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: **September 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 November 3, 2021, there were 36,987,552 shares of common stock, par value $0.0001, outstanding.

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CLARUS CORPORATION

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash	$ 10,170	$ 17,789
Accounts receivable, less allowance for credit losses and doubtful accounts of $709 and $1,433, respectively	68,045	50,475
Inventories	118,706	68,356
Prepaid and other current assets	13,478	5,385
Income tax receivable	285	117
Total current assets	210,684	142,122
Property and equipment, net	32,444	26,956
Other intangible assets, net	62,672	19,416
Indefinite-lived intangible assets	116,997	47,523
Goodwill	108,174	26,715
Deferred income taxes	17,156	11,113
Other long-term assets	23,616	6,846
Total assets	$ 571,743	$ 280,691
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 54,389	$ 34,665
Income tax payable	4,250	956
Current portion of long-term debt	8,990	4,000
Total current liabilities	67,629	39,621
Long-term debt	181,042	30,621
Deferred income taxes	35,025	1,227
Other long-term liabilities	19,450	4,628
Total liabilities	303,146	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; 37,811 and 35,198 issued and 33,800 and 31,228 outstanding, respectively	4	4
Additional paid in capital	577,378	513,979
Accumulated deficit	(276,463)	(286,100)
Treasury stock, at cost	(24,440)	(23,789)
Accumulated other comprehensive (loss) income	(7,882)	500
Total stockholders' equity	268,597	204,594
Total liabilities and stockholders' equity	$ 571,743	$ 280,691

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	September 30, 2021	September 30, 2020
Sales		
Domestic sales	$ 61,259	$ 34,686
International sales	47,712	29,805
Total sales	108,971	64,491
Cost of goods sold	69,792	42,822
Gross profit	39,179	21,669
Operating expenses		
Selling, general and administrative	31,314	18,674
Transaction costs	8,147	1,440
Total operating expenses	39,461	20,114
Operating (loss) income	(282)	1,555
Other (expense) income		
Interest expense, net	(1,476)	(232)
Other, net	338	449
Total other (expense) income, net	(1,138)	217
(Loss) income before income tax	(1,420)	1,772
Income tax (benefit) expense	(5,950)	589
Net income	4,530	1,183
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment	(8,933)	807
Unrealized gain (loss) on hedging activities	268	(600)
Other comprehensive (loss) income	(8,665)	207
Comprehensive (loss) income	$ (4,135)	$ 1,390
Net income per share:		
Basic	$ 0.13	$ 0.04
Diluted	0.13	0.04
Weighted average shares outstanding:		
Basic	33,800	29,983
Diluted	36,164	30,986

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Sales		
Domestic sales	$ 160,708	$ 83,493
International sales	96,903	64,567
Total sales	257,611	148,060
Cost of goods sold	163,361	97,243
Gross profit	94,250	50,817
Operating expenses		
Selling, general and administrative	72,903	50,537
Transaction costs	9,272	1,870
Total operating expenses	82,175	52,407
Operating income (loss)	12,075	(1,590)
Other expense		
Interest expense, net	(1,926)	(800)
Other, net	(4,263)	324
Total other expense, net	(6,189)	(476)
Income (loss) before income tax	5,886	(2,066)
Income tax benefit	(6,161)	(542)
Net income (loss)	12,047	(1,524)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment	(9,654)	773
Unrealized gain (loss) on hedging activities	1,272	(336)
Other comprehensive (loss) income	(8,382)	437
Comprehensive income (loss)	$ 3,665	$ (1,087)
Net income (loss) per share:		
Basic	$ 0.37	$ (0.05)
Diluted	0.35	(0.05)
Weighted average shares outstanding:		
Basic	32,159	29,854
Diluted	34,044	29,854

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Cash Flows From Operating Activities:		
Net income (loss)	$ 12,047	$ (1,524)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation of property and equipment	4,336	3,405
Amortization of other intangible assets	5,971	2,290
Amortization of debt issuance costs	335	230
Gain on disposition of property and equipment	(2)	32
Noncash lease expense	1,507	563
Stock-based compensation	6,414	5,433
Deferred income taxes	(7,006)	(885)
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(13,079)	(541)
Inventories	(25,181)	9,477
Prepaid and other assets	(5,912)	(971)
Accounts payable and accrued liabilities	3,558	3,530
Income taxes	(89)	9
Net cash (used in) provided by operating activities	(17,101)	21,048
Cash Flows From Investing Activities:		
Purchase of business, net of cash received	(135,627)	-
Deposit for business acquisition	-	(30,500)
Proceeds from disposition of property and equipment	25	327
Purchases of property and equipment	(5,579)	(3,606)
Net cash used in investing activities	(141,181)	(33,779)
Cash Flows From Financing Activities:		
Proceeds from revolving credit facilities	87,703	49,265
Repayments on revolving credit facilities	(37,871)	(50,014)
Repayments on term notes	(5,814)	(1,000)
Proceeds from issuance of term notes	109,154	20,000
Payment of debt issuance costs	(722)	(44)
Purchase of treasury stock	(651)	(1,520)
Proceeds from exercise of stock options	1,652	862
Cash dividends paid	(2,410)	(744)
Proceeds from the sale of common stock	-	11,476
Common stock issuance costs	-	(325)
Net cash provided by financing activities	151,041	27,956
Effect of foreign exchange rates on cash	(378)	99
Change in cash	(7,619)	15,324
Cash, beginning of year	17,789	1,703
Cash, end of period	$ 10,170	$ 17,027
Supplemental Disclosure of Cash Flow Information:		
Cash paid for income taxes	$ 353	$ 418
Cash paid for interest	$ 1,389	$ 624
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Stock issued for business acquisition	$ 55,333	$ -
Contingent consideration for business acquisition	$ 3,564	$ -
Property and equipment purchased with accounts payable	$ 57	$ 286
Lease liabilities arising from obtaining right of use assets	$ 6,421	$ 499
Unpaid debt issuance costs	$ 270	$ 150
Stock dividends	$ -	$ 1,533

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
Net income	-	-	-	1,183	-	-	-	1,183
Other comprehensive income	-	-	-	-	-	-	207	207
Stock dividends ($0.025 per share)	63	-	819	(819)	-	-	-	-
Purchase of treasury stock	-	-	-	-	(101)	(1,383)	-	(1,383)
Stock-based compensation expense	244	-	4,204	-	-	-	-	4,204
Proceeds from exercise of options	57	-	365	-	-	-	-	365
Issuance of common stock, net of issuance costs	900	1	11,150	-	-	-	-	11,151
Balance, September 30, 2020	35,021	$ 4	$ 511,331	$ (292,393)	(3,970)	$ (23,789)	$ 134	$ 195,287

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
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
Net income	-	-	-	4,530	-	-	-	4,530
Other comprehensive income	-	-	-	-	-	-	(8,665)	(8,665)
Cash dividends ($0.025 per share)	-	-	-	(845)	-	-	-	(845)
Stock-based compensation expense	-	-	3,064	-	-	-	-	3,064
Shares issued in business acquisition	2,315	-	55,333	-	-	-	-	55,333
Balance, September 30, 2021	37,811	$ 4	$ 577,378	$ (276,463)	(4,011)	$ (24,440)	$ (7,882)	$ 268,597

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 September 30, 2021 and December 31, 2020 and for the three and nine months ended September 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 nine months ended September 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").

