

# CLEAR<sup>®</sup>



**UHealth**  
UNIVERSITY OF MIAMI HEALTH SYSTEM

**Wellstar**  
HEALTH SYSTEM

**YUL** **FCO**

Shareholder Letter  
Q4 2022



# CLEAR®

Shareholder Letter  
Q4 2022

## Fourth Quarter 2022 Financial Highlights

*(all figures are for Fourth Quarter 2022 and percentage change is expressed as year-over-year, unless otherwise specified)\**

- › Revenue of \$128.3 million was up 59.0% while Total Bookings of \$150.6 million were up 37.4%
- › Net cash provided by operating activities of \$79.3 million; Free Cash Flow of \$71.0 million
- › Total Cumulative Enrollments of 15.4 million were up 48.4%
- › Annual CLEAR Plus Net Member Retention of 91.9% was down 40 basis points year-over-year and down 30 basis points sequentially
- › Total Cumulative Platform Uses of 129.6 million were up 54.4%
- › Net loss of \$18.8 million, which includes \$24.2 million non-cash equity-based compensation costs related to vesting of previously issued warrants to United Airlines (\$18.1 million) and pre-IPO employee performance awards (\$6.1 million), a \$1.0 million non-cash lease impairment and a \$1.9 million non-cash tax benefit
- › Net loss per common share basic and diluted \$0.13, which includes \$0.16 non-cash equity-based compensation costs related to vesting of previously issued warrants to United Airlines (\$0.12) and pre-IPO employee performance awards (\$0.04), a \$0.01 non-cash lease impairment and a \$0.01 non-cash tax benefit
- › Adjusted net income of \$21.0 million; Adjusted EBITDA of \$15.5 million
- › Adjusted net income per common share, basic and diluted \$0.14
- › Full year 2022 net cash provided by operating activities of \$168.3 million and Free Cash Flow of \$136.9 million
- › Received Authority to Operate for TSA PreCheck® Enrollment Provided by CLEAR
- › Renewed United Airlines multi-year partnership agreement
- › Reached 51 CLEAR Plus airports: launched Boise Airport, Will Rogers World Airport (Oklahoma) in the fourth quarter, and Long Beach Airport, Raleigh-Durham International Airport and Kansas City International Airport in 2023
- › RESERVE powered by CLEAR live in 16 airports — launched Montréal-Trudeau International Airport, Rome Fiumicino Airport and Frankfurt Airport
- › Entered healthcare vertical with anchor partners University of Miami Health System and Wellstar Health System

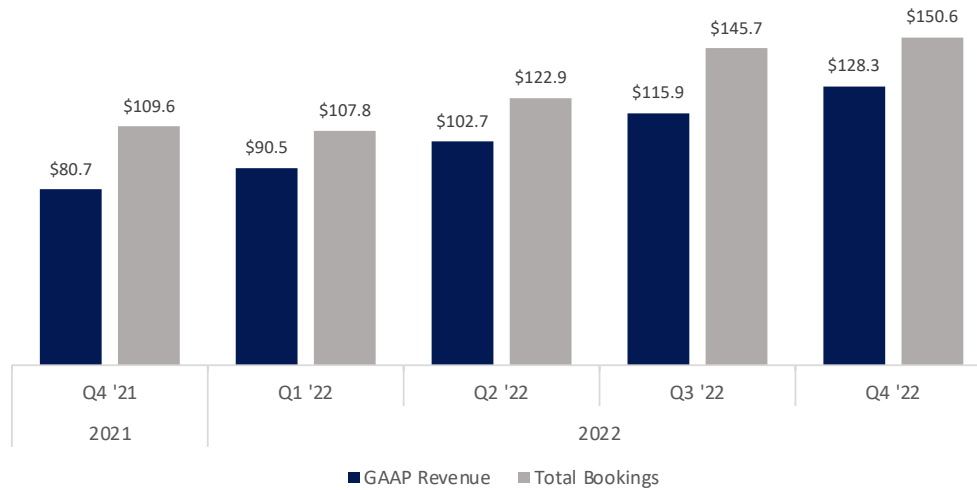
“2022 was a strong year at CLEAR—we grew our footprint, our member base and our products. As we look to 2023 and beyond, we are well positioned to grow our travel business and expand our platform—while simultaneously driving margins and Free Cash Flow,” said Caryn Seidman-Becker, CLEAR’s Chairman and CEO. “CLEAR is on the side of the American traveler and we are innovating to make experiences safer and easier—in travel and beyond.”

\*A reconciliation of non-GAAP financial measures to the most comparable GAAP measures is provided at the end of this letter.



