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: **March 31, 2024**

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _______ to _______

Commission File Number: **001-34767**

CLARUS CORPORATION

(Exact name of registrant as specified in its charter)

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

(801) 278-5552

(Registrant's telephone number, including area code)

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

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 ☒

As of April 25, 2024, there were 38,298,162 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)

	March 31, 2024	December 31, 2023
Assets		
Current assets		
Cash	$ 47,484	$ 11,324
Accounts receivable, less allowance for credit losses of $1,394 and $1,412	51,954	53,971
Inventories	88,630	91,409
Prepaid and other current assets	7,966	4,865
Income tax receivable	930	892
Assets held for sale	-	137,284
Total current assets	196,964	299,745
Property and equipment, net	16,345	16,587
Other intangible assets, net	37,526	41,466
Indefinite-lived intangible assets	56,897	58,527
Goodwill	38,300	39,320
Deferred income taxes	16,280	22,869
Other long-term assets	14,664	16,824
Total assets	$ 376,976	$ 495,338
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 12,772	$ 20,015
Accrued liabilities	22,441	24,580
Income tax payable	816	805
Current portion of long-term debt	44	119,790
Liabilities held for sale	-	5,744
Total current liabilities	36,073	170,934
Long-term debt, net	37	-
Deferred income taxes	17,324	18,124
Other long-term liabilities	13,167	14,160
Total liabilities	66,601	203,218
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; 42,878 and 42,761 issued and 38,236 and 38,149 outstanding, respectively	4	4
Additional paid in capital	692,381	691,198
Accumulated deficit	(329,811)	(350,739)
Treasury stock, at cost	(33,114)	(32,929)
Accumulated other comprehensive loss	(19,085)	(15,414)
Total stockholders' equity	310,375	292,120
Total liabilities and stockholders' equity	$ 376,976	$ 495,338

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Sales		
Domestic sales	$ 28,284	$ 24,197
International sales	41,027	46,081
Total sales	69,311	70,278
Cost of goods sold	44,460	44,770
Gross profit	24,851	25,508
Operating expenses		
Selling, general and administrative	28,215	29,354
Restructuring charges	370	-
Transaction costs	38	37
Contingent consideration benefit	-	(1,565)
Legal costs and regulatory matter expenses	3,002	128
Total operating expenses	31,625	27,954
Operating loss	(6,774)	(2,446)
Other (expense) income		
Interest income, net	370	5
Other, net	(909)	76
Total other (expense) income, net	(539)	81
Loss before income tax	(7,313)	(2,365)
Income tax benefit	(851)	(334)
Loss from continuing operations	(6,462)	(2,031)
Discontinued operations, net of tax	28,346	3,629
Net income	21,884	1,598
Other comprehensive loss, net of tax:		
Foreign currency translation adjustment	(4,035)	(1,021)
Unrealized gain (loss) on hedging activities	364	(79)
Other comprehensive loss	(3,671)	(1,100)
Comprehensive income	$ 18,213	$ 498
Loss from continuing operations per share:		
Basic	$ (0.17)	$ (0.05)
Diluted	(0.17)	(0.05)
Net income per share:		
Basic	$ 0.57	$ 0.04
Diluted	0.57	0.04
Weighted average shares outstanding:		
Basic	38,208	37,137
Diluted	38,208	37,137

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 31, 2024	**March 31, 2023**
Cash Flows From Operating Activities:		
Net income	$ 21,884	$ 1,598
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation of property and equipment	1,026	1,791
Amortization of other intangible assets	2,449	3,276
Gain on sale of business	(40,585)	-
Amortization of debt issuance costs	1,209	232
(Gain) loss on disposition of property and equipment	(35)	5
Noncash lease expense	751	690
Contingent consideration benefit	-	(1,565)
Stock-based compensation	1,183	1,334
Deferred income taxes	6,368	(105)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	3,761	(2,797)
Inventories	(2,024)	1,341
Prepaid and other assets	(1,694)	(153)
Accounts payable	(7,414)	90
Accrued liabilities	(3,245)	(2,612)
Income taxes	5	74
Net cash (used in) provided by operating activities	(16,361)	3,199
Cash Flows From Investing Activities:		
Proceeds from the sale of business, net of cash	175,674	-
Proceeds from disposition of property and equipment	81	88
Purchase of intangible assets	(250)	-
Purchases of property and equipment	(1,897)	(1,471)
Net cash provided by (used in) investing activities	173,608	(1,383)
Cash Flows From Financing Activities:		
Proceeds from revolving credit facilities	31,205	11,731
Repayments on revolving credit facilities	(41,580)	(12,153)
Repayments on term loans and other debt	(109,381)	(1,668)
Proceeds from issuance of other debt	49	-
Purchase of treasury stock	(185)	(118)
Cash dividends paid	(956)	(930)
Net cash used in financing activities	(120,848)	(3,138)
Effect of foreign exchange rates on cash	(239)	(429)
Change in cash	36,160	(1,751)
Cash, beginning of year	11,324	12,061
Cash, end of period	$ 47,484	$ 10,310
Supplemental Disclosure of Cash Flow Information:		
Cash paid for income taxes	$ 168	$ 350
Cash paid for interest	$ 1,943	$ 2,586
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Property and equipment purchased with accounts payable	$ 127	$ 202
Lease liabilities arising from obtaining right-of-use assets	$ 206	$ 3,941

See accompanying notes to condensed consolidated financial statements.

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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	Loss	Equity
Balance, December 31, 2022	41,637	$ 4	$ 679,339	$ (336,843)	(4,589)	$ (32,707)	$ (17,685)	$ 292,108
Net income	-	-	-	1,598	-	-	-	1,598
Other comprehensive loss	-	-	-	-	-	-	(1,100)	(1,100)
Cash dividends ($0.025 per share)	-	-	-	(930)	-	-	-	(930)
Purchase of treasury stock	-	-	-	-	(12)	(118)	-	(118)
Stock-based compensation expense	-	-	1,334	-	-	-	-	1,334
Proceeds from exercise of options	154	-	-	-	-	-	-	-
Balance, March 31, 2023	41,791	$ 4	$ 680,673	$ (336,175)	(4,601)	$ (32,825)	$ (18,785)	$ 292,892

	Common Stock		Additional Paid-In	Accumulated	Treasury Stock		Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Shares	Amount	Loss	Equity
Balance, December 31, 2023	42,761	$ 4	$ 691,198	$ (350,739)	(4,612)	$ (32,929)	$ (15,414)	$ 292,120
Net income	-	-	-	21,884	-	-	-	21,884
Other comprehensive loss	-	-	-	-	-	-	(3,671)	(3,671)
Cash dividends ($0.025 per share)	-	-	-	(956)	-	-	-	(956)
Purchase of treasury stock	-	-	-	-	(30)	(185)	-	(185)
Stock-based compensation expense	-	-	1,183	-	-	-	-	1,183
Proceeds from exercise of options	117	-	-	-	-	-	-	-
Balance, March 31, 2024	42,878	$ 4	$ 692,381	$ (329,811)	(4,642)	$ (33,114)	$ (19,085)	$ 310,375

See accompanying notes to condensed consolidated financial statements.

CLARUS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except per share amounts)

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 March 31, 2024 and December 31, 2023 and for the three months ended March 31, 2024 and 2023, 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 months ended March 31, 2024 are not necessarily indicative of the results to be obtained for the year ending December 31, 2024. 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, 2023, filed with the Securities and Exchange Commission (the "SEC") on March 7, 2024.

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 enthusiast markets. 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®, Rhino-Rack®, MAXTRAX®, and TRED Outdoors® brand names through outdoor specialty and online retailers, our own websites, distributors and original equipment manufacturers.

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 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 net assets acquired in business combinations, provision for excess or obsolete inventory, allowance for credit losses, and valuation of contingent consideration liabilities, deferred tax assets, long-lived assets, goodwill and indefinite-lived intangible assets, and other intangible 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.

