

**CLEAR<sup>®</sup>**

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# **Shareholder Letter**

Q3 2024



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## Third Quarter 2024 Financial Highlights

*(all figures are for Third Quarter 2024 and percentage change is expressed as year-over-year, unless otherwise specified)\**

- › Revenue of \$198.4 million was up 23.7% while Total Bookings of \$227.5 million were up 18.7%
- › Operating income of \$35.1 million; Adjusted EBITDA of \$48.6 million
- › Net Income of \$38.0 million, Earnings per Common Share Basic and Diluted of \$0.25
- › Net cash provided by operating activities of \$(35.9) million; Free Cash Flow of \$(37.9) million; both figures reflect the annual outflow to our credit card partner of ~\$182 million
- › Repurchased 4 million shares (previously disclosed)
- › Active in 58 CLEAR Plus airports
- › TSA PreCheck<sup>®</sup> Enrollment Provided by CLEAR live in 52 airports nationwide and 10 Staples Locations

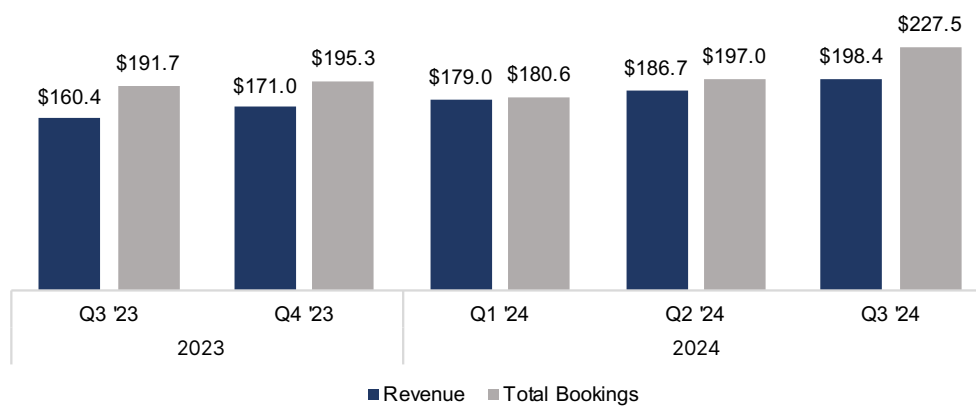
*“A verified identity isn’t just a checkmark; it’s the foundation for everything we do in a high stakes digital world. Third quarter financial performance was strong with Bookings growth re-accelerating to 19% and +50% incremental margins,” said Caryn Seidman Becker, CLEAR’s CEO*

