

CLARUS

ANALYSIS



NOVEMBER 2020

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- We do not provide objective prices neither capability. We do not believe in the static view of the companies' value. What we do is to establish ranges of different scenarios and its probability based on subjective qualitative criteria.
- The potential will depend on these scenarios, its compliance, any new information that might come up and its average purchase price.
- We focus on company growth (long term), its value proposal and on its comparative advantages. This kind of perspective will be focused, mainly, in young companies, innovative companies, cyclical companies and restructures companies.
- We are specialized in the outdoor sector; within this sector it is important to highlight the following categories: Products and brands, Distributors and retailers, B2C services and facilities.
- We use the PER as an estimate of future value, visibility and due to our approach towards debt-free companies or reduced debt ones.



CLARUS

40°41'11.9"N,
111°49'52.5"W
Salt Lake City, Utah,
EEUU
Outdoor industry
Cyclical
Founded 1998
www.claruscorp.com



¿THE OUTDOOR CONSTELLATION SOFTWARE?

NASDAQ: CLAR

- Specialized compounder
- Focused business
- Low debt
- Cash generation
- Experienced team & "*skin in the game*"
- Strong competitive advantages
- Future growing



INTRODUCTION

Clarus is a holding specialized in the outdoor sector and which is after new opportunities to catch and make business grow as they generate a long term value.

The company has NOL's (Net Operating Losses) accumulated and, it is focused to maximize them.

Clarus Corps' business is devoted to design, fabricate and market the material, equipment and clothing for hiking, mountain climbing, trekking, trail running and other outdoor activities.

The company products are sold, mainly, under the names of Black Diamond, Sierra, SkiNourishment and PIEPS, trough specialized retailers, online distributors and different manufacturers either in the USA and internationally.

The company is divided into two sectors: Black Diamond and Sierra.

These companies are leading brands in their niche, with a long history of growing and innovation.

Identification and ownership from the users.

The Black Diamond sector (includes the brands Black Diamond, Pieps and SkiNourishment) offers products which include clothing for high-performance activities such like footwear, ice climbing and hiking equipment, as well as technical backpacks, trekking sticks, lanterns, gloves and accessories, ski material, snow safety products and skincare products too. This sector is the main income generating.

The Sierra sector (includes Sierra and from 2020 also includes Barnet Bullets) in an iconic American manufacturer of a wide range of high performance bullets and rifles ammunition. These bullets are used to hunt and shooting.

***In the United States of America, hunting and fishing are considered outdoor activities.**



CLARUS

HISTORY



Timeline

1991

Clarus

2002

W.Kanders starts
working at Clarus

2010

- Purchase of Black Diamond for 90M
- Purchase of Gregory Mountain costed 45M
- NOLs 200M

2012

- Purchase of POC for 43.5M

2014

- Sale of Gregory Mountain for 85M

2015

- Sale of POC 65M
- Offer on Black Diamond

2016

- John Walbrecht starts working in Clarus

2017

- Purchase of Sierra 79M

2018

- Share buybacks
- Quarterly dividend
- Credit line



HISTORY

- Clarus Coporation was created in Delaware back in 1998 and was dedicated to develop, support and sale of internet business solutions.
- In 2012 the Warren Kandars Company arrives with accumulated NOLS valued at more than 200M and with a high level of liquidity, so it could be used as holding.
- It wasn't until 2010 when the purchases were initiated. Black Diamond Equipment was purchased for 90M and Gregory Mountain for 45M in May 2010. At the same time, the holding changes its name to Black Diamond Inc in January 2011.
- In October 2012 it was acquired Pieps for 43.5M.
- In 2014, Gregory Mountain was sold for 85M (+40M in 4 years)
- In 2015 POC was sold for 65M (+11.5 in 3 years).

Between 2010-2016, the company was under significant changes. It bought several businesses, offered for sale Black Diamond and sold some business which were preciously bought, also rechecked its supply chain and hired the new CEO. The wrong steps in the implementation framework during the period 2015-2016 and an unclear new strategy, discouraged the investors.

- In 2016 a big change is produced. Clarus was focused on the business development and the outdoor industry and hires John Walbretch.
- In August 2017 the company changes again its name Black Diamond Inc to Clarus Corporation and its ticker BDE to CLAR in the NASQAD.
- In August 2017 acquired Sierra Bullets
- In November 2018 acquired SKINourishment
- During 2018 the company starts a list of actions in order to maximize the company's value. There's a share repurchase (417.237 shares worth 8€ per 3.3M), as well in 2018 started to distribute the dividend pay-out in cash (0.025€ per share), and also negotiates a 100M worthed line for future purchases.



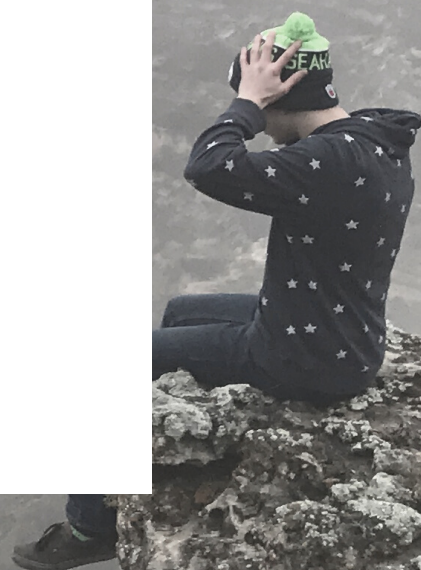
History of Clarus





CLARUS

PEOPLE





- **EMPLOYEES: AT THE EN OF 2019, CLARUS HIRES AROUND 500 PEOPLE AROUND THE WORLD**
- **AN OUTSIDERS MANAGEMENT TEAM**

WARREN B.KANDERS, 62 - PRESIDENT

- From July 2002 in the Governing Body and since December 2002 as executive president.
- He is also Kanders & Company's president (which is his own holding-family office).
- Was an investment banker at Morgan Stanley in M&A
- At the beginning of the 90s, he started to invest in the retail sector and after 4 years of small purchases in which accumulated more than 200 sale points. Shortly after, his company was bought by Essilor (currently Luxotica).
- From the 30M€ gained with the transaction, he invested 3M in a small security company called Armor Holdings. He was the first president of Armor Holdings since 1996 until its sale to BAE Systems in 2007.
- Even though Clarus had great financial liquidity, the purchases of the firsts companies didn't arrive until after the crisis of 2008.
- An intelligent financial move was the purchase of Gregory for 45M \$ and the sale of it 4 years later for 85M, as well as the purchase of POC for 43.5M and its sale for 65M, three years later.
- Jointly, with the rest of the executive team, he controls the 28% of the shares of Clarus (2019).

ARMOR HOLDINGS

- During Kanders' presidency, Armor Holdings' share price went from \$0.75 to \$88. This is the price that the company was sold at in 2007 to BAE Systems. During that period the company went from barely 10M of sales to 2.400M. With the sale of the company, the shareholders trusted Kanders and multiplied per 100 their initial investment.
 - Armor holdings (AH) – 1996-2007
 - Sales 11M-2.4B (x218)
 - EPS 0.08\$-3.64\$ (x46)
 - Share 0.75\$-88\$ (117x)
- Throughout the path of Armor Holdings to a 100-bagger, Kanders took control of a company with lots of accumulated NOLs- **Clarus Corp.**



JOHN WALBRECHT, 52 - CEO

- He is the one after the big change the company was needing back in 2016.
- Before that, he worked in Dr Martens, Spyder, and Timberland (currently VF Corp). He also was Fenix Outdoor's CEO and President of Mountain Hardwear (part of Columbia SportsWear- Nasdaq: COLM) before coming to Clarus.
- Walbretch has been a reference in the outdoor industry for many years.
- He arrived at Black Diamond as President in October 2016 (substituting Peter Metcalf) and in October 2017 became Clarus' CEO.
- John Walbretch is the key on the investment thesis in Clarus even though it is not a glowing fact in the market, maybe because the lack of acknowledge.
- He's a business and brand developer. Spyder went from 6M\$ to 135M\$ of sales before being sold to Apaz Partners in 2004. He developed Fjallraven (Indise the Fenix Outdoor) until the well-known and famous brand known by all currently.
- He is a deeply aware of the sector, besides being extremely intelligent and specialized.
- During the time he is being at Clarus, the company has suffered a radical change by using the strategies that we already had used in the past: the sales have increased again, the providers line also has been modified, the production made in China has stopped and the marketing, key sponsorships, and other facts... have been under a period of thorough review.