Reclassifications

Certain reclassifications have been made to prior period financial statements to conform to the current period presentation. Specifically, legal costs associated with specific legal matters which were recorded in selling, general, and administrative expenses are now presented in legal costs and regulatory matter expenses in the consolidated statements of comprehensive income. See Note 16 for discussion regarding legal matters.

NOTE 2. ACQUISITIONS

TRED

On September 13, 2023, Clarus entered into a Share Purchase Agreement (the "TRED Purchase Agreement") to acquire TRED Outdoors Pty Ltd. ("TRED"), which subsequently closed on October 9, 2023. 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 TRED (the "TRED Acquisition").

CLARUS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)
(in thousands, except per share amounts)

The Company acquired TRED for an aggregate purchase price of $AUD 10,741 (approximately $6,849), subject to a post-closing adjustment, comprised of $AUD 8,875 (approximately $5,659) cash, 179 shares of the Company's common stock valued at $1,069, and additional consideration described below. The TRED Purchase Agreement provides for the payment of additional contingent consideration of up to $AUD 1,000 (approximately $638) in cash upon the satisfaction of certain net sales targets (the "TRED Contingent Consideration"). The Company estimated the initial fair value of the TRED Contingent Consideration to be $AUD 189 (approximately $121) and has recorded this liability within accrued liabilities. See Note 11 for discussion regarding the valuation of the TRED Contingent Consideration as of March 31, 2024. The acquisition was accounted for as a business combination.

The Company believes the acquisition of TRED will 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.

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 TRED 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 TRED Acquisition are subject to change and the final purchase price allocations could be different from the amounts presented below. We expect to finalize the valuations as soon as practicable, but not later than one year from the date of the acquisition. The excess of purchase consideration over the assets acquired and liabilities assumed is recorded as goodwill. Goodwill for TRED is included in the Adventure segment. The goodwill consists largely of the growth and profitability expected from the acquisition.

CLARUS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)
(in thousands, except per share amounts)

	TRED		
	October 9, 2023		
	Number of Shares		Estimated Fair Value
Cash paid	-	$	5,659
Issuance of shares of Clarus Corporation	179		1,069
Contingent consideration	-		121
Total purchase consideration	179	$	6,849
Assets acquired and liabilities assumed			
Assets			
Cash		$	11
Accounts receivable			1,000
Inventories			1,006
Prepaid and other current assets			11
Property and equipment			195
Other intangible assets			3,305
Goodwill			2,832
Total assets			8,360
Liabilities			
Accounts payable and accrued liabilities			638
Deferred income taxes			873
Total liabilities			1,511
Net Book Value Acquired		$	6,849

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

CLARUS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)
(in thousands, except per share amounts)

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

	TRED		
		Gross	Average Useful Life
Intangibles subject to amortization			
Customer relationships	$	1,249	8.0 years
Product technologies		394	6.0 years
Tradenames		1,662	12.0 years
Intangibles not subject to amortization			
Trademarks		-	N/A
	$	3,305	9.8 years

The full amount of goodwill of $2,832 at TRED is expected to be non-deductible for tax purposes. No pre-existing relationships existed between the Company and TRED or its sellers prior to the acquisition. TRED revenue and operating income are included in the Adventure segment. Total revenue and net income of TRED from the date of acquisition to December 31, 2023 were not material to the Company's condensed consolidated financial statements.

NOTE 3. DISCONTINUED OPERATIONS

On February 29, 2024, the Company and Everest/Sapphire Acquisition, LLC, its wholly-owned subsidiary, completed the sale to Bullseye Acquisitions, LLC, an affiliate of JDH Capital Company, of all of the equity associated with the Company's Precision Sport segment, which is comprised of the Company's subsidiaries Sierra and Barnes Bullets – Mona, LLC ("Barnes"), pursuant to a Purchase and Sale Agreement dated as of December 29, 2023, by and among, Bullseye Acquisitions, LLC, Everest/Sapphire Acquisition, LLC and the Company (the "Precision Sport Purchase Agreement"). The Precision Sport segment is engaged in the business of designing, developing, manufacturing, and marketing bullets and ammunition to the military, law enforcement, and commercial/consumer markets. Under the terms of the Precision Sport Purchase Agreement, the Buyer agreed to pay $175,000 in cash, which is subject to a customary working capital adjustment. The Company received $175,674 in cash under the terms of the Precision Sport Purchase Agreement, which included a preliminary working capital adjustment. As of March 31, 2024, the working capital adjustment had not been finalized. The Company recognized a pre-tax gain on such sale of $40,585. The activities of the Precision Sport segment have been segregated and reported as discontinued operations for all periods presented.

CLARUS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)
(in thousands, except per share amounts)

The carrying amounts of the assets and liabilities of the Precision Sport segment were classified as held for sale in our consolidated balance sheets as of December 31, 2023. The asset and liability balances as of December 31, 2023 were classified as current as we anticipated the sale of these assets and liabilities within a one year period. The carrying amounts were as follows:

		December 31, 2023
Accounts receivable, net	$	9,914
Inventories		44,208
Prepaid and other current assets		2,931
Total current assets held for sale		57,053
Property and equipment, net		24,075
Other intangible assets, net		4,926
Indefinite-lived intangible assets		24,500
Goodwill		26,715
Other long-term assets		15
Total assets held for sale	$	137,284
Accounts payable	$	2,441
Accrued liabilities		3,303
Total current liabilities held for sale		5,744
Total liabilities held for sale	$	5,744

Summarized results of discontinued operations for the Precision Sport segment are as follows:

	Three Months Ended			
	March 31, 2024		March 31, 2023	
Sales	$	10,585	$	27,106
Cost of goods sold		(6,543)		(16,593)
Selling, general and administrative		(2,062)		(3,337)
Restructuring charges		(3)		-
Transaction costs		(3,440)		(37)
Interest expense, net		(2,455)		(2,751)
Other, net		(38)		9
(Loss) income from operations of discontinued operations		(3,956)		4,397
Gain on sale of discontinued operations		40,585		-
Income from discontinued operations before taxes		36,629		4,397
Income tax expense		8,283		768
Income from discontinued operations, net of tax	$	28,346	$	3,629

In connection with the sale of the Precision Sport segment, all interest expense related to outstanding debt that was required to be repaid with the proceeds received from the sale pursuant to the terms of the Company's credit facility is allocated to

CLARUS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)
(in thousands, except per share amounts)

discontinued operations in our condensed consolidated financial statements for the three months ended March 31, 2024 and 2023.

Summarized cash flow information for the Precision Sport segment discontinued operations are as follows:

	Three Months Ended	
	March 31, 2024	March 31, 2023
Depreciation of property and equipment	-	852
Amortization of intangible assets	-	508
Stock-based compensation	5	48
Purchase of property and equipment	886	739

NOTE 4. INVENTORIES

Inventories, as of March 31, 2024 and December 31, 2023, were as follows:

	March 31, 2024	December 31, 2023
Finished goods	$ 76,286	$ 78,887
Work-in-process	479	295
Raw materials and supplies	11,865	12,227
	$ 88,630	$ 91,409

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment, net, as of March 31, 2024 and December 31, 2023, were as follows:

	March 31, 2024	December 31, 2023
Land	$ 2,850	$ 2,850
Building and improvements	6,478	6,476
Furniture and fixtures	6,176	6,195
Computer hardware and software	8,070	8,092
Machinery and equipment	18,157	18,119
Construction in progress	1,779	1,224
	43,510	42,956
Less accumulated depreciation	(27,165)	(26,369)
	$ 16,345	$ 16,587

Depreciation expense for continuing operations for the three months ended March 31, 2024 and 2023 was $1,026 and $939, respectively.

