UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 001-40568

CLEAR SECURE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**86-2643981**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
85 10th Avenue, 9th Floor, New York, NY	**10011**
(Address of Principal Executive Offices)	(Zip Code)

(646) 723-1404
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.00001 per share	YOU	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer,"

"smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The registrant had the following outstanding shares of common stock as of May 4, 2023:

Class A Common Stock par value $0.00001 per share	90,263,612
Class B Common Stock par value $0.00001 per share	907,234
Class C Common Stock par value $0.00001 per share	36,242,191
Class D Common Stock par value $0.00001 per share	25,796,690

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CLEAR SECURE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(dollars in thousands, except share and per share data)

	March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 39,089	$ 38,939
Marketable securities	708,919	665,810
Accounts receivable	962	1,169
Prepaid revenue share fee	17,774	17,585
Prepaid expenses and other current assets	17,855	18,097
Total current assets	784,599	741,600
Property and equipment, net	68,039	57,924
Right of use asset, net	120,592	123,880
Intangible assets, net	21,485	22,292
Goodwill	58,807	58,807
Restricted cash	30,882	29,945
Other assets	9,189	3,069
Total assets	**$ 1,093,593**	**$ 1,037,517**
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 11,172	$ 7,951
Accrued liabilities	155,603	106,070
Deferred revenue	297,823	283,452
Total current liabilities	464,598	397,473
Other long term liabilities	130,483	129,123
Total liabilities	595,081	526,596
Commitments and contingencies (Note 19)		
Class A Common Stock, $0.00001 par value - 1,000,000,000 shares authorized; 90,214,391 shares issued and outstanding as of March 31, 2023 and 87,841,336 shares issued and 87,760,831 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 March 31, 2023 and 907,234 shares issued and outstanding as of December 31, 2022	—	—
Class C Common Stock, $0.00001 par value - 200,000,000 shares authorized; 36,242,191 shares issued and outstanding as of March 31, 2023 and 38,290,964 shares issued and outstanding as of December 31, 2022	—	—
Class D Common Stock, $0.00001 par value - 100,000,000 shares authorized; 25,796,690 shares issued and outstanding as of March 31, 2023 and 25,796,690 shares issued and outstanding as of December 31, 2022	—	—
Accumulated other comprehensive loss	(591)	(1,529)
Treasury stock at cost, 0 shares as of March 31, 2023 and 80,505 shares as of December 31, 2022	—	—
Accumulated deficit	(107,021)	(101,797)
Additional paid-in capital	404,385	394,390
Total stockholders’ equity attributable to Clear Secure, Inc.	296,774	291,065
Non-controlling interest	201,738	219,856
Total stockholders’ equity	498,512	510,921
Total liabilities and stockholders’ equity	**$ 1,093,593**	**$ 1,037,517**

See notes to condensed consolidated financial statements

CLEAR SECURE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(dollars in thousands, except per share data)

	Three Months Ended			
		March 31, 2023		March 31, 2022
Revenue	**$**	**132,356**	**$**	**90,539**
Operating expenses:				
Cost of revenue share fee		19,570	$	12,142
Cost of direct salaries and benefits		33,146	$	22,980
Research and development		21,944	$	15,512
Sales and marketing		9,509	$	7,826
General and administrative		58,078	$	45,926
Depreciation and amortization		5,167	$	4,384
Operating loss		**(15,058)**		**(18,231)**
Other income (expense):				
Interest income (expense), net		6,392	$	7
Other income (expense), net		274	$	(268)
Loss before tax		**(8,392)**		**(18,492)**
Income tax benefit (expense)		119	$	(302)
Net loss		**(8,273)**		**(18,794)**
Less: net loss attributable to non-controlling interests		(3,049)		(8,467)
Net loss attributable to Clear Secure, Inc.	**$**	**(5,224)**	**$**	**(10,327)**
Net loss per share of Class A Common Stock and Class B Common Stock (Note 16)				
Net loss per common share basic and diluted, Class A	$	(0.06)	$	(0.13)
Net loss per common share basic and diluted, Class B	$	(0.06)	$	(0.13)
Weighted-average shares of Class A Common Stock outstanding		89,614,791		76,672,530
Weighted-average shares of Class B Common Stock outstanding		907,234		1,042,234

See notes to condensed consolidated financial statements

CLEAR SECURE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)
(dollars in thousands)

	Three Months Ended	
	March 31, 2023	**March 31, 2022**
Net loss	$ (8,273)	$ (18,794)
Other comprehensive income (loss)		
Foreign currency translation	8	(50)
Unrealized gain (loss) on fair value of marketable securities	1,588	(1,041)
Total other comprehensive income (loss)	1,596	(1,091)
Comprehensive loss	**(6,677)**	**(19,885)**
Less: comprehensive loss attributable to non-controlling interests	(2,391)	(8,988)
Comprehensive loss attributable to Clear Secure, Inc.	**$ (4,286)**	**$ (10,897)**

See notes to condensed consolidated financial statements

CLEAR SECURE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

(dollars in thousands, except share data)

	Class A		Class B		Class C		Class D				Treasury Stock					
	Number of shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional paid in capital	Accumulated other comprehensive loss	Number of Shares	Amount	Accumulated deficit	Total stockholders' equity attributable to Clear Secure, Inc.	Non-controlling Interest	Total stockholders' equity
Balance, January 1, 2022	**76,393,256**	**$ 1**	**1,042,234**	**$ —**	**44,598,167**	**$ —**	**26,709,821**	**$ —**	**$ 313,845**	**$ (103)**	**223,069**	**$ —**	**$ (36,130)**	**$ 277,613**	**$ 261,855**	**539,468**
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(10,327)	(10,327)	(8,467)	(18,794)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	(570)	—	—	—	(570)	(521)	(1,091)
Equity-based compensation expense, net of forfeitures	(60,349)	—	—	—	—	—	—	—	7,365	—	60,349	—	—	7,365	5,694	13,059
Warrant expense	—	—	—	—	—	—	—	—	37	—	—	—	—	37	34	70
Exchange of shares	1,025,318	—	—	—	(1,020,812)	—	(4,506)	—	2,606	—	—	—	—	2,606	(2,606)	—
Exercise of warrants	1,207,931	—	—	—	—	—	—	—	3,070	—	—	—	—	3,070	(3,070)	—
IPO Expenses	—	—	—	—	—	—	—	—	(156)	—	—	—	—	(156)	(141)	(297)
Balance, March 31, 2022	**78,566,156**	**$ 1**	**1,042,234**	**$ —**	**43,577,355**	**$ —**	**26,705,315**	**$ —**	**$ 326,767**	**$ (673)**	**283,418**	**$ —**	**$ (46,457)**	**$ 279,638**	**$ 252,778**	**$ 532,416**
Balance, January 1, 2023	**87,760,831**	**$ 1**	**907,234**	**$ —**	**38,290,964**	**$ —**	**25,796,690**	**$ —**	**$ 394,390**	**$ (1,529)**	**80,505**	**$ —**	**$ (101,797)**	**$ 291,065**	**$ 219,856**	**$ 510,921**
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(5,224)	(5,224)	(3,049)	(8,273)
Other comprehensive income	—	—	—	—	—	—	—	—	—	938	—	—	—	938	658	1,596
Equity-based compensation expense, net of forfeitures	(3,079)	—	—	—	—	—	—	—	10,151	—	3,079	—	—	10,151	6,257	16,408
Net share settlements of stock-based awards	155,049	—	—	—	—	—	—	—	(946)	—	(83,584)	—	—	(946)	(1,462)	(2,408)
Warrant expense	—	—	—	—	—	—	—	—	366	—	—	—	—	366	257	623
Exercise of warrants	534,655	—	—	—	—	—	—	—	1,615	—	—	—	—	1,615	(1,615)	—
Tax distribution to members	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(13,886)	(13,886)
Exchange of shares	2,048,773	—	—	—	(2,048,773)	—	—	—	6,189	—	—	—	—	6,189	(6,189)	—
Repurchase and retirement of Class A Common Stock	(281,838)	—	—	—	—	—	—	—	(7,380)	—	—	—	—	(7,380)	911	(6,469)
Balance, March 31, 2023	**90,214,391**	**$ 1**	**907,234**	**$ —**	**36,242,191**	**$ —**	**25,796,690**	**$ —**	**$ 404,385**	**$ (591)**	**— $**	**—**	**$ (107,021)**	**$ 296,774**	**$ 201,738**	**$ 498,512**

See notes to condensed consolidated financial statements

CLEAR SECURE, INC.