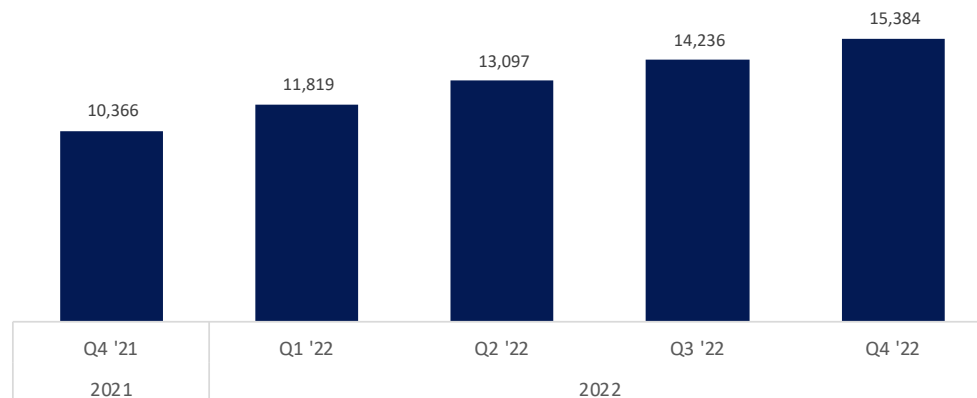


## Total Bookings & GAAP Revenue



*in millions*

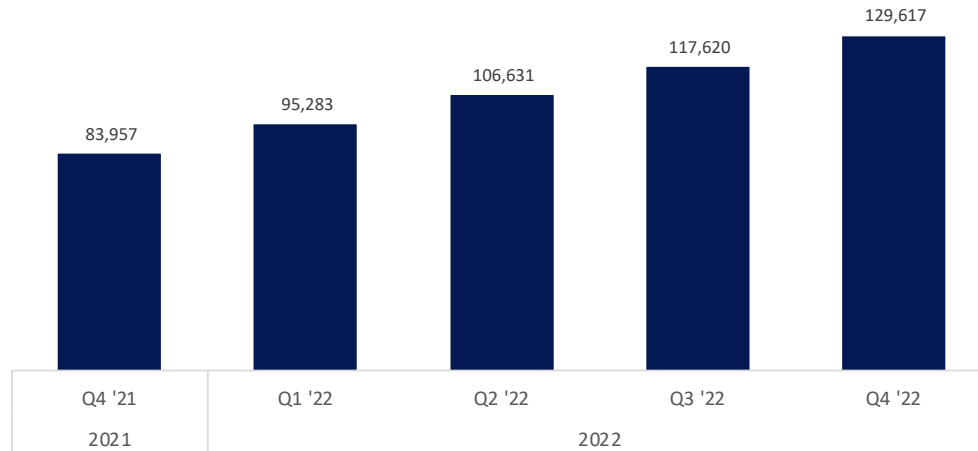
## Total Cumulative Enrollments



*in thousands*

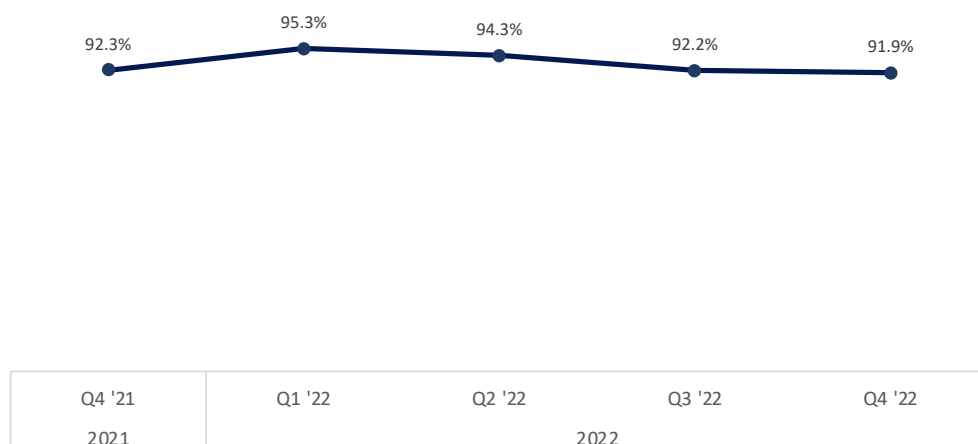


## Total Cumulative Platform Uses



*in thousands*

## Annual CLEAR Plus Net Member Retention





# CLEAR®

Shareholder Letter  
Q4 2022

Dear Shareholder,

CLEAR is on the side of the American traveler. Travelers' love for and reliance on CLEAR are reflected in our strong fourth quarter.

With 2022 travel volumes up 30% year-over-year, travel is hard and getting harder. Our fast, secure lanes at airports across the country have been a welcome sight given the recent challenges in the aviation ecosystem. By 2030 we estimate that there will be another one million passengers per day schlepping through US airports based on a 3% growth rate from 2019 levels.

This travel surge requires innovation and collaboration across the industry to ensure that we can securely scale the friction-free experience on behalf of passengers. We continue to strengthen our partnerships with airlines, airports and government agencies (local and federal), and build new technology to transform the day of travel—from home to gate and back.

What brings our technology to life and furthers the CLEAR experience is our Ambassadors, who deliver on security and hospitality every day. An Ambassador is officially defined as “an accredited diplomat sent by a country as its official representative to a foreign country.” At CLEAR, our Ambassadors serve as representatives of friction-free experiences at their airports on behalf of American travelers.

No matter which airport CLEAR travelers use, our Ambassadors are universally beloved. We are often asked how we achieve our consistently great service nationwide. The answer: our member-obsessed culture promotes great people throughout the organization, and new markets are seeded with top performers. CLEAR's hospitality has literally ‘gone viral’ through our 51 airports. It is Our Great People (~2,800 Ambassadors and Managers) who show up every day to take care of our members and the airport communities they serve—our members appreciate the care as you can see in their feedback below.

*“The people who work at JFK for CLEAR are truly wonderful...your staff is so professional and accommodating....CLEAR allowed me to spend an extra hour and a half with my kids because I wasn't worried about long security lines...The staff are always so friendly and helpful!...There was so much GREAT HELP to ease my anxieties at SMF and they were kind to my children. Absolutely I would recommend CLEAR to EVERYONE.”*

Since our shareholders typically are also members ([click here](#) in case you're not), you are probably familiar with some of our amazing people, but we want to highlight a few notable stories here.