CLARUS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)
(in thousands, except per share amounts)

NOTE 6. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table summarizes the balances in goodwill by segment:

	Outdoor	Adventure	Total
Goodwill	$ 29,507	$ 91,375	$ 120,882
Accumulated goodwill impairments	(29,507)	(52,071)	(81,578)
Balance at December 31, 2023	-	39,320	39,320
Impact of foreign currency exchange rates	-	(1,020)	(1,020)
Balance at March 31, 2024	$ -	$ 38,300	$ 38,300

Indefinite-Lived Intangible Assets

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

Balance at December 31, 2023	$ 58,527
Impact of foreign currency exchange rates	(1,630)
Balance at March 31, 2024	$ 56,897

Trademarks classified as indefinite-lived intangible assets by brand as of March 31, 2024 and December 31, 2023, were as follows:

	March 31, 2024	December 31, 2023
Black Diamond	$ 19,600	$ 19,600
PIEPS	3,012	3,080
Rhino-Rack	24,644	25,767
MAXTRAX	9,641	10,080
	$ 56,897	$ 58,527

Other Intangible Assets, net

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

Gross balance at December 31, 2023	$ 82,103
Disposal	(163)
Impact of foreign currency exchange rates	(2,620)
Gross balance at March 31, 2024	$ 79,320

CLARUS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)
(in thousands, except per share amounts)

Other intangible assets, net of amortization as of March 31, 2024 and December 31, 2023, were as follows:

	March 31, 2024			
	Gross	Accumulated Amortization	Net	Weighted Average Useful Life
Intangibles subject to amortization				
Customer relationships	$ 59,383	$ (31,475)	$ 27,908	13.8 years
Product technologies	17,292	(9,305)	7,987	10.0 years
Tradenames	1,698	(67)	1,631	12.0 years
Core technologies	947	(947)	-	10.0 years
	$ 79,320	$ (41,794)	$ 37,526	12.9 years

	December 31, 2023			
	Gross	Accumulated Amortization	Net	Weighted Average Useful Life
Customer relationships	$ 61,215	$ (30,478)	$ 30,737	13.8 years
Product technologies	18,003	(9,014)	8,989	10.0 years
Tradenames	1,938	(198)	1,740	11.4 years
Core technologies	947	(947)	-	10.0 years
	$ 82,103	$ (40,637)	$ 41,466	12.9 years

Amortization expense for continuing operations for the three months ended March 31, 2024 and 2023, was $2,449 and $2,768, respectively. Future amortization expense for other intangible assets as of March 31, 2024 is as follows:

Years Ending December 31,	Amortization Expense
2024 (excluding the three months ended March 31, 2024)	$ 7,156
2025	8,038
2026	6,276
2027	4,568
2028	3,360
2029	2,522
Thereafter	5,606
	$ 37,526

CLARUS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)
(in thousands, except per share amounts)

NOTE 7. ACCRUED LIABILITIES AND OTHER LONG-TERM LIABILITIES

Accrued liabilities as of March 31, 2024 and December 31, 2023, were as follows:

	March 31, 2024	December 31, 2023
Accrued payroll and related items	$ 3,487	$ 3,964
Accrued bonus	1,123	2,047
Designated forward exchange contracts	-	221
Accrued warranty	1,757	1,648
Current lease liabilities	3,198	3,179
Accrued commissions	538	344
Contingent consideration liabilities	123	129
Restructuring liabilities	643	1,246
Other	11,572	11,802
	$ 22,441	$ 24,580

Other long-term liabilities as of March 31, 2024 and December 31, 2023, were as follows:

	March 31, 2024	December 31, 2023
Long-term lease liability	$ 12,066	$ 13,030
Other	1,101	1,130
	$ 13,167	$ 14,160

NOTE 8. LONG-TERM DEBT

Long-term debt as of March 31, 2024 and December 31, 2023, was as follows:

	March 31, 2024	December 31, 2023
Revolving credit facility (a)	$ -	$ 10,375
Other debt (b)	81	40
Term loan (c)	-	109,375
Debt issuance costs	-	-
	81	119,790
Less current portion	(44)	(119,790)
	$ 37	$ -

On April 18, 2022 (the "Effective Date"), the Company and certain of its direct and indirect subsidiaries entered into an Amended and Restated Credit Agreement with JPMorgan Chase Bank, N.A., as administrative agent and the lenders party thereto (the "Restated Credit Agreement").

The Restated Credit Agreement provides for borrowings of up to $300,000 under a secured revolving credit facility (the "Revolving Loans") (including up to $5,000 for letters of credit), and borrowings of up to $125,000 under a secured term loan facility (the "Term Loans"). The Restated Credit Agreement also permits the Company, subject to certain requirements, to arrange with lenders for an aggregate of up to $175,000 of additional revolving and/or term loan commitments (both of which are currently uncommitted), for potential aggregate revolving and term loan commitments under the Restated Credit Agreement of up to $600,000. The Restated Credit Agreement matures on April 18, 2027 (the “Maturity Date”), at which time the revolving commitments thereunder will terminate and all outstanding Revolving Loans and Term Loans, together with all accrued and unpaid interest thereon, must be repaid.

All obligations under the Restated Credit Agreement are secured by our subsidiary equity interests, as well as accounts receivable, inventory, intellectual property and certain other assets owned by the Company. The Restated Credit Agreement contains restrictions on the Company’s ability to pay dividends or make distributions or other restricted payments if certain conditions in the Restated Credit Agreement are not fulfilled. The Restated 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. In conjunction with the Precision Sport Purchase Agreement dated December 29, 2023, all balances owing the lenders and the Administrative Agent were required to be paid off contemporaneously with the closing of the disposition of the Precision Sport segment which occurred on February 29, 2024. Accordingly, all debt obligations were classified as current as of December 31, 2023 and were settled on February 29, 2024.

(a) On February 29, 2024, upon the closing of the disposition of the Precision Sport segment, the Company terminated and paid off amounts outstanding under the revolving credit facility in full. The Company pays interest monthly on any borrowings on the Restated Credit Agreement. As of December 31, 2023, the interest rates ranged between approximately 7.7% and 9.8%.

(b) Foreign subsidiaries of the Company term debt with financial institutions, which mature between August 8, 2024 and February 27, 2027. The foreign subsidiaries paid interest monthly on any borrowings on the credit facility as well as monthly payments on the term debt. As of March 31, 2024, the interest rates ranged between approximately 3.2% and 7.0% and as of December 31, 2023, the interest rate was approximately 3.2%. The term debt is secured by certain assets of the foreign subsidiaries.

(c) On February 29, 2024, upon the closing of the disposition of the Precision Sport segment, the Company terminated and paid off amounts outstanding under the term loan in full. The Company pays interest monthly on any borrowings on the Restated Credit Agreement. As of December 31, 2023, the rate was approximately 7.7%.

NOTE 9. 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.

At March 31, 2024, 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. As of March 31, 2024, there was no such exposure to the counterparties. The Company’s exposure of counterparty credit risk is limited to the aggregate unrealized gain of $300 on all contracts as of March 31, 2024. The Company’s derivative counterparties have strong credit ratings and as a result, the Company does not require collateral to facilitate transactions.

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The Company held the following contracts designated as hedging instruments as of March 31, 2024 and December 31, 2023:

	March 31, 2024	
	Notional Amount	Latest Maturity
Foreign exchange contracts - Canadian Dollars	$6,434	February 2025
Foreign exchange contracts - Euros	€ 14,672	February 2025

	December 31, 2023	
	Notional Amount	Latest Maturity
Foreign exchange contracts - Canadian Dollars	$7,925	February 2025
Foreign exchange contracts - Euros	€ 20,612	February 2025

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 loss and reclassified to sales in the period the underlying hedged transaction is recognized in earnings. Gains (losses) of $81 and $(16) were reclassified to sales during the three months ended March 31, 2024 and 2023, respectively.