Nature of Business

Headquartered in Salt Lake City, Utah, we are a global leading designer, developer, manufacturer and distributor of best-in-class outdoor equipment and lifestyle products focused on the outdoor and consumer enthusiast markets. Our mission is to identify, acquire and grow outdoor "super fan" brands through our unique "innovate and accelerate" strategy. We define a "super fan" brand as a brand that creates the world's pre-eminent, performance-defining product that the best-in-class user cannot live without. Each of our brands has a long history of continuous product innovation for core and everyday users alike. The Company's products are principally sold globally under the Black Diamond®, Sierra®, Barnes® and Rhino-Rack® brand names through outdoor specialty and online retailers, our own websites, distributors and original equipment manufacturers. Our portfolio of iconic brands is well-positioned for sustainable, long-term growth underpinned by powerful industry trends across the outdoor and adventure sport end markets.

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. Rhino-Rack is a leading manufacturer of highly-engineered automotive roof racks, trays, mounting systems, luggage boxes, carriers and accessories with leading market share in Australia and New Zealand and a growing presence in the United States.

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

Rhino-Rack

On May 30, 2021, Clarus, through 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 Australia-based Rhino-Rack Holdings Pty Ltd ("Rhino-Rack"). 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").

Under the terms of the Purchase Agreement, the Buyer acquired Rhino-Rack for an aggregate purchase price of approximately $AUD 269,097 (approximately $202,038), subject to a post-closing adjustment. The purchase price was comprised of approximately $AUD 190,650 (approximately $143,140) cash, 2,315,121 shares of the Company's common stock valued at $55,333, and additional contingent consideration described below. The shares of the Company's common stock issued are subject to a lock-up agreement restricting sales for 180 days from the closing of the Acquisition. The Purchase Agreement also provides for the payment of additional contingent consideration up to approximately $AUD 10,000 (approximately $7,508) if certain future net sales thresholds are met (the "Contingent Consideration"). The Company estimated the fair value of the Contingent Consideration to be approximately $AUD 4,747 (approximately $3,565).

The acquisition was accounted for as a business combination. Acquisition-related costs for the Rhino-Rack Acquisition, which were included in transaction costs during the three and nine months ended September 30, 2021 were $7,866 and $8,643, respectively. The Company believes the acquisition of Rhino-Rack 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.

Barnes

On September 30, 2020, Sierra entered into an Asset Purchase Agreement (the "Barnes Asset Purchase Agreement") to acquire certain assets and assume certain liabilities constituting the Barnes business ("Barnes"). Pursuant to the Barnes Asset Purchase Agreement, the purchase price to be paid for Barnes is $30,500. On October 2, 2020, Sierra completed the acquisition of Barnes. 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 fair value estimates for the purchase price allocation for Rhino-Rack are based on the Company's best estimates and assumptions as of the reporting date and are considered preliminary. The fair value measurements of identifiable assets and liabilities, and the resulting goodwill related to the Rhino-Rack Acquisition are subject to change and the final purchase price allocation could be different from the amounts presented below. We expect to finalize the valuation as soon as practicable, but not later than one year from the date of the Rhino-Rack Acquisition. The fair value measurements for the acquisition of Barnes have been completed. The excess of purchase consideration over the assets acquired and liabilities assumed is recorded as goodwill. Goodwill for Rhino-Rack is included in the Rhino-Rack segment and goodwill for Barnes is included in the Sierra segment. The goodwill consists largely of the synergies expected from combining operations of both acquisitions.

	Rhino-Rack		Barnes
	July 1, 2021		October 2, 2020
	Number of Shares	Estimated Fair Value	Estimated Fair Value
Cash paid	-	$ 143,140	$ 30,500
Issuance of shares of Clarus Corporation	2,315	55,333	-
Contingent consideration	-	3,565	-
Total purchase consideration	2,315	$ 202,038	$ 30,500
Assets acquired and liabilities assumed			
Assets			
Cash		$ 7,513	$ 2
Accounts receivable, net		10,769	-
Inventories		27,046	4,535
Prepaid and other current assets		644	612
Property and equipment		4,619	4,036
Other intangible assets		51,500	7,500
Indefinite-lived intangible assets		72,800	5,600
Goodwill		85,127	8,625
Other long-term assets		11,796	4,355
Total assets		271,814	35,265
Liabilities			
Accounts payable and accrued liabilities		16,572	842
Income tax payable		3,413	-
Current portion of long-term debt		607	-
Long-term debt		2,107	-
Deferred income taxes		35,781	-
Other long-term liabilities		11,296	3,923
Total liabilities		69,776	4,765
Net Book Value Acquired		$ 202,038	$ 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 thousands, except per share amounts)

In connection with the acquisitions, the Company acquired exclusive rights to Rhino-Rack's and 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:

	Rhino-Rack		Barnes	
	Gross	**Average Useful Life**	**Gross**	**Average Useful Life**
Intangibles subject to amortization				
Customer relationships	$ 36,500	11.5 years	$ 5,700	10.0 years
Product technologies	15,000	10.0 years	1,800	10.0 years
Intangibles not subject to amortization				
Trademarks	72,800	N/A	5,600	N/A
	$ 124,300	11.1 years	$ 13,100	10.0 years

Although the Company is electing to treat the acquisition of Rhino-Rack as a purchase of assets for tax purposes, from an income tax perspective, there is no tax deduction provided for intangibles in Australia. As a result, deferred tax liabilities have been set up for the finite and indefinite-lived assets. From a capital base perspective, deferred tax assets established through purchase accounting have been fully offset by a corresponding valuation allowance. Furthermore, the full amount of goodwill of $85,127 is expected to be non-deductible for tax purposes. No pre-existing relationships existed between the Company and the Rhino-Rack sellers prior to the acquisition. Rhino-Rack revenue and operating income are included in the Rhino-Rack segment. Total revenue of $19,625 and net income of $5,453 of Rhino-Rack were included in the Company's condensed consolidated statements of comprehensive income (loss) from the date of acquisition to September 30, 2021.