**Meet Feaolina.** Fea not only has a long history with CLEAR, but also with the San Francisco Airport; where her mother worked for 30 years. Fea joined as an Ambassador in 2012, “I was blessed to be in a company with a great supportive team that helped me build a career,” she says. In her 11-year tenure, Fea has launched multiple CLEAR operations and is now the General Manager at the San Francisco International Airport. She is beloved by all stakeholders who look forward to her famous summer mango cakes.



# CLEAR®

Shareholder Letter  
Q4 2022

**Meet Rose.** Rose joined as an Ambassador in 2015. “As a single mom, CLEAR has changed my life. Throughout the past 8 years, I have been blessed to work in our south Florida locations. The growth has been amazing for myself and my daughter.” Starting as an Ambassador and now as a Manager her journey has always been about helping travelers. Rose’s favorite story: “A passenger was in tears when she arrived at the airport, running late on the way to her father’s funeral but made her flight because of CLEAR. The next time the passenger flew, she found me and called me an angel!”

**Meet Ed.** Ed is an Army veteran who brings his military experience of service and responsibility to CLEAR members every day at Los Angeles International Airport. Ed assists all travelers at every opportunity. He works to keep everyone at the airport secure and comfortable while offering the highest level of service. “Having fun and making customers happy—making the best of every situation. It’s all about responding to people’s needs.

In our third quarter Shareholder Letter, we talked about CLEAR’s platform enabling users to frictionlessly affirm their identity and credentials to make everyday experiences safer and easier. This quarter, we are excited to announce our collaboration with the University of Miami Health System and the Miller School of Medicine (UHealth) and Wellstar Health System (Wellstar). UHealth and Wellstar will embed *Powered by CLEAR* as their ‘digital front door’ for account management and check-in for both employees and patients. Built on our *Powered by CLEAR* platform, this is a significant milestone as CLEAR works to ‘replace the clipboard’ in healthcare.

We believe the implementation of the [Cures Act](#) accelerates the consumerization of healthcare in the US—empowering people to access and control their health data. Identity solutions are critical given the sensitive nature of healthcare information and the requirements to make it accessible. CLEAR’s expertise driving friction-free experiences in regulated environments uniquely positions us to play an important role in this space.

The UHealth and Wellstar partnerships both benefit from CLEAR’s network effect—our vertically integrated identity platform brings millions of ‘instant on’ members who opt in to utilize this technology with a simple selfie, leveraging their existing CLEAR enrollment.

We shared a few stories of exceptional Ambassadors in this letter, but we want to thank all of our team members for their tremendous effort in helping make the CLEAR vision a reality in 2022. We remain focused on growing members, Bookings AND Free Cash Flow while continuing to build a brand that members AND partners trust and love.

Best,

Caryn and Ken



## Fourth Quarter 2022 Financial Discussion

Fourth quarter 2022 **revenue** of \$128.3 million grew 59.0% as compared to the fourth quarter of 2021 while **Total Bookings** of \$150.6 million grew 37.4%. We saw a continuation of the strong travel trends experienced in the third quarter 2022 driving both membership growth and net retention, leading to better than expected Total Bookings growth. Our in-airport and partner channels continued to perform well. Additionally we signed and booked several new platform deals.

Fourth quarter 2022 **Total Cumulative Enrollments** reached 15.4 million, driven primarily by an increase in CLEAR Plus enrollments.

Fourth quarter 2022 **Total Cumulative Platform Uses** reached 129.6 million, driven by the continued strength in air travel leading to increases in CLEAR Plus verifications.

Fourth quarter 2022 **Annual CLEAR Plus Net Member Retention** was 91.9%, down 40 basis points year-over-year and down 30 basis points sequentially. This performance was driven by strength in gross renewals offset by a year-over-year decrease in winbacks of previously canceled members. As previously discussed, we expect long-term Annual CLEAR Plus Net Member Retention to settle in the upper 80s percentage range, above pre-pandemic levels.

**Cost of revenue share fee** was \$17.1 million in the fourth quarter of 2022 and includes a non-recurring benefit of \$1.2 million. Cost of revenue share fee was 13.3% of revenue, down 59 basis points year-over-year and up 59 basis points sequentially.

**Cost of direct salaries and benefits** were \$29.6 million in the fourth quarter of 2022, up 36.8% year-over-year, and up 9.9% sequentially. As a percentage of revenue, cost of direct salaries and benefits were down 374 basis points year-over-year and 16 basis points sequentially. Sequential growth of \$2.7 million was elevated by approximately \$0.9 million related to new airports opened in the fourth quarter and first quarter of 2023.

**Research and development** expense of \$20.4 million in the fourth quarter of 2022 includes \$7.2 million of non-cash equity-based compensation cost, of which \$2.6 million relates to pre-IPO employee performance awards. Excluding the pre-IPO employee performance awards expense, research and development expense was up 25.9% year-over-year and up 8.3% sequentially and as a percentage of revenue it was down 366 basis points year-over-year and 30 basis points sequentially.

**Sales and marketing** expense of \$12.0 million in the fourth quarter of 2022 includes \$0.2 million of pre-IPO employee performance awards. Excluding the pre-IPO employee performance awards, sales and marketing expense grew 25.4% year-over-year and 11.8% sequentially and as a percentage of revenue it was down 246 basis points year-over-year and up 10 basis points sequentially. Sales and marketing expense reflects opportunistic investments in performance based marketing initiatives, in-lane giveaways and a holiday brand campaign.