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash flows from operating activities:		
Net loss	$ (8,273)	$ (18,794)
Adjustments to reconcile net loss to net cash provided from operating activities:		
Depreciation of property and equipment	4,345	3,489
Amortization of intangible assets	822	895
Noncash lease expense	1,748	721
Impairment of assets	3,633	313
Equity-based compensation	16,649	13,129
Deferred income tax	84	206
Amortization of revolver loan costs	110	198
Premium amortization and (discount accretion), net on marketable securities	(4,074)	287
Changes in operating assets and liabilities:		
Accounts receivable	207	(2,194)
Prepaid expenses and other assets	(2,255)	6,472
Prepaid revenue share fee	(189)	(1,300)
Accounts payable	2,548	(2,137)
Accrued and other long term liabilities	29,702	7,261
Deferred revenue	14,371	17,232
Operating lease liabilities	1,329	(846)
Net cash provided by operating activities	**$ 60,757**	**$ 24,932**
Cash flows from investing activities:		
Purchases of marketable securities	(258,230)	(149,066)
Sales of marketable securities	223,049	149,066
Purchase of strategic investment	(6,000)	—
Purchases of property and equipment	(9,410)	(5,533)
Purchase of intangible assets	(14)	(100)
Net cash used in investing activities	**$ (50,605)**	**$ (5,633)**
Cash flows from financing activities:		
Repurchase of Class A Common Stock	(6,471)	—
Payment of special dividend	(34)	—
Tax distribution to members	(187)	—
Payment of taxes on net settled stock-based awards	(2,408)	—
Net cash used in financing activities	**$ (9,100)**	$ —
Net increase in cash, cash equivalents, and restricted cash	1,052	19,299
Cash, cash equivalents, and restricted cash, beginning of period	68,884	309,126
Exchange rate effect on cash and cash equivalents, and restricted cash	35	(50)
Cash, cash equivalents, and restricted cash, end of period	**$ 69,971**	**$ 328,375**

	March 31, 2023	March 31, 2022
Cash and cash equivalents	$ 39,089	$ 299,134
Restricted cash	30,882	29,241
Total cash, cash equivalents, and restricted cash	**$ 69,971**	**$ 328,375**

See notes to condensed consolidated financial statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in thousands, except for share and per share data, unless otherwise noted)

1. Description of Business and Recent Accounting Developments

Description and Organization

Clear Secure, Inc. (the "Company" and together with its consolidated subsidiaries, "CLEAR," "we," "us," "our") is a holding company and its principal asset is the controlling equity interest in Alclear Holdings, LLC ("Alclear"). Alclear was formed as a Delaware limited liability company on January 21, 2010 and operates under the terms of the Amended and Restated Operating Agreement dated June 29, 2021 (the "Operating Agreement"). As the sole managing member of Alclear, the Company operates and controls all of the business and affairs of Alclear, and through Alclear and its subsidiaries, conducts the Company's business.

The Company operates a secure identity platform under the brand name CLEAR primarily in the United States. CLEAR's current offerings include: CLEAR Plus, a consumer aviation subscription service, which enables access to predictable and fast experiences through dedicated entry lanes in airport security checkpoints within our nationwide network of 52 airports (as of the date of this filing); *Powered by* CLEAR, our business to business offering that extends our identity platform to partners so they can deliver the same friction-free experiences to their customers leveraging software development kits ("SDKs") and application programming interfaces ("APIs"); and our flagship CLEAR app, which offers free to consumer products like Home-to-Gate and Health Pass, and in the future will also include Reserve *Powered by* CLEAR, our virtual queuing technology that enables customers to manage lines.

Reorganization and Initial Public Offering

On June 29, 2021, prior to the completion of the initial public offering ("IPO") of the Company's shares of Class A common stock, $0.00001 par value per share (the "Class A Common Stock"), the Company, Alclear and its subsidiaries consummated an internal reorganization (the "Reorganization") which resulted in the following:

- Clear Secure, Inc. became the sole managing member of Alclear.

- The certificate of incorporation of Clear Secure, Inc. was amended and restated to authorize the Company to issue four classes of Common Stock: Class A Common Stock, Class B common stock, $0.00001 par value per share (the "Class B Common Stock"), Class C common stock, $0.00001 par value per share (the "Class C Common Stock") and Class D common stock, $0.00001 par value per share (the "Class D Common Stock" and, together with the Class A Common Stock, Class B Common Stock and Class C Common Stock, collectively, "Common Stock"). The Class A Common Stock and Class C Common Stock provide holders with one vote per share on all matters submitted to a vote of stockholders, and the Class B Common Stock and Class D Common Stock provide holders with twenty votes per share on all matters submitted to a vote of stockholders. The holders of Class C Common Stock and Class D Common Stock do not have any of the economic rights (including rights to dividends and distributions upon liquidation) provided to holders of Class A Common Stock and Class B Common Stock.

- All of Alclear's outstanding equity interests (including Class A units, Class B units and profit units) were reclassified into Alclear non-voting common units ("Alclear Units"). The number of Alclear Units issued to each member of Alclear was determined based on a hypothetical liquidation of Alclear and the initial public offering price per share of the Company's Class A Common Stock in the IPO. Certain members exchanged their Alclear Units for an equal number of Class A Common Stock.

- Alclear Investments, LLC, an entity controlled by Caryn Seidman-Becker, the Chair of our board of directors ("Board"), our Co-Founder and our Chief Executive Officer, and Alclear Investments II, LLC, an entity controlled by Kenneth Cornick, our Co-Founder, President and Chief Financial Officer, contributed a portion of their Alclear Units to us in exchange for Class B Common Stock.

- The remaining members of Alclear, including Alclear Investments, LLC and Alclear Investments II, LLC ("Alclear members") subscribed for and purchased shares of the Company's Class C Common Stock and Class D Common Stock at a purchase price of $0.00001 per share and in an amount equal to the number of Alclear Units held by such members.

- The Company entered into a Tax Receivable Agreement ("TRA") which generally provides for payment by the Company to the remaining members of Alclear, the "TRA Holders," of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that the Company actually realizes or is deemed to realize in certain circumstances. The Company will retain the benefit of the remaining 15% of these net cash savings.

- Alclear is treated as a partnership for U.S. federal income tax purposes and, as such, is itself generally not subject to U.S. federal income tax under current U.S. tax laws. Clear Secure, Inc, as a member of Alclear, will be required to take into account for U.S. federal income tax purposes its distributive share of the items of income, gain, loss and deduction of Alclear.

As the Reorganization is considered a transaction between entities under common control, the condensed consolidated financial statements for periods prior to the IPO and Reorganization have been adjusted to combine the previously separate entities for presentation purposes. Prior to the Reorganization, Clear Secure, Inc. had not engaged in any business or other activities, except in connection with its formation.

2. Basis of Presentation and Summary of Significant Accounting Policies

These condensed consolidated financial statements have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair presentation have been reflected in these condensed consolidated financial statements. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2023.

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts that are reported in the condensed consolidated financial statement financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

These condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "2022 Form 10-K"). Other than the item below, there have been no changes to the accounting policies disclosed within the 2022 Form 10-K:

Investments in Equity Securities

In accordance with ASC 321 "Investments—Equity Securities" ("ASC 321"), investments in equity securities in which the Company has no significant influence (generally less than a 20% ownership interest) with readily determinable fair values are accounted for at fair value based on quoted market prices. Equity securities without readily determinable fair values are accounted for either at fair value or using the measurement alternative which is at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. All gains, losses and impairments on investments in equity securities are recognized within other income (expense), net within the condensed consolidated statements of operations. The Company regularly reviews its investments in equity securities not accounted for using the equity method or at fair value for impairment based on a qualitative assessment of a variety of factors. If an equity security is impaired, an impairment loss is recognized in the condensed consolidated statements of operations equal to the difference between the fair value of the investment and its carrying amount. Refer to Note 11 for further details on the Company's strategic investment.

(dollars in thousands, except for share and per share data, unless otherwise noted)

The condensed consolidated financial statements are presented in US Dollars, which is the Company's reporting currency.

Recently Adopted Accounting Pronouncements

The Company adopted all applicable standards effective as of December 31, 2022, within these condensed consolidated financial statements. There was no material impact as a result. There are no newly issued standards since December 31, 2022 that are applicable to the Company.

3. Business Combinations

On December 29, 2021, Alclear acquired 100% of Whyline, Inc., a provider of virtual queuing and appointment technology that the Company operates under the product name, Reserve *Powered by* CLEAR.