The following table presents the balance sheet classification and fair value of derivative instruments as of March 31, 2024 and December 31, 2023:

	Classification	March 31, 2024	December 31, 2023
Derivative instruments in asset positions:			
Designated forward exchange contracts	Prepaid and other current assets	$ 300	$ -
Derivative instruments in liability positions:			
Designated forward exchange contracts	Accrued liabilities	$ -	$ 221
Designated forward exchange contracts	Other long-term liabilities	$ -	$ 35

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NOTE 10. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive 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 March 31, 2024:

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Cash Flow Hedges	Total
Balance as of December 31, 2023	$ (15,223)	$ (191)	$ (15,414)
Other comprehensive (loss) income before reclassifications	(4,035)	426	(3,609)
Amounts reclassified from other comprehensive (loss) income	-	(62)	(62)
Net current period other comprehensive (loss) income	(4,035)	364	(3,671)
Balance as of March 31, 2024	$ (19,258)	$ 173	$ (19,085)

The following table sets forth the changes in AOCI, net of tax, for the three months ended March 31, 2023:

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Cash Flow Hedges	Total
Balance as of December 31, 2022	$ (17,628)	$ (57)	$ (17,685)
Other comprehensive loss before reclassifications	(1,021)	(91)	(1,112)
Amounts reclassified from other comprehensive loss	-	12	12
Net current period other comprehensive loss	(1,021)	(79)	(1,100)
Balance as of March 31, 2023	$ (18,649)	$ (136)	$ (18,785)

The effects on net income of amounts reclassified from unrealized gains (losses) on cash flow hedges for foreign exchange contracts for the three months ended March 31, 2024 and 2023, were as follows:

	Gains (losses) reclassified from AOCI to the Consolidated Statements of Comprehensive Income	
	Three Months Ended	
Affected line item in the Consolidated Statements of Comprehensive Income	March 31, 2024	March 31, 2023
Foreign exchange contracts:		
Sales	$ 81	$ (16)
Less: Income tax expense (benefit)	19	(4)
Amount reclassified, net of tax	$ 62	$ (12)
Total reclassifications from AOCI	$ 62	$ (12)

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NOTE 11. 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.

Items Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis at March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets				
Designated forward exchange contracts	$ -	$ 300	$ -	$ 300
	$ -	$ 300	$ -	$ 300
Liabilities				
Designated forward exchange contracts	$ -	$ -	$ -	$ -
Contingent consideration liabilities	$ -	$ -	$ 123	$ 123
	$ -	$ -	$ 123	$ 123

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Designated forward exchange contracts	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -
Liabilities				
Designated forward exchange contracts	$ -	$ 256	$ -	$ 256
Contingent consideration liabilities	$ -	$ -	$ 129	$ 129
	$ -	$ 256	$ 129	$ 385

Derivative financial instruments are recorded at fair value based on current market pricing models. No nonrecurring fair value measurements existed at March 31, 2024 and December 31, 2023.

The Company estimated the initial fair value of the contingent consideration liabilities primarily using the Monte-Carlo pricing model. Significant unobservable inputs used in the valuation included a discount rate of 11.5%. Contingent consideration liabilities are subsequently remeasured at the estimated fair value at the end of each reporting period using

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financial projections of the acquired company, such as sales-based milestones and estimated probabilities of achievement, with the change in fair value recognized in contingent consideration benefit in the accompanying consolidated statements of comprehensive income 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.

The following table summarizes the changes in contingent consideration liabilities:

		TRED
Balance at December 31, 2023	**$**	129
Impact of foreign currency exchange rates		(6)
Balance at March 31, 2024	$	123

As the contingent consideration liabilities are remeasured to fair value each reporting period, significant increases or decreases in projected sales, discount rates or the time until payment is made could have resulted in a significantly lower or higher fair value measurement. Our determination of fair value of the contingent consideration liabilities could change in future periods based on our ongoing evaluation of these significant unobservable inputs.

NOTE 12. 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 April 30, 2024, the Company announced that its Board of Directors approved the payment on May 20, 2024 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 May 10, 2024.

NOTE 13. 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.

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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	
	March 31, 2024	March 31, 2023
Weighted average shares outstanding - basic	38,208	37,137
Effect of dilutive stock awards	-	-
Weighted average shares outstanding - diluted	38,208	37,137
Loss from continuing operations per share:		
Basic	$ (0.17)	$ (0.05)
Diluted	(0.17)	(0.05)
Income from discontinued operations per share:		
Basic	$ 0.74	$ 0.09
Diluted	0.74	0.09
Net income per share:		
Basic	$ 0.57	$ 0.04
Diluted	0.57	0.04

For the three months ended March 31, 2024 and 2023, equity awards of 5,047 and 3,713, respectively, were excluded from the calculation of earnings (loss) per share for these periods as they were anti-dilutive.

NOTE 14. 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 three months ended March 31, 2024, the Company issued stock options for an aggregate of 1,140 shares under the 2015 Plan to directors and employees of the Company. All 1,140 options vest and become exercisable over a period of two years. All of the issued stock options expire ten years from the date of the grant.

(in thousands, except per share amounts)

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:

Options Granted During the Three Months Ended March 31, 2024

Number of options	1,140
Option vesting period	2 Years
Grant price (per share)	$6.75
Dividend yield	1.48%
Expected volatility (a)	50.30%
Risk-free interest rate	4.08%
Expected life (years) (b)	5.75
Weighted average fair value (per share)	$3.06

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

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

The grant date fair value of the stock options granted during the three months ended March 31, 2024 was $3,486, which will be recognized over the vesting period of the options.

Restricted Stock Awards Granted:

On March 11, 2024, the Company issued and granted employees restricted stock awards of 100 restricted shares under the 2015 Plan, of which 50 and 50 shares will vest and become nonforfeitable on each March 11, 2025 and March 11, 2026, respectively. As these restricted stock awards vest over time, the fair value of the restricted stock was estimated as of the date of grant using the grant price of $6.75 per share. The grant date fair value of the restricted stock awards was approximately $675 which will be amortized over the expected term of 2 years.

The total non-cash stock compensation expense for continuing operations related to restricted stock, stock options and stock awards recorded by the Company for the three months ended March 31, 2024 and 2023 was $1,178 and $1,286, respectively. For the three months ended March 31, 2024 and 2023, the majority of stock-based compensation costs were classified as selling, general and administrative expenses.

As of March 31, 2024, there were 1,152 unvested stock options and unrecognized compensation cost of $3,997 related to unvested stock options, as well as 1,600 unvested restricted stock awards and unrecognized compensation costs of $7,059 related to unvested restricted stock awards.

NOTE 15. RESTRUCTURING

Starting in 2023, the Company began incurring expenses to facilitate long-term sustainable growth through cost reduction actions, consisting of employee reductions, facility rationalization and contract termination costs. During the three months ended March 31, 2024 and 2023, the Company incurred $370 and $0, respectively, of restructuring charges related to these actions. The Company has incurred $3,593 of cumulative restructuring charges since the commencement of restructuring actions in 2023. The Company accrues for restructuring costs when they are probable and reasonably estimable. These costs include severance costs, exit costs, and other restructuring costs and are included in Restructuring charges in the condensed consolidated statements of comprehensive income. Severance costs primarily consist of severance benefits through payroll continuation, conditional separation costs and employer tax liabilities, while exit costs primarily consist

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of lease exit and contract termination costs. Other costs consist primarily of costs related to the discontinuance of certain product lines and are distinguishable and directly attributable to the Company's restructuring initiative and not a result of external market factors associated with the ongoing business. We estimate that we will continue to incur restructuring costs related to employee-related costs and facility exit costs during the year 2024; however, the Company cannot estimate the total amount expected to be incurred as cost reduction actions continue to be evaluated. The Company anticipates completing these restructuring activities in 2024.