AARON KUEHNE, 41 - CFO

- He works in Clarus since 2010 as a Reporting Director, he became CFO in 2013 and since 2016 also works as Treasury Director.
- Before arrive at Clarus, he worked as a Financial Controller in Certiport (2009-2010) and as an auditor in KPMG (2004-2009),
- He is in charge of explaining capital management, as well as financial results.
- He started in a middle position in the company and has gained responsibility over time with different management teams.



EXECUTIVE TEAM QUALITY

- Since 2016 it has been maintained the same structure: President, CEO and CFO.
- The main qualities of these three big managers make of this team a complete one as they complement each other on a different way. The President owns a great investment mentality, the CEO has an in-depth knowledge the sector, besides being a great business developer and owning a keen innovation vision; and the CFO, who provides another perspective with his conservative way of thinking.
- Kanders had no rushes about purchasing companies; it was not until after the big crisis in 2008 when he purchased Black Diamond, POC and Gregory Mountain. He acted in the right time.
- Sales of Gregory Mountain and POC with profits.
- 28% of Clarus is owned by the managing team (2019).
- Purchase of Sierra at 6xEBITDA, with +30% margins (2017)
- Actions in order to improve the company's value : share repurchase, dividend, credit line.
- Walbrecht has more than 25 years of experience in the sector with an excellent track-record.

INCENTIVES

- Incentives plan based on actions (implementation in 2015)
- Established until 2025
- They might be distributed to any company's employee.
- The 31st of December 2019, the number of authorized actions and reserved for its emission under the Plan 2015 is around 6.655 actions, subject to an automatic annual increment which is equivalent to 5% of the total number of ordinary outstanding shares.
- The remunerations are based on a fixed part and a variable one as well as stock options.
- The salaries of the executive team are around the 2M\$
- During the last two years, the insiders have constantly bought shares above the \$6 and \$7.
- Soul in the game. We believe that for Walbrectht, the Clarus development is probably the greatest challenge of his life.

The background of the page is a photograph of a rock climber ascending a steep, textured rock face. A central white rectangular box contains the main title and subtitle. The box is framed by two horizontal black lines above and below it. The word 'CLARUS' is enclosed in a red rectangular border within the white box.

CLARUS

PRODUCTS & INNOVATION

SIX DECADES OF INNOVATION

SUPER FAN BRANDS

- Market leader at least in one type of product.
- Innovation history
- Focused to one type of technical client
- Deep feeling of belonging and consumer experience
- Market potential still to be exploited



CLARUS BRANDS TODAY

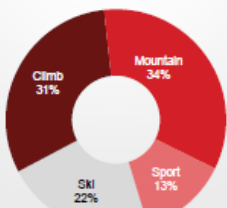
GLOBAL LEADERS IN INNOVATIVE OUTDOOR PRODUCTS¹



Leading mountain activity-based equipment brand

Diversified Business Model

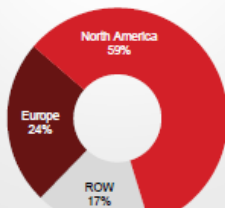
- 30+ product categories
- Footwear & Apparel ~14% of sales



Go-to brand for target shooting, long-range hunting & reloading bullets

Significant Global Reach

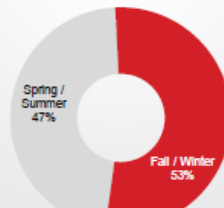
- Sold in 50+ countries
- ~50% of sales outside U.S.



Global leader in alpine and snow safety hardgoods and equipment

Year-Round Product Portfolio

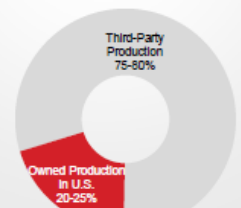
- Seasonal diversification of business
- Front & center with retailer & customer year round



Niche leader in all-natural, performance skin care products

External Sourcing

- Successful shift to 75-80% outsourcing strategy in 2018 to improve gross margins



¹Based on Black Diamond Equipment, PIEPS & Sierra Bullets 2019 sales.

Source: ClarusCorp



AUTHENTIC BRANDS

- Huge iconic brands portfolio. All the brands have a long story as well as reputation, style, quality, design, security and durability. Black Diamond has its roots in 1957 and since then, its name has been a synonym of security and mountain and climbing activities. PIEPS starts its story in 1967 and has reached the status of secure election when it comes to emergency cases (security and avalanches rescue). Sierra was founded in 1947 and is a synonym of precision.

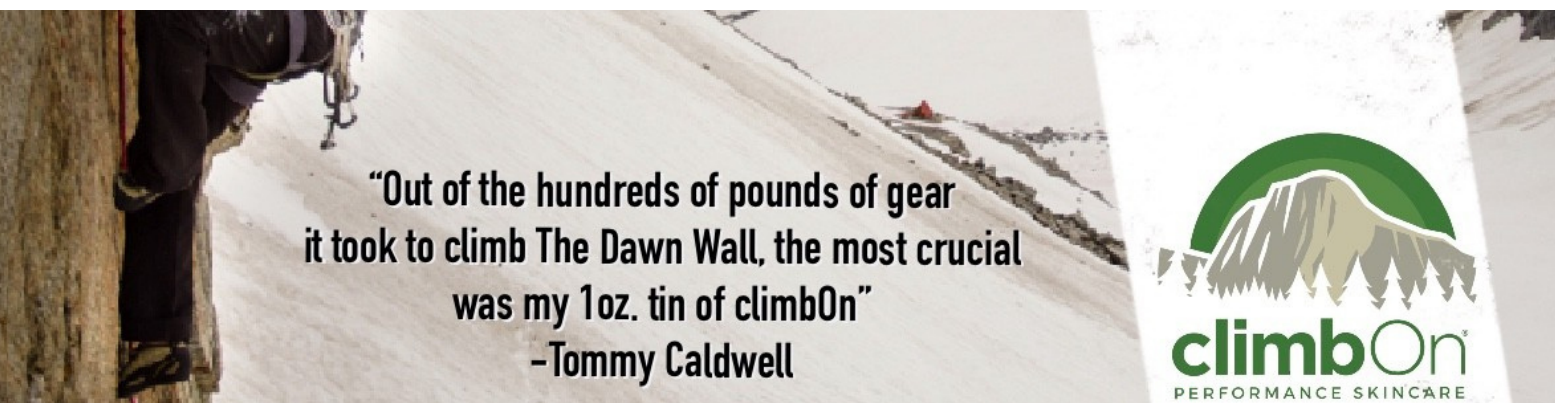


AUTHENTIC BRANDS - BLACK DIAMOND

- Black Diamond is an international reference brand if we talk about hiking, trail, skiing and mountain sports. It is synonymous of security and quality.
- The company is located in Salt Lake City, by the Wasatch range (one of the most important in the USA) where products are designed and tested.
- Black Diamond sells around to over 50 countries either directly or indirectly through retailers and distributors.
- It has been awarded with more than 500 international prizes due to its product innovation.
- The real brands (in the outdoor sector) must be a part of the consumer's live along his/her journey. The authenticity is not based only history and inherited values, but also it is based on the innovation capacity and being focus on the clients' permanent satisfaction at the same time as providing an independent spirit along the years.
- Black Diamond has a long history of passion, vision and innovation (founded by Yvon Chouinard in 1957 as Chouinard Equipment Ltd). The main idea and goal has always been to design products that would be used by ourselves.



- Black Diamond's products are built to be used around the mountain and adventure environment. The client needs full confidence in the brand, design and quality. The confidence barriers demanded by the consumer are really high. The client needs to feel that she/he's buying the best material, especially some risk sports where life safety might depend just on the product. In this sector, confidence is essential to any kind of development and innovation.
- The client is a technical client, with high expectations. In the retail division, North Face and Patagonia for example, have developed a style of life defining those who wear the products (focus on the fashion, environment, ethic...) but, Black Diamond is characterized for being an eligible brand at any category. Athletes sponsored by North Face or Patagonia, use clothing fabricated by Black Diamond. So this is our main goal as Black Diamond, to be the common dominator to any hiker, skier or climber.
- Black Diamond is the brand that defines a climber.