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 Barnes sellers prior to the acquisition. Barnes revenue and operating income were included in the Sierra segment.

The following unaudited pro forma results are based on the individual historical results of the Company, Rhino-Rack and Barnes, with adjustments to give effect as if the acquisitions and borrowings used to finance the acquisitions had occurred on January 1, 2020 for Rhino-Rack and January 1, 2019 for Barnes, 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		Nine Months Ended	
	September 30, 2021	**September 30, 2020**	**September 30, 2021**	**September 30, 2020**
Sales	$ 108,971	$ 93,259	$ 308,142	$ 213,076
Net income	$ 15,739	$ 3,938	$ 25,258	$ 832
Net income per share - basic	$ 0.47	$ 0.13	$ 0.79	$ 0.03
Net income per share - diluted	$ 0.44	$ 0.13	$ 0.74	$ 0.03

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 transactions been consummated as of January 1, 2020 for Rhino-Rack or January 1, 2019 for Barnes. 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.

(in thousands, except per share amounts)

NOTE 3. INVENTORIES

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

	September 30, 2021	December 31, 2020
Finished goods	$ 78,601	$ 50,132
Work-in-process	9,168	6,429
Raw materials and supplies	30,937	11,795
	$ 118,706	$ 68,356

NOTE 4. PROPERTY AND EQUIPMENT

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

	September 30, 2021	December 31, 2020
Land	$ 3,160	$ 3,160
Building and improvements	7,650	7,324
Furniture and fixtures	6,183	5,715
Computer hardware and software	7,266	5,707
Machinery and equipment	31,603	26,848
Construction in progress	5,495	3,042
	61,357	51,796
Less accumulated depreciation	(28,913)	(24,840)
	$ 32,444	$ 26,956

Depreciation expense for the three months ended September 30, 2021 and 2020 was $1,631 and $1,140, respectively, and for the nine months ended September 30, 2021 and 2020 was $4,336 and $3,405, respectively.

NOTE 5. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table summarizes the balances in goodwill by segment:

	Black Diamond	Sierra	Rhino-Rack	Total
Balance at December 31, 2020	$ -	$ 26,715	$ -	$ 26,715
Increase due to acquisition of Rhino-Rack	-	-	85,127	85,127
Impact of foreign currency exchange rates	-	-	(3,668)	(3,668)
Balance at September 30, 2021	$ -	$ 26,715	$ 81,459	$ 108,174

Indefinite Lived Intangible Assets

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

Balance at December 31, 2020	$ 47,523
Increase due to acquisition of Rhino-Rack	72,800
Impact of foreign currency exchange rates	(3,326)
Balance at September 30, 2021	$ 116,997

(in thousands, except per share amounts)

Other Intangible Assets, net

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

Gross balance at December 31, 2020	$ 40,840
Increase due to acquisition of Rhino-Rack	51,500
Impact of foreign currency exchange rates	(2,492)
Gross balance at September 30, 2021	$ 89,848

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

	September 30, 2021			
	Gross	Accumulated Amortization	Net	Weighted Average Useful Life
Intangibles subject to amortization				
Customer relationships	$ 66,705	$ (21,036)	$ 45,669	12.8 years
Product technologies	20,933	(4,540)	16,393	10.4 years
Tradename / trademark	1,263	(653)	610	9.4 years
Core technologies	947	(947)	-	10.0 years
	$ 89,848	$ (27,176)	$ 62,672	12.2 years

	December 31, 2020			
	Gross	Accumulated Amortization	Net	Weighted Average Useful Life
Customer relationships	$ 31,930	$ (16,783)	$ 15,147	14.2 years
Product technologies	6,700	(3,151)	3,549	11.5 years
Tradename / trademark	1,263	(543)	720	9.4 years
Core technologies	947	(947)	-	10.0 years
	$ 40,840	$ (21,424)	$ 19,416	13.5 years

Amortization expense for the three months ended September 30, 2021 and 2020 was $3,577 and $753, respectively, and for the nine months ended September 30, 2021 and 2020 was $5,971 and $2,290, respectively. Future amortization expense for other intangible assets as of September 30, 2021 is as follows:

Years Ending December 31,	Amortization Expense
2021 (excluding the nine months ended September 30, 2021)	$ 3,529
2022	12,729
2023	11,148
2024	9,731
2025	8,035
Thereafter	17,500
	$ 62,672

NOTE 6. LONG-TERM DEBT

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

(in thousands, except per share amounts)

	September 30, 2021	December 31, 2020
Revolving credit facility (a)	$ 65,412	$ 15,579
Other debt (b)	1,525	1,042
Term note (c)	123,437	18,000
Debt issuance costs	(342)	-
	190,032	34,621
Less current portion	(8,990)	(4,000)
	$ 181,042	$ 30,621

(a) As of September 30, 2021, the Company had drawn $65,412 on the $100,000 revolving commitment that was available under the credit agreement, as amended, 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 September 30, 2021 and December 31, 2020, the rate was 1.6250% and 2.0625%, respectively.

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 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.

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 September 30, 2021.

(b) Foreign subsidiaries of the Company have a revolving credit facility and term debt with financial institutions which mature between October 16, 2021 and July 27, 2024. The foreign subsidiaries pay interest monthly on any borrowings on the credit facilities as well as monthly payments on the term debt. As of September 30, 2021, the interest rates ranged between 1.3387% and 5.1651% and as of December 31, 2020 was 1.3387%. The credit facilities are secured by certain assets of the foreign subsidiaries.

(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. On July 1, 2021, under Amendment No. 3, the aggregate amount of the term loan facility was increased to $125,000 and the term loan was fully borrowed at the closing of Amendment No. 3. 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 each beginning with September 30, 2022, 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 September 30, 2021 and December 31, 2020, the rate was 1.6250% and 2.0625%, respectively. As part of the Rhino-Rack Acquisition, the Company assumed certain current and long-term debt of approximately $2,252 which was settled during the three months ended September 30, 2021.

(in thousands, except per share amounts)

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.

