



CLEAR®

Prepared Remarks
Q4 2024

Operator

Good morning and welcome to CLEAR's fiscal fourth quarter 2024 conference call. We have with us today Caryn Seidman Becker, Co-Founder, Chair and Chief Executive Officer, and Ken Cornick, Co-Founder, President and Chief Financial Officer.

As a reminder before we begin, today's discussion contains forward-looking statements about the Company's future business and financial performance. These are based on management's current expectations and are subject to risks and uncertainties. Factors that could cause actual results to differ materially from these statements are included in the documents the Company has filed and furnished with the SEC including today's shareholder letter. The company disclaims any obligation to update any forward-looking statements that may be discussed during this call.

During this call, the Company will discuss both GAAP and non-GAAP financial measures. A reconciliation of GAAP to non-GAAP financial measures is provided in today's shareholder letter and the most recently filed annual report on Form 10-K. These items can be found on the Investor Relations section of CLEAR's website.

With that, I'll turn the call over to Caryn.

Caryn Seidman Becker, Co-Founder, Chair and CEO

Good morning, and thank you for joining our fourth quarter 2024 earnings call. 2024 was a transformational year for CLEAR as our momentum accelerated bringing our secure identity platform to more people in more places.

A secure identity platform has never been more important. In the booming travel industry, the need to strengthen security and create frictionless experiences is critical. Enterprises feel the sense of urgency to prevent fraud, reduce insider risk and build trust and loyalty with their consumers. CLEAR's singular identity platform addresses these needs in a turnkey way, and we are bringing powerful new products to market—like NextGen Identity+, face-first EnVes, TSA PreCheck® Enrollment provided by CLEAR, and enterprise workforce security, to name just a few.

In travel, we are leading with innovation and redefining what it means to strengthen security AND delight travelers. Today, CLEAR Plus covers around 73% of airport volume with 166 Lanes nationwide. With the rollout of NextGen Identity+ complete, 50% of our Members are through the CLEAR Lanes in less than 2 minutes, 85% in under 5 minutes, and 91% in less than 7 minutes—the power of predictability in travel matters. The year-over-year improvement in Member experience is evident.

The Lane of the Future is here today, powered by our EnVes (which stand for Enrollment and Verification pods) and NextGen Identity+—the highest fidelity digital identity at scale. EnVes are creating magic for our Members. They are 5x faster, delivering a customer centric, seamless experience that Members love. Lane Experience scores and throughput have improved significantly and the EnVe rollout should be complete by March, streamlining our systems and driving significant operational efficiencies, serving Members with 30% fewer pods.





CLEAR®

Prepared Remarks
Q4 2024

It is massively important that EnVes can be easily connected to eGates, something we have been passionate about for a long time. eGates drive automation, security AND Member experience. We are piloting eGates in select airports today and absolutely believe this technology should be a cornerstone of modernized airport infrastructure. The opportunity for CLEAR to deploy end-to-end automated Lanes—at no cost to the government or tax payers—will be gamechanging and we are ready.

We want to make airports great. The U.S. should be leading in technology and travel and CLEAR has the products and innovation that can delight travelers and strengthen security—and it's time to deploy it. This is the dawn of a new day in Washington to unleash the power of public-private partnerships. We are pleased with the engagement we have seen with the new administration, and we are excited to bring much needed capital, innovation, and technology to our airport partners, airline partners, and the American traveling public - they deserve more.

TSA PreCheck® continued to scale in 2024, and today we are at 91 locations. You are seeing the power of public-private partnerships with TSA PreCheck® Enrollment Provided by CLEAR. By meeting travelers where they are—whether in airports, convenient retail locations, or flagship destinations such as the Mall of America and the Oculus in New York City—we are bringing the benefits to more people in more places.

For 15 years, the vision for CLEAR has always been that you are YOU - that you should enroll once, and use everywhere. With our Day 1 vision in mind, we have renamed CLEAR Verified to CLEAR1.