**General and administrative** expense of \$75.7 million in the fourth quarter of 2022 includes \$32.2 million of non-cash equity-based compensation cost, of which \$18.1 million is related to the vesting of warrants issued pre-IPO to United Airlines and \$3.3 million relates to pre-IPO employee performance awards. In addition, the current period includes a \$1.0 million non-cash lease impairment. The prior year period includes \$1.4 million of acquisition related fees and expenses and \$1.4 million



## Fourth Quarter 2022 Financial Discussion (Cont.)

of non-cash equity-based compensation cost related to the vesting of warrants issued pre-IPO to United Airlines. Excluding the United Airlines non-cash equity-based compensation cost, pre-IPO employee performance awards expense, the impairment and acquisition related fees and expenses, general and administrative expense of \$53.3 million grew 6.9% percent year-over-year and 7.5% sequentially and as a percentage of revenue it was down 2,024 basis points year-over-year and 122 basis points sequentially.

**Equity-based compensation** expense of \$40.0 million in the fourth quarter of 2022 includes the following: (1) \$18.1 million of cost relating to the vesting of warrants issued pre-IPO to United Airlines (of which \$3.5 million relates to the remaining portion from warrants vested in the fourth quarter of 2022 and \$14.5 million is the expense for the final tranche of performance based warrants for 534,655 shares of Class A Common Stock which vested in first quarter of 2023 upon the renewal of our partnership) and (2) \$6.1 million of non-cash compensation expense relating to 616,932 pre-IPO employee performance awards (which, based on actual and expected 2021-2023 cumulative results, management now expects to vest in 2024).

Excluding the United Airlines warrant expense and the pre-IPO employee performance awards expense, equity-based compensation expense of \$15.8 million was up 9.1% year-over-year and 11.0% sequentially. Of the \$15.8 million, \$9.2 million relates to non-founder employee equity-based compensation expense and \$6.6 million relates to the Founders' Post-IPO Performance Awards ("Founder PSUs") as detailed in our Final Prospectus, dated June 29, 2021. The Founder PSUs are eligible to vest over a five-year period based on the achievement of pre-determined stock price goals ranging from \$46.50 to \$93 during measurement periods beginning June 2023 and ending June 2026. The Founder PSUs will be expensed through June 29, 2025 regardless of vesting probability.

Fourth quarter 2022 **net loss** was \$18.8 million, **net loss per common share basic and diluted** was \$0.13. Excluding the non-cash equity-based compensation cost of \$18.1 million related to the United Airlines warrants and \$6.1 million related to the pre-IPO employee performance awards, the \$1.0 million non-cash impairment and a \$1.9 million non-cash tax benefit, net income was \$4.6 million and net income per common share basic was \$0.03.

Fourth quarter 2022 **adjusted net income** was \$21.0 million, **adjusted net income per common share, basic and diluted** was \$0.14.

Fourth quarter 2022 **net cash provided by operating activities** was \$79.3 million, **Free Cash Flow** was \$71.0 million and **Adjusted EBITDA** was \$15.5 million. Because of CLEAR Plus revenue recognition policies, when Total Bookings are growing, net cash provided by operating activities and Free Cash Flow may exceed Adjusted EBITDA and net income.

As of December 31, 2022, our **cash and cash equivalents**, including marketable securities and restricted cash were \$734.7 million. This amount reflects a \$38.1 million outflow relating to the special dividend declared and paid as well as \$5.4 million used in the net settlement of vested RSUs in the fourth quarter of 2022.







## Fourth Quarter 2022 Financial Discussion (Cont.)

As of February 24, 2023, the following shares of common stock were outstanding: Class A Common Stock 90,200,979, Class B Common Stock 907,234, Class C Common Stock 36,442,191, and Class D Common Stock 25,796,690 **totaling 153,347,094 shares of common stock**. Class A Common Stock outstanding reflects the 2.6 million previously issued warrants exercised by United Airlines in October 2022 and January 2023.

In total, common stock outstanding grew 2% year-over-year, but was flat when excluding the exercise of a total of 3.2 million warrants into Class A Common Stock by United Airlines in September 2022, October 2022 and January 2023.

In 2022 we issued 1.47 million net new RSUs to employees representing less than 1% of beginning shares of common stock. These RSUs generally vest over 3 years.

## First Quarter and Full Year 2023 Guidance

We expect first quarter 2023 revenue of \$129-\$131 million and Total Bookings of \$140-\$143 million. Consistent with CLEAR's historical (pre-COVID) quarterly patterns, we expect the first quarter of 2023 to represent the lowest revenue and bookings quarter of fiscal year 2023. First quarter CLEAR Plus renewal backlog as of December 31, 2022 represented less than 25% of the fiscal 2023 amount.

In December 2022, we received Authority to Operate from the TSA for the TSA PreCheck® Enrollment Provided by CLEAR. We expect a soft launch in early 2023 and bookings and revenue from this program will build throughout 2023. TSA PreCheck® bookings will be recognized as revenue in the quarter they are received.

For fiscal year 2023, we expect to demonstrate continued operating leverage and growth in Free Cash Flow as compared to fiscal year 2022.