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



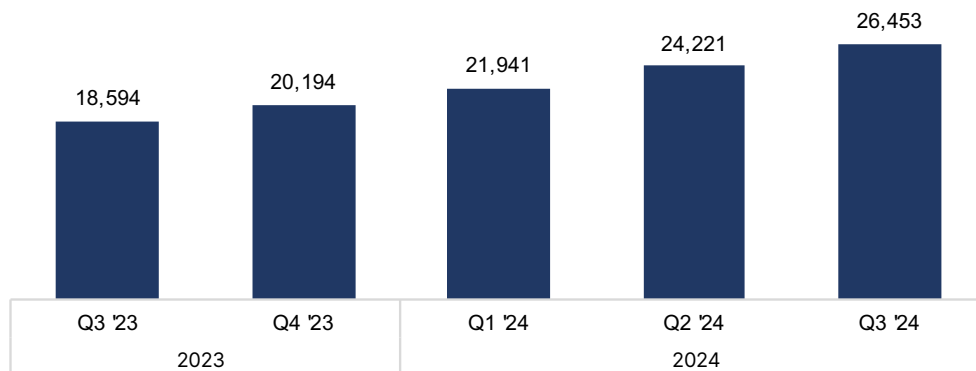


## Total GAAP Revenue & Bookings



*in millions*

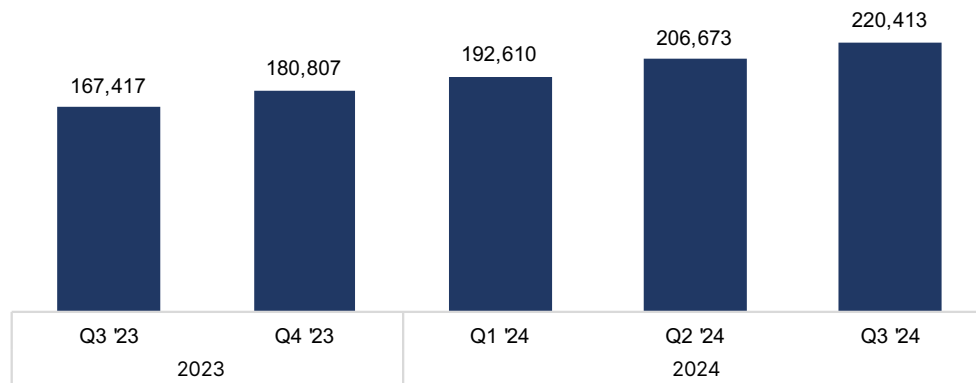
## Total Cumulative Enrollments



*in thousands*

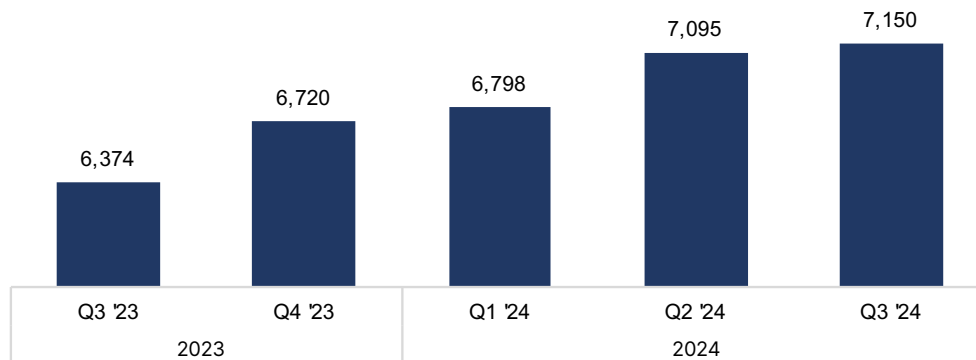


## Total Cumulative Platform Uses



*in thousands*

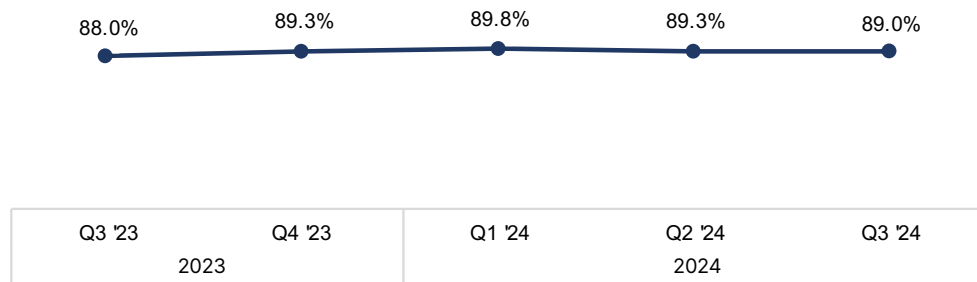
## Active CLEAR Plus Members



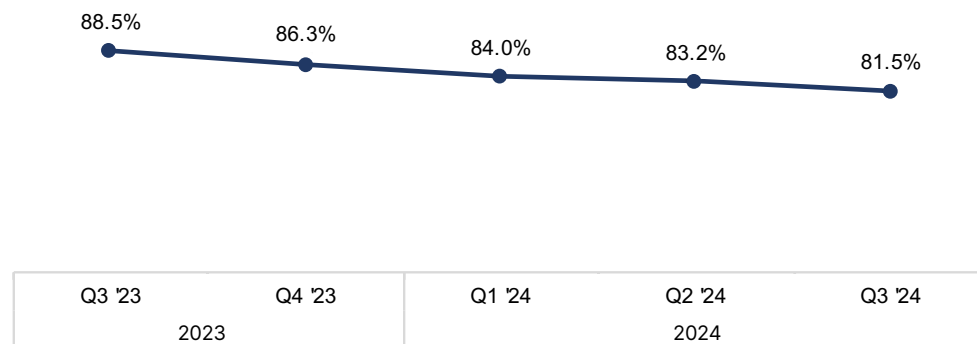
*in thousands*



### Annual CLEAR Plus Gross Dollar Retention

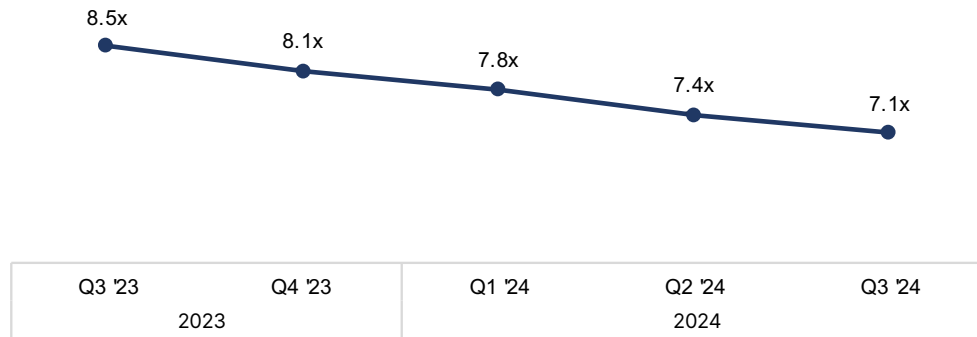


### Annual CLEAR Plus Net Member Retention





## Annual CLEAR Plus Member Usage





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Dear Shareholder,

CLEAR is a secure identity network and we're shaping the future of identity. In today's world, the urgency for secure and frictionless experiences is the same whether it's travel, healthcare, financial services, or retail—physically and digitally. Trusted identity—connecting you to all the things that make YOU you—is the key to safer and easier experiences for our Members and our partners.

Trust and security are paramount in the increasingly digital world that we live in—ensuring true identity is critical. Identity fraud, account takeovers, and theft, along with their derivative costs are growing rapidly. The digital landscape is ever more complex, and a secure, trusted identity is not just a convenience—it's an absolute necessity.

AI is a favorite phrase right now, and at CLEAR, we see AI as a powerful tool to optimize our operations, but we are also looking at AI from a different angle—Artificial Identity. As more sensitive information is shared and accessed online, the rise of synthetic identities adds another layer of complexity. The need for accurate and secure identity verification has never been greater.

CLEAR's enterprise identity expansion continued this quarter across existing and new customers. We announced our integration with Okta, enabling enterprise clients to easily implement CLEAR's platform for a seamless and secure *biometric* factor authentication—verifying the person behind the device.

There is a pressing need for secure solutions in workforce identity and access particularly in regulated industries and critical infrastructure. This quarter, we launched our employee identity product with a major telecom company reflecting the need to better secure the workforce.