In conjunction with the acquisition, the Company entered into an agreement to issue Class A Shares of Common Stock upon satisfaction of terms related to the contingent consideration. The remaining tranche of contingent consideration will be settled upon the achievement of specified operating metrics during the twelve-month period ended December 31, 2023.

The maximum settlement of the contingent consideration is $3,333, which is not subject to the satisfaction of service-based criteria. The contingent consideration was immaterial as of March 31, 2023 and December 31, 2022. During the three months ended March 31, 2023 and 2022, the Company did not record adjustments on its contingent consideration.

4. Revenue

The Company derives substantially all of its revenue from subscriptions to its consumer aviation service, CLEAR Plus. For the three months ended March 31, 2023 and 2022, no individual airport accounted for more than 10% of membership revenue.

Revenue by Geography

For the three months ended March 31, 2023 and 2022, substantially all of the Company's revenue was generated in the United States.

Contract liabilities and assets

The Company's deferred revenue balance primarily relates to amounts received from customers for subscriptions paid in advance of the services being provided that will be earned within the next twelve months. The following table presents changes in the deferred revenue balance for the three months ended March 31, 2023.

	2023
Balance as of January 1	$ 283,452
Deferral of revenue	144,795
Recognition of deferred revenue	(130,424)
Balance as of March 31	**$ 297,823**

During the three months ended March 31, 2022, the Company recognized revenue from its existing deferred revenue for the amount of $88,592.

The Company has obligations for refunds and other similar items of $3,204 as of March 31, 2023 recorded within accrued liabilities.

(dollars in thousands, except for share and per share data, unless otherwise noted)

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets as of March 31, 2023 and December 31, 2022 consist of the following:

	March 31, 2023	December 31, 2022
Prepaid software licenses	$ 8,940	$ 9,362
Coronavirus aid, relief, and economic security act retention credit	1,002	1,002
Prepaid insurance costs	1,435	2,613
Other current assets	6,478	5,120
Total	**$ 17,855**	**$ 18,097**

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") is intended to provide economic relief resulting from the COVID-19 pandemic which includes, but is not limited to, employment related costs. For the year ended December 31, 2020, the Company recorded a receivable of $2,036 related to submissions made under the CARES Act. The Company received partial payment on this receivable during the year ended December 31, 2022. The Company expects to receive the remainder of the balance in the next twelve months.

6. Fair Value Measurements

The Company values its available-for-sale securities and certain liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3 – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs to the extent possible. In addition, the Company considers counterparty credit risk in its assessment of fair value.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for certain assets and liabilities measured at fair value.

Corporate bonds – Valued at the closing price reported on the active market on which the individual securities, all of which have counterparts with high credit ratings, are traded.

Commercial paper – Value is based on yields currently available on comparable securities of issuers with similar credit ratings.

Money market funds – Valued at the net asset value ("NAV") of units of a collective fund. The NAV is used as a practical expedient to estimate fair value. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

(dollars in thousands, except for share and per share data, unless otherwise noted)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The contractual maturities of investments classified as marketable securities are as follows:

	March 31, 2023	December 31, 2022
Due within 1 year	$ 582,907	$ 549,213
Due after 1 year through 2 years	126,012	116,597
Total marketable securities	**$ 708,919**	**$ 665,810**

The following table represents the amortized cost, gross unrealized gains and losses, and fair market value of the Company's marketable securities by significant investment category in addition to their fair value level at March 31, 2023 and December 31, 2022.

	As of March 31, 2023				
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Level**
Commercial paper	$ 91,875	$ 1	$ (199)	$ 91,677	2
U.S. Treasures	383,070	961	(870)	383,161	1
Corporate bonds	223,416	63	(1,294)	222,185	2
Money market funds measured at NAV (a)	11,896	—	—	11,896	N/A
Total marketable securities	**$ 710,257**	**$ 1,025**	**$ (2,363)**	**$ 708,919**	

	As of December 31, 2022				
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Level**
Commercial paper	$ 69,762	$ 4	$ (352)	$ 69,414	2
U.S. Treasures	365,424	511	(1,448)	364,487	1
Corporate bonds	218,980	9	(1,310)	217,679	2
Money market funds measured at NAV (a)	14,230	—	—	14,230	N/A
Total marketable securities	**$ 668,396**	**$ 524**	**$ (3,110)**	**$ 665,810**	

(a) Certain money market funds that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the condensed consolidated balance sheets.

Of the total marketable securities held at fair value as of March 31, 2023, $33,319 was in a continuous unrealized loss for 12 months or longer. The Company had no continuous unrealized loss position in relation to marketable securities as of March 31, 2023 or December 31, 2022 that was as a result of credit deterioration. For the periods presented the Company does not intend to nor will it be required to sell any securities before recovery of their amortized cost bases.

For certain other financial instruments, including accounts receivable, accounts payable, accrued liabilities, as well as other current liabilities, the carrying amounts approximate the fair value of such instruments due to the short maturity of these balances.

(dollars in thousands, except for share and per share data, unless otherwise noted)

7. Property and Equipment, net

Property and equipment as of March 31, 2023 and December 31, 2022 consist of the following:

	Depreciation period in years	March 31, 2023	December 31, 2022
Internally developed software	3 - 5	$ 56,942	$ 53,788
Acquired software	3	6,544	6,536
Equipment	5	29,176	29,651
Leasehold improvements	1 - 15	11,355	7,731
Furniture and fixtures	5	12,058	1,608
Construction in progress		9,703	14,102
Total property and equipment, cost		125,778	113,416
Less: accumulated depreciation		(57,739)	(55,492)
Total property and equipment, net		**$ 68,039**	**$ 57,924**

Depreciation and amortization expense related to property and equipment for the three months ended March 31, 2023 and 2022 was $4,345 and $3,489, respectively.

During the three months ended March 31, 2023, $3,154 was capitalized in connection with internally developed software inclusive of $382 of equity-based compensation. Amortization expense on internally developed software was $1,751 and $1,737 for the three months ended March 31, 2023 and 2022, respectively.

During the three months ended March 31, 2023 and 2022, the Company recognized impairment charges of $2,127 and $313, respectively, on certain long-lived assets.

Purchases of property and equipment with unpaid costs in accounts payable and accrued liabilities as of March 31, 2023 were $2,101 and $6,122, respectively, and $1,261 and $427 as of March 31, 2022, respectively.

8. Leases

Cash paid for amounts included in the measurement of operating lease liabilities for the three months ended March 31, 2023 and March 31, 2022 was $1,082 and $1,155 respectively.

During the three months ended March 31, 2023, the Company entered into a sublease agreement whereby the Company will continue to be a lessee under the original operating lease but will act as a sublessor. The Company recorded $1,506 of impairment to its right of use asset within general and administrative in the condensed consolidated statements of operations and will record sublease income in other income (expense), net within the condensed consolidated statements of operations.

9. Intangible Assets, net

See below for Intangible assets, net as of March 31, 2023 and December 31, 2022:

(dollars in thousands, except for share and per share data, unless otherwise noted)

	Amortization Period in Years	March 31, 2023	December 31, 2022
Patents	20	$ 2,658	$ 2,643
Acquired intangibles - technology	3	4,300	4,300
Acquired intangibles - customer relationships	11	17,900	17,900
Acquired intangibles - brand names	5	500	500
Indefinite lived intangible assets		310	310
Total intangible assets, cost		25,668	25,653
Less: accumulated amortization		(4,183)	(3,361)
Intangible assets, net		**$ 21,485**	**$ 22,292**

Amortization expense on intangible assets for the three months ended March 31, 2023 and 2022 was $822 and $895, respectively. The Company did not recognize any impairment charges on intangible assets, net for any periods presented.

10. Restricted Cash

As of March 31, 2023 and December 31, 2022, the Company maintained bank deposits of $8,542 and $7,708, respectively, which were primarily pledged as collateral for long-term letters of credit issued in favor of airports, in connection with the Company's obligations under revenue share agreements. As of March 31, 2023 and December 31, 2022, the Company also had a letter of credit in place for the amount of $6,153 and $6,099, respectively, in relation to the new corporate headquarters lease agreement entered into in December 2021 that commenced in November 2022.

In addition, the Company also has a $16,187 and $16,138 restricted cash account against a letter of credit with a credit card company as a reserve against potential future refunds and chargebacks as of March 31, 2023 and December 31, 2022.