## CONSOLIDATED BALANCE SHEETS (dollars in thousands, except per share data)

	December 31, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 38,939	\$ 280,107
Marketable securities	665,810	335,228
Accounts receivable	1,169	5,331
Prepaid revenue share fee	17,585	10,272
Prepaid expenses and other current assets	18,097	22,140
Total current assets	741,600	653,078
Property and equipment, net	57,924	44,522
Right of use asset, net	123,880	—
Intangible assets, net	22,292	22,933
Goodwill	58,807	59,792
Restricted cash	29,945	29,019
Other assets	3,069	3,406
Total assets	<b>\$ 1,037,517</b>	<b>\$ 812,750</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 7,951	\$ 8,808
Accrued liabilities	106,070	67,220
Deferred revenue	283,452	188,563
Total current liabilities	397,473	264,591
Other long term liabilities	129,123	8,691
Total liabilities	526,596	273,282
Commitments and contingencies		
Class A Common Stock, \$0.00001 par value- 1,000,000,000 shares authorized; 87,760,831 shares issued and 87,680,326 shares outstanding as of December 31, 2022	1	1
Class B Common Stock, \$0.00001 par value—100,000,000 shares authorized; 907,234 shares issued and outstanding as of December 31, 2022	—	—
Class C Common Stock, \$0.00001 par value—200,000,000 shares authorized; 38,290,964 shares issued and outstanding as of December 31, 2022	—	—
Class D Common Stock, \$0.00001 par value—100,000,000 shares authorized; 25,796,690 shares issued and outstanding as of December 31, 2022	—	—
Accumulated other comprehensive loss	(1,529)	(103)
Treasury stock at cost, 80,505 shares as of December 31, 2022	—	—
Accumulated deficit	(101,797)	(36,130)
Additional paid-in capital	394,390	313,845
Total stockholders' equity attributable to Clear Secure, Inc.	291,065	277,613
Non-controlling interest	219,856	261,855
Total stockholders' equity	510,921	539,468
Total liabilities and stockholders' equity	<b>\$ 1,037,517</b>	<b>\$ 812,750</b>





**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(dollars in thousands, except per share data)

	Three Months Ended		Year Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
<b>Revenue</b>	\$ 128,253	\$ 80,659	\$ 437,434	\$ 253,953
<b>Operating expenses:</b>				
Cost of revenue share fee	17,069	11,211	56,267	37,206
Cost of direct salaries and benefits	29,576	21,617	104,787	67,730
Research and development	20,446	14,197	66,799	47,490
Sales and marketing	11,958	9,394	41,679	35,200
General and administrative	75,666	52,612	278,174	168,902
Depreciation and amortization	5,549	3,168	18,792	12,358
<b>Operating loss</b>	<b>(32,011)</b>	<b>(31,540)</b>	<b>(129,064)</b>	<b>(114,933)</b>
<b>Other income (expense):</b>				
Interest income (expense), net	4,756	(16)	6,586	(349)
Other income (expense), net	6,813	355	4,980	344
<b>Loss before tax</b>	<b>(20,442)</b>	<b>(31,201)</b>	<b>(117,498)</b>	<b>(114,938)</b>
Income tax benefit (expense)	1,682	44	2,062	(233)
<b>Net loss</b>	<b>(18,760)</b>	<b>(31,157)</b>	<b>(115,436)</b>	<b>(115,171)</b>
Less: net loss attributable to non-controlling interests	(7,434)	(13,994)	(49,863)	(79,089)
<b>Net loss attributable to Clear Secure, Inc.</b>	<b>\$ (11,326)</b>	<b>\$ (17,163)</b>	<b>\$ (65,573)</b>	<b>\$ (36,082)</b>
<b>Net loss per share of Class A Common Stock and Class B Common Stock</b>				
Net loss per common share basic and diluted, Class A	\$ (0.13)	\$ (0.22)	\$ (0.80)	\$ (0.48)
Net loss per common share basic and diluted, Class B	\$ (0.13)	\$ (0.22)	\$ (0.80)	\$ (0.48)
Weighted-average shares of Class A Common Stock outstanding	85,893,063	75,992,652	81,117,184	75,515,242
Weighted-average shares of Class B Common Stock outstanding	924,734	1,042,234	1,007,686	1,042,234





**CONSOLIDATED STATEMENTS OF CHANGES IN CASH FLOWS**  
(dollars in thousands)

	Three Months Ended		Year Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
<b>Cash flows from operating activities:</b>				
Net loss	\$ (18,761)	\$ (31,157)	\$ (115,436)	\$ (115,171)
Adjustments to reconcile net loss to net cash provided from operating activities:				
Depreciation on property and equipment	4,731	3,168	15,524	12,358
Amortization on intangible assets	819	—	3,268	—
Noncash lease expense	1,524	—	3,769	—
Impairment of assets	1,851	4,567	3,068	4,567
Equity-based compensation	40,007	15,869	138,495	36,511
Warrant liabilities	—	—	—	12,796
Deferred income tax expense (benefit)	(1,879)	—	(2,471)	—
Amortization of revolver loan costs	200	(200)	798	358
Premium amortization and (discount accretion), net on marketable securities	(2,854)	675	(2,958)	675
<i>Changes in operating assets and liabilities:</i>				
Accounts receivable	932	(1,199)	4,161	(4,208)
Prepaid expenses and other assets	(2,147)	(7,604)	991	(11,422)
Prepaid revenue share fee	(1,574)	(1,353)	(7,313)	(4,798)
Accounts payable	20	(1,345)	(751)	1,451
Accrued and other long term liabilities	28,187	21,430	34,621	50,045
Deferred revenue	27,722	28,974	94,889	87,021
Operating lease liabilities	500	—	(2,345)	—
Deferred rent	—	(95)	—	(476)
<b>Net cash provided by operating activities</b>	<b>79,278</b>	<b>31,730</b>	<b>168,310</b>	<b>69,707</b>
<b>Cash flows from investing activities:</b>				
Business combinations, net of cash acquired	—	(75,834)	—	(75,834)
Purchases of marketable securities	(881,288)	(298,177)	(1,462,550)	(987,966)
Sales of marketable securities	562,080	297,506	1,134,864	689,572
Purchases of property and equipment	(8,289)	(6,106)	(31,362)	(28,148)
Purchase of intangible assets	(209)	(109)	(545)	(822)
<b>Net cash used in investing activities</b>	<b>(327,706)</b>	<b>(82,720)</b>	<b>(359,593)</b>	<b>(403,198)</b>
<b>Cash flows from financing activities:</b>				
IPO proceeds, net of underwriter fees and issuance costs	—	(657)	(297)	436,837
Repurchase of Class A Common Stock/members' deficit	—	—	(4,902)	(11,744)
Distribution to Alclear members	—	14	—	80,277
Proceeds from issuance of members' equity, net of issuance costs	—	—	(171)	(4,114)
Issuance of warrants	—	—	—	289
Payment of taxes on net settled stock-based awards	(3,030)	—	(5,411)	—
Payment of special dividend	(21,843)	—	(21,843)	—
Distribution to Alclear members	(16,250)	—	(16,250)	—
Proceeds from the exercise of warrants	—	—	—	2,575
Payment of revolver loan costs	—	—	—	(718)
<b>Net cash (used in) provided by financing activities</b>	<b>(41,123)</b>	<b>(643)</b>	<b>(48,874)</b>	<b>503,402</b>
Net increase in cash, cash equivalents, and restricted cash	(289,551)	(51,633)	(240,157)	169,911
Cash, cash equivalents, and restricted cash, beginning of period	358,410	360,626	309,126	139,082
Exchange rate effect on cash and cash equivalents, and restricted cash	25	133	(85)	133
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<b>\$ 68,884</b>	<b>\$ 309,126</b>	<b>\$ 68,884</b>	<b>\$ 309,126</b>