During the nine months ending September 30, 2021, the Company held currency forward contracts to mitigate currency fluctuations related to the estimated cash purchase price of Rhino-Rack totaling AUD 193,650 with a maturity date of July 1, 2021. These contracts were not designated as accounting hedges and the changes in fair value of the instruments are recognized in earnings. During the three and nine months ended September 30, 2021, gains (losses) of $232 and $(4,281) were recorded in other, net expense, respectively.

At September 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. At September 30, 2021, there was no such exposure to the counterparties. The Company's exposure of counterparty credit risk is limited to the aggregate unrealized gain of $639 on all contracts at September 30, 2021. The Company's derivative counterparties have strong credit ratings and as a result, the Company does not require collateral to facilitate transactions.

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

	September 30, 2021	
	Notional Amount	Latest Maturity
Foreign exchange contracts - Canadian Dollars	$9,224	August 2022
Foreign exchange contracts - Euros	€ 16,512	August 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 $201 and $(376) were reclassified to sales during the three months ended September 30, 2021 and 2020, respectively, and $(542) and $206 were reclassified to sales during the nine months ended September 30, 2021 and 2020, respectively.

(in thousands, except per share amounts)

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

	Classification	September 30, 2021	December 31, 2020
Derivative instruments in asset positions:			
Designated forward exchange contracts	Prepaid and other current assets	$ 721	$ -
Derivative instruments in liability positions:			
Designated forward exchange contracts	Accounts payable and accrued liabilities	$ 82	$ 1,539
Designated forward exchange contracts	Other long-term liabilities	$ -	$ 90

NOTE 8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) ("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 September 30, 2021:

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Cash Flow Hedges	Total
Balance as of June 30, 2021	$ 759	$ 24	$ 783
Other comprehensive (loss) income before reclassifications	(8,933)	422	(8,511)
Amounts reclassified from other comprehensive income	-	(154)	(154)
Net current period other comprehensive (loss) income	(8,933)	268	(8,665)
Balance as of September 30, 2021	$ (8,174)	$ 292	$ (7,882)

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

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Cash Flow Hedges	Total
Balance as of June 30, 2020	$ (320)	$ 247	$ (73)
Other comprehensive income (loss) before reclassifications	807	(886)	(79)
Amounts reclassified from other comprehensive loss	-	286	286
Net current period other comprehensive income (loss)	807	(600)	207
Balance as of September 30, 2020	$ 487	$ (353)	$ 134

The following table sets forth the changes in AOCI, net of tax, for the nine months ended September 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	(9,654)	857	(8,797)
Amounts reclassified from other comprehensive income	-	415	415
Net current period other comprehensive (loss) income	(9,654)	1,272	(8,382)
Balance as of September 30, 2021	$ (8,174)	$ 292	$ (7,882)

(in thousands, except per share amounts)

The following table sets forth the changes in AOCI, net of tax, for the nine months ended September 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 income (loss) before reclassifications	773	(180)	593
Amounts reclassified from other comprehensive loss	-	(156)	(156)
Net current period other comprehensive income (loss)	773	(336)	437
Balance as of September 30, 2020	$ 487	$ (353)	$ 134

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

Affected line item in the Consolidated Statements of Comprehensive Income (Loss)	Gains (losses) reclassified from AOCI to the Consolidated Statements of Comprehensive Income (Loss)			
	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Foreign exchange contracts:				
Sales	$ 201	$ (376)	$ (542)	$ 206
Less: Income tax expense (benefit)	47	(90)	(127)	50
Amount reclassified, net of tax	$ 154	$ (286)	$ (415)	$ 156
Total reclassifications from AOCI	$ 154	$ (286)	$ (415)	$ 156

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.

(in thousands, except per share amounts)

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

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Designated forward exchange contracts	$ -	$ 721	$ -	$ 721
	$ -	$ 721	$ -	$ 721
Liabilities				
Designated forward exchange contracts	$ -	$ 82	$ -	$ 82
Contingent consideration liability	-	-	3,410	3,410
	$ -	$ 82	$ 3,410	$ 3,492

	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 September 30, 2021 and December 31, 2020.

As part of the Rhino-Rack Acquisition, the Purchase Agreement provided for the payment of Contingent Consideration of approximately $7,508 if certain future net sales thresholds are met through June 30, 2022. Using a series of call options, the Company estimated the fair value of the Contingent Consideration to be approximately $3,565 as of July 1, 2021. Significant unobservable inputs used in the valuation include a discount rate of 4.8%. The Contingent Consideration liability is remeasured at the estimated fair value at the end of each reporting period with the change in fair value recognized within operating income (loss) in the accompanying condensed consolidated statements of comprehensive income (loss) for such period. We measure the initial liability and remeasure the liability on a recurring basis using Level 3 inputs as defined under authoritative guidance for fair value measurements. There were no impacts to operating income (loss) for the three and nine months ended September 30, 2021 related to the remeasurement of the Contingent Consideration liability as there were no significant changes to the fair value. The Contingent Consideration liability changed due to the effect of foreign exchange by $155 resulting in an ending balance as of September 30, 2021 of $3,410 which is recorded in accounts payable and accrued liabilities in the accompanying condensed consolidated balance sheets.

As the Contingent Consideration liability is remeasured to fair value each reporting period, significant increases or decreases in projected revenue, discount rates or the time until payment is made would have resulted in a significantly lower or higher fair value measurement. Our determination of fair value of the Contingent Consideration liability could change in future periods based up our ongoing evaluation of these significant unobservable inputs. Any such change will be recorded to operating income (loss) in our consolidated statements of income (loss).

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 October 29, 2021, the Company announced that its Board of Directors approved the payment on November 19, 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 November 8, 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		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Weighted average shares outstanding - basic	33,800	29,983	32,159	29,854
Effect of dilutive stock awards	2,364	1,003	1,885	-
Weighted average shares outstanding - diluted	36,164	30,986	34,044	29,854
Net income (loss) per share:				
Basic	$ 0.13	$ 0.04	$ 0.37	$ (0.05)
Diluted	0.13	0.04	0.35	(0.05)

For the three months ended September 30, 2021 and 2020, equity awards of 1,000 and 927, respectively, and for the nine months ended September 30, 2021 and 2020, equity awards of 1,011 and 4,384, respectively, were excluded from the calculation of earnings (loss) per share for these periods as they were anti-dilutive.

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 nine months ended September 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 nine months ended September 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.

(in thousands, except per share amounts)

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

The grant date fair value of the stock options granted during the nine months ended September 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 September 30, 2021 and 2020 was $3,064 and $4,204, respectively, and for the nine months ended September 30, 2021 and 2020 was $6,414 and $5,433, respectively. For the three and nine months ended September 30, 2021 and 2020, the majority of stock-based compensation costs were classified as selling, general and administrative expenses.