AUTHENTIC BRANDS - SKIN NOURISHMENT

- SKINourishment was created back in 2012, in order to handle sustainable products for the skin care. Products without pesticides and fertilizers addressed to professional climbers.
- Previously, SKINourishment products were not only focused on climbers but also to other kind of clients. Currently, it has suffered a transformation selling now ClimbOn products which are focused on the technical client.
- It is a big business with great future chances.



AUTHENTIC BRANDS - PIEPS

- Located in Lebring, Steiermark, Austria
- PIEPS is well known as a technological innovation leader in security equipment for snow and ski sports.
- It is focused on the technological research, detection and rescue of avalanche victims.
- Focused on technical clients.
- Projected to athletes, mountain guides and ski resorts professionals.
- PIEPS is a key element for Black Diamond's ski section as well as for the development of new platforms of technological beacon Bluetooth and airbag JetForce for avalanches.



AUTHENTIC BRANDS - SIERRA & BARNES

- Sierra Bullets is an iconic American manufacturer of bullets. Founded in 1947 and based in Sedalia, Missouri, Sierra manufactures a wide range of bullets and high performance ammunition for guns. The Sierra bullets are used for hunting, shooting and with military and police purposes.
- Barnes Bullets based in Mona, Utah, has been the industry leader when it comes to bullet innovation and new technologies since 1932. The company fabricates bullets and premium ammunition for hunting, self-defence and strategy. Sierra acquired Barnes in October 2020 for 30.5 in cash, expecting an immediate rise of Clarus profits. The brand announced \$21.8 of sales during 2019-2020.



COMPETITIVE ADVANTAGES

- Strong foundations. Clarus and Black Diamond specially own a strong reputation when it comes to innovative and high quality products. They lead many of products niches among the outdoor industry, especially in certain categories such like hiking, trail running, ski, shooting...
- Brand Value: commercial brands
- User value - Network effect
- Existent product line improvement to new categories and to new product niches, adding industrial design and engineering.
- Innovation capabilities and product development: long history about technical innovation and product development.
- Passionate employees: athletes and trainees and mountain climbers and outdoor professionals. Ideas development and routine test products as well as research for new ones which satisfy the need of the employees and users.
- Guarantee of quality equipment integration and quality control along the whole process of design in order to maintain the integrity for which our brands are known.
- Vertically integrated design.
- Diversified product, geography and channel business. Black Diamond, PIEPS, SIERRA and SKINourishment cover over 30 main categories among the 4 main product categories: Climbing, Ski, Mountain and Sports. It doesn't exist a unique category which represents more than 15% of the annual sales.
- Seasonal diversification: this business does not depend on any season of the year.
- Global brands with 47% of international sales.
- Distribution channel diversification (online, retail, partners, Direct to consumer)





- Experienced and encouraged managing team.
- Interests alignment with a 28% of ownership.
- Capital structure focused on growth.
- I+D: Investment in I+D close to 5% of the total sales, above other brands of the sector (mainly focused on textile) \$10.575 (2019), \$9.47 (2018) and \$7.98 (2017).
- Intellectual property: Clarus owns international commercial trademarks, among them: ATC, Camalot, FLickLock, Time is Life, Sierra, Gameking, Bibler....
- More than 100 patents come from innovation and new product design.
- Quality of products: this is thanks to the company engineers' talent to achieve the quality requirements and expectations.
- Raw material supplier portfolio: among the raw material there are included copper, plump, aluminium, steel, nylon, cardboard for packing, metal, plastic and electric components, fabrics and textile. Clarus gets its own raw material from EEUU, Europe and Asia, all of them from different suppliers.

PRODUCTS

- Climbing: the climbing line is about clothing, footwear, securing instruments, rappel, harness, protection equipment and devices, hiking accessories and skincare products (SKINourishment). The climbing line represented the 31% of sales (2019).
- Mountain: Mountain line is based on clothing, gloves, backpacks, lights, lanterns, trekking sticks and other hiking and mountaineering material and accessories. The mountain line represented a 34% of sales during 2019.



- Sports: The sportive line contains high precision and quality bullets and ammunitions that are used for competitive shooting, hunting and others. The sportive line represented 13% of sales during 2019.
- Ski: The ski line consists of technical clothing, airbags in case of avalanches, security dispositive, skis, sticks, snow gloves, avalanches security systems (Pieps) and other ski accessories. The ski line represented 22% of sales during 2019.
- Design and development of products: the design, research, development and test products are performed in Salt Lake City, Utah (Black Diamond), Sedalia, Missouri (Sierra), Lebring, Austria (Pieps) and Wimberly, Texas (SKInourishment).
- The products last, approximately, between 18 and 36 months to be developed.
- Simultaneously, products are developed and fabricated thinking on later seasons.
- In 2019, Clarus had 82 employees fully dedicated to research and development.
- Black Diamond Equipment and PIEPS production and distribution operations are certified ISO 9001-2015 and are annually audited.
- Sierra uses the best patented manufacturing process respecting each one of its products. This process is performed under strict quality control standards.
- Clarus manufactures at least 20-25% of the products (mainly climbing products) in the USA. The rest of the production is manufactured at third parties' properties.

MARKETING

- The sales are distributed into geographical regions: Canada, Europe, Pacific Asia, Latin America and United States of America. Within every brand there are established communication policies which are differentiated from each line of products.
- All Clarus' brands maintain relationships with some of the most reputed professional outdoor athletes.

The background of the entire page is a photograph of a person rock climbing a steep, grey rock face. The climber is wearing a red shirt and is positioned on the left side of the frame. A white rectangular box is centered on the page, containing the text 'CLARUS' and 'GROWTH'.

CLARUS

GROWTH



INNOVATE AND ACCELERATE

- What does it mean to innovate and accelerate? It is the strategy that Clarus established after Walbretch joined the company in 2016. It is focused on develop next generation worldwide products meanwhile the brand awareness is promoted and the product distribution does not cease. The three main lines are:

- To accelerate the brand growth through the product innovation
- Margins and acquisitions improvement
- Shareholder remuneration

55% 2016 – 2019 Revenue Growth

1170 bps 2016 – 2019 Adj. EBITDA Expansion

Capital Deployed

\$12.1M Share Repurchases Under Repurchase Program Since 2016

~\$80M Mergers & Acquisitions Since 2016

\$0.025

Quarterly Dividend Commenced in Aug 2018

TO INOVATE AND ACCELERATE- GROWTH STRATEGIES

- To achieve an organic sustainable and profitable growth meanwhile business expansion in being sought.
- Creation of new innovative products.
- Increase of awareness and demand of the products from the retailers and consumers.
- Deeper emotional brand connection building with consumers.
- To keep on building solid relationships with retailers, distributors and manufacturers.
- Expanding brand presence and penetration outside the US market. Currently, the European Alpine market is larger than the US market, and it's fragmented by countries, without a established leader in Europe.



- Black Diamond position as global brand with American roots and PIEPS as global brand with European roots. There is enough potential to expand our brand outside the American market through additional sales investments and marketing.
- Acquisition of complementary business: big chances to obtain access to new group of products, customer channels and outdoor market penetration growth. Search of “Super Fan Brands” with leader brands, recurring incomes and sustainable margins.
- Diversified funding of the acquisitions through a combination of cash reserves, bank financing, private placements and new offers on the capital markets.



Fuente: ©MaranCapitalManagement¹⁸



INNOVATE AND ACCELERATE

In Clarus words, this will be Clarus strategy for the upcoming years:

- What we do: to identify, acquire and make brands grow (Super Fan Brands) with a long history but hasn't achieve its maximum potential yet.
- How we do it: by accelerating the product innovation, spreading to new categories, reinforcing go-to market strategies and by providing disciplined management.
- What we do not do: to create new brands, get imitators and neither buying brands to extract synergies.





CLARUS

**BLACK
DIAMOND**



BLACK DIAMOND

- Iconic mountain and climbing brand with worldwide recognition.
- Innovation and technological history
- 12% CAGR since 1989
- Development of new product categories (clothing and footwear)
- Innovation in ultra-light products, letforce, frontals, climbing shoes...
- Organic growth, margin increase and DTC channel.