11. Other Assets

Other assets consist of the following of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Security deposits	$ 271	$ 251
Loan fees	15	70
Certificates of deposit	459	459
Strategic investment	6,000	—
Other long-term assets	2,444	2,289
Total	**$ 9,189**	**$ 3,069**

During the three months ended March 31, 2023, the Company made a strategic investment in equity securities in a privately held company. As the investment does not have a readily determinable fair value, the Company elected the measurement alternative to record the investment at initial cost less impairments, if any, adjusted for observable changes in fair value for identical or similar investments of the same issuer. Adjustments resulting from these fluctuations are recorded within other income (expense) on the Company's condensed consolidated statements of operations.

During the three months ended March 31, 2023, there were no adjustments recorded by the Company in relation to its strategic investment.

(dollars in thousands, except for share and per share data, unless otherwise noted)

12. Accrued Liabilities and Other Long Term Liabilities

Accrued liabilities consist of the following as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Accrued compensation and benefits	$ 10,230	$ 17,362
Accrued partnership liabilities	103,638	71,195
Lease liability	5,487	4,963
Other accrued liabilities	36,248	12,550
Total	**$ 155,603**	**$ 106,070**

The Company has estimated accrued partnership liabilities related to a portion of merchant credit card benefits that it expects to settle in the second half of the current year.

Other long term liabilities consist of the following as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Deferred tax liability	$ 2,520	$ 2,435
Lease liability	125,935	125,146
Other accrued liabilities	2,028	1,542
Total	**$ 130,483**	**$ 129,123**

13. Warrants

In January 2023, the Company recognized $1,038 of the remaining expense related to the 534,655 fully vested United Airlines warrants. These warrants were exercised for Class A Common Stock in a cashless exercise with an intrinsic value of $16,136. The existing warrant agreement with United Airlines expired in the first quarter of 2023.

Based on the probability of vesting, the Company recorded net $623 and $70 for the three months ended March 31, 2023 and March 31 2022, respectively within general and administrative expense in the condensed consolidated statements of operations.

The following warrants remained outstanding as of March 31, 2023:

	Number of Warrants	Weighted-Average Exercise Price	Weighted average Remaining Contractual Term (years)
Exercisable for Class A Common Stock	99,939	$ 0.01	0.67
Exercisable for Alclear Units	773,934	$ 0.01	1.46

All outstanding warrants are subject to certain performance-based vesting criteria which the Company evaluates at each reporting period to determine the likelihood of achievement.

14. Stockholders' Equity

Common Stock

The Company has and will issue shares of its Common Stock as a result of transactions in relation to warrant exercises, exchanges, and vesting of restricted stock units ("RSUs").

(dollars in thousands, except for share and per share data, unless otherwise noted)

Treasury Stock

The Company's treasury stock consists of forfeited Restricted Stock Awards ("RSAs") that are legally issued shares held by the Company, and is recorded at par value, as well as any shares repurchased under the Company's share repurchase program that are not retired by the Company's Board. The Company's treasury stock can be utilized to settle equity-based compensation awards issued by the Company and is excluded from the calculation of the non-controlling interest ownership percentage.

Share Repurchases

During the three months ended March 31, 2023, the Company repurchased and retired 281,838 shares of its Class A Common Stock for $6,471 at an average price of $22.96. As of March 31, 2023, $88,627 remains available under the repurchase authorization.

The Inflation Reduction Act created an excise tax of 1% on the fair market value of net stock repurchases made after December 31, 2022. During the three months ended March 31, 2023, the Company did not have an impact related to this within its condensed consolidated financial statements. Refer to Note 17 for further information regarding the Inflation Reduction Act.

Non-Controlling Interest

The non-controlling interest balance represents the economic interest in Alclear held by the founders and members of Alclear. The following table summarizes the ownership of Alclear Units as of March 31, 2023:

	Alclear Units	Ownership Percentage
Alclear Units held by post-reorganization members	36,242,191	23.66 %
Alclear Units held by the Alclear members	25,796,690	16.84 %
Total	**62,038,881**	**40.50 %**

The non-controlling interest holders have the right to exchange Alclear Units, together with a corresponding number of shares of Class C Common Stock for Class A Common Stock or Class D Common Stock for Class B Common Stock. As such, exchanges by non-controlling interest holders will result in a change in ownership and reduce the amount recorded as non-controlling interest and increase Class A Common Stock or B Common Stock and additional paid-in-capital for the Company. Upon the issuance of shares Class A Common Stock or B Common Stock, the Company issues a proportionate number of Alclear Units in conjunction with the terms of the Reorganization.

During the three months ended March 31, 2023, certain non-controlling interest holders exchanged their Alclear Units and corresponding shares of Class C Common Stock or Class D Common Stock for shares of the Company's Class A Common Stock or Class B Common Stock, as applicable. As a result, the Company issued 2,048,773 shares of Class A Common Stock.

The non-controlling interest ownership percentage declined from 42.02% as of December 31, 2022 to 40.50% as of March 31, 2023. The primary driver of this decrease was attributable to the issuance of shares of Class A Common Stock, due to the exercise of certain warrants and exchanges described above.

15. Incentive Plans

2021 Omnibus Incentive Plan

The Clear Secure, Inc 2021 Omnibus Incentive Plan ("2021 Omnibus Incentive Plan") became effective on June 29, 2021 to provide grants of equity-based awards to the employees, consultants, and directors of the Company and its affiliates.

The 2021 Omnibus Incentive Plan authorized the issuance of up to20,000,000 shares of Class A Common Stock as of the date of the Reorganization. The 2021 Omnibus Incentive Plan authorized the issuance of shares pursuant to the grant, settlement or exercise of RSUs, RSAs, stock options and other share-based awards. Beginning with the first business day of each calendar year beginning in 2022 through 2031, the number of shares available will increase in an amount up to 5% of the total number of common shares outstanding (assuming exchange and/or conversion of all classes of common shares into Class A Common Stock) as of the last day of the immediately preceding year or a lesser amount approved by the Board or its compensation committee, so long as the total share reserve available for future awards at the time is not more than 12% of common shares outstanding (assuming exchange and/or conversion of all classes of common shares into Class A common stock). For fiscal year 2023, the Compensation Committee of the Board approved no increase in the 2021 Omnibus Incentive Plan, which such increase would have been effective on the first business day of 2023.

Alclear Holdings, LLC Equity Incentive Plan

Prior to the Reorganization, Alclear granted profit unit awards and RSUs to various employees of the Company. In connection with the Company's Reorganization described in Note 1, these awards were substituted as follows:

- The Company substituted Alclear's RSUs with RSUs under the 2021 Omnibus Incentive Plan.
- The Company substituted Alclear's performance vesting profit units with performance vesting RSUs under the 2021 Omnibus Incentive Plan.
- The Company substituted Alclear's other profit units with only a service vesting condition to RSAs under the 2021 Omnibus Incentive Plan.

In all cases of the respective substitutions, the new awards retained the same terms and conditions (including applicable vesting requirements). Each award was converted to reflect the $31.00 share price contemplated in the Company's IPO while retaining the same fair value. The RSUs originally granted by Alclear were subject to both service and liquidity event vesting conditions. The Company concluded that the Reorganization represented a qualifying liquidity event that would cause the RSUs' liquidity event vesting conditions to be met.

Restricted Stock Awards

In accordance with the Reorganization, the Company substituted Alclear Holdings' profit units with service vesting conditions with RSAs, which are subject to the same vesting terms as applied to Alclear's profit units; each also maintained the same fair value immediately before and after the exchange of the award. As such, there was no additional compensation expense that was recorded as a result of the substitution of the awards.

The RSAs are subject to service-based vesting conditions and will vest on a specified date, provided the applicable service, generallythree years, has been satisfied.

The Company determines the fair value of each RSA based on the grant date and records the expense over the vesting period or requisite service period.

(dollars in thousands, except for share and per share data, unless otherwise noted)

The following is a summary of activity related to the RSAs associated with compensation arrangements during the three months ended March 31, 2023.

	RSA - Class A Common Stock	Weighted-Average Grant-Date Fair Value
Unvested balance as of January 1, 2023	236,279	$ 0.87
Granted	—	—
Vested	(173,156)	(0.87)
Forfeited	(3,079)	(0.87)
Unvested balance as of March 31, 2023	**60,044**	**$ 0.87**

Below is the compensation expense related to the RSAs:

	Three Months Ended	
	March 31, 2023	**March 31, 2022**
Cost of direct salaries and benefits	$ —	$ 2
Research and development	2	44
Sales and marketing	—	1
General and administrative	5	63
Total	**$ 7**	**$ 110**

As of March 31, 2023, estimated unrecognized expense for RSAs that are probable of vesting was $3 with such expense to be recognized over a weighted-average period of approximately 0.21 years.