CLEAR1 is the one vertically integrated identity platform that helps enterprises prevent fraud, reduce insider risk, build trust, and deliver seamless user experiences. CLEAR1's embedded base of over 30 million Members today and smart network maximizes security and minimizes friction with a holistic identity solution.

We strengthen security for the enterprise and their users. Customers are using the Platform and products to solve problems, such as combating identity fraud and account takeovers, ensuring a verified workforce, and improving operational efficiencies. We serve multiple industries and stakeholders, reflecting the fact that identity is foundational today in the physical and the digital world.

In healthcare, CLEAR1 is being used in different segments for both patients and the workforce. Community Health Network is deploying CLEAR1 across their enterprise, rolling out to both patients and employees, streamlining operations and reducing insider risk. Community Health's results for the workforce were immediate: a 90% adoption rate and an initial 13% reduction in annual password reset calls. Community Health also expanded to patients—enabling secure, frictionless account recovery. Additionally, a health data platform is using CLEAR to improve safety and the customer experience while reducing fraud in their clinical trials. Similar to the travel industry, a secure identity platform can unlock end-to-end experiences in healthcare.

Our CLEAR1 biometric multi-factor authentication integration with Okta enables businesses to verify the person beyond the device. No development work is required to implement CLEAR within Okta workflows, so enterprise clients can instantly enhance security. As enterprises continue to be threatened or compromised, CLEAR's biometric MFA is addressing the pressing need for secure workforce access in regulated industries and critical infrastructure.





CLEAR®

Prepared Remarks
Q4 2024

Driven by both CLEAR Travel and CLEAR1, we expect 2025 to be another year of strong top-line growth, continued margin expansion and Free Cash Flow of at least \$310 million which includes incremental year-over-year cash taxes and EnVe spend totalling \$30 million.

As always, we remain focused on growing Members, Total Bookings, AND Free Cash Flow, while continuing to build a brand that Members AND partners trust and love.

Before I hand it over to Ken, I want to say it's been an incredible 15 year journey - building CLEAR from 190,000 Members to over 30 million today. The vision we had on Day 1 is taking shape, and Ken and I are incredibly proud of where CLEAR is going and the team that is taking it there. Ken will step down from his operational roles and remain an advisor to CLEAR working on a wide range of exciting initiatives. We are thrilled to welcome Michael Barkin as our President and Jen Hsu as our new CFO. Michael is a seasoned executive with tremendous financial and operational experience and, having been on the CLEAR Board for 5 years, Michael knows CLEAR extremely well and is excited about the opportunities ahead. Jen Hsu has great experience leading teams at Chewy and together they will help CLEAR achieve our goals and realize our vision of building a global secure identity platform.

With that, I'll turn it over to Ken.

Ken Cornick, Co-Founder, President and CFO

Thank you Caryn. Fourth quarter Revenue and Total Bookings grew 21% and 17%, respectively - driven by Member growth, pricing, strong Member retention and improvements in winback activity. TSA PreCheck® and CLEAR1 contributed several points to our growth rate.

Flow-through was strong with over 60% incremental operating margins and 70% incremental EBITDA margins. We achieved a 24% full year Adjusted EBITDA margin, which is up over 1,000 basis points year-over-year.

Underpinning our financial results are the continued improvements in Member experience that Caryn mentioned, driven by the rollout of EnVes.

Total Cumulative Enrollments ended the year at 28.9 million, up 2.5 million in the quarter which is record growth. As of today, we are over 30 million Members, reflecting continued CLEAR1 traction.

Active CLEAR Plus Members grew by 164,000 in the quarter. As we go through 2025, it is important to note that our renewal backlog by quarter is not evenly distributed as a result of historic airport openings, promotions, partnerships and credit card launches. Unlike monthly subscription businesses, we are an annual biller, so the number of Members up for renewal in a particular quarter can materially impact that quarter's net adds, as does seasonal travel demand. In 2025, we expect a disproportionate share of the full year net adds to be in Q2 and Q4 in that order, with the lowest net adds in Q1 and Q3.

