



Transcript of update interview with Mr. Scott Jarus



Chairman and CEO of Ironclad Performance Wear Corp.



OTCQB: ICPW

June 21, 2012

Scott Jarus - Chairman and Chief Executive Officer. Mr. Jarus was named CEO of Ironclad in mid-2009. From 2001 to 2005, Mr. Jarus was President and chief executive of j2 Global Communications (NASDAQ: JCOM), a provider of outsourced, value-added messaging and communications services to individuals and companies throughout the world.

Mr. Jarus also serves on the boards of directors for Oversee.net, Cognition Technologies, Global Conference Partners (FreeConference.com), and Food Forward [a 501(c)(3) non-profit]. He is a member of the Tech Coast Angels, the largest angel investor organization in the Country. In 2005, Mr. Jarus was named National Entrepreneur of the Year for Media/Entertainment/Communications by Ernst & Young (and Los Angeles Entrepreneur of the Year for Technology in 2004). He holds a Bachelor of Arts degree in Psychology and a Master of Business Administration degree from the University of Kansas.

Smallcaps.us: Hi to all of our listeners and welcome to another Smallcaps.us interview. We last spoke with today's guest just over a year ago, and we're happy to have Mr. Scott Jarus, the Chairman and CEO of Ironclad Performance Wear back again. Ironclad has made some significant progress since our previous interview, which is indicated by a stock price that doubled since last year, despite a challenging market. The Company is listed on the OTCQB market with ticker symbol ICPW. Scott, it's great to have you with us! Welcome.

Mr. Scott Jarus: Thank you, it's good to be back.

S.us: As a reminder for our listeners, could you briefly describe what line of business Ironclad is in?

SJ: Sure, I'd be happy to. Ironclad Performance Wear is a leader in high performance task-specific work gloves. It created the performance work glove category in 1998 and continues to leverage its leadership position in the safety, construction, and international markets through the design, development, and distribution of specialized work gloves for industries, such as, the oil and gas industry, construction, automotive, police, fire and first responder. In addition, Ironclad has also extended its product line into the outdoor sports and lifestyle markets.

Our company engineers and markets and manufactures its products with a focus on

innovation, design, advance material science and durability. Ironclad's gloves are also available through both industrial suppliers, but also on the consumer side, in hardware stores, home centres, and sporting good retails throughout North America and through authorized international distributors.

And I think the most important thing for your listeners to recognize as a differentiation between Ironclad and others is that we develop technically advanced performance task-specific work gloves. There are very few companies that engineer their products on a task-specific basis and infusing those gloves with technology, which is both innovative and in some cases protected through intellectual property that Ironclad has owned over the years.

S.us: Thank you. Now, as I mentioned in the introduction, Ironclad's stock price has seen some impressive growth over the past year. What are the main contributors to this achievement?

SJ: We've actually seen growth in just about every channel of our distribution. The largest growth has occurred in the industrial channel. Those are customers, typically the master distributors and distributors, who sell into the industrial market. That channel for us has grown much faster than even the consumer retail channel, which is also growing. So much so, that currently about 80% of Ironclad's business in the first quarter of 2012 came through the industrial channel with 20% coming from the retail consumer channel. Again, with both of

them growing, but the industrial channel growing even faster.

Within the industrial channel, we've seen tremendous growth with our KONG line of gloves, K-O-N-G, it stands for King of Oil and Gas, within the oil and gas industry. We now have four styles of the KONG glove which is recognized as the gold standard in the industry. And sales of KONG continue to exceed our expectations. As a matter of fact, KONG has been on the market just about three years and Ironclad has already sold a million pair of those gloves into that industry.

So, we see huge growth in the oil and gas industry and expect to continue to see that. We actually will be introducing another style of that glove, a cut-resistant version in later part of this year, which we think will also continue to grow that market space.

And then secondarily, Ironclad's core line of gloves has also seen significant growth in the industrial space, in other industries such as automotive, energy, construction, mining, etc. So, all of our channels are growing very well.

S.us: Well, it's certainly fantastic to see your stock price do so well. And naturally, the Company will have to continue to meet or exceed its revenue and profitability growth guidance in order to keep the momentum going. How do you plan to drive future improvements?