Restricted Stock Units

RSUs are subject to both service-based and, in some cases, performance-based vesting conditions. RSUs will vest on a specified date, provided the applicable service (generally three years) and, if applicable, when certain performance conditions are probable of satisfaction. The RSUs with performance-based vesting conditions are subject to long-term revenue and cash-basis earnings performance hurdles. The Company determines the fair value of each RSU based on the grant date and records the expense over the vesting period or requisite service period on a straight-line basis and for performance-based vesting awards, whether they are probable or not.

(dollars in thousands, except for share and per share data, unless otherwise noted)

The following is a summary of activity related to the RSUs associated with compensation arrangements during the three months ended March 31, 2023:

	RSU's	Weighted-Average Grant-Date Fair Value
Unvested balance as of January 1, 2023	4,125,596	$ 27.88
Granted	446,253	30.01
Vested	(245,174)	(20.54)
Forfeited	(232,551)	(26.88)
Unvested balance as of March 31, 2023	**4,094,124**	**$ 28.61**

Below is the compensation expense recognized related to the RSUs:

	Three Months Ended	
	March 31, 2023	March 31, 2022
Cost of direct salaries and benefits	$ 73	$ 91
Research and development	4,950	3,697
Sales and marketing	(101)	48
General and administrative	4,612	2,628
Total	**$ 9,534**	**$ 6,464**

As of March 31, 2023, estimated unrecognized expense for RSUs that are probable of vesting was $79,801 with such expense to be recognized over a weighted-average period of approximately 2.01 years.

Founder PSUs

During June 2021, the Company established a long-term incentive compensation plan for the co-founders, which consists of performance restricted stock-unit awards (the "Founder PSUs"), that will be settled in shares of Class A Common Stock pursuant to the 2021 Omnibus Incentive Plan, subject to the satisfaction of both service and market based vesting conditions.

The grant date fair value for the Founder PSUs was determined by a Monte Carlo simulation and discounted by the risk-free rate on the grant date and an expected volatility of 45%. The Founder PSUs are estimated to vest over a five year period, based on the achievement of specified price hurdles of the Company's Class A Common Stock. The specified price hurdles of the Company's Class A Common Stock will be measured on the volume-weighted average price per share for the trailing days during any 180 day period that ends within the applicable measurement period. In June 2021, the Company granted 4,208,617 Founder PSUs at a weighted average grant date fair value of $16.54. The Company records the expense related to these awards within general and administrative in the condensed consolidated statements of operations.

As of March 31, 2023, estimated unrecognized expense for Founder PSUs was $23,430 with such expense to be recognized over a weighted-average period of approximately 0.78 years.

Below is a summary of total compensation expense recorded in relation to the Company's incentive plans:

	Three Months Ended	
	March 31, 2023	March 31, 2022
RSAs	$ 7	$ 110
RSUs	9,534	6,464
Founder PSUs	6,485	6,485
Total	**$ 16,026**	**$ 13,059**

(dollars in thousands, except for share and per share data, unless otherwise noted)

	Three Months Ended	
	March 31, 2023	March 31, 2022
Cost of direct salaries and benefits	$ 73	$ 94
Research and development	4,952	9,176
Sales and marketing	(101)	3,741
General and administrative	11,102	48
Total	**$ 16,026**	**$ 13,059**

16. Net Loss per Common Share

Below is the calculation of basic and diluted net loss per common share:

	Three Months Ended March 31, 2023	
	Class A	Class B
Basic:		
Net loss attributable to Clear Secure, Inc.	$ (5,173)	$ (51)
Weighted-average number of shares outstanding, basic	89,555,385	907,234
Weighted-average vested warrants	59,406	—
Weighted-average number of shares outstanding used to calculate net loss per common share, basic	89,614,791	907,234
Net loss per common share, basic:	**$ (0.06)**	**$ (0.06)**
Diluted:		
Net loss attributable to Clear Secure, Inc. used to calculate net loss per common share, basic	$ (5,173)	$ (51)
Weighted-average number of shares outstanding used to calculate net loss per common share, basic	89,614,791	907,234
Effect of dilutive shares	—	—
Weighted-average number of shares outstanding, diluted	89,614,791	907,234
Net loss per common share, diluted:	**$ (0.06)**	**$ (0.06)**

	Three Months Ended March 31, 2022	
	Class A	Class B
Basic:		
Net loss attributable to Clear Secure, Inc.	$ (10,189)	$ (138)
Weighted-average number of shares outstanding, basic	76,672,530	1,042,234
Weighted-average vested warrants	—	—
Weighted-average number of shares outstanding used to calculate net loss per common share, basic	76,672,530	1,042,234
Net loss per common share, basic:	**$ (0.13)**	**$ (0.13)**
Diluted:		
Net loss attributable to Clear Secure, Inc. used to calculate net loss per common share, basic	$ (10,189)	$ (138)
Weighted-average number of shares outstanding used to calculate net loss per common share, basic	76,672,530	1,042,234
Effect of dilutive shares	—	—
Weighted-average number of shares outstanding, diluted	76,672,530	1,042,234
Net loss per common share, diluted:	**$ (0.13)**	**$ (0.13)**

Due to the net loss for the periods presented, the following potentially dilutive shares were determined to be anti-dilutive and were therefore excluded from the weighted-average share count in the computation of net loss per common share, diluted:

(dollars in thousands, except for share and per share data, unless otherwise noted)

	Three Months Ended March 31, 2023	
	Class A	Class B
Exchangeable Alclear Units	36,242,191	25,796,690
RSA’s	60,044	—
RSU’s	4,094,124	—
Total	**40,396,359**	**25,796,690**

	Three Months Ended March 31, 2022	
	Class A	Class B
Exchangeable Alclear Units	43,580,905	26,705,315
RSA’s	1,346,372	—
RSU’s	2,915,337	—
Total	**47,842,614**	**26,705,315**

The Company has excluded certain potentially dilutive shares from the tables above as they had performance conditions that were not achieved as of the end of the periods above.

17. Income Taxes

As a result of the IPO and Reorganization, the Company became the sole managing member of Alclear, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, Alclear is generally not subject to U.S. federal and most state and local income taxes. Any taxable income or loss generated by Alclear is passed through to and included in the taxable income or loss of its members, including us, on a pro rata basis. The Company is subject to U.S. federal income taxes, in addition to state and local income taxes with respect to our allocable share of any taxable income or loss of Alclear, as well as any stand-alone income or loss generated by the Company. The Company is also subject to income taxes in Israel, Argentina, and Mexico.

The Company reported a tax benefit of $119 on a pretax loss of $8,392 for the three months ended March 31, 2023 as compared to a tax expense of $302 on a pretax loss of $18,492 for the three months ended March 31, 2022. This resulted in an effective tax rate of 1.4% for the three months ended March 31, 2023 as compared to (1.6%) percent for the three months ended March 31, 2022. The Company's effective tax rate differs from the statutory rate primarily due to the following: (1) the impact of Alclear being a partnership and allocating its taxable results to its non-controlling members, (2) movement in valuation allowance, (3) foreign taxes, and (4) the impact of U.S. federal and state taxes in excess of applicable tax attributes (e.g., net operating losses and general business tax credits).

The Company did not have significant unrecognized tax benefits and interest and penalties as of March 31, 2023. The Company is subject to income taxes in the U.S., Israel, Argentina, and Mexico. The statute of limitations for adjustments to our historic tax obligations will vary from jurisdiction to jurisdiction. The tax years for U.S. federal and state income tax purposes open for examination are for the years ending December 31, 2019 and forward. The tax years for foreign jurisdictions open for examination are for the years ending December 31, 2017 and forward.

Recent U.S. Tax Legislation

On August 16, 2022, President Biden signed into law the Inflation Reduction Act. The Inflation Reduction Act creates a 15% corporate alternative minimum tax on profit of corporations whose average annual adjusted financial statement income for any consecutive three-tax-year period preceding the tax year exceeds $1 billion and is effective for tax years beginning after December 31, 2022. The Company does not currently expect this provision to have a material impact on the consolidated financial statements for the three months ended March 31, 2023. Additionally, the Inflation Reduction Act creates an excise tax of 1% on the fair market value of net stock repurchases made after December 31, 2022. During the three months ended March

31, 2023, the Company repurchased 281,838 shares of its Class A Common Stock for $6,471 at an average price of $22.96 However, there was no excise tax as of March 31, 2023 because the stock issuances were in excess of repurchases.