Black Diamond Equipment (BD) is a company with more than 50 years of history. It was founded by Yvon Chouinard as Chouinard Equipment Ltd. During the 80s, the company was divided as Patagonia and Black Diamond, but BD was declared bankrupted. A group of employees led by Peter Metcalf (a key character in BD and still associated with the brand) managed to buy the company and started to run it.





BLACK DIAMOND - INNOVATION

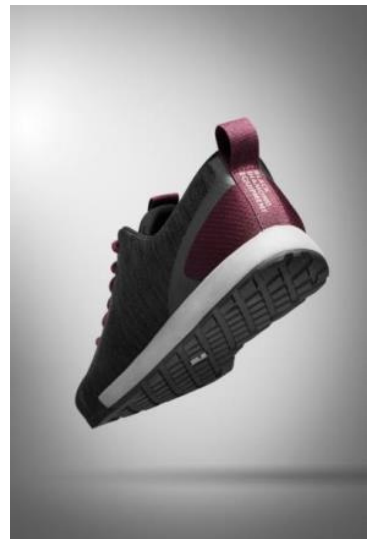
Brands growth based on innovation- over 700 new products in 4 years.

- The climbing shoes are presented in 2018 and became the 3rd player on the market (2020). Aims to reach 100M market share.
- In 2017 joined the clothes and apparel segment, where it aims for an estimated market of \$ 12.7 billion that is projected to grow 6% compounded annually for the next five years
- In 2018 joined the footwear market (which represents BD's fastest growing item)
- New introduction of harnesses, karabiners and helmets (where they already are world leaders).
- The Jetforce Pro has been qualified as the "Best Airbag" to the off- ski.



- Climbing shoes (2018)

- Technical Footwear (2018)



- Vision Helmet (2020)



- Distance Carbon Poles 95g (2019)



- Deploy Windshell 48g (2018)



- Jetforce Pro (2019)

BLACK DIAMOND - BRAND IMAGE

Authentic Athletes



- Joe Grant



- Tommy Caldwell



- Adam Ondra



- Alex Honnold

SKINOURISHMENT - BLACK DIAMOND SEGMENT

- Relaunch through the ClimbOn brand during 2020. This process included the announcement of Taylor West as CEO in September. West brought to Clarus a long marketing experience especially in brands and consumer products.
- West and his team tried to set the base for a new market entry process focused on upgraded packages, digital merchandising, new sale tools, a new scalable supply chain, an expanded distribution and strong emphasis on e-commerce.
- Excellent example in creating new intelligent strategy about small bets which are being followed by the company. It is estimated that Clarus could generate around 10M\$ in Skinourishment sales through BD's distribution network.
- This sector could be estimated, ultimately, around \$50 mm (10x EBIDTA) or almost \$2 per share for Clarus.
- In our assessment we have determined that this last option won't be a security margin, but, it could be reviewed in the future.



CLARUS

SIERRA

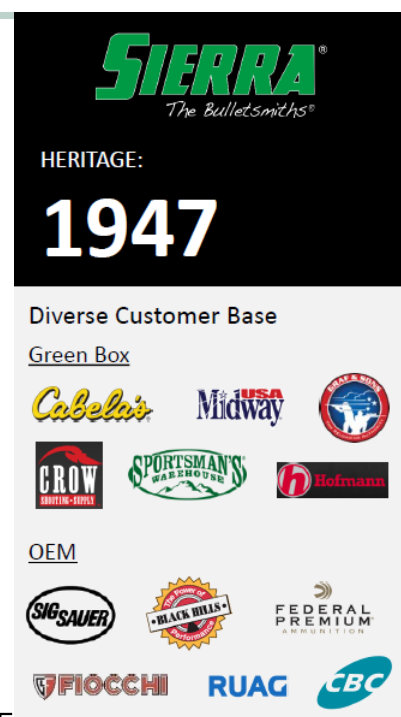


SIERRA

- Located at Sedalia (Missouri)
- 70 years of bullets manufacturing history to hunt and shooting.
- Clarus bought it for 79M (6x EBITDA) and are expected sales of 30M.
- 40% gross margin -30% EBITDA margin
- Capex de mantenimiento 0.5M
- 95% FCF conversion
- It owns the largest shooting private gallery just for test

Growth opportunities in innovation, international sales and acquisitions:

- Prior to Clarus Purchase, Sierra basically worked through FCF. The company was in lack of certain technological systems as shipments and stock management programs. Clarus is able to add and share more capital, knowledge, ambition and logistic to Sierra.
- Favourable aspects from Sierra to Clarus: higher combined global revenue base, greater diversification and seasonal balance, increased gross margins, profitability and free cash flow, access to greater liquidity to acquire and grow businesses.
- 215M bullets sold every year between 0.16US-0.18US
- Markets -50% to reload and 50% for OEMS (independent manufacturer)
- Sierra, in 2018 launched 3 ammunition calibres and in 2019 launched 3 news calibres under its registered trademark GameKing and MatchKing.
- Differences between bullets and ammunition: Bullets 0.16US unity- 1US unity. There exists the option to transfer from bullets sales to ammunition resulted from increased sales.



BARNES BULLETS

- In 2020 Clarus still continues to execute its acquisition strategy. Sierra has purchased Barnes Bullets (Remington Outdoor owned it to bankruptcy) for \$30,5M.
- Barnes is expected to generate more than \$35M of sales and \$6M of EBITDA this year.
- The estimated purchase price is around 3-4x EBITDA.
- We truly believe that this purchase might bring to more future optionality to Clarus and significantly augment the value.



CLARUS

**MARKET &
FUTURE**



\$880 Billion

Annual consume in the outdoor sector and related activities

*Fuente Outdoor Industry Association
(OIA) 2017*

Global Market +\$4T
(20% Gear - 80% Related)

- The outdoor market is a global and strong market with a tendency to grow over the last years.
- Outdoor and mountain activities are highly valued by people. The tendency to value new experiences over “things” among the new generations is a factor to keep on betting in the young ones.
- Climbing is also a growing sector thanks to the indoor option and the consideration of climbing as an Olympic sport in Tokyo 2021.
- Big expansion of gyms and climbing walls as mainstream sport as well as trail running.
- Snow sports have also grown and with lower environmental impact (human-powered snow sports) climate change, costs, ethics.
- In 2020, Clarus has acquired SKB Corporation for \$85M and a share in Clarus, a leader manufacturer in material to transport sportive equipment. SKB generated 53M of sales and 18% of BITDA margin.



TAM'S



LARGE ADDRESSABLE MARKETS IN GROWING VERTICALS

 **Black Diamond**
\$12.7B


Global Outdoor Apparel Market
5.6% Projected Five-Year CAGR

 **Black Diamond**
\$1.4B

Global Rock Climbing Market
9.6% Projected Five-Year CAGR

 **Black Diamond** 
\$3.9B

Global Hard Adventure Sports Market
2.5% Projected Five-Year CAGR

 **Black Diamond**
\$4.0B

Global Footwear Market
2.6% Projected Five-Year CAGR

SIERRA**\$9.1B**

North American Hunting
Equipment Market
1.3% Projected Five-Year CAGR

 **skinourishment.**
FROM SKIN CARE TO SKIN CARE
\$125.8B

Global Skincare Market
2.9% Projected Five-Year CAGR

Source: Clarus corp & Statista (2020)