As of September 30, 2021, there were 2,014 unvested stock options and unrecognized compensation cost of $7,384 related to unvested stock options, as well as 1,000 unvested restricted stock awards and unrecognized compensation costs of $6,359 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 have statutory tax rates of approximately 25% in Austria, 28% in New Zealand, and 30% in Australia.

(in thousands, except per share amounts)

The differences between the Company's estimated effective tax rates of (419.0)% and (104.7)% for the three and nine months ended September 30, 2021 and the U.S. federal statutory tax rate of 21% were due to a release of valuation allowance of net operating loss carryforwards ("NOLs"), which was partially offset by permanent book to tax differences related to incentive stock options and officer compensation limitations.

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 September 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. During the three months ended September 30, 2021, the Company filed a change in accounting method which increased taxable income and the ability to utilize NOLs. As a result, an additional valuation allowance of $6,003 was released increasing the income tax benefit for the three and nine months ended September 30, 2021. This method change resulted in decreasing the NOLs available to offset taxable income as of December 31, 2020 by $10,317.

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 three 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.

(in thousands, except per share amounts)

- 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.

- Our Rhino-Rack segment, which includes Rhino-Rack, is a manufacturer of highly-engineered automotive roof racks, trays, mounting systems, luggage boxes, carriers and accessories in Australia and New Zealand and a growing presence in the United States.

As noted above, the Company has a wide variety of technical outdoor equipment and lifestyle products focused on the climb, ski, mountain, sport and adventure 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 and the adventure product category represents the Rhino-Rack segment revenue.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Climb	19 %	27 %	25 %	33 %
Mountain	23 %	33 %	24 %	30 %
Ski	12 %	17 %	11 %	15 %
Sport	28 %	23 %	32 %	22 %
Adventure	18 %	- %	8 %	- %

Financial information for our segments is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Sales to external customers:				
Black Diamond				
Domestic sales	$ 26,773	$ 21,953	$ 77,765	$ 56,381
International sales	32,256	27,411	77,952	58,980
Total Black Diamond	59,029	49,364	155,717	115,361
Sierra				
Domestic sales	27,363	12,733	75,820	27,112
International sales	2,954	2,394	6,449	5,587
Total Sierra	30,317	15,127	82,269	32,699
Rhino-Rack				
Domestic sales	7,123	-	7,123	-
International sales	12,502	-	12,502	-
Total Rhino-Rack	19,625	-	19,625	-
Total sales to external customers	108,971	64,491	257,611	148,060
Segment operating income:				
Black Diamond	5,939	4,035	10,041	1,709
Sierra	10,441	4,393	26,420	8,211
Rhino-Rack	(3,014)	-	(3,014)	-
Total segment operating income	13,366	8,428	33,447	9,920
Transaction costs	(8,147)	(1,440)	(9,272)	(1,870)
Corporate and other expenses	(5,163)	(4,984)	(16,363)	(9,316)
Interest expense, net	(1,476)	(232)	(1,926)	(800)
(Loss) income before income tax	$ (1,420)	$ 1,772	$ 5,886	$ (2,066)

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

(in thousands, except per share amounts)

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

	September 30, 2021	December 31, 2020
Black Diamond	$ 157,163	$ 141,746
Sierra	136,509	113,430
Rhino-Rack	254,585	-
Corporate	23,486	25,515
	$ 571,743	$ 280,691

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

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Capital expenditures:				
Black Diamond	$ 819	$ 583	$ 2,091	$ 1,888
Sierra	957	1,002	2,910	1,718
Rhino-Rack	578	-	578	-
Total capital expenditures	$ 2,354	$ 1,585	$ 5,579	$ 3,606
Depreciation:				
Black Diamond	$ 727	$ 685	$ 2,134	$ 2,073
Sierra	669	455	1,967	1,332
Rhino-Rack	235	-	235	-
Total depreciation	$ 1,631	$ 1,140	$ 4,336	$ 3,405
Amortization:				
Black Diamond	$ 259	$ 258	$ 776	$ 803
Sierra	938	495	2,815	1,487
Rhino-Rack	2,380	-	2,380	-
Total amortization	$ 3,577	$ 753	$ 5,971	$ 2,290

NOTE 16. RELATED PARTY TRANSACTIONS

As part of the Rhino-Rack Acquisition, 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. This amount was paid during the three months ended September 30, 2021. 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.

Additionally, at closing of Amendment No. 3 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. This amount was paid during the three months ended September 30, 2021.

During the three months ended September 30, 2020, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with three existing stockholders of the Company. Pursuant to the Purchase Agreement, the Company sold its common stock in a registered direct offering (the "Offering"). Upon the Company's closing of the Offering, the Company paid a fee in the amount of $250 to Kanders & Company, which were deducted from the net proceeds, in consideration of the significant support received by the Company from Kanders & Company in sourcing, structuring, and negotiating the Offering.

As of September 30, 2020, the Company recorded a liability in the amount of $500 owed to Kanders & Company, which is included in transaction costs, in consideration of the significant support received by the Company from Kanders & Company in sourcing, structuring, performing due diligence and negotiating the acquisition of Barnes.

NOTE 17. SUBSEQUENT EVENTS

Public Offering of Common Stock

On October 26, 2021, the Company entered into an underwriting agreement with BofA Securities, Inc., as representative of the several underwriters named therein (the "Underwriters"), relating to the public offer and sale of 2,750 shares of the Company's common stock at a price to the public of $27.00 per share. The Underwriters received an underwriting discount of 6%, or $1.62 per share, in connection with the sale of the shares of Common Stock in the offering. In addition, the Company granted the Underwriters a 30-day option to purchase up to 413 additional shares of common stock on the same terms and conditions. On October 29, 2021, the Underwriters exercised that option in full. The net proceeds to the Company from the offering, including the Underwriters' exercise of their 30-day option but before expenses and after deducting the applicable underwriting discounts and commissions, were approximately $80,264.

The Company intends to use a portion of the net proceeds of the offering for the repayment in full of approximately $65,000 in aggregate principal amount under the revolving loan facility available pursuant to the Credit Agreement and the remaining portion of the net proceeds from the offering for general corporate purposes, including capital expenditures and potential acquisitions.

The closing of the offering of 2,750 shares of common stock occurred on October 29, 2021, and the closing of the Underwriters' 30-day option to purchase 413 shares of common stock occurred on November 2, 2021.

