to three years and expire ten years from the date of the grant.

For computing the fair value of the stock-based awards, the fair value of each option grant has been estimated as of the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Number of options	500
Option vesting period	1 - 3 Years
Grant price (per share)	$15.15 - $24.43
Dividend yield	0.41% - 0.66%
Expected volatility (a)	39.1% - 43.6%
Risk-free interest rate	0.50% - 1.02%
Expected life (years) (b)	5.31 - 6.00
Weighted average fair value (per share)	$5.88 - $9.23

(a) Expected volatility is based upon the Company’s historical volatility.

(b) The expected term was determined based upon the underlying terms of the awards and the category and employment history of employee award recipient.

(in thousands, except per share amounts)

The grant date fair value of the stock options granted during the six months ended June 30, 2021 was $3,239, which will be recognized over the vesting period of the options.

Market Condition Restricted Shares Granted:

On May 28, 2021, the Company issued and granted to the Executive Chairman a restricted stock award of 500 restricted shares under the 2015 Plan, of which 500 restricted shares will vest if, on or before May 28, 2024, the Fair Market Value (as defined in the Plan) of the Company's common stock shall have equaled or exceeded $35.00 per share for twenty consecutive trading days. For computing the fair value of the restricted shares with a market condition, the fair value of the restricted stock award grant has been estimated as of the date of grant using the Monte-Carlo pricing model with the following assumptions:

	May 28, 2021
Number issued	500
Vesting period	$35.00 stock price target
Grant price (per share)	$23.69
Dividend yield	0.42%
Expected volatility	42.3%
Risk-free interest rate	0.30%
Expected term (years)	1.05
Weighted average fair value (per share)	$14.46

Using these assumptions, the fair value of the market condition restricted stock awards granted on May 28, 2021 was approximately $7,230.

The total non-cash stock compensation expense related to restricted stock, stock options and stock awards recorded by the Company for the three months ended June 30, 2021 and 2020 was $1,826 and $616, respectively, and for the six months ended June 30, 2021 and 2020 was $3,350 and $1,229, respectively. For the three and six months ended June 30, 2021 and 2020, the majority of stock-based compensation costs were classified as selling, general and administrative expenses.

As of June 30, 2021, there were 2,143 unvested stock options and unrecognized compensation cost of $8,508 related to unvested stock options, as well as 1,000 unvested restricted stock awards and unrecognized compensation costs of $8,300 related to unvested restricted stock awards.

NOTE 13. COMMITMENTS AND CONTINGENCIES

As a consumer goods manufacturer and distributor, the Company faces the risk of product liability and related lawsuits involving claims for substantial money damages, product recall actions and higher than anticipated rates of warranty returns or other returns of goods. The Company is therefore vulnerable to various personal injury and property damage lawsuits relating to its products and incidental to its business.

The Company is involved in various legal disputes and other legal proceedings that arise from time to time in the ordinary course of business. Based on currently available information, the Company does not believe that it is reasonably possible that the disposition of any of the legal disputes the Company or its subsidiaries is currently involved in will have a material adverse effect upon the Company's consolidated financial condition, results of operations or cash flows. There is a reasonable possibility of loss from contingencies in excess of the amounts accrued by the Company in the accompanying condensed consolidated balance sheets; however, the actual amounts of such possible losses cannot currently be reasonably estimated by the Company at this time. It is possible that, as additional information becomes available, the impact on the Company could have a different effect.

NOTE 14. INCOME TAXES

The Company's U.S. federal statutory tax rate of 21% and its foreign operations that are considered to be permanently reinvested have statutory tax rates of approximately 25%.

The differences between the Company's estimated effective tax rates of 7.8% and (2.9)% for the three and six months ended June 30, 2021 and the U.S. federal statutory tax rate of 21% were due to a release of valuation allowance for the current year expected utilization of net operating loss carryforwards (“NOLs”) and a stock compensation tax windfall, which were partially offset by permanent book to tax differences related to incentive stock options and officer compensation limitations.

(in thousands, except per share amounts)

As of December 31, 2020, the Company’s gross deferred tax asset was $40,538. The Company has recorded a valuation allowance of $22,348, resulting in a net deferred tax asset of $18,190, before deferred tax liabilities of $8,304. The Company has provided a valuation allowance against a portion of the deferred tax assets as of June 30, 2021 and December 31, 2020, because the ultimate realization of those assets did not meet the more-likely-than-not criteria. The majority of the Company’s deferred tax assets consist of NOLs for federal tax purposes. If a change in control were to occur, these could be limited under Section 382 of the Internal Revenue Code of 1986 (“Code”), as amended.

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and net operating loss and credit carryforwards expire. The estimates and judgments associated with the Company’s valuation allowance on deferred tax assets are considered critical due to the amount of deferred tax assets recorded by the Company on its consolidated balance sheet and the judgment required in determining the Company’s future taxable income. The need for a valuation allowance is reassessed at each interim reporting period.

As of December 31, 2020, the Company had NOLs and research and experimentation credit for U.S. federal income tax purposes of $120,309 and $1,889, respectively. The Company believes its U.S. Federal NOLs will substantially offset its future U.S. Federal income taxes until expiration. The majority of the Company’s pre-tax income is currently earned and expected to be earned in the U.S., or taxed in the U.S. as Subpart F income and will be offset with the NOLs.

NOLs available to offset taxable income, subject to compliance with Section 382 of the Code, begin to expire based upon the following schedule:

Net Operating Loss Carryforward Expiration Dates
December 31, 2020

Expiration Dates December 31,	Net Operating Loss Amount	
2022	$	99,596
2023		5,853
2024		3,566
2025 and beyond		11,294
Total	$	120,309

NOTE 15. SEGMENT INFORMATION

We operate our business structure within two segments. These segments are defined based on the internal financial reporting used by our chief operating decision maker to allocate resources and assess performance. Certain significant selling and general and administrative expenses are not allocated to the segments including non-cash stock compensation expense. Each segment is described below:

- Our Black Diamond segment, which includes Black Diamond Equipment, PIEPS, and SKINourishment, is a global leader in designing, manufacturing, and marketing innovative outdoor engineered equipment and apparel for climbing, mountaineering, trail running, backpacking, skiing, and a wide range of other year-round outdoor recreation activities. Our Black Diamond segment offers a broad range of products including: high-performance, activity-based apparel (such as shells, insulation, midlayers, pants and logowear); rock-climbing footwear and equipment (such as carabiners, protection devices, harnesses, belay devices, helmets, and ice-climbing gear); technical backpacks and high-end day packs; trekking poles; headlamps and lanterns; gloves and mittens; and skincare and other sport-enhancing products. We also offer advanced skis, ski poles, ski skins, and snow safety products, including avalanche airbag systems, avalanche transceivers, shovels, and probes.
- Our Sierra segment, which includes Sierra and Barnes, includes two iconic American manufacturers of a wide range of high-performance bullets and ammunition for both rifles and pistols. These bullets are used for precision target shooting, hunting and military and law enforcement purposes.