Q4 Gross Dollar Retention was 88.5%, down 50 basis points sequentially. The modest sequential decline is due to slightly fewer parent Members adding their first family Member at the higher price point - impacting this metric but having nothing to do with cancellations. As we continue to rollout our





CLEAR®

Prepared Remarks
Q4 2024

Home-to-Gate experience and bring more value to our Members, we believe ARPU can continue to increase without a material impact to Member retention or Member growth.

Annual Net Member Retention was 81.4% which was down 10 basis points sequentially. Net Member Retention has stabilized and we are seeing an uptick in winback activity. We expect continued improvement in Member retention in 2025 based on Lane improvements, innovation and mix.

We continue to optimize the business for Gross Dollar Retention, which we introduced in the first quarter of 2024, as it embeds both Member retention and ARPU growth. We are sunsetting some of our early deep discount programs, which have been a drag on unit economics and our focus is on increasing value and average revenue per Member. Therefore we plan to report Gross Dollar Retention instead of the Annual Net Member Retention metric going forward.

Our emerging businesses - TSA PreCheck® and CLEAR1 are contributing to our Total Bookings and gross profit dollar growth. We are making strong progress on TSA PreCheck® off-airport enrollment locations and CLEAR1 pipeline conversion.

A quick note on the Tax Receivable Agreement, or TRA. In the quarter we recognized a one-time, non-cash net gain of \$75 million, consisting of Other Expense of \$91 million offset by a tax benefit of \$166 million. This is a one-time true-up to the balance sheet triggered by positive cumulative 3-year pre-tax income. For further details please refer to Note 17 in the 10-K, which will be filed this morning.

Based on prevailing tax rates and our share ownership structure, we expect full year 2025 GAAP P&L taxes to range between 17% and 20%. From a cash tax perspective, the TRA should benefit us by a few hundred basis points versus GAAP, which will flow through operating cash flows.

In 2024 we generated \$284 million of Free Cash Flow, up 42% year-over-year, while our share count shrunk 9% to end the year at 137.7 million shares.

We will continue to allocate capital opportunistically with the goal of maximizing long-term shareholder value. We ended the year with cash of \$613 million after repurchasing 1.8 million shares in Q4 at \$26.36, including a block transaction from Delta. For full year 2024 we repurchased 13.8 million shares at an average price of \$19.78.

So far in the first quarter, we have repurchased an additional 871,000 shares at an average price of \$23.08. The first quarter 2025 dividend totalling \$0.395 includes a \$0.27 special cash dividend and a regular quarterly dividend of \$0.125. As a reminder, the special dividend is a result of our favorable corporate structure which requires an annual tax distribution to members including PubCo.

In Q1 we expect Revenue of \$207-209 million and Total Bookings of \$202-204 million. In 2025, we expect Free Cash Flow of at least \$310 million which includes incremental year-over-year cash taxes of \$25 million, as well as \$9 million of EnVe CapEx which will not recur in 2026 (of which, \$5 million is incremental year-over-year). On a comparable basis, this implies at least 20% of Free Cash Flow growth.



CLEAR®

Prepared Remarks
Q4 2024

Our Free Cash Flow guidance assumes our credit card partnership will renew for the final year of the contract through June 2026. We believe having a credit card partner is beneficial - it provides valuable awareness and distribution and we expect to continue to have one in place. CLEAR has grown substantially from 2019 to 2025 and the unit economics should reflect where we are and where we are going. The gap between wholesale and retail price is significant. We get a lot of questions on the financial impacts and we believe the deal currently depresses our Total Bookings and EBITDA while benefitting working capital.

We are extremely well positioned to compound Total Bookings, Revenue, EBITDA and Free Cash Flow in 2025 and beyond.

Before going to Q&A, I just want to express my gratitude to the entire team at CLEAR for an amazing 15 years. It's been the thrill of a lifetime to have partnered with Caryn in building an incredible business from the ground up. I am personally ready to take a step back after an exhilarating run and we are incredibly lucky to have Michael and Jen joining - I will be working closely with them both to ensure a seamless transition.

With that, let's go to Q&A.