SJ: Well, I think that one needs to look at our historical performance on a quarter to quarter basis and recognize that even though 80% of our business is in the industrial space, we still have 20% of our business in the consumer retail space. So, there is still seasonality, which occurs on a quarter to quarter basis as we move forward.

In Q1 of 2012, we had a 57% growth over Q1 of 2011. And by the way, Q1 was our first profitable first quarter in the history of the company. So, I think, that that trend will continue. Whether you'll see on a quarter to quarter basis, 57% growth over the previous

year is uncertain because that's a pretty phenomenal growth on a year over year comparison. But on a year-to-date and annualize basis we remain confident that the company will continue to perform at the levels that it has in the last few years.

In that regard, I provided guidance during our earnings release and call on May the 9th stating that we expected our net sales for the year to increase by 15 to 20%, which would take us to around \$25 million or a little bit more on the high end, and that our EBITDA, which excludes non-cash stock options expense, would be between \$2 to \$2.4 million, which is a 19% to 42% increase over 2011.

So, I think we'll continue to see growth as I mentioned in the conference call. I think that the guidance we've given is conservative, but is well described based upon where we are in the year right now. We're right now in the middle of the year and this is when the buyers, particularly for the retail consumers sector, are making their final plans on what they want in the third and fourth quarter of this year. These quarters have historically been our most lucrative ones both on net sales and on profitability. And so once we have a little bit more insight as to what their desires are, I think we'll be able to add some additional clarity to the guidance.

S.us: Well that's great. Now, I understand that you can't comment too much on the second quarter, but what are your feelings about it at this point?

SJ: We're very optimistic about the second quarter performance. Our industrial channel continues to do very, very well. And in particular, the KONG Glove for the oil and gas industry continues to perform exceptionally well during the second quarter.

In addition, we continue to see good growth from our co-branded glove offerings such 5.11 Tactical, which are the gloves we make for that company, 5.11 Tactical, which is a police, fire, and first responder company based in Modesto, California.

We also are seeing good growth in our Snap-on line of co-branded gloves, which we sell into the retail automotive parts companies like Pep Boys, AutoZone.

The Ironclad's brand, the gloves themselves, are seeing a good growth also in the automotive sector. We are in NAPA Auto Parts, and that's doing very well.

And then lastly, our growth in the sporting goods sector through primarily our Realtree Glove and our Coleman branded glove is also doing well.

So, I think, second quarter is meeting our expectations. Again, it's early in the year, so, this is not historically our strongest quarter, but I think it is showing good progress as they lead into the strongest quarters we have, which are third and fourth quarters.

S.us: Okay. Now, given the recent financial improvements, what does Ironclad's balance sheet look like?

SJ: Our balance sheet actually continue to get stronger. We have about a million dollars in cash still on the books and we use that to help smooth out some of our payables over the year when we're building more than we're actually selling or collecting.

But, in addition to that, we are generating a significant amount of cash within the business now such that our borrowing through our asset-based lending and factoring line has actually decreased rather substantially over the last several months and I think that's only going to get better.

So, our balance sheet is very strong. We have plenty of cash. All of our payables are on time and our receivables are also on time in our expectations on collections. So, from an overall balance sheet, I think we're in a very, very good position and it's only getting stronger.

S.us: Now, in your most recent press releases, you refer to both internal growth and potential growth by doing an

acquisition. So, could you tell us what types of companies you have on your mind that would be a good target for Ironclad to acquire?

SJ: Sure. You know, the obvious ones are other work glove companies that may have some distribution channels that we don't currently have, or may have more strength in the distribution channel than Ironclad currently has. We also look at glove companies that may have capacity, manufacturing capacity, that we could bolt into the Ironclad process. But the ones we look at would need to be accretive to Ironclad on both the top line and the bottom line profitability side.

So, work glove companies are the obvious choice. And by the way, it may mean that we're also interested in companies, which have differentiation in the work glove industry and that they may produce slightly lower-end gloves under a different brand that would give us additional channels of distribution, or they may produce specialized gloves in other industries that we're not currently in.