Tax Receivable Agreement

As stated in Note 1, in connection with the IPO, the Company entered into the TRA, which generally provides for payment by the Company to the remaining members of Alclear of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that Clear Secure, Inc. actually realizes or is deemed to realize as a result of (i) any increase in tax basis in Alclear's assets resulting from (a) exchanges by Alclear members (or their transferees or other assignees) of Alclear Units (along with the corresponding shares of our Class C Common Stock or Class D Common Stock, as applicable) for shares of the Company's Class A Common Stock or Class B Common Stock, as applicable, and purchases of Alclear Units and corresponding shares of Class C Common Stock or Class D Common Stock, as the case may be, from the Alclear members (or their transferees or other assignees) or (b) payments under the TRA, and (ii) tax benefits related to imputed interest deemed arising as a result of payments made under the TRA. The Company will retain the benefit of the remaining 15% of these net cash savings.

The TRA liability is calculated by determining the tax basis subject to TRA ("tax basis") and applying a blended tax rate to the basis differences and calculating the iterative impact. The blended tax rate consists of the U.S. federal income tax rate and an assumed combined state and local income tax rate driven by the apportionment factors applicable to each state. Subsequent changes to the measurement of the TRA liability are recognized in the statements of operations as a component of other income (expense), net.

The Company expects to obtain an increase in the share of the tax basis of its share of the assets of Alclear when Alclear Units are redeemed or exchanged by Alclear Members and other qualifying transactions. This increase in tax basis may have the effect of reducing the amounts that the Company would otherwise pay in the future to various tax authorities. The increase in tax basis may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

As of March 31, 2023, the Company issued 9,463,150 shares of Class A Common Stock to certain non-controlling interest holders who exchanged their Alclear Units. Refer to Note 15 for further details. These exchanges resulted in a tax basis increase subject to the provisions of the TRA. The recognition of the Company's liability under the tax receivable agreement mirrors the recognition related to its deferred tax assets. As of March 31, 2023, the Company has not recognized the deferred tax asset for the step-up in tax basis, as the asset is not more-likely-than-not to be realized. Additionally, as of March 31,2023, the Company has determined the TRA liability is not probable and therefore has not recorded a tax receivable liability that, if recorded, would be approximately $67,439.

Tax Distributions

The members of Alclear, including CLEAR, incur U.S. federal, state and local income taxes on their share of any taxable income of Alclear. The Operating Agreement provides for pro rata cash distributions ("tax distributions") to the holders of the Alclear Units in an amount generally calculated to provide each member of Alclear with sufficient cash to cover its tax liability in respect of the taxable income of Alclear allocable to them. In general, these tax distributions are computed based on Alclear's estimated taxable income, multiplied by an assumed tax rate as set forth in the Operating Agreement.

For the three months ended March 31, 2023, Alclear recorded a liability of $13,886 related to tax distributions to non-controlling interest holders which was subsequently paid in full in April 2023.

18. Commitments and Contingencies

Litigation

From time to time, the Company is involved in various legal proceedings arising in the ordinary course of business. The Company records a liability when it believes that it is probable that a loss will be incurred and the amount of loss or range of loss can be reasonably estimated. Based on the currently available information, the Company does not believe that there are claims or legal proceedings that would have a material adverse effect on the business, or the condensed consolidated financial statements of the Company.

(dollars in thousands, except for share and per share data, unless otherwise noted)

Commitments other than leases

The Company is subject to minimum spend commitments of $4,708 over the next two years under certain service arrangements.

The Company has commitments for future marketing expenditures to sports stadiums of $11,581 through 2027. For the three months ended March 31, 2023 and 2022, marketing expenses related to sports stadiums were approximately $1,269 and $905, respectively.

In conjunction with the Company's revenue share agreements with the airports, certain agreements contain minimum annual contracted fees.These future minimum payments are as follows as of March 31, 2023:

2023	$	14,201
2024		11,390
2025		6,199
2026		1,532
2027		761
Thereafter		945
Total	**$**	**35,028**

19. Related Party Transactions

As of March 31, 2023, and December 31, 2022, the Company had total payables to certain related parties of $2,558 and $2,836, respectively.

For the three months ended March 31, 2023 and 2022, the Company recorded $2,851 and $2,054, respectively, in cost of revenue share fee within the condensed consolidated statements of operations, in connection with certain related parties.

Refer to Note 17 for information regarding the TRA liability. Refer to Note 13 regarding transactions between certain related parties with regards to warrants.

20. Employee Benefit Plan

The Company has a 401(k) retirement, savings and investment plan (the "401(k) Plan"). Participants make contributions to the 401(k) Plan in varying amounts, up to the maximum limits allowable under the Internal Revenue Code. For the three months ended March 31, 2023 and 2022, the Company recorded expense of $842 and $745, respectively, within the condensed consolidated statements of operations.

21. Debt

In March 2020, the Company entered into a credit agreement (the "Credit Agreement") for athree-year $50,000 revolving credit facility, with a group of lenders. In April 2021, the Company entered into an amended credit agreement (the "First Amended Credit Agreement") that increased the Company increased the commitments under the revolving credit facility to $100,000, which matures three years from the date of the increase. The revolving credit facility includes a letter of credit sub-facility. The revolving credit facility has not been drawn against as of March 31, 2023. Prepaid loan fees related to this facility are capitalized and amortized over the remaining term of the credit agreement. The balance expected to be amortized with twelve months from the balance sheet date is presented within Prepaid and other current assets on the condensed consolidated balance sheets, while the long term portion is presented within Other assets in the condensed consolidated balance sheets. As of March 31, 2023, the balance of these loan fees was $233.

The credit agreement contains customary terms and conditions, including limitations on consolidations, mergers, indebtedness, and certain payments, as well as a financial covenant relating to leverage. Borrowings under the credit agreement generally will bear a floating interest rate per year and will also include interest based on the greater of the prime rate, London InterBank Offered Rate (LIBOR) or New York Federal Reserve Bank (NYFRB) rate, plus an applicable margin for specific interest periods.

As of May 4, 2023, the Company had a remaining borrowing capacity of $93,919, net of standby letters of credit, and had no outstanding debt obligations.

In addition, the credit agreement contains certain other covenants (none of which relate to financial condition), events of default and other customary provisions, and also contains customary LIBOR replacement mechanics. As of March 31, 2023, the Company was in compliance with all of the financial and non-financial covenants of the Credit Agreement.

22. Subsequent Events

On May 9, 2023, the Company announced that a special committee of its Board declared a special cash dividend in the amount of $0.20 per share payable on May 25, 2023 to holders of record of the Class A Common Stock and Class B Common Stock as of the close of business on May 18, 2023.

The Company is funding the payment of the special cash dividend from its pro rata share of tax distributions made by Alclear. Tax distributions are required under Alclear's Operating Agreement, generally at the highest tax rate applicable to individuals. However, due mainly to the Company's utilization of certain tax attributes and the lower tax rate on corporations, the Company has received cash from tax distributions in excess of what is required to fund its tax liabilities and obligations under its Tax Receivable Agreement. The excess cash held by the Company is being used to fund the cash dividend.

To the extent the dividend exceeds our current and accumulated earnings and profits, a portion of the dividend may be deemed a return of capital or a capital gain to the holders of our Class A Common Stock or Class B Common Stock, as applicable.

The Board has not established a regular dividend policy regarding excess tax distributions received from Alclear. Any future dividends will be at the discretion of, and subject to the approval of, the Board.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help readers understand our results of operations, financial condition and cash flows and should be read in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 ("Annual Report on Form 10-K"). This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below.

For purposes of this MD&A, the term "we" and other forms thereof refer to Clear Secure, Inc. and its subsidiaries (collectively, the "Company"), which includes Alclear Holdings, LLC ("Alclear").

Forward-Looking Statements

This quarterly report includes certain forward-looking statements within the meaning of the federal securities laws regarding, among other things, our or management's intentions, plans, beliefs, expectations or predictions of future events, which are considered forward-looking statements. You should not place undue reliance on those statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as "may," "will," "should," "believe," "expect," "anticipate," "intend," "plan," "estimate," or similar expressions. These statements are based upon assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. As you read this quarterly report, you should understand that these statements are not guarantees of performance or results. They involve known and unknown risks, uncertainties and assumptions, including those described under the heading "Risk Factors" in our Annual Report on Form 10-K. Although we believe that these forward-looking statements are based upon reasonable assumptions, you should be aware that many factors, including those described under the heading "Risk Factors" in our Annual Report on Form 10-K, could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements.