On October 29, 2021, the Company recorded a liability in the amount of $500 owed to Kanders & Company in consideration of the significant support received by the Company from Kanders & Company in sourcing, structuring, and negotiating the offering.

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, 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; ongoing disruptions and delays in the shipping and transportation of our products due to port congestion, container ship availability and/or other logistical challenges; 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, we are a global leading designer, developer, manufacturer and distributor of best-in-class outdoor equipment and lifestyle products focused on the outdoor and consumer enthusiast markets. Our mission is to identify, acquire and grow outdoor "super fan" brands through our unique "innovate and accelerate" strategy. We define a "super fan" brand as a brand that creates the world's pre-eminent, performance-defining product that the best-in-class user cannot live without. Each of our brands has a long history of continuous product innovation for core and everyday users alike. The Company's products are principally sold globally under the Black Diamond®, Sierra®, Barnes® and Rhino-Rack® brand names through outdoor specialty and online retailers, our own websites, distributors and original equipment manufacturers. Our portfolio of iconic brands is well-positioned for sustainable, long-term growth underpinned by powerful industry trends across the outdoor and adventure sport end markets.

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. Rhino-Rack is a leading manufacturer of highly-engineered automotive roof racks, trays, mounting systems, luggage boxes, carriers and accessories with leading market share in Australia and New Zealand and a growing presence in the United States.

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 October 29, 2021, the Company announced that its Board of Directors approved the payment on November 19, 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 November 8, 2021.

Impact of COVID-19

The global outbreak of COVID-19 was declared a global pandemic by the World Health Organization and a national emergency by each of the U.S., European, and Australian governments 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., European, Australian and global economies, disrupted global supply chains, and resulted in significant transport restrictions and disruption of financial markets. The impact of this global 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 nine months ended September 30, 2021, although to a lesser extent, as certain countries began to ease restrictions. During the third quarter of 2021, the Australian government instituted a mandatory lockdown for its citizens. This caused a decline in retail demand and a disruption in operations within our Rhino-Rack segment, which negatively impacted our sales and profitability for the third quarter of 2021. 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.

The COVID-19 pandemic has significantly impacted the global supply chain, with restrictions and limitations on related activities causing disruption and delay, along with increased raw material, storage, and shipping costs. These disruptions and delays have strained domestic and international supply chains, which have affected and could continue to negatively affect the flow or availability of certain products. Furthermore, significantly increased demand from online sales channels, including our website, has impacted our logistical operations, including our fulfillment and shipping functions, which has resulted in periodic delays in the delivery of our products. The further spread of COVID-19, and the requirements to take action to help limit the spread of the illness, could impact our ability to carry out our business as usual and may materially adversely impact global economic conditions, our business, results of operations, cash flows, and financial condition. For example, travel restrictions imposed as a result of the COVID-19 pandemic negatively impacted certain of our product development initiatives, as we were unable to visit certain third-party manufacturers to review processes and procedures for new products and product enhancements. The extent of the impact of COVID-19 on our business and financial results will depend on future developments, including the duration and severity of the outbreak (including the severity and transmission rates of new variants of the coronavirus) within the markets in which we and our manufacturers and suppliers operate, the timing, distribution, and efficacy of vaccines and other treatments, the related impact on consumer confidence and spending, and the effect of governmental regulations imposed in response to the pandemic, all of which are highly uncertain and ever-changing. While we have experienced an increase in demand for our products due to the impact that the COVID-19 pandemic has had on consumer behaviors, including due to various stay-at-home orders and restrictions on dining options and restaurant closures, this increased demand may not be sustained following the pandemic, or if economic conditions worsen, which would negatively impact consumer spending.

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

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

	Three Months Ended	
	September 30, 2021	September 30, 2020
Sales		
Domestic sales	$ 61,259	$ 34,686
International sales	47,712	29,805
Total sales	108,971	64,491
Cost of goods sold	69,792	42,822
Gross profit	39,179	21,669
Operating expenses		
Selling, general and administrative	31,314	18,674
Transaction costs	8,147	1,440
Total operating expenses	39,461	20,114
Operating (loss) income	(282)	1,555
Other (expense) income		
Interest expense, net	(1,476)	(232)
Other, net	338	449
Total other (expense) income, net	(1,138)	217
(Loss) income before income tax	(1,420)	1,772
Income tax (benefit) expense	(5,950)	589
Net income	$ 4,530	$ 1,183

Sales

Consolidated sales increased $44,480, or 69.0%, to $108,971, during the three months ended September 30, 2021, compared to consolidated sales of $64,491 during the three months ended September 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 $8,665. Additionally, there was an increase in the quantity of new and existing sport products sold by Sierra of $2,028 and the inclusion of Barnes, which contributed $13,162. The increase was also driven by the inclusion of adventure products sold by Rhino-Rack of $19,625. We experienced an increase in sales of $1,000 due to the weakening of the U.S. dollar against foreign currencies during the three months ended September 30, 2021, compared to the prior period.

Consolidated domestic sales increased $26,573, or 76.6%, to $61,259 during the three months ended September 30, 2021, compared to consolidated domestic sales of $34,686 during the three months ended September 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 $4,820. Additionally, there was an increase in the quantity of new and existing sport products sold by Sierra of $2,496 and the inclusion of Barnes, which contributed $12,134. The remaining increase was driven by the inclusion of adventure products sold by Rhino-Rack of $7,123.

Consolidated international sales increased $17,907, or 60.1%, to $47,712 during the three months ended September 30, 2021, compared to consolidated international sales of $29,805 during the three months ended September 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 $3,845 and the inclusion of Barnes, which contributed $1,028. The increase was also driven by the inclusion of adventure products sold by Rhino-Rack of $12,502. We experienced an increase in sales of $1,000 due to the weakening of the U.S. dollar against foreign currencies during the three months ended September 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 $468.

Cost of Goods Sold

Consolidated cost of goods sold increased $26,970 or 63.0%, to $69,792 during the three months ended September 30, 2021, compared to consolidated cost of goods sold of $42,822 during the three months ended September 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 $17,510 or 80.8%, to $39,179 during the three months ended September 30, 2021, compared to consolidated gross profit of $21,669 during the three months ended September 30, 2020. Consolidated gross margin was 36.0% during the three months ended September 30, 2021, compared to a consolidated gross margin of 33.6% during the three months ended September 30, 2020. Consolidated gross margin during the three months ended September 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 and Rhino-Rack. However, the benefit from Rhino-Rack was offset by a decrease in gross margin of 2.8% due to the sale of Rhino-Rack inventory that was recorded at its fair value in purchase accounting during the three months ended September 30, 2021.