(in thousands, except per share amounts)

As noted above, the Company has a wide variety of technical outdoor equipment and lifestyle products focused on the climb, ski, mountain and sport product categories that are sold to a variety of customers in multiple end markets. While there are multiple products sold, the terms and nature of revenue recognition policy is similar for all segments. The sport product category represents the Sierra segment revenue.

We divide our product offerings into four primary categories of climb, mountain, ski and sport. Revenue by category as a percentage of total consolidated revenues is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Climb	30 %	38 %	28 %	38 %
Mountain	25 %	22 %	26 %	27 %
Ski	6 %	7 %	11 %	14 %
Sport	39 %	33 %	35 %	21 %

Financial information for our segments is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Sales to external customers:				
Black Diamond				
Domestic sales	$ 25,232	$ 11,740	$ 50,992	$ 34,428
International sales	19,660	8,462	45,696	31,569
Total Black Diamond	44,892	20,202	96,688	65,997
Sierra				
Domestic sales	26,644	8,519	48,457	14,379
International sales	1,773	1,293	3,495	3,193
Total Sierra	28,417	9,812	51,952	17,572
Total sales to external customers	73,309	30,014	148,640	83,569
Segment operating income (loss):				
Black Diamond	657	(4,000)	4,102	(2,326)
Sierra	10,017	2,346	15,979	3,818
Total segment operating income (loss)	10,674	(1,654)	20,081	1,492
Transaction costs	(649)	(180)	(1,125)	(430)
Corporate and other expenses	(7,818)	(1,797)	(11,200)	(4,332)
Interest expense, net	(212)	(257)	(450)	(568)
Income (loss) before income tax	$ 1,995	$ (3,888)	$ 7,306	$ (3,838)

There were no intercompany sales between the Black Diamond and Sierra segments for the periods presented.

Total assets by segment, as of June 30, 2021 and December 31, 2020, were as follows:

	June 30, 2021	December 31, 2020
Black Diamond	$ 143,118	$ 141,746
Sierra	133,069	113,430
Corporate	18,022	25,515
	$ 294,209	$ 280,691

(in thousands, except per share amounts)

Capital expenditures, depreciation and amortization by segment is as follows.

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Capital expenditures:				
Black Diamond	$ 580	$ 316	$ 1,272	$ 1,305
Sierra	1,298	403	1,953	716
Total capital expenditures	$ 1,878	$ 719	$ 3,225	$ 2,021
Depreciation:				
Black Diamond	$ 694	$ 703	$ 1,407	$ 1,388
Sierra	655	445	1,298	877
Total depreciation	$ 1,349	$ 1,148	$ 2,705	$ 2,265
Amortization:				
Black Diamond	$ 258	$ 269	$ 517	$ 545
Sierra	939	496	1,877	992
Total amortization	$ 1,197	$ 765	$ 2,394	$ 1,537

NOTE 16. SUBSEQUENT EVENTS

Rhino-Rack Acquisition

On May 30, 2021, Oscar Aluminium Pty Ltd (the "Buyer"), an indirect wholly-owned Australian subsidiary of the Company, entered into a Share Sale and Purchase Agreement (the "Purchase Agreement") to acquire Rhino-Rack, a leading manufacturer of highly-engineered automotive roof racks, trays, mounting systems, luggage boxes, carriers, and accessories. On July 1, 2021, the transactions contemplated by the Purchase Agreement were consummated. All United States dollar amounts contained herein are based on the exchange rates in effect for Australian dollars ($AUD) and the market value of the Company's common stock at the time of closing of the acquisition of Rhino-Rack (the "Rhino-Rack Acquisition").

Pursuant to the terms of the Purchase Agreement, by and among the Buyer, the Company, Cropley Nominees Pty Ltd (the "Seller"), Richard Cropley, Hugh Cropley and Oliver Cropley, the Buyer acquired Rhino-Rack for an aggregate purchase price of approximately $AUD 273,000 (approximately $205,000), subject to post-closing adjustment. The purchase price consideration was comprised of approximately $AUD 194,000 (approximately $145,000) cash and 2,315,121 shares of the Company's common stock. The Purchase Agreement also provides for the payment to the Seller of additional consideration of approximately $AUD 10,000 (approximately $8,000) if certain future net sales thresholds are met. The shares of the Company's common stock issued to the Seller are subject to a lock-up agreement restricting sales for 180 days from the closing of the Rhino-Rack Acquisition.

Based upon the timing of the Rhino-Rack Acquisition, the initial accounting is not yet complete as the Company gathers additional information related to the assets acquired and liabilities assumed. The Company is in the process of obtaining third-party valuations of certain intangible assets. The preliminary application of acquisition accounting to the assets acquired and liabilities assumed, as well as the results of operations of Rhino-Rack, will first be reflected in the Company's consolidated financial results as of and for the three and nine months ending September 30, 2021. The operating results of Rhino-Rack are expected to be included within a new segment called Rhino-Rack. Acquisition-related costs for the Rhino-Rack Acquisition, which were included in transaction costs during the three and six months ended June 30, 2021 were $777.

Additionally, on July 1, 2021, the Company recorded a liability in the amount of $1,750 owed to Kanders & Company, Inc. ("Kanders & Company") in consideration of the significant support received by the Company from Kanders & Company in sourcing, structuring, performing due diligence and negotiating the Rhino-Rack Acquisition. Mr. Warren B. Kanders, the Company's Executive Chairman of the Board of Directors, is a member of the Board of Directors and sole stockholder of Kanders & Company.