The following table summarizes the restructuring charges, payments and the remaining liabilities related to restructuring costs at March 31, 2024, which are included within accrued liabilities in the condensed consolidated balance sheets:

	Outdoor	Adventure	Corporate	Total
Balance at December 31, 2023	1,246	-	-	1,246
Charges to expense:				
Employee termination benefits	$ 212	$ 146	$ -	$ 358
Exit costs	12	-	-	12
Total restructuring charges	$ 224	$ 146	$ -	$ 370
Cash payments and non-cash charges:				
Cash payments	(815)	(146)	-	(961)
Asset impairments	(12)	-	-	(12)
Balance at March 31, 2024	$ 643	$ -	$ -	$ 643

NOTE 16. COMMITMENTS, CONTINGENCIES AND LEGAL MATTERS

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. Anticipated costs related to litigation matters are accrued when it is both probable that a liability has been incurred and the amount can be reasonably estimated. 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, except for the U.S. Consumer Product Safety Commission ("CPSC") matter discussed below. 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. It is possible that, as additional information becomes available, the Company may subsequently determine that it may incur losses from such contingencies materially in excess of the amounts initially accrued by the Company which could have a material adverse effect on the Company's liquidity, stock price, consolidated financial position, results of operations and/or cash flows.

Legal expenses incurred in the ordinary course of business are included in selling, general, and administrative expenses in the consolidated statements of comprehensive income except as described below. See Part II, Item 1. "Legal Proceedings."

U.S. Consumer Product Safety Commission

In January 2021, Black Diamond Equipment, Ltd. ("BDEL") wrote to the U.S. Consumer Product Safety Commission ("CPSC") outlining its new cradle solution for certain models of its avalanche beacon transceivers to prevent such transceivers from switching unexpectedly out of “send” mode. The proposed new cradle solution was designed to improve transceiver safety by locking the transceiver into “send” mode prior to use so that it would not switch unexpectedly out of “send” mode. BDEL also requested approval for the CPSC Fast-Track Program for a voluntary product recall to implement this cradle solution. The CPSC approved the recall and entered into a Corrective Action Plan agreement with BDEL in March 2021. BDEL received a letter from the CPSC, dated October 28, 2021, stating that the CPSC is investigating whether BDEL has timely complied with the reporting requirements of Section 15(b) of the Consumer Protection Safety Act and related regulations regarding certain models of avalanche transceivers switching unexpectedly out of “send” mode.

Separately, on April 21, 2022, BDEL filed a Section 15(b) report and applied for Fast-Track consideration for a voluntary recall, consisting of free repair or replacement of such malfunctioning models of avalanche transceivers, which would not switch from “send” mode to “search” mode due to an electronic malfunction in the reed switch or foil. The CPSC approved the recall and entered into a Corrective Action Plan agreement with BDEL in August 2022. BDEL received a letter from the CPSC, dated January 17, 2023, stating that the CPSC is investigating whether BDEL has timely complied with the reporting requirements of Section 15(b) of the Consumer Protection Safety Act and related regulations regarding the malfunction in the reed switch or foil in certain models of avalanche transceivers switching out of “search” mode. BDEL responded to the CPSC’s investigation by letter dated March 31, 2023, accompanied with documents responsive to the CPSC’s requests. The CPSC asked for further clarification and documents, and BDEL sent a responsive letter accompanied by additional documents on June 23, 2023. On September 6, 2023, the CPSC requested further clarification and information regarding the reed switch issue, to which BDEL responded on October 6 and 13, 2023.

By letters dated October 12, 2023 and December 18, 2023, BDEL was notified by the CPSC that the agency staff has concluded we failed to timely meet our statutory reporting obligations under the Consumer Product Safety Act with respect to certain models of BDEL’s avalanche transceivers switching unexpectedly out of “send” mode and certain models of BDEL’s avalanche transceivers not switching from “send” mode into “search” mode, that we made a material misrepresentation in a report to the CPSC, and that the agency staff intends to recommend that the CPSC impose civil monetary penalties of $16,135 and $9,000, respectively, for the two matters described above.

On November 20, 2023 and February 8, 2024, respectively, we submitted a comprehensive response disputing the CPSC’s findings and conclusions in the October 12, 2023 and December 18, 2023 letters, including the amount of any potential penalties. The CPSC ultimately disagreed with our position and the agency staff has restated their recommendation for the monetary penalties which the Company intends to strongly contest and vigorously defend against.

Based on currently available information, the Company believes an unfavorable outcome is probable, however, we cannot reasonably estimate on what terms or if this matter will be resolved. During the three months ended March 31, 2024, the Company recorded a liability of $2,500 representing the low end of the range of our estimated exposure. The Company does not have a better estimate of the loss therefore the low-end of the range was recorded as an accrued liability during the first quarter of 2024 and a corresponding expense is included in legal costs and regulatory matter expenses in the consolidated statements of comprehensive income.

We believe it is reasonably possible that a change in our ability to estimate the amount of loss could occur in the near term and that the change in the estimate could be material. In addition, as this matter is ongoing, the Company is currently unable to predict its duration, resources required or outcome, or the impact it may have on the Company’s liquidity, financial condition, results of operations and/or cash flows. Any penalties imposed by the CPSC or other regulators, could be costly to us and could damage our business and reputation as well as have a material adverse effect on the Company’s liquidity, stock price, consolidated financial position, results of operations and/or cash flows. During the three months ended March 31, 2024 and 2023, the Company incurred legal expenses of $205 and $55, respectively, in efforts to resolve this matter. These legal expenses are included in legal costs and regulatory matter expenses in the consolidated statements of comprehensive income.

Clarus Corporation against HAP Trading, LLC and Harsh A. Padia

On September 23, 2022, the Company filed a lawsuit in the United States District Court for the Southern District of New York against HAP Trading, LLC and Harsh A. Padia ("HAP Trading"), seeking disgorgement of profits from transactions in the Company's common stock and related derivative securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended.

Clarus Corporation v. Caption Management, LLC, et al.

On March 8, 2024, the Company filed a lawsuit in the United States District Court for the Southern District of New York against Caption Management, LLC, Caption Partners II LP, Caption GP, LLC, William Cooper and Jason Strasser ("Caption Management"), seeking disgorgement of profits from transactions in the Company's stock and related derivative securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended.

During the three months ended March 31, 2024, and 2023, the Company incurred legal expenses of $297 and $73, respectively, in the efforts to bring the cases against HAP Trading and Caption Management to trial. These legal expenses are included in legal costs and regulatory matter expenses in the consolidated statements of comprehensive income.

NOTE 17. INCOME TAXES

The Company's U.S. federal statutory tax rate of 21% and its foreign operations have statutory tax rates of approximately 23% in Austria, 28% in New Zealand, and 30% in Australia.

The difference between the Company's estimated effective tax rate of 11.6% for the three months ended March 31, 2024, and the U.S. federal statutory tax rate of 21% was primarily due to the impact of stock compensation, research and experimentation expenditures and credits, and discrete stock option shortfalls in the first quarter of 2024.

As of December 31, 2023, the Company's gross deferred tax asset was $39,893. The Company has recorded a valuation allowance of $714, resulting in a net deferred tax asset of $39,179, before deferred tax liabilities of $34,434. The Company has provided a valuation allowance against a portion of the deferred tax assets as of March 31, 2024 and December 31, 2023, because the ultimate realization of those assets did not meet the more-likely-than-not criteria. Part of the Company's deferred tax assets consist of net operating loss carryforwards ("NOLs") for federal tax purposes. If a change in control were to occur, these could be limited under Section 382 of the Internal Revenue Code of 1986 ("Code"), as amended.

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

As of December 31, 2023, the Company had NOLs and research and experimentation credit for U.S. federal income tax purposes of $7,699 and $2,997, respectively. The Company believes its U.S. Federal NOLs will offset a portion of its future U.S. Federal income taxes.

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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, 2023

Expiration Dates December 31,	Net Operating Loss Amount
2024	$ -
2025	-
2026	-
2027 and beyond	7,699
Total	$ 7,699

NOTE 18. SEGMENT INFORMATION

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

- Our Outdoor segment, which includes Black Diamond Equipment and PIEPS, 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 Outdoor 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; and gloves and mittens. We also offer advanced skis, ski poles, ski skins, and snow safety products, including avalanche airbag systems, avalanche transceivers, shovels, and probes.