Selling, General and Administrative

Consolidated selling, general, and administrative expenses increased $12,640, or 67.7%, to $31,314 during the three months ended September 30, 2021, compared to consolidated selling, general and administrative expenses of $18,674 during the three months ended September 30, 2020. The increase in selling, general and administrative expenses is due to the inclusion of Barnes and Rhino-Rack, which contributed $1,678 and $7,722, respectively. 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. The increase was partially offset by a decrease of stock compensation of $1,140 during the three months ended September 30, 2021 compared to the prior year.

Transaction Costs

Consolidated transaction expense increased to $8,147 during the three months ended September 30, 2021, compared to consolidated transaction costs of $1,440 during the three months ended September 30, 2020, which consisted of expenses related to the Company's various acquisition efforts.

Interest Expense, net

Consolidated interest expense, net increased to $1,476 during the three months ended September 30, 2021, compared to consolidated interest expense, net of $232 during the three months ended September 30, 2020. The increase in interest expense recognized during the three months ended September 30, 2021 was primarily associated with the increase in average outstanding debt amounts during the period compared to the prior year and the recording of certain debt issuance costs.

Other, net

Consolidated other, net income changed by $111, or 24.7%, to $338 during the three months ended September 30, 2021, compared to consolidated other, net income of $449 during the three months ended September 30, 2020. The decrease in other, net, was primarily attributable to a decrease in remeasurement gains recognized on the Company's foreign denominated accounts receivable and accounts payable. The decrease was partially offset by changes on mark-to-market adjustments on non-hedged foreign currency contracts.

Income Taxes

Consolidated income tax changed by $6,539, or 1,110.2%, to a benefit of $5,950 during the three months ended September 30, 2021, compared to income tax expense of $589 during the same period in 2020. Our effective income tax rate was a benefit of 419.0% for the three months ended September 30, 2021, and differed compared to the statutory tax rates due to a release of a partial valuation allowance of the deferred tax assets. This release is primarily due to a change in accounting method which increased taxable income and the ability to utilize NOLs (defined below). For the three months ended September 30, 2020, our effective income tax rate was an expense of 33.2% 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 Nine Months Ended September 30, 2021 Compared to Condensed Consolidated Nine Months Ended September 30, 2020

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

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Sales		
Domestic sales	$ 160,708	$ 83,493
International sales	96,903	64,567
Total sales	257,611	148,060
Cost of goods sold	163,361	97,243
Gross profit	94,250	50,817
Operating expenses		
Selling, general and administrative	72,903	50,537
Transaction costs	9,272	1,870
Total operating expenses	82,175	52,407
Operating income (loss)	12,075	(1,590)
Other expense		
Interest expense, net	(1,926)	(800)
Other, net	(4,263)	324
Total other expense, net	(6,189)	(476)
Income (loss) before income tax	5,886	(2,066)
Income tax benefit	(6,161)	(542)
Net income (loss)	$ 12,047	$ (1,524)

Sales

Consolidated sales increased $109,551, or 74.0%, to $257,611, during the nine months ended September 30, 2021, compared to consolidated sales of $148,060 during the nine months ended September 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 $37,083. Additionally, there was an increase in the quantity of new and existing sport products sold by Sierra of $16,254 and the inclusion of Barnes, which contributed $33,316. The increase was also driven by the inclusion of adventure products sold by Rhino-Rack of $19,625. We experienced an increase in sales of $3,273 due to the weakening of the U.S. dollar against foreign currencies during the nine months ended September 30, 2021, compared to the prior period.

Consolidated domestic sales increased $77,215, or 92.5%, to $160,708 during the nine months ended September 30, 2021, compared to consolidated domestic sales of $83,493 during the nine months ended September 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 $21,384. Additionally, there was an increase in the quantity of new and existing sport products sold by Sierra of $17,861 and the inclusion of Barnes, which contributed $30,847. The remaining increase was driven by the inclusion of adventure products sold by Rhino-Rack of $7,123.

Consolidated international sales increased $32,336, or 50.1%, to $96,903 during the nine months ended September 30, 2021, compared to consolidated international sales of $64,567 during the nine months ended September 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 $15,699 and the inclusion of Barnes, which contributed $2,469. The increase was also driven by the inclusion of adventure products sold by Rhino-Rack of $12,502. We experienced an increase in sales of $3,273 due to the weakening of the U.S. dollar against foreign currencies during the nine months ended September 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 $1,607.

Cost of Goods Sold

Consolidated cost of goods sold increased $66,118 or 68.0%, to $163,361 during the nine months ended September 30, 2021, compared to consolidated cost of goods sold of $97,243 during the nine months ended September 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 $43,433 or 85.5%, to $94,250 during the nine months ended September 30, 2021, compared to consolidated gross profit of $50,817 during the nine months ended September 30, 2020. Consolidated gross margin was 36.6% during the nine months ended September 30, 2021, compared to a consolidated gross margin of 34.3% during the nine months ended September 30, 2020. Consolidated gross margin during the nine months ended September 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 and Rhino-Rack; however, this benefit was offset by a decrease in gross margin of 1.3% due to the sale of Barnes and Rhino-Rack inventory that was recorded at its fair value in purchase accounting during the year ended December 31, 2020 and three months ended September 30, 2021, respectively.

Selling, General and Administrative

Consolidated selling, general, and administrative expenses increased $22,366, or 44.3%, to $72,903 during the nine months ended September 30, 2021, compared to consolidated selling, general and administrative expenses of $50,537 during the nine months ended September 30, 2020. The increase in selling, general and administrative expenses is due to the inclusion of Barnes and Rhino-Rack, which contributed $5,008 and $7,722, respectively, and an increase of stock compensation of $981 during the nine months ended September 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 $9,272 during the nine months ended September 30, 2021, compared to consolidated transaction costs of $1,870 during the nine months ended September 30, 2020, which consisted of expenses related to the Company's various acquisition efforts.

Interest Expense, net

Consolidated interest expense, net increased to $1,926 during the nine months ended September 30, 2021, compared to consolidated interest expense, net of $800 during the nine months ended September 30, 2020. The increase in interest expense recognized during the nine months ended September 30, 2021 was primarily associated with the increase in average outstanding debt amounts during the period compared to the prior year and the recording of certain debt issuance costs.

Other, net

Consolidated other, net expense changed $4,587, or 1,415.7%, to $4,263 during the nine months ended September 30, 2021, compared to consolidated other, net income of $324 during the nine months ended September 30, 2020. The change 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, as well as a decrease in remeasurement losses recognized on the Company's foreign denominated accounts receivable and accounts payable.