Credit Agreement

In connection with, among other things, partially funding the Rhino-Rack Acquisition, on July 1, 2021, the Company and certain of its direct and indirect subsidiaries (each, a "Loan Party" and, collectively, the "Loan Parties") entered into Amendment No. 3 ("Amendment No. 3") to that certain Credit Agreement, dated May 3, 2019, as amended by Amendment No. 1 dated May 28, 2019 and Amendment No. 2 dated November 12, 2020, with JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto (collectively, the "Credit Agreement").

The Credit Agreement as amended by Amendment No. 3 increased the aggregate amount of the term loan facility thereunder to $125,000 and increased the maximum amount of the revolving loan facility thereunder to $100,000. The term loan facility was fully borrowed at the closing of Amendment No. 3 on July 1, 2021 in connection with the Rhino-Rack Acquisition. The Credit Agreement continues to permit the Loan Parties, subject to certain requirements, to arrange with lenders for an aggregate of up to $50,000 of additional revolving and/or term loan commitments (both of which are currently uncommitted), for potential aggregate revolving and term loan commitments under the Credit Agreement of up to $275,000.

Amendment No. 3 provides for additional subsidiaries of the Company to guarantee and provide collateral for the loans under the Credit Agreement, including certain of its newly formed or newly acquired Australian subsidiaries in connection with the Rhino-Rack Acquisition. Amendment No. 3 also removed the previously agreed upon ability of the Company to issue debt securities that may be convertible into equity interests of the Company in an aggregate principal amount of up to $125,000 and also increased the maximum consolidated total leverage ratio permitted under the Credit Agreement to 4.25:1.00. Amendment No. 3 did not change the maturity date which remains May 3, 2024.

Additionally, on July 1, 2021, the Company recorded a liability in the amount of $250 owed to Kanders & Company in consideration of the significant support received by the Company from Kanders & Company in sourcing, structuring, and negotiating Amendment No. 3.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Please note that in this Quarterly Report on Form 10-Q Clarus Corporation (which may be referred to as the "Company," "Clarus," "we," "our" or "us") may use words such as "appears," "anticipates," "believes," "plans," "expects," "intends," "future" and similar expressions which constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are made based on our expectations and beliefs concerning future events impacting the Company and therefore involve a number of risks and uncertainties. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

Potential risks and uncertainties that could cause the actual results of operations or financial condition of the Company to differ materially from those expressed or implied by forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, the overall level of consumer demand on our products; general economic conditions and other factors affecting consumer confidence, preferences, and behavior; disruption and volatility in the global currency, capital and credit markets; the financial strength of the Company's customers; the Company's ability to implement its business strategy; the ability of the Company to execute and integrate acquisitions; changes in governmental regulation, legislation or public opinion relating to the manufacture and sale of bullets and ammunition by our Sierra segment, and the possession and use of firearms and ammunition by our customers; the Company's exposure to product liability or product warranty claims and other loss contingencies; disruptions and other impacts to the Company's business, as a result of the COVID-19 global pandemic and government actions and restrictive measures implemented in response; stability of the Company's manufacturing facilities and suppliers, as well as consumer demand for our products, in light of disease epidemics and health-related concerns such as the COVID-19 global pandemic; the impact that global climate change trends may have on the Company and its suppliers and customers; the Company's ability to protect patents, trademarks and other intellectual property rights; any breaches of, or interruptions in, our information systems; the ability of our information technology systems or information security systems to operate effectively, including as a result of security breaches, viruses, hackers, malware, natural disasters, vendor business interruptions or other causes; our ability to properly maintain, protect, repair or upgrade our information technology systems or information security systems, or problems with our transitioning to upgraded or replacement systems; the impact of adverse publicity about the Company and/or its brands, including without limitation, through social media or in connection with brand damaging events and/or public perception; fluctuations in the price, availability and quality of raw materials and contracted products as well as foreign currency fluctuations; our ability to utilize our net operating loss carryforwards; changes in tax laws and liabilities, tariffs, legal, regulatory, political and economic risks; the Company's ability to maintain a quarterly dividend; and any material differences in the actual financial results of the Rhino-Rack acquisition as compared with expectations, including the impact of the acquisition on the Company's future earnings per share. More information on potential factors that could affect the Company's financial results is included from time to time in the Company's public reports filed with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. All forward-looking statements included in this Quarterly Report on Form 10-Q are based upon information available to the Company as of the date of this Quarterly Report on Form 10-Q, and speak only as of the date hereof. We assume no obligation to update any forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

Overview

Headquartered in Salt Lake City, Utah, Clarus, a company focused on the outdoor and consumer industries, is seeking opportunities to acquire and grow businesses that can generate attractive shareholder returns. The Company has net operating tax loss carryforwards which it is seeking to redeploy to maximize shareholder value. Clarus' primary business is as a leading designer, developer, manufacturer and distributor of outdoor equipment and lifestyle products focused on the climb, ski, mountain, sport and skincare markets. The Company's products are principally sold under the Black Diamond®, Sierra®, Barnes®, PIEPS® and SKINourishment® brand names through outdoor specialty and online retailers, distributors and original equipment manufacturers throughout the U.S. and internationally.

Through our Black Diamond, PIEPS, and SKINourishment brands, we offer a broad range of products including: high-performance, activity-based apparel (such as shells, insulation, midlayers, pants and logowear); rock-climbing footwear and equipment (such as carabiners, protection devices, harnesses, belay devices, helmets, and ice-climbing gear); technical backpacks and high-end day packs; trekking poles; headlamps and lanterns; gloves and mittens; and skincare and other sport-enhancing products. We also offer advanced skis, ski poles, ski skins, and snow safety products, including avalanche airbag systems, avalanche transceivers, shovels, and probes. Through our Sierra and Barnes brands, we manufacture a wide range of high-performance bullets and ammunition for both rifles and pistols that are used for precision target shooting, hunting and military and law enforcement purposes.

Clarus, incorporated in Delaware in 1991, acquired Black Diamond Equipment, Ltd. ("Black Diamond Equipment") in May 2010 and changed its name to Black Diamond, Inc. in January 2011. In October 2012, we acquired PIEPS Holding GmbH and its subsidiaries (collectively, "PIEPS").