- Our Adventure segment, which includes Rhino-Rack, MAXTRAX, and TRED, is a manufacturer of highly-engineered automotive roof racks, trays, mounting systems, luggage boxes, carriers, recovery boards 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 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.

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Financial information for our segments, as well as revenue by geography, which the Company believes provides a meaningful depiction how the nature, timing and uncertainty of revenue are affected by economic factors, is as follows:

	Three Months Ended	
	March 31, 2024	March 31, 2023
Sales to external customers:		
Outdoor		
Domestic sales	$ 23,629	$ 21,565
International sales	23,393	31,210
Total Outdoor	47,022	52,775
Adventure		
Domestic sales	4,655	2,632
International sales	17,634	14,871
Total Adventure	22,289	17,503
Total sales to external customers	69,311	70,278
Segment operating income:		
Outdoor	(1,711)	1,490
Adventure	(770)	402
Total segment operating income	(2,481)	1,892
Corporate costs	(4,293)	(4,338)
Interest income, net	370	5
Other, net	(909)	76
Loss before income tax	$ (7,313)	$ (2,365)

There were no intercompany sales between the Outdoor and Adventure segments for the periods presented.

Total assets by segment, as of March 31, 2024 and December 31, 2023, were as follows:

	March 31, 2024	December 31, 2023
Outdoor	$ 160,170	$ 163,083
Adventure	174,920	185,023
Corporate	41,886	9,948
	$ 376,976	$ 358,054

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
Capital expenditures:		
Outdoor	$ 720	$ 323
Adventure	291	409
Total capital expenditures	$ 1,011	$ 732
Depreciation:		
Outdoor	$ 673	$ 673
Adventure	353	266
Total depreciation	$ 1,026	$ 939
Amortization:		
Outdoor	$ 286	$ 258
Adventure	2,163	2,510
Total amortization	$ 2,449	$ 2,768

CLARUS CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
(in thousands, except per share amounts)

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, including, without limitation, the impact of inflation; disruption and volatility in the global currency, capital and credit markets; the financial strength of retail economies and the Company's customers; the Company's ability to implement its business strategy; the ability of the Company to execute and integrate acquisitions; the Company's exposure to product liability or product warranty claims and other loss contingencies, including, without limitation, recalls and liability claims relating to our avalanche beacon transceivers; disruptions and other impacts to the Company's business, as a result of an outbreak of disease or similar public health threat, such as 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, increased focus on sustainability issues as a result of global climate change; regulatory or market responses to global climate change; 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 and products, including without limitation, through social media or in connection with brand damaging events and/or public perception; the potential impact of the Consumer Products Safety Commission's investigation related to the Company's reporting obligations under the Consumer Product Safety Act in connection with the Company's recall of certain models of its avalanche transceivers on our business, results of operations, and financial condition; 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; the impact of political unrest, natural disasters or other crises, terrorist acts, acts of war and/or military operations; 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; our ability to obtain additional capital and funding on acceptable terms to meet our financial obligations as well as to support our business operations and growth strategy; and any material differences in the actual financial results of the Company's past and future acquisitions, including the impact of acquisitions and any recognition of impairment or other charges relating to any such acquisitions on the Company's future earnings per share. More information on potential factors that could affect the Company's financial results is included from time to time in the Company's public reports filed with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. All forward-looking statements included in this Quarterly Report on Form 10-Q are based upon information available to the Company as of the date of this Quarterly Report on Form 10-Q, and speak only as of the date hereof. We assume no obligation to update any forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

Overview

Headquartered in Salt Lake City, Utah, Clarus is a global leading designer, developer, manufacturer and distributor of best-in-class outdoor equipment and lifestyle products focused on the outdoor enthusiast markets. 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®, Rhino-Rack®, MAXTRAX®, and TRED Outdoors® 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.

Our iconic brands are rooted in performance-defining technologies that enable our customers to have their best days outdoors. We have a long history of technical innovation and product development, backed by an extensive patent portfolio that continues to evolve and advance our markets. We focus on enhancing our customers' performance in the most critical moments. Our commitment to quality, rigorous safety, and ultimately best-in-class design is evidenced by outstanding industry recognition, as we have received numerous product awards across our portfolio of brands.

Each of our brands represents a unique customer value proposition. Supported by six decades of proven innovation, Black Diamond is an established global leader in high-performance, activity-based climbing, skiing, and technical mountain sports equipment. The brand is synonymous with premium performance, safety and reliability. Founded in 1992, our Rhino-Rack brand is a globally-recognized designer and distributor of highly-engineered automotive roof racks and accessories to enhance the outdoor enthusiast's overlanding experience. Founded in 2005, our MAXTRAX brand offers high-quality overlanding and off-road vehicle recovery and extraction tracks for the overland and off-road market. Similarly, TRED, founded in 2012, is a trusted brand for key retailers and distributors in the overlanding and off-road vehicle recovery market.

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 December 1, 2021, the Company completed the acquisition of Australia-based MaxTrax Australia Pty Ltd ("MAXTRAX"). On October 9, 2023, the Company completed the acquisition of Australia-based TRED Outdoors Pty Ltd. ("TRED").

On February 29, 2024, the Company completed the sale of all of the equity associated with the Company's Precision Sport segment, which is comprised of the Company's subsidiaries Sierra and Barnes Bullets – Mona, LLC ("Barnes"), pursuant to a Purchase and Sale Agreement dated as of December 29, 2023 (the "Precision Sport Purchase Agreement"). Under the terms of the Precision Sport Purchase Agreement, the Company received approximately $175,674 in cash subject to customary working capital adjustments, for all of the equity associated with the Company's Precision Sport segment. The activities of the Precision Sport segment have been segregated and reported as discontinued operations for all periods presented. See Note 3 to our condensed consolidated financial statements for financial information regarding discontinued operations.

CLARUS CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
(in thousands, except per share amounts)

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 April 30, 2024, the Company announced that its Board of Directors approved the payment on May 20, 2024 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 May 10, 2024.

Restructuring

Starting in 2023, the Company began incurring expenses to facilitate long-term sustainable growth through cost reduction actions, consisting of employee reductions, facility rationalization and contract termination costs. During the three months ended March 31, 2024 and 2023, the Company incurred $370 and $0, respectively, of restructuring charges related to these actions. The Company has incurred $3,593 of cumulative restructuring charges since the commencement of restructuring actions in 2023. The Company accrues for restructuring costs when they are probable and reasonably estimable. These costs include severance costs, exit costs, and other restructuring costs and are included in Restructuring charges in the condensed consolidated statements of comprehensive income. Severance costs primarily consist of severance benefits through payroll continuation, conditional separation costs and employer tax liabilities, while exit costs primarily consist of lease exit and contract termination costs. Other costs consist primarily of costs related to the discontinuance of certain product lines and are distinguishable and directly attributable to the Company's restructuring initiative and not a result of external market factors associated with the ongoing business. We estimate that we will continue to incur restructuring costs related to employee-related costs and facility exit costs during the year 2024; however, the Company cannot estimate the total amount expected to be incurred as cost reduction actions continue to be evaluated. The Company anticipates completing these restructuring activities in 2024.

Critical Accounting Policies and Use of Estimates

Management's discussion of our financial condition and results of operations is based on the consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of the consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting periods. Our critical accounting policies that require the use of estimates and assumptions were discussed in detail in our Annual Report on Form 10-K for the year ended December 31, 2023. 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, 2023.

Accounting Pronouncements Issued Not Yet Adopted

None

CLARUS CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
(in thousands, except per share amounts)

Results of Operations

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

The following presents a discussion of operations for the three months ended March 31, 2024, compared with the three months ended March 31, 2023.