On the consumer side, we have rolled out rider verification with Uber, helping build trust across Uber's platform by giving their drivers peace of mind.

Travel trends remain strong and we continue to see it as a secular growth industry. We expect travel spending to remain healthy and think spending on experiences will continue to be a bright spot in the economy.

The CLEAR Plus Member experience continues to improve across the network. Next up, our new EnVe (enrollment and verification) hardware is rolling out across the country—Members will love our new speedy, face-first experience.

Meeting travelers where they are—both inside and outside the airport—is helping drive scale for TSA PreCheck® Enrollment Provided by CLEAR. Now live in 62 locations, the consumer response is strong and we will continue to optimize the enrollment funnel, driving higher completion rates, and improved Member experience.

Looking ahead to 2025, we are excited by the multi-faceted growth opportunities across our secure identity network as we continue to drive bookings, expand margins, and accelerate free cash flow. With a strong foundation in place and a clear vision for the future, CLEAR is well-positioned to continue delivering value for our Members, partners, and shareholders.

Best,





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## Third Quarter 2024 Financial Discussion

Third quarter 2024 **Revenue** of \$198.4 million grew 23.7% as compared to the third quarter of 2023 while **Total Bookings** of \$227.5 million grew 18.7%. These increases were driven primarily by Member growth and price increases.

Third quarter 2024 **Total Cumulative Enrollments** reached 26.5 million, up 2.2 million sequentially driven by growth in CLEAR Verified and CLEAR Plus enrollments.

Third quarter 2024 **Total Cumulative Platform Uses** reached 220.4 million, driven primarily by CLEAR Plus verifications as well as an increasing contribution from CLEAR Verified.

Third quarter 2024 **Active CLEAR Plus Members** reached 7.2 million, up 12.2% as compared to the third quarter of 2023 driven by airport, partner and organic channels in existing and new markets.

Third quarter 2024 **Annual CLEAR Plus Gross Dollar Retention** was 89.0%, up 100 basis points year-over-year and down 30 basis points sequentially. Third quarter 2024 **Annual CLEAR Plus Net Member Retention** was 81.5%, down 170 basis points sequentially.