On August 14, 2017, the Company changed its name from Black Diamond, Inc. to Clarus Corporation and its stock ticker symbol from "BDE" to "CLAR" on the NASDAQ stock exchange. On August 21, 2017, the Company acquired Sierra Bullets, L.L.C. ("Sierra"). On November 6, 2018, the Company acquired the assets of SKINourishment, Inc. ("SKINourishment").

On October 2, 2020, the Company completed the acquisition of certain assets and liabilities constituting the Barnes business ("Barnes").

On July 1, 2021, the Company completed the acquisition of Australia-based Rhino-Rack Holdings Pty Ltd ("Rhino-Rack").

On August 6, 2018, the Company announced that its Board of Directors approved the initiation of a quarterly cash dividend program of $0.025 per share of the Company's common stock (the "Quarterly Cash Dividend") or $0.10 per share on an annualized basis. The declaration and payment of future Quarterly Cash Dividends is subject to the discretion of and approval of the Company's Board of Directors. On May 1, 2020, the Company announced that, in light of the operational impact of the COVID-19 pandemic, its Board of Directors temporarily replaced its Quarterly Cash Dividend with a stock dividend (the "Quarterly Stock Dividend"). On October 19, 2020, the Company announced that its Board of Directors approved the reinstatement of its Quarterly Cash Dividend. On July 30, 2021, the Company announced that its Board of Directors approved the payment on August 20, 2021 of the Quarterly Cash Dividend to the record holders of shares of the Company's common stock as of the close of business on August 9, 2021.

Impact of COVID-19

The global outbreak of COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the U.S. government in March 2020, with governments world-wide implementing safety measures restricting travel and requiring citizen lockdowns and self-confinements for quarantining purposes. This has negatively affected the U.S. and global economy, disrupted global supply chains, and resulted in significant transport restrictions and disruption of financial markets. The impact of this pandemic has created significant uncertainty in the global economy and has affected our business, employees, retail and distribution partners, suppliers, and customers.

We experienced a decline in retail demand within our Black Diamond segment beginning in the second half of March 2020 through December 2020, which negatively impacted our sales and profitability during this period. This continued during the six months ended June 30, 2021, although to a lesser extent, as certain countries began to ease restrictions. We expect a continued impact on the Company's sales and profitability in future periods. The duration of these trends and the magnitude of such impacts cannot be precisely estimated at this time, as they are affected by a number of factors (some of which are outside management's control), including those presented in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2020.

Since the beginning of the pandemic, we have mitigated some of the negative impacts to our operating results by taking significant actions to improve our current operating results and liquidity position, including drawing on the credit facility, temporarily suspending share repurchases, temporarily suspending cash dividends, postponing non-essential capital expenditures, reducing operating costs, modulating production in line with demand, and substantially reducing discretionary spending. As the impact of the COVID-19 pandemic on the economy and our operations evolves, we will continue to assess the impact on the Company and respond accordingly.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The CARES Act established a program with provisions to allow U.S. companies to defer the employer's portion of social security taxes between March 27, 2020 and December 31, 2020 and pay such taxes in two installments in 2021 and 2022. As permitted by the CARES Act, we have deferred payment of the employer's portion of social security payroll tax payments.

Critical Accounting Policies and Use of Estimates

Management's discussion of our financial condition and results of operations is based on the condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of the condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the condensed consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting periods. We continually evaluate our estimates and assumptions including those related to derivatives, revenue recognition, income taxes and valuation of long-lived assets, goodwill and other intangible assets. We base our estimates on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

There have been no significant changes to our critical accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2020.

Accounting Pronouncements Issued Not Yet Adopted

See “Accounting Pronouncements Not Yet Adopted” in Note 1 of the unaudited condensed consolidated financial statements.

(in thousands, except per share amounts)

Results of Operations

Condensed Consolidated Three Months Ended June 30, 2021 Compared to Condensed Consolidated Three Months Ended June 30, 2020

The following presents a discussion of condensed consolidated operations for the three months ended June 30, 2021, compared with the condensed consolidated three months ended June 30, 2020.

	Three Months Ended	
	June 30, 2021	**June 30, 2020**
Sales		
Domestic sales	$ 51,876	$ 20,259
International sales	21,433	9,755
Total sales	73,309	30,014
Cost of goods sold	45,288	19,378
Gross profit	28,021	10,636
Operating expenses		
Selling, general and administrative	20,704	14,493
Transaction costs	649	180
Total operating expenses	21,353	14,673
Operating income (loss)	6,668	(4,037)
Other (expense) income		
Interest expense, net	(212)	(257)
Other, net	(4,461)	406
Total other (expense) income, net	(4,673)	149
Income (loss) before income tax	1,995	(3,888)
Income tax expense (benefit)	155	(1,145)
Net income (loss)	$ 1,840	$ (2,743)

Sales

Consolidated sales increased $43,295, or 144.2%, to $73,309, during the three months ended June 30, 2021, compared to consolidated sales of $30,014 during the three months ended June 30, 2020. The increase in sales was attributable to the increase in the quantity of new and existing climb, mountain, and ski products sold during the period of $23,564. The remaining increase was driven by an increase in the quantity of new and existing sport products sold by Sierra of $6,936 and the inclusion of Barnes, which contributed $11,669. We experienced an increase in sales of $1,126 due to the weakening of the U.S. dollar against foreign currencies during the three months ended June 30, 2021, compared to the prior period.

Consolidated domestic sales increased $31,617, or 156.1%, to $51,876 during the three months ended June 30, 2021, compared to consolidated domestic sales of $20,259 during the three months ended June 30, 2020. The increase in sales was attributable to the increase in the quantity of new and existing climb, mountain, and ski products sold during the period of $13,492. The remaining increase was driven by the increase in the quantity of new and existing sport products sold by Sierra of $7,124 and the inclusion of Barnes, which contributed $11,001.

Consolidated international sales increased $11,678, or 119.7%, to $21,433 during the three months ended June 30, 2021, compared to consolidated international sales of $9,755 during the three months ended June 30, 2020. The increase in sales was primarily attributable to the increase in the quantity of new and existing climb, mountain, and ski products of $10,072 and the inclusion of Barnes, which contributed $668. We experienced an increase in sales of $1,126 due to the weakening of the U.S. dollar against foreign currencies during the three months ended June 30, 2021 compared to the prior period. The increase was partially offset by a decrease in the quantity of new and existing sport products sold by Sierra of $188.