	Three Months Ended	
	March 31, 2024	**March 31, 2023**
Sales		
Domestic sales	$ 28,284	$ 24,197
International sales	41,027	46,081
Total sales	69,311	70,278
Cost of goods sold	44,460	44,770
Gross profit	24,851	25,508
Operating expenses		
Selling, general and administrative	28,215	29,354
Restructuring charges	370	-
Transaction costs	38	37
Contingent consideration benefit	-	(1,565)
Legal costs and regulatory matter expenses	3,002	128
Total operating expenses	31,625	27,954
Operating loss	(6,774)	(2,446)
Other (expense) income		
Interest income, net	370	5
Other, net	(909)	76
Total other (expense) income, net	(539)	81
Loss before income tax	(7,313)	(2,365)
Income tax benefit	(851)	(334)
Loss from continuing operations	(6,462)	(2,031)
Discontinued operations, net of tax	28,346	3,629
Net income	$ 21,884	$ 1,598

Sales

Total sales decreased $967, or 1.4%, to $69,311 during the three months ended March 31, 2024, compared to total sales of $70,278 during the three months ended March 31, 2023. The decrease in sales was primarily attributable to a decrease in sales at the Outdoor segment of $5,753, partially offset by an increase in sales at the Adventure segment of $4,787.

Sales in the Adventure segment were reduced by $661 due to foreign exchange impact from the strengthening of the U.S. dollar against the Australian dollar during the three months ended March 31, 2024, compared to the prior period. Sales in the Outdoor segment increased by $296 due to foreign exchange impact from the weakening of the U.S. dollar primarily against the euro during the three months ended March 31, 2024, compared to the prior period.

Sales in the Outdoor segment decreased due to weakness in our European and IGD markets. This weakness was partially offset by growth in the North American wholesale channel. Sales in the Adventure segment increased due to higher demand from OEM customers and the impact of the TRED Outdoors acquisition.

Domestic sales increased $4,087, or 16.9%, to $28,284 during the three months ended March 31, 2024, compared to domestic sales of $24,197 during the three months ended March 31, 2023. The increase in sales was attributable to increases at the Outdoor and Adventure segments of $2,064, and $2,023 respectively.

International sales decreased $5,054, or 11.0%, to $41,027 during the three months ended March 31, 2024, compared to international sales of $46,081 during the three months ended March 31, 2023. The decrease in sales was primarily attributable to a decrease in sales at the Outdoor segment of $7,817, partially offset by an increase in sales at the Adventure segment of $2,763.

Cost of Goods Sold

Cost of goods sold decreased $310, or 0.7%, to $44,460 during the three months ended March 31, 2024, compared to cost of goods sold of $44,770 during the three months ended March 31, 2023.

Gross Profit

Gross profit decreased $657, or 2.6%, to $24,851 during the three months ended March 31, 2024, compared to gross profit of $25,508 during the three months ended March 31, 2023. Gross margin was 35.9% during the three months ended March 31, 2024, compared to a gross margin of 36.3% during the three months ended March 31, 2023. Gross margin during the three months ended March 31, 2024, decreased compared to the prior year due to promotional pricing at the Outdoor segment, the increase in PFAS related inventory reserves, as well as unfavorable overall foreign currency exchange movement.

Selling, General and Administrative

Selling, general, and administrative expenses decreased $1,139, or 3.9%, to $28,215 during the three months ended March 31, 2024, compared to selling, general and administrative expenses of $29,354 during the three months ended March 31, 2023. The decrease was primarily due to expense reduction initiatives in the Outdoor segment to manage costs, as well as lower intangible amortization, and stock compensation expenses. The decrease was partially offset by higher investment in marketing initiatives in the Adventure segment.

Restructuring Charges

Restructuring charges increased to $370 during the three months ended March 31, 2024, compared to restructuring charges of $0 during the three months ended March 31, 2023. The restructuring charges incurred during the three months ended March 31, 2024 relate to benefits provided to employees who were or will be terminated due to the Company's reduction-in-force as part of its continued realignment of resources within the organization of $358 and lease exit and contract termination costs of $12.

CLARUS CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
(in thousands, except per share amounts)

Transaction Costs

Transaction costs increased to $38 during the three months ended March 31, 2024, compared to transaction costs of $37 during the three months ended March 31, 2023, which consisted of expenses related to the Company's various acquisition efforts.

Contingent Consideration Benefit

Contingent consideration benefit decreased to $0 during the three months ended March 31, 2024, compared to a contingent consideration benefit of $1,565 during the three months ended March 31, 2023, which consisted of changes in the estimated fair value of contingent consideration liabilities associated with our acquisition of MAXTRAX in 2021.

Legal Costs and Regulatory Matter Expenses

Legal costs and regulatory matter expenses increased to $3,002 during the three months ended March 31, 2024, compared to legal costs and regulatory matter expenses of $128 during the three months ended March 31, 2023. The increase in legal costs and regulatory matter expenses recognized during the three months ended March 31, 2024 reflects the Company's accrued liability for the outstanding regulatory matter with the United States Consumer Product Safety Commission.

Interest Income, net

Interest income, net increased to $370 during the three months ended March 31, 2024, compared to interest income, net of $5 during the three months ended March 31, 2023. The increase in interest income recognized during the three months ended March 31, 2024, was due to interest income on higher cash balances.

Other, net

Other, net, changed by $985, or 1,296.1%, to ($909) during the three months ended March 31, 2024, compared to other, net of $76 during the three months ended March 31, 2023. The change in other, net, was primarily attributable to an increase in remeasurement losses recognized on the Company's foreign denominated accounts receivable and accounts payable. The change was partially offset by gains in mark-to-market adjustments on non-hedged foreign currency contracts during the three months ended March 31, 2024.

Income Taxes

Income tax benefit changed by $517, or 154.8%, to $851 during the three months ended March 31, 2024, compared to a benefit of $334 during the same period in 2023. Our effective income tax rate was 11.6% for the three months ended March 31, 2024, and differed compared to the statutory tax rates primarily due to the impact of stock compensation, research and experimentation expenditures and credits, and discrete stock option shortfalls. For the three months ended March 31, 2023, our effective income tax rate was 14.1% and differed compared to the statutory tax rates due to the impact of stock compensation, research and experimentation expenditures and credits, and discrete stock option windfall benefits.

Discontinued Operations

Net income from discontinued operations increased $24,717, to $28,346 during the three months ended March 31, 2024, compared to net income from discontinued operations of $3,629 during the three months ended March 31, 2023. The increase in net income from discontinued operations was primarily attributable to the pre-tax gain on the sale of the Precision Sport segment of $40,585. The increase was partially offset by an increase in income tax expense, a decrease in sales and gross profit at the Precision Sport segment of $6,471 and the recording of transaction costs of $3,440 related to the sale of the Precision Sport segment.

(in thousands, except per share amounts)

Liquidity and Capital Resources

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

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 in the various brands. We plan to fund these activities through a combination of our future operating cash flows and cash on hand. Upon the closing of the sale of the Precision Sport segment, the Company terminated and settled all outstanding borrowings on our revolving credit facility and term debt under the Restated Credit Agreement. We believe that our liquidity requirements and contractual obligations for at least the next 12 months will be adequately covered by cash provided by operations and cash on hand. Additionally, long-term contractual obligations are also currently expected to be funded from cash from operations and cash on hand.

At March 31, 2024, we had total cash of $47,484, compared to total cash of $11,324 at December 31, 2023. At March 31, 2024, the Company had $6,796 of the $47,484 in cash held by foreign entities, of which $5,546 is considered permanently reinvested.

The following presents a discussion of cash flows for the condensed consolidated three months ended March 31, 2024 compared with the condensed consolidated three months ended March 31, 2023.

	Three Months Ended	
	March 31, 2024	March 31, 2023
Net cash (used in) provided by operating activities	$ (16,361)	$ 3,199
Net cash provided by (used in) investing activities	173,608	(1,383)
Net cash used in financing activities	(120,848)	(3,138)
Effect of foreign exchange rates on cash	(239)	(429)
Change in cash	36,160	(1,751)
Cash, beginning of year	11,324	12,061
Cash, end of period	$ 47,484	$ 10,310

Net Cash From Operating Activities

Net cash used in operating activities was $16,361 during the three months ended March 31, 2024, compared to net cash provided by operating activities of $3,199 during the three months ended March 31, 2023. The change in net cash (used in) provided by operating activities during 2024 is primarily due to the gain on sale of $40,585 related to the disposition of the Precision Sport segment and an increase in cash outflows related to working capital of $6,554. These were partially offset by an increase in net income and a decrease in contingent consideration benefit during the three months ended March 31, 2024, compared to the same period in 2023.