Third quarter 2024 **Annualized CLEAR Plus Member Usage** was 7.1x.

**Cost of revenue share fee** was \$28.6 million in the third quarter of 2024. Excluding previously disclosed COVID-related benefits in prior periods, cost of revenue share fee as a percentage of revenue was down 54 basis points year-over-year and up 13 basis points sequentially. Cost of revenue share fee percentage may vary by quarter, but on an annual basis we expect it to remain relatively stable over time.

**Cost of direct salaries and benefits** was \$44.8 million in the third quarter of 2024. Excluding previously disclosed prior-period non-cash items, cost of direct salaries and benefits was up 27.1% year-over-year and up 11.8% sequentially; as a percentage of revenue it was up 59 basis points year-over-year and up 113 basis points sequentially. We continue to expect cost of direct salaries and benefits in 2024 to decline as a percentage of revenue on a full year basis versus 2023.

**Research and development** expense was \$17.4 million in the third quarter of 2024. Excluding previously disclosed prior-period non-cash items, research and development expense was down 8.5% year-over-year and up 0.1% sequentially; as a percentage of revenue it was down 309 basis points year-over-year and 54 basis points sequentially. Third quarter of 2024 research and development includes a stock compensation expense reversal of \$1.1 million. We continue to expect research and development expense in 2024 to decline as a percentage of revenue on a full year basis versus 2023.

**Sales and marketing** expense was \$11.6 million in the third quarter of 2024. Excluding previously disclosed prior-period non-cash items, sales and marketing expense increased 19.6% year-over-year and increased 5.5% sequentially; as a percentage of revenue it was down 20 basis points year-over-year and down 4 basis points sequentially. Third quarter of 2024 sales and marketing includes a





## Third Quarter 2024 Financial Discussion (Cont.)

stock compensation expense reversal of \$0.8 million. While we continue to expect sales and marketing expense in 2024 to decline as a percentage of revenue on a full year basis versus 2023, we will invest in marketing on an opportunistic basis.

**General and administrative** expense was \$53.9 million in the third quarter of 2024. Excluding previously disclosed prior-period acquisition expenses and prior-period non-cash items, general and administrative expense declined 3.9% year-over-year and 2.6% sequentially; as a percentage of revenue, general and administrative expense was down 782 basis points year-over-year and down 248 basis points sequentially. Third quarter of 2024 general and administrative expense includes a stock compensation expense reversal of \$1.0 million. We continue to expect general and administrative expense in 2024 to decline as a percentage of revenue on a full year basis versus 2023.

**Stock compensation** expense was \$6.1 million in the third quarter of 2024. Excluding previously disclosed prior-period adjustments, stock compensation was down 47.9% year-over-year and down 40.0% sequentially. Third quarter 2024 stock compensation expense includes the effects of \$2.9 million of reversals.

**Operating income** was \$35.1 million in the third quarter of 2024. Excluding previously disclosed items, operating income as a percentage of revenue was up 1,082 basis points year-over-year and 175 basis points sequentially.

**Net Income** in the third quarter 2024 was \$38.0 million, **Net Income per Common Share, Basic and Diluted** was \$0.25.

Third quarter 2024 **Adjusted Net Income** was \$42.5 million, **Adjusted Net Income per Common Share, Basic and Diluted** was \$0.30.

Third quarter 2024 **net cash provided by operating activities** was \$(35.9) million, **Free Cash Flow** was \$(37.9) million and **Adjusted EBITDA** was \$48.6 million. Net cash provided by operating activities and Free Cash Flow reflect the annual outflow to our credit card partner of approximately \$182 million.

As of September 30, 2024, our **cash and cash equivalents, marketable securities and restricted cash**, totaled \$548.1 million.

As of November 4, 2024, **139,404,606 shares of common stock** were outstanding including the following: Class A Common Stock 94,015,104, Class B Common Stock 877,234, Class C Common Stock 19,615,578, and Class D Common Stock 24,896,690. As previously disclosed, we repurchased 4.0 million shares in a block transaction in July.





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## Fourth Quarter and Full Year 2024 Guidance

We expect fourth quarter 2024 revenue of \$202-\$204 million and Total Bookings of \$224-\$226 million.

For the full year of 2024, we expect to deliver expanding margins and Free Cash Flow growth of at least 40% versus 2023.