Cost of Goods Sold

Consolidated cost of goods sold increased $25,910 or 133.7%, to $45,288 during the three months ended June 30, 2021, compared to consolidated cost of goods sold of $19,378 during the three months ended June 30, 2020. The increase in cost of goods sold was primarily attributable to an increase in the number of units sold.

Gross Profit

Consolidated gross profit increased $17,385 or 163.5%, to $28,021 during the three months ended June 30, 2021, compared to consolidated gross profit of $10,636 during the three months ended June 30, 2020. Consolidated gross margin was 38.2% during the three months ended June 30, 2021, compared to a consolidated gross margin of 35.4% during the three months ended June 30, 2020. Consolidated gross margin during the three months ended June 30, 2021, increased compared to the prior year due to a favorable product mix in higher margin products and the favorable impacts related to foreign currency. Gross margin also benefited from the inclusion of Barnes.

Selling, General and Administrative

Consolidated selling, general, and administrative expenses increased $6,211, or 42.9%, to $20,704 during the three months ended June 30, 2021, compared to consolidated selling, general and administrative expenses of $14,493 during the three months ended June 30, 2020. The increase in selling, general and administrative expenses is due to the inclusion of Barnes, which contributed $1,478, and an increase of stock compensation of $1,210 during the three months ended June 30, 2021 compared to the prior year. The remaining increase was attributable to the Company's investments in the brand related activities of sales, direct-to-consumer, marketing, and warehousing and logistics, focused on supporting its strategic initiatives around expanding distribution, elevating brand awareness and being easier to do business with.

Transaction Costs

Consolidated transaction expense increased to $649 during the three months ended June 30, 2021, compared to consolidated transaction costs of $180 during the three months ended June 30, 2020, which consisted of expenses related to the Company's various acquisition efforts.

Interest Expense, net

Consolidated interest expense, net during the three months ended June 30, 2021 remained relatively consistent with consolidated interest expense, net, during the three months ended June 30, 2020.

Other, net

Consolidated other, net expense changed by $4,867, or 1,198.8%, to $4,461 during the three months ended June 30, 2021, compared to consolidated other, net income of $406 during the three months ended June 30, 2020. The decrease in other, net, was primarily attributable to changes on mark-to-market adjustments on non-hedged foreign currency contracts, including contracts associated with the purchase price of Rhino Rack, and a decrease in remeasurement gains recognized on the Company's foreign denominated accounts receivable and accounts payable.

Income Taxes

Consolidated income tax increased $1,300, or 113.5%, to an expense of $155 during the three months ended June 30, 2021, compared to income tax benefit of $1,145 during the same period in 2020. Our effective income tax rate was an expense of 7.8% for the three months ended June 30, 2021, and differed compared to the statutory tax rates due to a release of a partial valuation allowance of the deferred tax assets. For the three months ended June 30, 2020, our effective income tax rate was a benefit of 29.4% and was higher compared to the statutory tax rates due to permanent book to tax differences primarily related to incentive stock options.

(in thousands, except per share amounts)

Condensed Consolidated Six Months Ended June 30, 2021 Compared to Condensed Consolidated Six Months Ended June 30, 2020

The following presents a discussion of condensed consolidated operations for the six months ended June 30, 2021, compared with the condensed consolidated six months ended June 30, 2020.

	Six Months Ended	
	June 30, 2021	**June 30, 2020**
Sales		
Domestic sales	$ 99,449	$ 48,807
International sales	49,191	34,762
Total sales	148,640	83,569
Cost of goods sold	93,569	54,421
Gross profit	55,071	29,148
Operating expenses		
Selling, general and administrative	41,589	31,863
Transaction costs	1,125	430
Total operating expenses	42,714	32,293
Operating income (loss)	12,357	(3,145)
Other expense		
Interest expense, net	(450)	(568)
Other, net	(4,601)	(125)
Total other expense, net	(5,051)	(693)
Income (loss) before income tax	7,306	(3,838)
Income tax benefit	(211)	(1,131)
Net income (loss)	$ 7,517	$ (2,707)

Sales

Consolidated sales increased $65,071, or 77.9%, to $148,640, during the six months ended June 30, 2021, compared to consolidated sales of $83,569 during the six months ended June 30, 2020. The increase in sales was attributable to the increase in the quantity of new and existing climb, mountain, and ski products sold during the period of $28,418. The remaining increase in sales was driven by the increase in the quantity of new and existing sport products sold by Sierra of $14,226 and the inclusion of Barnes, which contributed $20,154. We experienced an increase in sales of $2,273 due to the weakening of the U.S. dollar against foreign currencies during the six months ended June 30, 2021, compared to the prior period.

Consolidated domestic sales increased $50,642, or 103.8%, to $99,449 during the six months ended June 30, 2021, compared to consolidated domestic sales of $48,807 during the six months ended June 30, 2020. The increase in sales was attributable to the increase in the quantity of new and existing climb, mountain, and ski products sold during the period of $16,564. The remaining increase was driven by the increase in the quantity of new and existing sport products sold by Sierra of $15,365 and the inclusion of Barnes, which contributed $18,713.

Consolidated international sales increased $14,429, or 41.5%, to $49,191 during the six months ended June 30, 2021, compared to consolidated international sales of $34,762 during the six months ended June 30, 2020. The increase in sales was primarily attributable to the increase in the quantity of new and existing climb, mountain, and ski products of $11,854 and the inclusion of Barnes, which contributed $1,441. We experienced an increase in sales of $2,273 due to the weakening of the U.S. dollar against foreign currencies during the six months ended June 30, 2021 compared to the prior period. The increase was partially offset by a decrease in the quantity of new and existing sport products sold by Sierra of $1,139.

Cost of Goods Sold

Consolidated cost of goods sold increased $39,148 or 71.9%, to $93,569 during the six months ended June 30, 2021, compared to consolidated cost of goods sold of $54,421 during the six months ended June 30, 2020. The increase in cost of goods sold was primarily attributable to an increase in the number of units sold.