## Definitions of Key Performance Indicators

To evaluate performance of the business, we utilize a variety of other non-GAAP financial reporting and performance measures. These key measures include Total Bookings, Total Cumulative Enrollments, Total Cumulative Platform Uses, and Annual CLEAR Plus Net Member Retention.

### ***Total Bookings***

Total Bookings represent our total revenue plus the change in deferred revenue during the period. Total Bookings in any particular period reflect sales to new and renewing CLEAR Plus subscribers plus any accrued billings to partners. Management believes that Total Bookings is an important measure of the current health and growth of the business and views it as a leading indicator.

### ***Total Cumulative Enrollments***

We define Total Cumulative Enrollments as the number of enrollments since inception as of the end of the period. An Enrollment is defined as any member who has registered for the CLEAR platform since inception and has a profile (including limited time free trials regardless of conversion to paid membership) net of duplicate and/or purged accounts. This includes CLEAR Plus members who have completed enrollment with CLEAR and have never activated a payment method, plus associated family accounts. Management views this metric as an important tool to analyze the efficacy of our growth and marketing initiatives as new members are potentially a current and leading indicator of revenues.

### ***Total Cumulative Platform Uses***

We define Total Cumulative Platform Uses as the number of individual engagements across CLEAR use cases, including CLEAR Plus, flagship app and *Powered by CLEAR*, since inception as of the end of the period. Management views this metric as an important tool to analyze the level of engagement of our member base which can be a leading indicator of future growth, retention and revenue.

### ***Annual CLEAR Plus Net Member Retention***

We define Annual CLEAR Plus Net Member Retention as one minus the CLEAR Plus net member churn on a rolling 12 month basis. We define "CLEAR Plus net member churn" as total cancellations net of winbacks in the trailing 12 month period divided by the average active CLEAR Plus members as of the beginning of each month within the same 12 month period. Winbacks are defined as reactivated members who have been cancelled for at least 60 days. Active CLEAR Plus members are defined as members who have completed enrollment with CLEAR and have activated a payment method for our in-airport CLEAR Plus service, including their registered family plan members. Active CLEAR Plus members also include those in a grace period of up to 45 days after a billing failure during which time we attempt to collect updated payment information. Management views this metric as an important tool to analyze the level of engagement of our member base, which can be a leading indicator of future growth and revenue, as well as an indicator of customer satisfaction and long term business economics.



## Non-GAAP Financial Measures

In addition to our results as determined in accordance with GAAP, we disclose Adjusted EBITDA (Loss), Free Cash Flow, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) Per Common Share, Diluted as non-GAAP financial measures that management believes provide useful information to investors. These measures are not financial measures calculated in accordance with GAAP and should not be considered as a substitute for net income (loss), or any other operating performance measure calculated in accordance with GAAP, and may not be comparable to a similarly titled measure reported by other companies. Our Non-GAAP financial measures are expressed in thousands.

### ***Adjusted EBITDA (Loss)***

We define Adjusted EBITDA (Loss) as net income (loss) adjusted for income taxes, interest (income) expense net, depreciation and amortization, impairment and losses on asset disposals, equity-based compensation expense, Tax Receivable Agreement liability adjustments, mark to market of warrant liabilities, other income (expense), net excluding sublease rental income, acquisition-related costs and changes in fair value of contingent consideration. Adjusted EBITDA is an important financial measure used by management and our board of directors to evaluate business performance. During the third quarter of fiscal year 2022, we revised our definition of Adjusted EBITDA (Loss) to exclude sublease rental income from our other income (expense) adjustment. During the fourth quarter of fiscal year 2022, we revised our definition of Adjusted EBITDA (Loss) to include impairment on assets as a separate component. We did not revise prior years' Adjusted EBITDA (Loss) because there was no impact of a similar nature in the prior period that affects comparability.

### ***Adjusted Net Income (Loss)***

We define Adjusted Net Income (Loss) as Net income (loss) attributable to Clear Secure, Inc. adjusted for the net income (loss) attributable to non-controlling interests, equity-based compensation expense, amortization of acquired intangible assets, acquisition-related costs, changes in fair value of contingent consideration and the income tax effect of these adjustments. Adjusted Net Income (Loss) is used in the calculation of Adjusted Net Income (Loss) per Common Share as defined below.