CLARUS CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
(in thousands, except per share amounts)

Free cash flow, defined as net cash (used in) provided by operating activities less capital expenditures, of ($18,258) was used during the three months ended March 31, 2024 compared to $1,728 generated during the same period in 2023. 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 the nearest comparable GAAP financial measure is set forth below:

	Three Months Ended	
	March 31, 2024	March 31, 2023
Net cash (used in) provided by operating activities	$ (16,361)	$ 3,199
Purchase of property and equipment	(1,897)	(1,471)
Free cash flow	$ (18,258)	$ 1,728

Net Cash From Investing Activities

Net cash provided by investing activities was $173,608 during the three months ended March 31, 2024, compared to net cash used in investing activities of $1,383 during the three months ended March 31, 2023. The increase in cash provided during the three months ended March 31, 2024 is primarily due to the cash received related to the disposition of the Precision Sport segment, compared to the same period in 2023.

Net Cash From Financing Activities

Net cash used in financing activities was $120,848 during the three months ended March 31, 2024, compared to net cash used in financing activities of $3,138 during the three months ended March 31, 2023. The change in net cash used in financing activities during the three months ended March 31, 2024, compared to the same period in 2023 was primarily due to the settlement of all outstanding borrowings on our revolving credit facility and term debt under the Restated Credit Agreement.

Net Operating Loss

As of December 31, 2023, the Company had net operating loss carryforwards ("NOLs") and research and experimentation credit for U.S. federal income tax purposes of $7,699 and $2,997, respectively. The Company believes its U.S. Federal NOLs will offset a portion of its future U.S. Federal income taxes. The Company has $7,699 of NOLs, of which, $0 expire on December 31, 2024. These NOLs are subject to compliance with Section 382 of the Internal Revenue Code of 1986, as amended.

As of December 31, 2023, the Company's gross deferred tax asset was $39,893. The Company has recorded a valuation allowance of $714, resulting in a net deferred tax asset of $39,179, before deferred tax liabilities of $34,434. The Company has provided a valuation allowance against a portion of the net deferred tax assets as of December 31, 2023, because the ultimate realization of those assets does not meet the more-likely-than-not criteria. Part 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

Upon the closing of the sale of the Precision Sport segment on February 29, 2024, the Company terminated and settled all outstanding borrowings on our revolving credit facility and term debt under the Restated Credit Agreement.

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, 2023.

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 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 March 31, 2024, 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 Chief Financial Officer concluded that the Company's disclosure controls and procedures as of March 31, 2024, were effective.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the three months ended March 31, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

CLARUS CORPORATION

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, and except as disclosed herein, the Company does not believe that the existence 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. See also Part II, Item 1A. "Risk Factors.".

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 and other expenses or costs for defending such actions, which legal fees and expenses or costs 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, except for the U.S. Consumer Product Safety Commission ("CPSC") matter discussed below. 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.

Except as disclosed herein, 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 business, brand reputation, liquidity, stock price, consolidated financial position, results of operations and/or cash flows. See also Part II, Item 1A. "Risk Factors.".

U.S. Consumer Product Safety Commission

In January 2021, Black Diamond Equipment, Ltd. ("BDEL") wrote to the U.S. Consumer Product Safety Commission ("CPSC") outlining its new cradle solution for certain models of its avalanche beacon transceivers to prevent such transceivers from switching unexpectedly out of "send" mode. The proposed new cradle solution was designed to improve transceiver safety by locking the transceiver into "send" mode prior to use so that it would not switch unexpectedly out of "send" mode. BDEL also requested approval for the CPSC Fast-Track Program for a voluntary product recall to implement this cradle solution. The CPSC approved the recall and entered into a Corrective Action Plan agreement with BDEL in March 2021. BDEL received a letter from the CPSC, dated October 28, 2021, stating that the CPSC is investigating whether BDEL has timely complied with the reporting requirements of Section 15(b) of the Consumer Protection Safety Act and related regulations regarding certain models of avalanche transceivers switching unexpectedly out of “send” mode.

Separately, on April 21, 2022, BDEL filed a Section 15(b) report and applied for Fast-Track consideration for a voluntary recall, consisting of free repair or replacement of such malfunctioning models of avalanche transceivers, which would not switch from “send” mode to “search” mode due to an electronic malfunction in the reed switch or foil. The CPSC approved the recall and entered into a Corrective Action Plan agreement with BDEL in August 2022. BDEL received a letter from the CPSC, dated January 17, 2023, stating that the CPSC is investigating whether BDEL has timely complied with the reporting requirements of Section 15(b) of the Consumer Protection Safety Act and related regulations regarding the malfunction in the reed switch or foil in certain models of avalanche transceivers switching out of “search” mode. BDEL responded to the CPSC’s investigation by letter dated March 31, 2023, accompanied with documents responsive to the CPSC’s requests. The CPSC asked for further clarification and documents, and BDEL sent a responsive letter accompanied by additional documents on June 23, 2023. On September 6, 2023, the CPSC requested further clarification and information regarding the reed switch issue, to which BDEL responded on October 6 and 13, 2023.

By letters dated October 12, 2023 and December 18, 2023, BDEL was notified by the CPSC that the agency staff had concluded we failed to timely meet our statutory reporting obligations under the Consumer Product Safety Act with respect to certain models of BDEL’s avalanche transceivers switching unexpectedly out of “send” mode and certain models of BDEL’s avalanche transceivers not switching from “send” mode into “search” mode, that we made a material misrepresentation in a report to the CPSC, and that the agency staff intends to recommend that the CPSC impose civil monetary penalties of $16,135 and $9,000, respectively, for the two matters described above.

On November 20, 2023 and February 8, 2024, respectively, we submitted a comprehensive response disputing the CPSC’s findings and conclusions in the October 12, 2023 and December 18, 2023 letters, including the amount of any potential penalties. The CPSC ultimately disagreed with our position and the agency staff has restated their recommendation for the monetary penalties which the Company intends to strongly contest and vigorously defend against.

Based on currently available information, the Company believes an unfavorable outcome is probable, however, we cannot be sure on what terms or if this matter will be resolved. During the three months ended March 31, 2024, the Company recorded a liability of $2,500 representing the low end of the range of our estimated exposure. The Company does not have a better estimate of the loss therefore the low-end of the range was recorded as an accrued liability during the first quarter of 2024 and a corresponding expense is included in legal costs and regulatory matter expenses in the consolidated statements of comprehensive income.

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, 2023.

ITEM 5. OTHER INFORMATION

During the three month period ended March 31, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K, nor did the Company during such fiscal quarter adopt or terminate any “Rule 10b5-1 trading arrangement”.

CLARUS CORPORATION

ITEM 6. EXHIBITS

Exhibit	Description
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 *
104	Cover Page Interactive Data File – formatted as Inline XBRL and contained in Exhibit 101
*	Filed herewith
**	Furnished herewith

CLARUS CORPORATION
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: May 2, 2024	By:	*/s/ Warren B. Kanders*
	Name:	Warren B. Kanders
	Title:	Executive Chairman (Principal Executive Officer)
Date: May 2, 2024	By:	*/s/ Michael J. Yates*
	Name:	Michael J. Yates
	Title:	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: May 2, 2024

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

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Michael J. Yates, 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: May 2, 2024

By: /s/ Michael J. Yates
Name: Michael J. Yates
Title: Chief Financial Officer
(Principal Financial Officer and
Principal Accounting 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 March 31, 2024 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: May 2, 2024

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 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Yates, 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: May 2, 2024	By:	/s/ Michael J. Yates
	Name:	Michael J. Yates
	Title:	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)