Gross Profit

Consolidated gross profit increased $25,923 or 88.9%, to $55,071 during the six months ended June 30, 2021, compared to consolidated gross profit of $29,148 during the six months ended June 30, 2020. Consolidated gross margin was 37.0% during the six months ended June 30, 2021, compared to a consolidated gross margin of 34.9% during the six months ended June 30, 2020. Consolidated gross margin during the six months ended June 30, 2021, increased compared to the prior year due to a favorable product mix in higher margin products and the favorable impacts related to foreign currency. Gross margin also benefited from the inclusion of Barnes; however, this benefit was offset by a decrease in gross margin of 0.2% due to the sale of Barnes inventory that was recorded at its fair value in purchase accounting during the year ended December 31, 2020.

Selling, General and Administrative

Consolidated selling, general, and administrative expenses increased $9,726, or 30.5%, to $41,589 during the six months ended June 30, 2021, compared to consolidated selling, general and administrative expenses of $31,863 during the six months ended June 30, 2020. The increase in selling, general and administrative expenses is due to the inclusion of Barnes, which contributed $3,330, and an increase of stock compensation of $2,121 during the six months ended June 30, 2021 compared to the prior year. The remaining increase was attributable to the Company’s investments in the brand related activities of sales, direct-to-consumer, marketing, and warehousing and logistics, focused on supporting its strategic initiatives around expanding distribution, elevating brand awareness and being easier to do business with.

Transaction Costs

Consolidated transaction expense increased to $1,125 during the six months ended June 30, 2021, compared to consolidated transaction costs of $430 during the six months ended June 30, 2020, which consisted of expenses related to the Company’s various acquisition efforts.

Interest Expense, net

Consolidated interest expense, net during the six months ended June 30, 2021 remained relatively consistent with consolidated interest expense, net, during the six months ended June 30, 2020.

Other, net

Consolidated other, net expense increased $4,476, or 3,580.8%, to $4,601 during the six months ended June 30, 2021, compared to consolidated other, net expense of $125 during the six months ended June 30, 2020. The decrease in other, net, was primarily attributable to changes on mark-to-market adjustments on non-hedged foreign currency contracts, including contracts associated with the purchase price of Rhino Rack. This decrease was partially offset by a decrease in remeasurement losses recognized on the Company’s foreign denominated accounts receivable and accounts payable.

Income Taxes

Consolidated income tax benefit decreased $920, or 81.3%, to a benefit of $211 during the six months ended June 30, 2021, compared to income tax benefit of $1,131 during the same period in 2020. Our effective income tax rate was a benefit of 2.9% for the six months ended June 30, 2021, and differed compared to the statutory tax rates due to a release of a partial valuation allowance of the deferred tax assets and a discrete charge recorded during the period. For the six months ended June 30, 2020, our effective income tax rate was a benefit of 29.5% and was higher compared to the statutory tax rates due to permanent book to tax differences primarily related to incentive stock options.

(in thousands, except per share amounts)

Liquidity and Capital Resources

Condensed Consolidated Six Months Ended June 30, 2021 Compared to Condensed Consolidated Six Months Ended June 30, 2020

Our primary ongoing funding requirements are for working capital, expansion of our operations (both organically and through acquisitions) and general corporate needs, as well as investing activities associated with the expansion into new product categories. We plan to fund these activities through a combination of our future operating cash flows and revolving credit facility which had approximately $49,900 available to borrow at June 30, 2021. We believe that our liquidity requirements for at least the next 12 months will be adequately covered by cash provided by operations and our existing revolving credit facility. However, as the impact of the COVID-19 pandemic on the economy and our operations evolves, we will continue to assess our liquidity needs. The COVID-19 pandemic has negatively affected the U.S. and global economies, disrupted global supply chains, and resulted in significant travel and transport restrictions and disruption of financial markets. An extended period of global supply chain and economic disruption could materially affect our business, results of operations, ability to meet debt covenants, access to sources of liquidity and financial condition. Given the economic uncertainty as a result of the pandemic, we have taken actions to improve our current liquidity position, including drawing on the credit facility, suspending share repurchases and cash dividends, postponing nonessential capital expenditures, reducing operating costs, modulating production in line with demand, initiating workforce reductions and furloughs, and substantially reducing discretionary spending.

Further, subsequent to the balance sheet date, the Company and certain of its direct and indirect subsidiaries (each, a “Loan Party” and, collectively, the “Loan Parties”) entered into Amendment No. 3 (“Amendment No. 3”) to that certain Credit Agreement, dated May 3, 2019, as amended by Amendment No. 1 dated May 28, 2019 and Amendment No. 2 dated November 12, 2020, with JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto (collectively, the “Credit Agreement”). The Credit Agreement increased the aggregate amount of the term loan facility thereunder to $125,000 and increased the maximum amount of the revolving loan facility thereunder to $100,000. The term loan facility was fully borrowed at the closing of Amendment No. 3 on July 1, 2021. The Company is required to repay the term loan through quarterly payments of $1,563 each beginning with September 30, 2021, increasing to $3,125 beginning September 30, 2022, and any remaining obligations will be repaid in full on the maturity date of the Credit Agreement of May 3, 2024. Amendment No. 3 also removed the previously agreed upon ability of the Company to issue debt securities that may be convertible into equity interests of the Company in an aggregate principal amount of up to $125,000 and also increased the maximum consolidated total leverage ratio permitted under the Credit Agreement to 4.25:1.00.

At June 30, 2021, we had total cash of $6,782, compared to a cash balance of $17,789 at December 31, 2020, which was substantially controlled by the Company’s U.S. entities. At June 30, 2021, the Company had $1,949 of the $6,782 in cash held by foreign entities, of which $399 is considered permanently reinvested.

The following presents a discussion of cash flows for the condensed consolidated six months ended June 30, 2021 compared with the condensed consolidated six months ended June 30, 2020.

	Six Months Ended	
	June 30, 2021	June 30, 2020
Net cash provided by operating activities	$ 362	$ 14,442
Net cash used in investing activities	(3,200)	(2,018)
Net cash (used in) provided by financing activities	(8,031)	7,397
Effect of foreign exchange rates on cash	(138)	14
Change in cash	(11,007)	19,835
Cash, beginning of year	17,789	1,703
Cash, end of period	$ 6,782	$ 21,538

Net Cash From Operating Activities

Consolidated net cash provided by operating activities was $362 during the six months ended June 30, 2021, compared to consolidated net cash provided by operating activities of $14,442 during the six months ended June 30, 2020. The decrease in net cash provided by operating activities during 2021 is primarily due to an increase in net operating assets, or non-cash working capital, of $28,428, partially offset by an increase in net income during the six months ended June 30, 2021, compared to the same period in 2020.