Secondarily, we look at any product, which directly touches or impacts the work life of our customer whom we define as the industrial athlete. Industrial athletes are those men and women, who work in conditions where protection from hazards, the elements, or rugged conditions are required or desired. And so if there's an industrial athlete that is in need of safety glasses, perhaps, Ironclad should be in the high-end premium safety glasses market, not the inexpensive disposal ones, but the higher end one. If the industrial athlete is in need of tool belts and tool buckets and tool bags, maybe Ironclad should be in that industry as well. So, there are a whole host of related companies that make products for that industrial athlete, which we remain interested in, to expand the Ironclad brand.

And then the last one, which is a little more esoteric, if you will, is to figure out other products, which would benefit from carrying the Ironclad brand and reputation. It could be licensing the Ironclad brand into work apparel. It

could be licensing the Ironclad brand into work boots or safety boots or even things such as remote as work coolers, where they carry their lunch in and things like that. So, we are constantly looking for those opportunities as well.

S.us: Well, that's very interesting. And what about competition? Who are the major competitors in Ironclad's line of business?

SJ: Well, the competitors are actually stratified based on the channels of distribution that we're looking for. So, as an example, we don't compete in the do-it-yourself market such as Home Depot and Lowe's, but if we were to get into those markets, which would be difficult for us because the margins are very depressed, there are companies such as Mechanix Wear. But we don't see them very much because we have chosen not to be competitive in the big box retailers again because of the margin compression. But in the automotive space, we compete head to head with Mechanix Wear, and are doing very well there. In the industrial space, we compete with players like Athol, which makes industrial gloves. We compete with the whole host of industrial glove suppliers, who make specialized gloves. There's a company called HexArmor, who makes a cut-resistant glove that we compete against. There's also West Chester and several others that we see when we go in to make the sale for our gloves.

S.us: Before we close, what would you say are the most compelling reasons to invest in Ironclad today?

SJ: Well, I think if you look at Ironclad from a financial perspective, you can see that the financial discipline of the company that we've had over the last several years has proven to be very successful, and that if you extrapolate that success out into the future, you can see that Ironclad's continued growth will be profitable and generate a good return for the company and therefore the shareholders. I think you'll also see that this is a company, which has the capability and the historical experience now of having a strong balance sheets, both currently

and going forward. That we do what we need to do to ensure that we're not overextending ourselves, that we're not lowering the bar on our profitability and our expectations from margin.

From a financial perspective, I think an investor would look at this and say this is a successful company and that assuming they maintain this discipline, this has the opportunity to be extremely successful going forward and create a great deal of shareholder value.

From a product standpoint, I think that someone, who looks at Ironclad would say that the 82 performance work glove styles that the company produces of which 48 are branded as Ironclad, shows a great deal of breadth in the exposure of the brand to various industries and various tasks, and that because these are task-specific work gloves, we have the ability to expand into new areas rather rapidly by examining what the worker needs. And therefore, our market opportunity, the market growth, is huge.

I would also add that someone who examines Ironclad would realize that most of our business is in North America with also a good presence in Australia and New Zealand through our partner there, but that the whole of the world outside of North America, Australia, and New Zealand is ready for the picking and as soon as Ironclad has established its strategy there in those markets that it should have the same sort of success that it's had in North America and Australia and New Zealand. So, from a product standpoint, I think we have great traction, both historically and great opportunity going into the future.

S.us: Well, thanks Scott for shedding some light on Ironclad and its recent activity. We'll be sure to keep an eye on the company and we'll be glad to invite you back for another interview in the future.

SJ: I appreciate that and I would encourage your listeners that to follow Ironclad, they should visit us at www.ironclad.com. Also, we have a Facebook page, which is quite fun to stay on top of and to like us, because we have real user

experiences posted there from the fans of Ironclad. And our Q2, 2012 Earnings Release is tentatively scheduled for August the 8th, and so, I would encourage people to pay attention to

that and hopefully listen in on the conference call that we'll have around that date.

S.us: Okay. We'll do.

Interview Feedback

We welcome your questions and feedback regarding this interview at:

<http://www.smallcaps.us/ironclad-keeps-positive-momentum-going-continued-revenue-and-earnings-growth-expected>

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