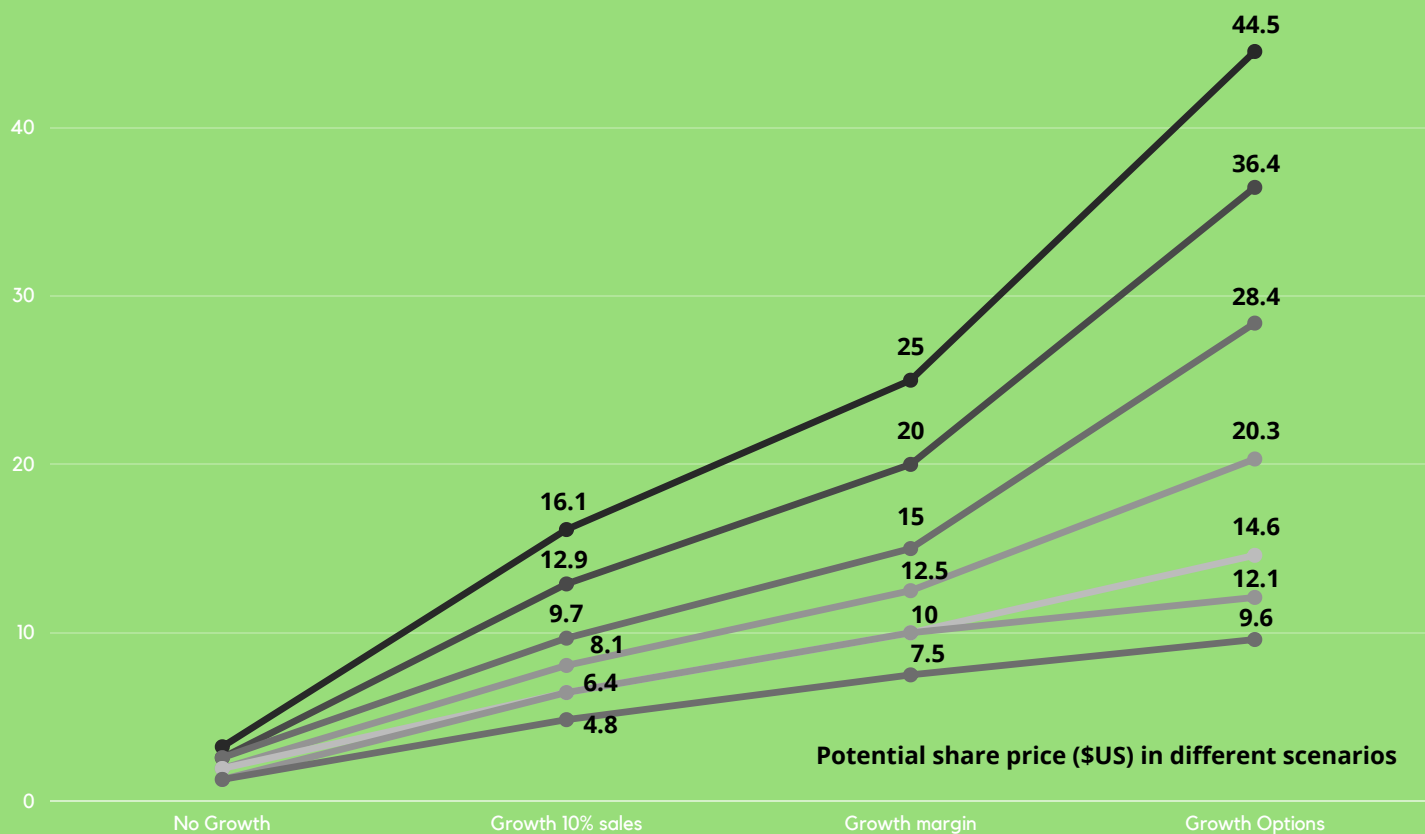
CLARUS

VALUATION



GROWTH

NOV 2020





P&L

% ventas BD/Sierra

2017	2018	2019
94%	83%	87%
6%	20%	15%

P&L	2011	2012	2013	2014	2015	2016	2017	2018	2019
1 Sales	146	176	203	158	155	148	171	212	229
BD							160,3	176,7	199,9
Sierra							10,4	35,4	29,5
2 Gross Margin %	38%	38%	38%	37%	35%	30%	32%	35%	35%
3 Gross Profit	56	67	77	58	54	44	54	74	80
4 Operating expenses	-51	-65	-82	-68	-92	-50	-59	-66	-69
5 Operating Income	5	2	-5	-10	-38	-6	-5	8	11
Margin %	3%	1%	-2%	-6%	-25%	-4%	-3%	4%	5%
BD							4,2	11,1	15,6
Margin %							3%	6%	8%
Sierra							-0,3	5,8	4,0
Margin%							-3%	16%	14%
6 Other & Financial Result	-3	-2	-3	-3	-2	-2	-1	-2	-1
7 Profit Before tax	2	0	-8	-13	-40	-8	-6	6	10
8 Taxes	2	1	2	4	-47	-1	5	1	9
9 Net Profit	4	1	-6	-9	-87	-9	-1	7	19
Otros				24 (14)	11 (77)				
Shares	22	30	32	33	33	31	30	30	31
EPS	0,18	0,03	-0,19	-0,27	-2,64	-0,29	-0,03	0,23	0,61
PER 10	1,82	0,33	-1,88	-2,73	-26,36	-2,90	-0,33	2,33	6,13
PER 15	2,73	0,50	-2,81	-4,09	-39,55	-4,35	-0,50	3,50	9,19
PER 20	3,64	0,67	-3,75	-5,45	-52,73	-5,81	-0,67	4,67	12,26
PER 25	4,55	0,83	-4,69	-6,82	-65,91	-7,26	-0,83	5,83	15,32

GROWTH

6% CAGR 2011-2019

16% CAGR 2017-2019

GROWTH	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sales	146	176	203	158	155	148	171	212	229
		21%	15%	-22%	-2%	-5%	16%	24%	8%
Gross Margin %	38%	38%	38%	37%	35%	30%	32%	35%	35%
		-1%	0%	-3%	-5%	-15%	6%	11%	0%
Gross Profit	56	67	77	58	54	44	54	74	80
		20%	15%	-25%	-7%	-19%	23%	37%	8%
Operating expenses	-51	-65	-82	-68	-92	-50	-59	-66	-69
		27%	26%	-17%	35%	46%	18%	12%	5%
Operating Income	5	2	-5	-10	-38	-6	-5	8	11
		-60%	-350%	-100%	-280%	84%	17%	260%	38%
Margin %	3%	1%	-2%	-6%	-25%	-4%	-3%	4%	5%
		-67%	-317%	-157%	-287%	83%	28%	229%	27%
Net Profit	4	1	-6	-9	-87	-9	-1	7	19
		-75%	-700%	-50%	-867%	90%	89%	800%	171%



BASE SCENARIO - NO GROWTH

FORECAST 1 - NO GROWTH	2020	2021	2022	2023	2024	2025
Sales	210	210	210	210	210	210
		0%	0%	0%	0%	0%
Gross Margin %	35%	35%	35%	35%	35%	35%
		0%	0%	0%	0%	0%
Gross Profit	74	74	74	74	74	74
		0%	0%	0%	0%	0%
Operating expenses	-70	-70	-70	-70	-70	-70
		0%	0%	0%	0%	0%
Operating Income	4	4	4	4	4	4
		0%	0%	0%	0%	0%
Margin %	2%	2%	2%	2%	2%	2%
		0%	0%	0%	0%	0%
Other & Financial Result	-1	-1	-1	-1	-1	-1
Profit Before tax	3	3	3	3	3	3
Taxes	1	1	1	1	1	1
Net Profit	4	4	4	4	4	4
		0%	0%	0%	0%	0%
Shares	31	31	31	31	31	31
EPS	0,13	0,13	0,13	0,13	0,13	0,13
PER 10	1,29	1,29	1,29	1,29	1,29	1,29
PER 15	1,94	1,94	1,94	1,94	1,94	1,94
PER 20	2,58	2,58	2,58	2,58	2,58	2,58
PER 25	3,23	3,23	3,23	3,23	3,23	3,23



SCENARIO 2 - SALES GROWTH

- Black Diamond's segment (85% sales) continues its sales evolution at a double-digit rate.
- Sierra's segment is recovering sales and improving its margins with products with more added value.