(in thousands, except per share amounts)

Free cash flow, defined as net cash provided by operating activities less capital expenditures, of ($2,863) was used during the six months ended June 30, 2021 compared to $12,421 generated during the same period in 2020. The Company believes that the non-GAAP measure, free cash flow, provides an understanding of the capital required by the Company to expand its asset base. A reconciliation of free cash flows to comparable GAAP financial measures is set forth below:

	Six Months Ended	
	June 30, 2021	June 30, 2020
Net cash provided by operating activities	$ 362	$ 14,442
Purchase of property and equipment	(3,225)	(2,021)
Free cash flow	$ (2,863)	$ 12,421

Net Cash From Investing Activities

Consolidated net cash used in investing activities was $3,200 during the six months ended June 30, 2021, compared to $2,018 during the six months ended June 30, 2020. The increase in cash used during the six months ended June 30, 2021 is due to an increase in purchases of property and equipment, compared to the same period in 2020.

Net Cash From Financing Activities

Consolidated net cash used in financing activities was $8,031 during the six months ended June 30, 2021, compared to net cash provided of $7,397 during the six months ended June 30, 2020. The increase in cash used during the six months ended June 30, 2021 compared to the same period in 2020 was primarily due to the net repayments to the revolving line of credit and repayments of the term loan. Cash provided by financing activities during the six months ended June 30, 2020 was primarily due to the proceeds of $20,000 borrowed under the term loan offset by net repayment to the revolving line of credit.

Net Operating Loss

As of December 31, 2020, the Company had net operating loss carryforwards ("NOLs") and research and experimentation credit for U.S. federal income tax purposes of $120,309 and $1,889, respectively. The Company believes its U.S. Federal NOLs will substantially offset its future U.S. Federal income taxes until expiration. The majority of the Company's pre-tax income is currently earned and expected to be earned in the U.S., or taxed in the U.S. as Subpart F income and will be offset with the NOLs. $120,309 of net operating losses available to offset taxable income does not expire until 2022 or later, subject to compliance with Section 382 of the Internal Revenue Code of 1986, as amended.

As of December 31, 2020, the Company's gross deferred tax asset was $40,538. The Company has recorded a valuation allowance of $22,348, resulting in a net deferred tax asset of $18,190, before deferred tax liabilities of $8,304. The Company has provided a valuation allowance against a portion of the net deferred tax assets as of December 31, 2020, because the ultimate realization of those assets does not meet the more-likely-than-not criteria. The majority of the Company's deferred tax assets consist of net operating loss carryforwards for federal tax purposes. If a change in control were to occur, these could be limited under Section 382 of the Internal Revenue Code of 1986 ("Code"), as amended.

Credit Agreement

On May 3, 2019, the Company, Borrowers and the other loan parties party thereto entered into the Credit Agreement for borrowings of up to $60,000 under a revolving credit facility (including up to $5,000 for letters of credit), and borrowings of up to $40,000 under a term loan facility that is available to be drawn until May 3, 2020. The Credit Agreement also permits the Borrowers, subject to certain requirements, to arrange with lenders for an aggregate of up to $50,000 of additional revolving and/or term loan commitments (both of which are currently uncommitted), for potential aggregate revolving and term loan commitments under the Credit Agreement of up to $150,000. The Credit Agreement matures on May 3, 2024.

On November 12, 2020, the Borrowers entered into Amendment No. 2 of the Credit Agreement. Amendment No. 2 increased the maximum consolidated total leverage ratio permitted under the Credit Agreement to 4.00:1.00 from 3.00:1.00. In addition, Amendment No. 2 permits, among other things, the issuance by the Company of debt securities, that may be convertible into equity interests of the Company, in an aggregate principal amount of up to $125,000, and eliminates the requirement that the proceeds therefrom be used to prepay any revolving loans or term loans under the Credit Agreement.

The Borrowers may elect to have the revolving and term loans under the Credit Agreement bear interest at an alternate base rate or a

Eurodollar rate plus an applicable rate. The applicable rate for these borrowings will range from 0.50% to 1.25% per annum, in the case of alternate base rate borrowings, and 1.50% to 2.25% per annum, in the case of Eurodollar borrowings. The applicable rate was initially 0.875% per annum, in the case of alternate base rate borrowings, and 1.875% per annum, in the case of Eurodollar borrowings; however, it may be adjusted from time to time based upon the level of the Company's consolidated total leverage ratio. The Credit Agreement also requires the Borrowers to pay a commitment fee on the unused portion of the revolving and term loan commitments. Such commitment fee will range between 0.15% and 0.25% per annum, and is also based upon the level of the Company's consolidated total leverage ratio.

All obligations under the Credit Agreement are secured by 100% of our domestic, and 65% of our foreign, subsidiary equity interests, as well as accounts receivable, inventory, intellectual property and certain other assets owned by the Company. The Credit Agreement contains restrictions on the Company's ability to pay dividends or make distributions or other restricted payments if certain conditions in the Credit Agreement are not fulfilled. The Credit Agreement includes customary affirmative and negative covenants, including financial covenants relating to the Company's consolidated total leverage ratio and fixed charge coverage ratio. The Company was in compliance with the debt covenants set forth in the Credit Agreement as of June 30, 2021.

As of June 31, 2021, the Company had drawn approximately $10,112 of the $60,000 revolving loan commitment that was available for borrowing under the Credit Agreement, and $16,000 outstanding under the term loan commitment. As of June 30, 2021, the interest rate for each loan was 1.6250%. On April 30, 2020, the Company borrowed $20,000 under the term loan facility and used the proceeds to pay down amounts outstanding under the revolving portion of the Credit Agreement. The Company is required to repay the term loan through quarterly payments of $1,000 each beginning with September 30, 2020, and any remaining obligations will be repaid in full on the maturity date of the Credit Agreement of May 3, 2024.