Income Taxes

Consolidated income tax benefit increased $5,619, or 1,036.7%, to a benefit of $6,161 during the nine months ended September 30, 2021, compared to income tax benefit of $542 during the same period in 2020. Our effective income tax rate was a benefit of 104.7% for the nine months ended September 30, 2021, differed compared to the statutory tax rates due to a release of a partial valuation allowance of the deferred tax assets. This release is primarily due to a change in accounting method which increased taxable income and the ability to utilize NOLs (defined below). For the nine months ended September 30, 2020, our effective income tax rate was a benefit of 26.2% and was higher compared to the statutory tax rates due to permanent book to tax differences primarily related to incentive stock options.

Liquidity and Capital Resources

Condensed Consolidated Nine Months Ended September 30, 2021 Compared to Condensed Consolidated Nine Months Ended September 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 $34,600 available to borrow at September 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., European, Australian 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, 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.

Subsequent to the balance sheet date, the Company entered into an underwriting agreement relating to the public offer and sale of 2,750 shares of the Company’s common stock as well as a 30-day option to purchase up to 413 additional shares of common stock. The closing of the offering of 2,750 shares of common stock as well as the 413 additional shares of common stock occurred on October 29, 2021 and November 2, 2021, respectively. The net proceeds to the Company from the offering were approximately $80,264 before expenses and after deducting the applicable underwriting discounts and commissions. The Company intends to use a portion of the net proceeds of the offering for the repayment in full of approximately $65,000 in aggregate principal amount under the revolving loan facility available pursuant to the Credit Agreement and the remaining portion of the net proceeds from the offering for general corporate purposes, including capital expenditures and potential acquisitions.

At September 30, 2021, we had total cash of $10,170, compared to a cash balance of $17,789 at December 31, 2020, which was substantially controlled by the Company’s U.S. entities. At September 30, 2021, the Company had $4,888 of the $10,170 in cash held by foreign entities, of which $2,995 is considered permanently reinvested.

(in thousands, except per share amounts)

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

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Net cash (used in) provided by operating activities	$ (17,101)	$ 21,048
Net cash used in investing activities	(141,181)	(33,779)
Net cash provided by financing activities	151,041	27,956
Effect of foreign exchange rates on cash	(378)	99
Change in cash	(7,619)	15,324
Cash, beginning of year	17,789	1,703
Cash, end of period	$ 10,170	$ 17,027

Net Cash From Operating Activities

Consolidated net cash used in operating activities was $17,101 during the nine months ended September 30, 2021, compared to consolidated net cash provided by operating activities of $21,048 during the nine months ended September 30, 2020. The change in net cash used in operating activities during 2021 is primarily due to an increase in net operating assets, or non-cash working capital, of $52,207, partially offset by an increase in net income during the nine months ended September 30, 2021, compared to the same period in 2020.

Free cash flow, defined as net cash (used in) provided by operating activities less capital expenditures, of ($22,680) was used during the nine months ended September 30, 2021 compared to $17,442 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:

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Net cash (used in) provided by operating activities	$ (17,101)	$ 21,048
Purchase of property and equipment	(5,579)	(3,606)
Free cash flow	$ (22,680)	$ 17,442

Net Cash From Investing Activities

Consolidated net cash used in investing activities was $141,181 during the nine months ended September 30, 2021, compared to $33,779 during the nine months ended September 30, 2020. The increase in cash used during the nine months ended September 30, 2021 is due to the acquisition of Rhino-Rack and an increase in purchases of property and equipment, compared to the same period in 2020.

Net Cash From Financing Activities

Consolidated net cash provided by financing activities was $151,041 during the nine months ended September 30, 2021, compared to net cash provided of $27,956 during the nine months ended September 30, 2020. The increase in cash used during the nine months ended September 30, 2021 compared to the same period in 2020 was primarily due to the net proceeds to the revolving line of credit and draws of the term loan under Amendment No.3 described below. Cash provided by financing activities during the nine months ended September 30, 2020 was primarily due to the proceeds of $20,000 borrowed under the term loan and net proceeds from the sale of common stock, 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.

On July 1, 2021, the Borrowers entered into Amendment No. 3 of the Credit Agreement. 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 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 $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.

The Borrowers may elect to have the revolving and term loans under the Credit Agreement bear interest at an alternate base rate or a Term Benchmark rate plus an applicable rate. The applicable rate for these borrowings will range from 0.50% to 1.625% per annum, in the case of alternate base rate borrowings, and 1.50% to 2.625% per annum, in the case of Term Benchmark 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 Term Benchmark 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 0.30% 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 September 30, 2021.

As of September 30, 2021, the Company had drawn approximately $65,412 of the $100,000 revolving loan commitment that was available for borrowing under the Credit Agreement, and $123,437 outstanding under the term loan commitment. As of September 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. On July 1, 2021, the term loan facility was fully borrowed at the closing of Amendment No. 3. 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.

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 September 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 September 30, 2021, were effective.

The Company acquired certain assets and liabilities constituting the Barnes business (“Barnes”) on October 2, 2020. On July 1, 2021, the Company completed the acquisition of Australia-based Rhino-Rack Holdings Pty Ltd (“Rhino-Rack”). Management excluded Barnes and Rhino-Rack from its assessment of the effectiveness of the Company’s internal control over financial reporting as of September 30, 2021. Barnes’ financial statements constitute 9% of total assets and 13% of total sales of the condensed consolidated financial statement amounts as of and for the nine months ended September 30, 2021. Rhino-Rack’s financial statements constitute 45% of total assets and 8% of total sales of the condensed consolidated financial statement amounts as of and for the nine months ended September 30, 2021.

Changes in Internal Control over Financial Reporting

On October 2, 2020, the Company acquired Barnes. On July 1, 2021, the Company acquired Rhino-Rack. Because Barnes and Rhino-Rack utilize 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 and Rhino-Rack acquisitions and evaluating when it will complete an evaluation and review of Barnes’ and Rhino-Rack’s 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 nine months ended September 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
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 incorporated herein by reference).
99.1	Letter to TT Investimentos Ltda, dated October 6, 2021 (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on October 8, 2021, and 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: November 8, 2021	By: */s/ Warren B. Kanders*
	Name: Warren B. Kanders
	Title: Executive Chairman (Principal Executive Officer)
Date: November 8, 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: November 8, 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: November 8, 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 September 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: November 8, 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 September 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: November 8, 2021

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