- **Growth in sales 10%**
- **Stable margins at 35%**
- **Not utilization of NOL's**

OPTIMAL

FORECAST 2 - GROWTH S	2020	2021	2022	2023	2024	2025
Sales	210	231	254	280	307	337
		10%	10%	10%	10%	10%
Gross Margin %	35%	35%	35%	35%	35%	35%
		0%	0%	0%	0%	0%
Gross Profit	74	81	89	98	107	117
		9%	10%	10%	9%	9%
Operating expenses	-70	-74	-79	-84	-89	-95
		-6%	-6%	-6%	-6%	-6%
Operating Income	4	7	10	14	18	22
		65%	50%	41%	27%	25%
Margin %	2%	3%	4%	5%	6%	7%
		50%	37%	28%	15%	14%
Other & Financial Result	-1	-1	-1	-1	-1	-1
Profit Before tax	3	6	9	13	17	21
Taxes	1	-1	-1	-1	-1	-1
Net Profit	4	5	8	12	16	20
		15%	72%	51%	31%	28%
Shares	31	31	31	31	31	31
EPS	0,13	0,15	0,26	0,38	0,50	0,65
PER 10	1,29	1,48	2,55	3,85	5,04	6,45
PER 15	1,94	2,22	3,83	5,77	7,56	9,68
PER 20	2,58	2,96	5,10	7,69	10,08	12,90
PER 25	3,23	3,70	6,38	9,62	12,60	16,13



Optionality matrix

PROBABILIDAD	IMPACTO POSITIVO				
	Muy bajo	Bajo	Medio	Alto	Muy Alto
Muy Alta	M	M	A	A	A
Alta	M	M	M	A	A
Media	B	M	M	A	A
Baja	B	B	M	M	A
Muy Baja	B	B	B	M	M

*Optionality value: A-High M-Medium B-Low

SUB-OPTIMAL

Sales growth 5%

4,84
6,45
8,06



SCENARIO 3 - MARGINS IMPOROVEMENT

- The division between clothing and footwear in Black Diamond still keeps on growing. Rising from 10% of sales to 25% with stable margins (45-55%). Clarus' gross margin is situated at 38%.

- Growth in sales 10%**
- Margins from 35% to 38%**
- Not utilization of NOL's**

OPTIMAL

FORECAST 3 - GROWTH S	2020	2021	2022	2023	2024	2025
Sales	210	231	254	280	307	337
		10%	10%	10%	10%	10%
Gross Margin %	35%	35%	36%	36%	37%	38%
		1%	1%	1%	2%	3%
Gross Profit	74	82	91	101	113	128
		11%	11%	11%	12%	13%
Operating expenses	-70	-74	-79	-84	-89	-95
		-6%	-6%	-6%	-6%	-6%
Operating Income	4	8	12	17	24	33
		90%	57%	42%	40%	40%
Margin %	2%	3%	5%	6%	8%	10%
		73%	43%	29%	27%	27%
Other & Financial Result	-1	-1	-1	-1	-1	-1
Profit Before tax	3	7	11	16	23	32
Taxes	1	-1	-1	-1	-1	-1
Net Profit	4	6	10	15	22	31
		40%	77%	51%	45%	43%
Shares	31	31	31	31	31	31
EPS	0,13	0,18	0,32	0,48	0,70	1,00
PER 10	1,29	1,80	3,20	4,81	6,98	10,00
PER 15	1,94	2,71	4,79	7,22	10,47	15,00
PER 20	2,58	3,61	6,39	9,63	13,95	20,00
PER 25	3,23	4,51	7,99	12,04	17,44	25,00



Optionality matrix

PROBABILIDAD	IMPACTO POSITIVO				
	Muy bajo	Bajo	Medio	Alto	Muy Alto
Muy Alta	M	M	A	A	A
Alta	M	M	M	A	A
Media	B	M	M	A	A
Baja	B	B	M	M	A
Muy Baja	B	B	B	M	M

*Optionality value: A-High M-Medium B-Low

SUB-OPTIMAL

Sales growth 5%, Gross margins 36%

7,50
10,00
12,50



OTHER GROWTH OPTIONS

- Accumulated NOLs of 130M
- Barnet Bullets acquisition in 2020 for 30M (bankruptcy) in cash, with annual sales over 30M. 30% margin in 2025.
- International sales improvement (act 45%).
- Sierra's margin improvement through products with higher added value.
- Direct to Consumer channel greater importance

*Estimation of just 10M in 2025 for the last three drivers, as a margin of security.

OPTIMAL

FORECAST 4 - OTHER GROWTH OPTIONS						2025
NOL's						130
Barnet Bullets Adquisición	-26	5	6	7	8	9
Sierra sales/margin increases (puede multiplicar x2,x3,x4 facturación munición)						-
International sales expansion						-
Direct to Consumer sales channel						-
PVGO NOLs + PER15						

10

Shares	31
EPS	4,81
PVGO NOLs + PER10	320
PVGO NOLs + PER15	415
PVGO NOLs + PER20	510
PVGO NOLs + PER25	605
PVGO per share PER10	10,32
PVGO per share PER15	13,39
PVGO per share PER20	16,45
PVGO per share PER25	19,52

FORECAST 3 + FORECAST 4

	F3	F4	TOTAL
PER 10	10,00	10,32	20,32
PER 15	15,00	13,39	28,39
PER 20	20,00	16,45	36,45
PER 25	25,00	19,52	44,52



Optionality matrix

PROBABILIDAD		IMPACTO POSITIVO			
	Muy bajo	Bajo	Medio	Alto	Muy Alto
Muy Alta	M	M	A	A	A
Alta	M	M	M	A	A
Media	B	M	M	A	A
Baja	B	B	M	M	A
Muy Baja	B	B	B	M	M

*Optionality value: A-High M-Medium B-Low

SUB-OPTIMAL

NOLs -50%, 0 Otros

65	NOLs
0	Others
31,00	Shares
2,10	PVGO per share

F3	F4	TOTAL
7,50	2,10	9,60
10,00		12,10
12,50		14,60



CLARUS

BALANCE, CASH FLOWS & RATIOS



• 2015-2019

Balance	Activo fijo (Noncurrent assets)	182,38	166,95	99,44	108,50	120,80	11,3%	-9,8%
	Activo circulante (Current assets)	46,21	43,51	108,01	104,63	109,30	4,5%	24,0%
	Total	228,59	210,46	207,45	213,13	230,10	8,0%	0,2%
	Patrimonio neto (Stockholders Equity)	176,00	160,81	162,98	166,21	181,10	9,0%	0,7%
	Pasivo (Noncurrent liabilities)	31,14	9,04	24,68	25,18	24,50	-2,7%	-5,8%
	Pasivo circulante (Current liabilities)	21,45	40,61	19,78	21,74	24,56	13,0%	3,4%
	Deuda LP (Long term debt)	20,13	0,00	20,84	22,11	22,67	2,5%	3,0%
	Deuda CP (Short term debt)	0,00	21,90	0,00	0,04	0,00	-100,0%	
	Total	228,59	210,46	207,44	213,13	230,16	8,0%	0,2%
	Fondo de maniobra (Working capital)	24,76	2,90	88,23	82,89	84,74	2,2%	36,0%
	Deuda neta (Net debt)	(78,10)	(72,84)	18,98	19,66	20,97	6,7%	

Cash flow	FCO (Cash flow from operation)	3,67	4,81	(8,92)	11,39	9,52	-16,4%	26,9%
	Cash Flow from Investing	58,41	6,77	(82,03)	(4,08)	(4,10)	0,5%	
	Cash Flow from Financing	(4,50)	(5,22)	(2,06)	(6,56)	(6,29)	-4,1%	8,7%
	Flujo de caja libre (FCF)	1,00	2,00	(12,00)	8,00	5,00	-37,5%	49,5%
	Dividendo (CF for dividend)	0,00	0,00	0,00	1,49	2,99	100,7%	
	DPA (DPS)	0,00	0,00	0,00	0,05	0,10	94,2%	
	Dividend Yield	0,00%	0,00%	0,00%	0,49%	0,71%	45,0%	
	Inventories	51,5	45,41	58,14	64,93	73,43	13,1%	9,3%
	Liquidez (Ending Cash & C.Eq.)	98,23	94,74	1,86	2,49	1,70	-31,7%	-63,7%

Deuda	Endeudamiento	-34,17%	-34,61%	9,15%	9,22%	9,11%
	Calidad de la deuda (% deuda CP)	40,79%	81,79%	44,49%	46,33%	50,06%
	Cap. devolución	17,11%	11,84%	-45,10%	52,39%	38,76%
	Net Debt / EBITDA	2,06	12,14	-3,80	2,46	1,91

- Credit line for 2019-2024 of 60M with JPMorgan Chase. At 31/12/2019 22'6M utilized at a 3.3% interest rate.