Off-Balance Sheet Arrangements

We do not engage in any transactions or have relationships or other arrangements with unconsolidated entities. These include special purpose and similar entities or other off-balance sheet arrangements. We also do not engage in energy, weather or other commodity-based contracts.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has not been any material change in the market risk disclosure contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management carried out an evaluation, under the supervision and with the participation of the Company's Executive Chairman and Executive Vice President/Chief Financial Officer, its principal executive officer and principal financial officer, respectively, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15I and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of June 30, 2021, pursuant to Exchange Act Rule 13a-15. Such disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the appropriate management on a basis that permits timely decisions regarding disclosure. Based upon that evaluation, the Company's Executive Chairman and Executive Vice President/Chief Financial Officer concluded that the Company's disclosure controls and procedures as of June 30, 2021, were effective.

The Company acquired certain assets and liabilities constituting the Barnes business ("Barnes") on October 2, 2020. Management excluded Barnes from its assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2021. Barnes' financial statements constitute 16% of total assets and 14% of total sales of the condensed consolidated financial statement amounts as of and for the six months ended June 30, 2021.

Changes in Internal Control over Financial Reporting

On October 2, 2020, the Company acquired Barnes. Because Barnes utilizes separate information and accounting systems, the Company has implemented internal controls over financial reporting for acquisition-related accounting and disclosures. The Company's management is reviewing and evaluating its internal control procedures and the design of those control procedures related to the Barnes' acquisition and evaluating when it will complete an evaluation and review of Barnes' internal controls over financial reporting.

Except as described above, there has been no change in our internal control over financial reporting that occurred during the six months ended June 30, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Legal Proceedings

The Company is involved in various legal disputes and other legal proceedings that arise from time to time in the ordinary course of business. Based on currently available information, the Company does not believe that the disposition of any of the legal disputes the Company or its subsidiaries is currently involved in will have a material adverse effect upon the Company's consolidated financial condition, results of operations or cash flows. It is possible that, as additional information becomes available, the impact on the Company of an adverse determination could have a different effect.

Litigation

The Company is involved in various lawsuits arising from time to time that the Company considers ordinary routine litigation incidental to its business. Amounts accrued for litigation matters represent the anticipated costs (damages and/or settlement amounts) in connection with pending litigation and claims and related anticipated legal fees for defending such actions, which legal fees are expensed as incurred. The costs are accrued when it is both probable that a liability has been incurred and the amount can be reasonably estimated. The accruals are based upon the Company's assessment, after consultation with counsel (if deemed appropriate), of probable loss based on the facts and circumstances of each case, the legal issues involved, the nature of the claim made, the nature of the damages sought and any relevant information about the plaintiffs and other significant factors that vary by case. When it is not possible to estimate a specific expected cost to be incurred, the Company evaluates the range of probable loss and records the minimum end of the range. Based on currently available information, the Company does not believe that it is reasonably possible that the disposition of any of the legal disputes the Company or its subsidiaries is currently involved in will have a material adverse effect upon the Company's consolidated financial condition, results of operations or cash flows. There is a reasonable possibility of loss from contingencies in excess of the amounts accrued by the Company in the accompanying condensed consolidated balance sheets; however, the actual amounts of such possible losses cannot currently be reasonably estimated by the Company at this time. It is possible that, as additional information becomes available, the impact on the Company could have a different effect.

Product Liability

As a consumer goods manufacturer and distributor, the Company faces the risk of product liability and related lawsuits involving claims for substantial money damages, product recall actions and higher than anticipated rates of warranty returns or other returns of goods. The Company is therefore vulnerable to various personal injury and property damage lawsuits relating to its products and incidental to its business.

Based on current information, there are no pending product liability claims and lawsuits of the Company, which the Company believes in the aggregate, will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A. of the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 6. EXHIBITS

Exhibit	Description
2.1	Share Sale and Purchase Agreement dated as of May 30, 2021, by and among Oscar Aluminium Pty Ltd, Clarus Corporation, Cropley Nominees Pty Ltd, Richard Cropley, Hugh Cropley and Oliver Cropley (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on June 4, 2021, and is incorporated herein by reference).
10.1	Amendment No. 3 dated as of July 1, 2021, to that certain Credit Agreement, dated May 3, 2019, as amended by Amendment No. 1 dated May 28, 2019, and Amendment No. 2 dated November 12, 2020, by and among Clarus Corporation, Black Diamond Retail, Inc., Black Diamond Retail – Alaska, LLC, Sierra Bullets, L.L.C., SKINourishment, LLC, Black Diamond Retail – Colorado, LLC, Black Diamond Retail – Montana, LLC, Barnes Bullets – Mona, LLC, and Black Diamond Retail – Wyoming, LLC, as borrowers, the other loan parties party thereto, JPMorgan Chase Bank, N.A., as administrative agent, U.S. Bank National Association, as syndication agent, Regions Bank and Bank of America, N.A., as co-documentation agents, JPMorgan Chase Bank, N.A., as sole bookrunner and sole lead arranger, and the other lenders from time to time party thereto (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on July 8, 2021, and is incorporated herein by reference).
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *
*	Filed herewith
**	Furnished herewith
+	Management contract or compensation plan or arrangement

SIGNATURES

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

	CLARUS CORPORATION
Date: August 2, 2021	By: */s/ Warren B. Kanders*
	Name: Warren B. Kanders
	Title: Executive Chairman (Principal Executive Officer)
Date: August 2, 2021	By: */s/ Aaron J. Kuehne*
	Name: Aaron J. Kuehne
	Title: Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Warren B. Kanders, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clarus Corporation;

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 2, 2021

By:	/s/ Warren B. Kanders
Name:	Warren B. Kanders
Title:	Executive Chairman (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Aaron J. Kuehne, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clarus Corporation;

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 2, 2021	By:	/s/ Aaron J. Kuehne
	Name:	Aaron J. Kuehne
	Title:	Executive Vice President and Chief Financial Officer (Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Clarus Corporation (the "Company") on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Warren B. Kanders, Executive Chairman, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 2, 2021

By:	/s/ Warren B. Kanders
Name:	Warren B. Kanders
Title:	Executive Chairman (Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Clarus Corporation (the "Company") on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Aaron Kuehne, Executive Vice President and Chief Financial Officer, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 2, 2021

By:	/s/ Aaron J. Kuehne
Name:	Aaron J. Kuehne
Title:	Executive Vice President and Chief Financial Officer (Principal Financial Officer)