Our forward-looking statements made herein are made only as of the date of this quarterly report. We expressly disclaim any intent, obligation or undertaking to update or revise any forward-looking statements made herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this quarterly report.

Overview

CLEAR is an identity company obsessed with the customer experience. We make everyday experiences frictionless by connecting your identity to the things that make you, YOU - transforming the way you live, work, and travel. CLEAR has been delivering friction-free experiences in airports for over a decade, achieving exceptional user delight and trust with CLEAR Plus, our consumer aviation subscription service. CLEAR Plus enables access to predictable and fast experiences through dedicated entry lanes in airport security checkpoints nationwide. As we continue to innovate on the travel experience, we are looking forward to becoming an authorized TSA PreCheck® enrollment provider to help bring TSA PreCheck® enrollment to more people in more places. Once CLEAR successfully meets all TSA requirements to become an enrollment provider and completes a trial period, CLEAR will be approved to begin offering TSA PreCheck® enrollment services to the public at select locations using CLEAR pods. We expect to soft launch TSA PreCheck® Enrollment Provided by CLEAR in mid-2023. Our business to business offering, *Powered by* CLEAR extends our identity platform to partners so they can deliver the same friction-free experiences to their customers leveraging software development kits ("SDKs") and application programming interfaces ("APIs"). *Powered by* CLEAR offers solutions to partners such as identity verification, virtual queuing, and credential validation (e.g., age validation and health attributes, among others). Our flagship CLEAR app offers free to consumer products like Home-to-Gate and Health Pass, and in the future will also include Reserve *Powered by* CLEAR, our virtual queuing technology that enables customers to manage lines.

Key Factors Affecting Performance

We believe that our current and future financial growth are dependent upon many factors, including the key factors affecting performance described below.

Ability to Grow Total Cumulative Enrollments

We are focused on growing Total Cumulative Enrollments and the number of members that engage with our platform. Our operating results and growth opportunities depend, in part, on our ability to attract new members, including paying members (CLEAR Plus members) as well as new platform members. We rely on multiple channels to attract new CLEAR Plus members, including in-airport (our largest channel) which in turn is dependent on the ongoing ability of our ambassadors to successfully engage with the traveling public. We also rely on numerous digital channels such as paid search and partnerships. In many cases, we offer limited time free trials to new members who may convert to paying members upon the completion of their trial. Our future success is dependent on those channels continuing to drive new members and our ability to convert free trial members into paying members.

We believe we will see an acceleration of Total Cumulative Platform Uses relative to Total Cumulative Enrollments over time as our members use our products across multiple locations and use cases. We believe this dynamic will grow the long-term economic value of our platform by increasing total engagement, expanding our margins and maximizing our revenue. Our future success is dependent upon maintaining and growing our partnerships as well as ensuring our platform remains compelling to members.

Although we have historically grown the number of new members over time and successfully converted some free trial members to paying members, our future success is dependent upon our ongoing ability to do so.

Ability to retain CLEAR Plus members

Our ability to execute on our growth strategy is focused, in part, on our ability to retain our existing CLEAR Plus members. Frequency and recency of usage are the leading indicators of retention, and we must continue to provide frictionless and predictable experiences that our members will use in their daily lives. The value of the CLEAR platform to our members increases as we add more use cases and partnerships, which in turn drives more frequent usage and increases retention. Historically, CLEAR Plus members who used CLEAR in both aviation and non-aviation venues renewed at rates materially above those who used CLEAR only in aviation. We cannot be sure that we will be successful in retaining our members due to any number of factors such as our inability to successfully implement a new product, adoption of our technology, harm to our brand or other factors.

Ability to add new partners, retain existing partners and generate new revenue streams

Our partners include local airport authorities, airlines and other businesses. Our future success depends on maintaining those relationships, adding new relationships and maintaining favorable business terms. In addition, our growth strategy relies on creating new revenue streams such as per partner, per member or per use transaction fees. Although we believe our service provides significant value to our partners, our success depends on creating mutually beneficial partnership agreements. We are focused on innovating both our product and our platform to improve our members' experience, improve safety and security and introduce new use cases. We intend to accelerate our pace of innovation to add more features and use cases, to ultimately deliver greater value to our members and partners. In the near term, we believe that growing our member base facilitates our ability to add new partnerships and provide additional offerings, which we expect will lead to revenue generation opportunities in the long term.

Timing of new partner, product and location launches

Our financial performance is dependent in part on new partner, product and location launches. In many cases, we cannot predict the exact timing of those launches. Delays, resulting either from internal or external factors, may have a material effect on our financial results.

Timing of expenses; Discretionary investments

Although many of our expenses occur in a predictable fashion, certain expenses may fluctuate from period to period due to timing.

In addition, management may make discretionary investments when it sees an opportunity to accelerate growth, add a new partner or acquire talent, among other reasons. This may lead to volatility or unpredictability in our expense base and in our profitability.

Maintaining strong unit economics

Our business model is powered by network effects and has historically been characterized by efficient member acquisition and high member retention rates. This is evident by our approximately 22 times Lifetime Value relative to our Customer Acquisition Cost for CLEAR Plus members who joined during 2022. The Lifetime Value relative to our Customer Acquisition Cost for CLEAR Plus members who joined during 2022 has improved compared to prior periods. While we believe our unit economics will remain attractive, this is dependent on our ability to add new members efficiently and maintain our historically strong retention rates. As we grow our market penetration, the cost to acquire new members could increase and the experience we deliver to members could degrade, causing lower retention rates. For our definitions of "Lifetime Value" and "Customer Acquisition Cost" and information about how we calculate these metrics, see the section titled "Business—Our Member Acquisition and Retention Strategy" in our Annual Report on Form 10-K.

Changes to the macro environment

Our business is dependent on macroeconomic and other events outside of our control, such as decreased levels of travel or attendance at events, terrorism, civil unrest, political instability, union and other transit related strikes and other general economic conditions. We are also subject to changes in discretionary consumer spending.

The Reorganization Transactions

Prior to the completion of our initial public offering ("IPO"), we undertook certain reorganization transactions (the "Reorganization Transactions") such that Clear Secure, Inc. is now a holding company, and its sole material asset is a controlling equity interest in Alclear. As the general partner of Alclear, Clear Secure, Inc. operates and controls all of the business and affairs of Alclear, has the obligation to absorb losses and receive benefits from Alclear and, through Alclear and its subsidiaries, conducts our business.

The Reorganization Transactions were accounted for as a reorganization of entities under common control. As a result, the consolidated financial statements of the Company recognized the assets and liabilities received in the Reorganization Transactions at their historical carrying amounts, as reflected in the historical financial statements of Alclear. The Company consolidates Alclear on its consolidated financial statements and records a non-controlling interest, related to the Alclear non-voting common units ("Alclear Units") held by our founders and pre-IPO members, on its consolidated balance sheets and statement of operations. See Note 1 in our condensed consolidated financial statements for a more detailed discussion of the Reorganization Transactions.

Taxation and Expenses

After the consummation of our IPO, we became subject to U.S. federal, state and local income taxes with respect to our allocable share of any taxable income of Alclear and will be taxed at the prevailing corporate tax rates. Alclear, is treated as a flow-through entity for U.S. federal income tax purposes, and as such, has generally not been subject to U.S. federal income tax at the entity level. Accordingly, the historical results of operations and other financial information set forth in the Annual Report on Form 10-K do not include any material provisions for U.S. federal income tax for the periods prior to our IPO.

In addition to tax expense, we incur expenses related to our operations, plus payments under the tax receivable agreement ("TRA") described below, which we expect to be significant. We intend to cause Alclear to make distributions in an amount sufficient to allow us to pay our tax obligations and operating expenses, including distributions to fund any ordinary course payments under the TRA.

Following our IPO, we have incurred and we expect to continue to incur, increased amounts of compensation expense, including related to equity awards granted under the 2021 Omnibus Incentive Plan to both existing employees and newly-hired employees, and grants in connection with new hires could be significant. In addition, as a new public company, we are implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. We expect to incur additional expenses related to these steps and, among other things, additional directors' and officers' liability insurance, director fees, reporting requirements of the SEC, transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses.