### ***Adjusted Net Income (Loss) per Common Share***

We compute Adjusted Net Income (Loss) per Common Share, Basic as Adjusted Net Income (Loss) divided by Adjusted Weighted-Average Shares Outstanding for our Class A Common Stock, Class B Common Stock, Class C Common Stock and Class D Common Stock assuming the exchange of all vested and outstanding common units in Alclear at the end of each period presented. We do not present Adjusted Net Income (Loss) per Common Share for shares of our Class B Common Stock although they are participating securities based on the assumed conversion of those shares to our Class A Common Stock. We do not present Adjusted Net Income (Loss) per Common Share on a dilutive basis for periods where we have Adjusted Net Loss since we do not assume the conversion of any potentially dilutive equity instruments as the result would be antidilutive. In periods where we have Adjusted Net Income, the Company also calculates Adjusted Net Income per Common Share, Diluted based on the effect of potentially dilutive equity instruments for the periods presented using the treasury stock/if-converted method, as applicable. Adjusted Net Income (Loss) per Common Share is only applicable for periods after June 29, 2021, post the Reorganization Transactions and IPO.





### ***Adjusted Net Income (Loss) per Common Share (Cont.)***

Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Common Share exclude, to the extent applicable, the tax effected impact of non-cash expenses and other items that are not directly related to our core operations. These items are excluded because they are connected to the Company's long term growth plan and not intended to increase short term revenue in a specific period. Further, to the extent that other companies use similar methods in calculating non-GAAP measures, the provision of supplemental non-GAAP information can allow for a comparison of the company's relative performance against other companies that also report non-GAAP operating results.

### ***Free Cash Flow***

We define Free Cash Flow as net cash provided by (used in) operating activities adjusted for purchases of property and equipment plus the value of share repurchases over fair value. With regards to our CLEAR Plus subscription service, we generally collect cash from our members upfront for annual subscriptions. As a result, when the business is growing, Free Cash Flow can be a real time indicator of the current trajectory of the business.

*See below for reconciliations of these non-GAAP financial measures to their most comparable GAAP measures.*

## Forward-Looking Statements

This release may contain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that any and such forward looking statement are not guarantees of future performance or results and involve risks and uncertainties, and that actual results, developments and events may differ materially from those in the forward-looking statements as a result of various factors, including those described in the Company's filings with the Securities and Exchange Commission, including the sections titled "Risk Factors" in our Annual Report on Form 10-K. The Company disclaims any obligation to update any forward-looking statements contained herein.



**Reconciliation of Net Loss to Adjusted EBITDA (Loss):**

(In thousands)	Three Months Ended		Year Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Net loss	\$ (18,760)	\$ (31,157)	\$ (115,436)	\$ (115,171)
Income tax expense (benefit)	(1,682)	(44)	(2,062)	233
Interest (income) expense, net	(4,756)	16	(6,586)	349
Other (income) expense, net	(6,683)	(355)	(4,850)	(344)
Depreciation and amortization	5,550	3,168	18,792	12,358
Acquisition-related costs	—	1,391	—	1,391
Loss on asset disposal	—	—	—	—
Impairment on assets	1,851	—	1,851	—
Equity-based compensation expense	40,007	15,869	138,495	37,223
Warrant liabilities	—	—	—	12,796
<b>Adjusted EBITDA (Loss)</b>	<b>\$ 15,526</b>	<b>\$ (11,112)</b>	<b>\$ 30,204</b>	<b>\$ (51,165)</b>

**Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss):**

(In thousands)	Three Months Ended		Year Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Net loss attributable to Clear Secure, Inc.	\$ (11,327)	\$ (17,163)	\$ (65,573)	\$ (36,082)
Reallocation of net loss attributable to non-controlling interests	(7,433)	(13,994)	(49,863)	(32,240)
<b>Net loss</b>	<b>(18,760)</b>	<b>(31,157)</b>	<b>(115,436)</b>	<b>(68,322)</b>
Equity-based compensation expense	40,007	15,869	138,495	33,929
Amortization of acquired intangibles	791	—	3,161	—
Acquisition-related costs	—	1,391	—	1,391
Income tax effect	(996)	—	(1,604)	—
<b>Adjusted Net Income (Loss)</b>	<b>\$ 21,042</b>	<b>\$ (13,897)</b>	<b>\$ 24,616</b>	<b>\$ (33,002)</b>





**Calculation of Adjusted Weighted-Average Shares Outstanding Basic and Diluted:**

	Three Months Ended		Year Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Weighted-average number of shares outstanding, basic for Class A Common Stock	85,893,063	75,992,652	81,117,184	75,515,242
<i>Adjustments</i>				
Assumed weighted-average conversion of issued and outstanding Class B Common Stock	924,734	1,042,234	1,007,686	1,042,234
Assumed weighted-average conversion of issued and outstanding Class C Common Stock	39,217,633	44,407,609	41,265,522	44,407,609
Assumed weighted-average conversion of issued and outstanding Class D Common Stock	26,096,669	25,470,311	26,501,898	25,109,283
Assumed weighted-average conversion of vested and outstanding warrants	107,604	101,647	164,623	67,942
<b>Adjusted Weighted-Average Number of Shares Outstanding, Basic</b>	<b>152,239,703</b>	<b>147,014,453</b>	<b>150,056,913</b>	<b>146,142,310</b>
Weighted-average impact of unvested RSAs	259,109	—	863,904	—
Weighted-average impact of unvested RSUs	827,958	—	631,104	—
<i>Total incremental shares</i>	<i>1,087,067</i>	<i>—</i>	<i>1,495,008</i>	<i>—</i>
<b>Adjusted Weighted-Average Number of Shares Outstanding, Diluted</b>	<b>153,326,770</b>	<b>147,014,453</b>	<b>151,551,921</b>	<b>146,142,310</b>

As stated above, due to the Company incurring an adjusted net loss for certain periods presented, the Company has not calculated Adjusted Weighted-Average Number of Shares Outstanding, Diluted for those periods as the result would be antidilutive.