RATIOS

• 2015-2019

Ratios	ROE	-43,75%	-5,60%	-0,61%	4,21%	10,49%
	ROA	-33,68%	-4,28%	-0,48%	3,28%	8,26%
	ROCE	-19,31%	-4,71%	-3,20%	3,13%	4,87%
	ROIC	-78,65%	-9,68%	-0,74%	2,72%	0,52%
	Margen Bruto	34,84%	29,73%	31,58%	34,91%	34,93%
	Margen / EBITDA	-24,52%	-4,05%	-2,92%	3,77%	4,80%
	Margen Neto	-49,68%	-6,08%	-0,58%	3,30%	8,30%
	Pay-out Ratio (DPA/BPA)	0,00%	0,00%	0,00%	21,29%	15,74%
	Price/Sales	0,94	1,12	1,37	1,43	1,83
	FCF - Pay Out	0,00%	0,00%	0,00%	18,63%	-59,80%
	FCF Yield	0,69%	1,21%	-5,12%	2,65%	1,19%
	PER	-1,89	-18,36	-234,60	43,20	22,03
	P/FCF	145,20	82,62	-19,55	37,80	83,70
	EV	67,10	92,39	253,58	322,06	439,47
	EV/EBIT	-1,77	-15,40	-50,72	40,26	39,95
	Price to Book	0,83	1,03	1,44	1,82	2,31



• 2019

PEERS



PER 29.8
P/SALES 3.1

PER 18.3
P/SALES 1.34

WOLVERINE | WW
worldwide

PER 42.1

P/SALES 3.4

 **Columbia**

PER 17.9
P/SALES 2.3

DECKERS
— BRANDS —

YETI

PER 21
P/SALES 2.3



PER 31.3
P/SALES 2.5

JOHNSON  OUTDOORS

P/SALES 1.37 PER 15.1

SKECHERS

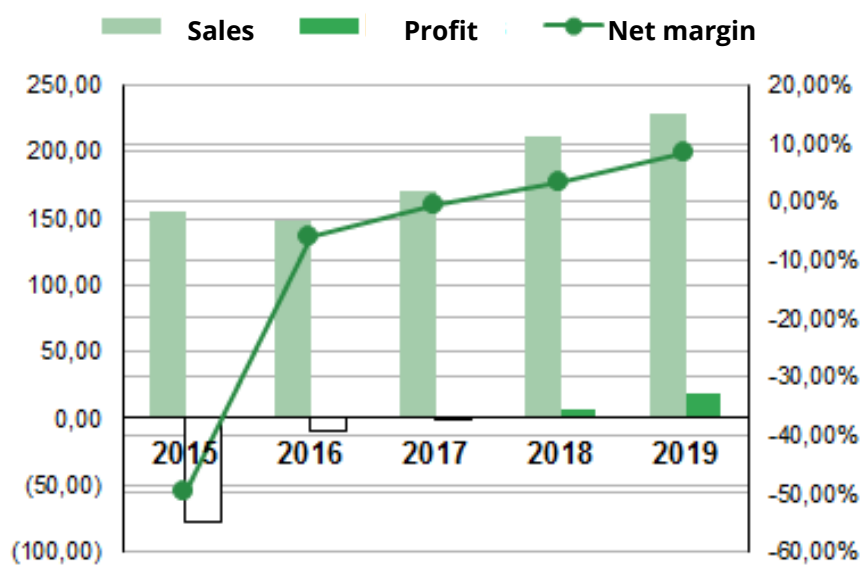
PER 20
P/SALES 1.39

PER 37.6
P/SALES 6.17

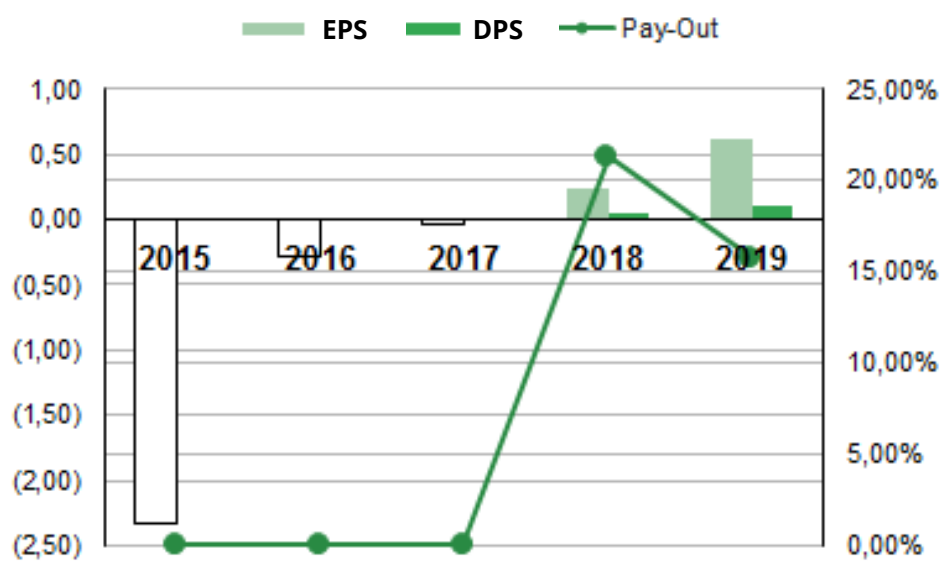




SALES/PROFIT

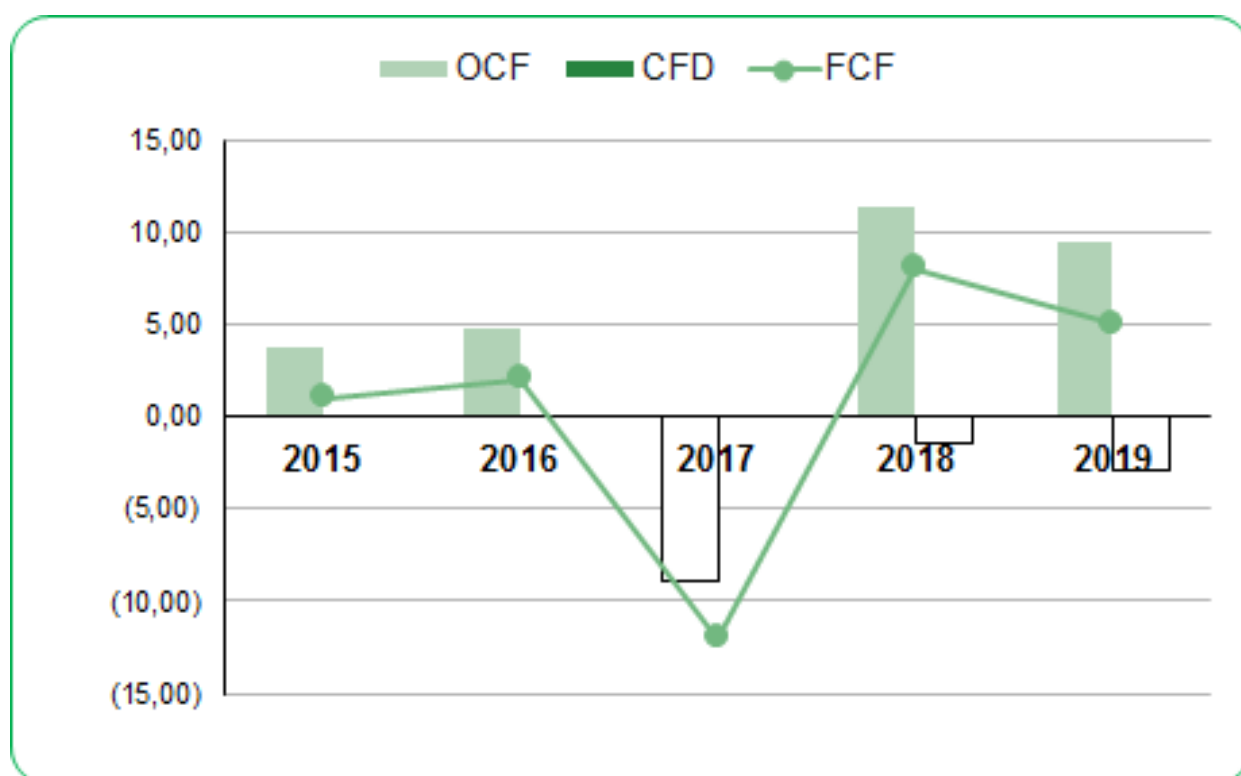


DIVIDENDS





CASH FLOW





CLARUS

RISKS



COMPETITION

Clarus competes in several international market niches operating in each one with different companies.

The product demand in this industry is based on the quality, durability, efficiency, innovation and price. The consumptions trends change over time being forced to self-adapt all the products and preferences.

During this time, Black Diamond has been characterized for developing products with a great potential for innovation in order to create a high steady demand or an increasing one, and to generate great value to differentiate themselves from the competitors.

The main competitors per division are:

- Climbing: La Sportiva, Prana, Patagonia, Petzl, CAMP, EDELRID, Mammut.
- Ski: Arc'Teryx, Backcountry Access, Dynafit, Atomic, Mammut, Marker, Ortovox, Salomon, Scarpa, Scott, Volkl.
- Sport: Vista, Nammo, Hornady, Fiocchi, Olin, Remington.
- Mountain: Petzl, Deuter, Leki, Komperdell, Marmot, Mountain Hardwear, Hestra, Osprey, Salomon, The North Face.
- Retailers: in some divisions, Clarus, competes with some retailers and distributors, who not only operates as an intermediary, but they also develop their own stuff under their own brands. Some of them are: REI, Mountain Equipment and Decathlon.

NATURAL ENVIRONMENT

A growing number of state Governments are protecting and regulating exhaustively when it comes to natural environment, limits and taxes. As a company faced to the outdoor activities, Clarus in a future, could be under the impact's consequences of having to adjust to the new regulations and to the consumption trends' changes.

Likewise, consumption trends might benefit the product demand that Clarus develops. Currently, does not exist any kind of impact.



SEASONALITY

Sales on the outdoor industry have a seasonality which depends on the nature of each activity. During summer season the market segments of hiking, footwear, camping... are the big sales -53% (first and second term of the year). During winter months (third and fourth terms) sales are based on the ski, ice climbing, and snow safety equipment, -47%.

The sales of these products can be affected by the climate trends as well as by the natural and environmental conditions.

OTHER RISKS

- Products' guarantee risk:

A great part of the products that Clarus manufactures and sells are used in outdoors activities in which exist an inherent risk. These products might be under damage guarantee's request to the manufacturer.

- Loss of potential clients (distributors and retailers).
- Loss of protection over intellectual property (patents)
- Changes and alterations in the industry and in retail (Covid-19, trends...)
- Inability to keep on developing innovating products (I+D)
- Forecast demand (schedules and production in advance)
- Regulatory changes related to Sierra Barnett Bullets (hunt, guns and shooting)
- Regulatory changes related to SKINourishment (self-care products)
- Rotura de los covenants de la línea de crédito con JPMorgan Chase (vencimiento 2024)
- Currencies: Aside from the USD, part of the sales come from other currencies such as the Euro, Canadian pounds, the Swiss franc. The company uses derived instruments to cover the currency risk.
- Inability to use the NOLs (there exist an agreement from 2008 that limits the use of these NOLs if the company experiences a change of ownership).
- Trade and sales wars.

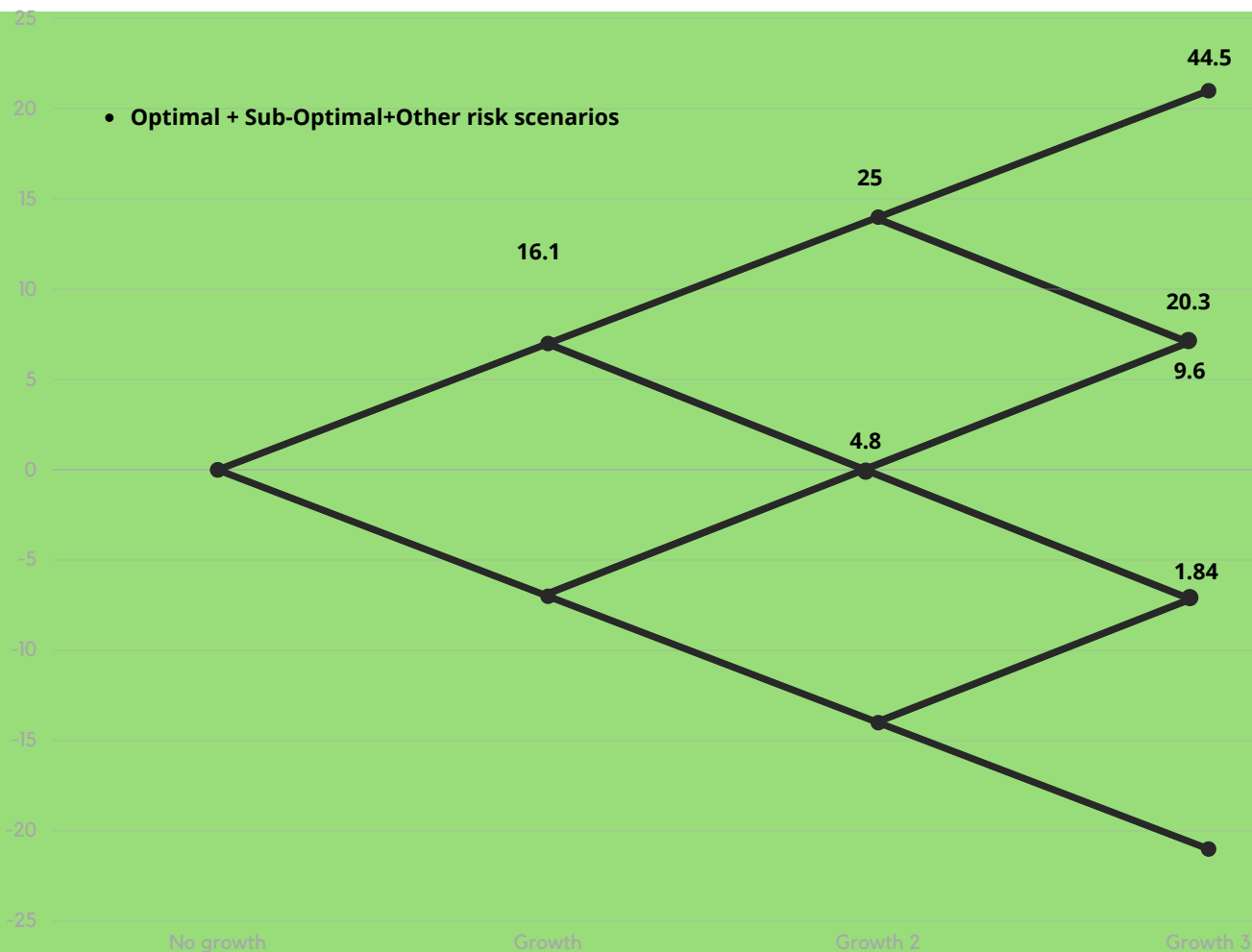


CLARUS

SCENARIOS



OTHER SCENARIOS



- We believe that Clarus offers a capital low risk of permanent loss and a great symmetry with the “small bets” strategies.
- We truly believe that in a 5-7 years-term (post coronavirus) around 2025-2027, its value may experience an increase around \$30-\$45 per share.
- We believe that the risk and the chances of negative scenarios are limited (<20%).
- Clarus has a solid balance sheet as well as a powerful executive team with self-interests aligned with the shareholders’ ones.
- Black Diamond has been over 50 years constantly innovating and growing each time more as they keep on improving its sales (market trends and increases) and also its economic margins (textile and footwear).



-
- Sierra improves sales and trend towards ammunition. Barnes integration.
 - SkiNourishment with great options ahead
 - Greater Black Diamond-Pieps synergies
 - Optionality acquiring SKB
 - Use of NOLs
 - Higher DTC channel weight and international sales
 - The above scenarios are primarily focused on current businesses. It may be (and we hope) that other acquisitions "small bets" can help generate new profits. Given the track record of the current management team and the president in capital allocation, we hope that they can find good opportunities in the future. If they can find another acquisition or two like Sierra, it's possible to generate a lot of value.



CLARUS

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**ALL VALUE IS
IN THE FUTURE**



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