**Calculation of Adjusted Basic Net Income (Loss) per Common Share, Basic:**

	Three Months Ended		Year Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Adjusted Net Income (Loss) in thousands	\$ 21,042	\$ (13,897)	\$ 24,616	\$ (33,002)
Adjusted Weighted-Average Number of Shares Outstanding, Basic	152,239,703	147,014,453	150,056,914	146,142,310
<b>Adjusted Net Income (Loss) per Common Share, Basic</b>	<b>\$ 0.14</b>	<b>\$ (0.09)</b>	<b>\$ 0.16</b>	<b>\$ (0.23)</b>



**Calculation of Adjusted Net Income (Loss) per Common Share, Diluted:**

	Three Months Ended		Year Ended	
	December 31, 2022		December 31, 2022	
Adjusted Net Income in thousands	\$	21,042	\$	24,616
Adjusted Weighted-Average Number of Shares Outstanding, Diluted		152,239,703		151,551,921
<b>Adjusted Net Income per Common Share, Diluted:</b>	<b>\$</b>	<b>0.14</b>	<b>\$</b>	<b>0.16</b>

**Summary of Adjusted Net Income (Loss) per Common Share:**

	Three Months Ended		Year Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Adjusted Net Income (Loss) per Common Share, Basic	\$ 0.14	\$ (0.09)	\$ 0.16	\$ (0.23)
Adjusted Net Income (Loss) per Common Share, Diluted	\$ 0.14	\$ (0.09)	\$ 0.16	\$ (0.23)

**Reconciliation of Net cash provided by operating activities to Free Cash Flow:**

(In thousands)	Three Months Ended		Year Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Net cash provided by operating activities	\$ 79,280	\$ 31,730	\$ 168,310	\$ 69,707
Purchases of property and equipment	(8,289)	(6,106)	(31,362)	(28,148)
Share repurchases over fair value	—	—	—	712
<b>Free Cash Flow</b>	<b>70,991</b>	<b>25,624</b>	<b>136,948</b>	<b>42,271</b>



*Below is a summary of the components of the Company's total equity-based compensation expense including warrants and excluding additional expense related to repurchases above fair value:*

**Year Ended December 31, 2022**

	Pre-IPO employee performance awards	Warrants	Founder PSU	Employee equity-based awards	Total
Cost of direct salaries and benefits	\$ 87	\$ —	\$ —	\$ 269	\$ 356
Research and development	2,567	—	—	15,003	17,570
Sales and marketing	181	—	—	385	566
General and administrative	3,278	77,033	26,301	13,391	120,003
<b>Total equity-based compensation</b>	<b>\$ 6,113</b>	<b>\$ 77,033</b>	<b>\$ 26,301</b>	<b>\$ 29,048</b>	<b>\$ 138,495</b>

**Year Ended December 31, 2021**

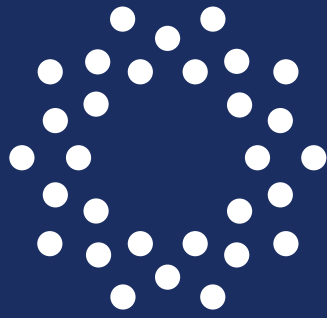
	Pre-IPO employee performance awards	Warrants	Founder PSU	Employee equity-based awards	Total
Cost of direct salaries and benefits	\$ —	\$ —	\$ —	\$ 316	\$ 316
Research and development	—	—	—	6,718	6,718
Sales and marketing	—	—	—	204	204
General and administrative	—	4,813	13,403	11,057	29,273
<b>Total equity-based compensation</b>	<b>\$ —</b>	<b>\$ 4,813</b>	<b>\$ 13,403</b>	<b>\$ 18,295</b>	<b>\$ 36,511</b>

**Three Months Ended December 31, 2022**

	Pre-IPO employee performance awards	Warrants	Founder PSU	Employee equity-based awards	Total
Cost of direct salaries and benefits	\$ 87	\$ —	\$ —	\$ 111	\$ 198
Research and development	2,567	—	—	4,645	7,212
Sales and marketing	181	—	—	197	378
General and administrative	3,278	18,091	6,629	4,221	32,219
<b>Total equity-based compensation</b>	<b>\$ 6,113</b>	<b>\$ 18,091</b>	<b>\$ 6,629</b>	<b>\$ 9,174</b>	<b>\$ 40,007</b>

**Three Months Ended December 31, 2021**

	Pre-IPO employee performance awards	Warrants	Founder PSU	Employee equity-based awards	Total
Cost of direct salaries and benefits	\$ —	\$ —	\$ —	\$ 98	\$ 98
Research and development	—	—	—	3,434	3,434
Sales and marketing	—	—	—	31	31
General and administrative	—	1,381	6,634	4,291	12,306
<b>Total equity-based compensation</b>	<b>\$ —</b>	<b>\$ 1,381</b>	<b>\$ 6,634</b>	<b>\$ 7,854</b>	<b>\$ 15,869</b>



**CLEAR<sup>®</sup>**