Tax Receivable Agreement

In connection with the IPO we entered into the TRA with the Alclear Investments, LLC and Alclear Investments II, LLC (collectively, the "Alclear Members") that provides for the payment by us to the Alclear Members of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize (computed using simplifying assumptions to address the impact of state and local taxes) as a result of (i) any increase in tax basis in Alclear's assets resulting from (a) exchanges by the Alclear Members (or their transferees or other assignees) of Alclear Units (along with the corresponding shares of our Class C Common Stock or Class D Common Stock (as each defined below), as applicable) for shares of our Class A Common Stock, $0.00001 par value per share ("Class A Common Stock") or Class B Common Stock, $0.00001 par value per share ("Class B Common Stock") as applicable, and purchases of Alclear Units and corresponding shares of Class C Common stock, par value $0.00001 per share ("Class C Common Stock") or Class D Common Stock, $0.00001 par value per share ("Class D Common Stock" and, together with the Class A Common Stock, Class B Common Stock and Class C Common Stock, collectively, "Common Stock"), as the case may be, from Alclear Members (or their transferees or other assignees) or (b) payments under the TRA, and (ii) tax benefits related to imputed interest deemed arising as a result of payments made under the TRA.

The actual increase in tax basis, as well as the amount and timing of any payments under these agreements, varies depending upon a number of factors, including the timing of exchanges by or purchases from the Alclear Members, the price of our Class A Common Stock at the time of the exchange, the extent to which such exchanges are taxable, the amount and timing of the taxable income we generate in the future and the tax rate then applicable and the portion of our payments under the TRA constituting imputed interest. During the three months ended March 31, 2023, the Company recognized certain exchanges. As of March 31, 2023, the Company did not record a TRA liability as a result of these exchanges.

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.

	Three Months Ended			
	March 31, 2023	**March 31, 2022**	**$ Change**	**% Change**
Total Bookings (in millions)	$ 149.7	$ 107.8	$ 41.9	39 %

Total Bookings increased by $41.9 million, or 39%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The increase was primarily driven by higher new member enrollments and strong retention of existing members. Approximately 30% of paying CLEAR Plus members were on a family plan as of March 31, 2023 and 2022, respectively.

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 ever 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.

	As of			
	March 31, 2023	**March 31, 2022**	**$ Change**	**% Change**
Total Cumulative Enrollments (in thousands)	16,202	11,819	4,383	37%

Total Cumulative Enrollments were 16,202 as of March 31, 2023 and 11,819 as of March 31, 2022, which represented a 37% increase. The year over year increase was driven by growth of CLEAR Plus member enrollments in existing and new markets.

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.

	As of			
	March 31, 2023	**March 31, 2022**	**$ Change**	**% Change**
Total Cumulative Platform Uses (in thousands)	141,106	95,283	45,823	48%

Total Cumulative Platform Uses was 141,106 as of March 31, 2023 and 95,283 as of March 31, 2022, which represented a 48% increase, driven by CLEAR Plus verifications.

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.

	As of		
	March 31, 2023	**March 31, 2022**	**% Change**
Annual CLEAR Plus Net Member Retention	91.3%	95.3%	(4.0%)

Annual CLEAR Plus Net Member Retention was 91.3% as of March 31, 2023 and 95.3% as of March 31, 2022, a year-over year decrease of 400 basis points. The decline was driven by a normalization of winback activity from pandemic levels.

Non-GAAP Financial Measures

In addition to our results as determined in accordance with GAAP, we disclose Adjusted EBITDA, Free Cash Flow, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Common Share, Basic and 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), net cash provided by (used in) operating activities 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, mark to market of warrant liabilities, net other income (expense) 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 ("Board") 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 anti-dilutive. 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) 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.

Reconciliation of Net Loss to Adjusted EBITDA (Loss):

	Three Months Ended	
(In thousands)	**March 31, 2023**	**March 31, 2022**
Net loss	$ (8,273)	$ (18,794)
Income tax (benefit) expense	(119)	302
Interest expense (income), net	(6,392)	(7)
Other expense (income), net	(38)	268
Depreciation and amortization	5,167	4,384
Impairment on assets	3,633	—
Equity-based compensation expense	16,649	13,129
Adjusted EBITDA (Loss)	**$ 10,627**	**$ (718)**

Reconciliation of Net Loss to Adjusted Net Income (Loss)

(In thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net loss attributable to Clear Secure, Inc.	$ (5,224)	$ (10,327)
Reallocation of net loss attributable to non-controlling interests	(3,049)	(8,467)
Net loss	**(8,273)**	**(18,794)**
Equity-based compensation expense	16,649	13,129
Amortization of acquired intangibles	790	869
Income tax effect	(350)	(203)
Adjusted Net Income (Loss)	**$ 8,816**	**$ (4,999)**

Calculation of Adjusted Weighted-Average Shares Outstanding Basic and Diluted

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Weighted-average number of shares outstanding, basic for Class A Common Stock	89,614,791	76,672,530
Adjustments		
Assumed weighted-average conversion of issued and outstanding Class B Common Stock	907,234	1,042,234
Assumed weighted-average conversion of issued and outstanding Class C Common Stock	36,867,471	44,000,927
Assumed weighted-average conversion of issued and outstanding Class D Common Stock	25,796,690	26,705,415
Assumed weighted-average conversion of vested and outstanding warrants	—	162,957
Adjusted Weighted-Average Number of Shares Outstanding, Basic	**153,186,186**	**148,584,063**
Weighted-average impact of unvested RSAs	110,641	—
Weighted-average impact of unvested RSUs	896,720	—
Total incremental shares	1,007,361	—
Adjusted Weighted-Average Number of Shares Outstanding, Diluted	**154,193,547**	**148,584,063**

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. Therefore for those periods, Adjusted Net Income (Loss) per Common Share, Basic and Dilutive will be the same.

Calculation of Adjusted Basic Net Income (Loss) Per Common Share, Basic

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Adjusted Net Income (Loss) in thousands	$ 8,816	$ (4,999)
Adjusted Weighted-Average Number of Shares Outstanding, Basic	153,186,186	148,584,063
Adjusted Net Income (Loss) per Common Share, Basic	**$ 0.06**	**$ (0.03)**

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

	Three Months Ended March 31, 2023
Adjusted Net Income in thousands	$ 8,816
Adjusted Weighted-Average Number of Shares Outstanding, Diluted	154,193,547
Adjusted Net Income per Common Share, Diluted:	**$ 0.06**

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Adjusted Net Income (Loss) per Common Share, Basic	$ 0.06	$ (0.03)
Adjusted Net Income (Loss) per Common Share, Diluted	$ 0.06	$ (0.03)

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow:

	Three Months Ended	
(In thousands)	**March 31, 2023**	**March 31, 2022**
Net cash provided by operating activities	$ 60,757	$ 24,932
Purchases of property and equipment	(9,410)	(5,533)
Free Cash Flow	**$ 51,347**	**$ 19,399**

Components of Results of Operations

Revenue

The Company derives substantially all of its revenue from subscriptions to its consumer aviation service, CLEAR Plus. The Company offers certain limited-time free trials, family pricing, and other beneficial pricing through several channels, including airline and credit card partnerships. Membership subscription revenue is presented net of taxes, refunds, credit card chargebacks, and estimated amounts due to a credit card partner. Membership subscription revenue is also reduced by the Company's funded portion of credit card benefits issued to members through a partnership with a credit card company at the end of the contract period. The Company's funded portion varies based on total number of members for the contract year.

The Company also generates revenue in relation to *Powered by* CLEAR. While contract structure may vary by use case, these deals are typically multi-year contracts that drive revenue primarily through transaction fees charged either per use or per user over a predefined time period, which sometimes includes tiered pricing. In addition, they may also include one-time implementation fees, licensing fees or incremental transaction fees. Revenues from our partners, and the percentage of our total revenue from these partners, have historically been immaterial.

Operating Expenses

Cost of Revenue Share Fee

The Company operates as a concessionaire in airports and shares a portion of the gross receipts generated from the Company's members with the host airports and airlines ("Revenue Share"). The Revenue Share fee is generally prepaid to the host airport in the period collected from the member. The Revenue Share fee is capitalized and subsequently amortized to operating expense over each member's subscription period, as the payments are refundable on a pro rata basis. Such prepayments are recorded in "Prepaid Revenue Share fee" in the Company's condensed consolidated balance sheets. Cost of Revenue Share Fee also includes a fixed fee component which is expensed in the period incurred and certain overhead related expenses paid to the airports in relation to our Revenue Share arrangements.

Cost of Direct Salaries and Benefits

Cost of direct salaries and benefits includes employee-related expenses and allocated overhead associated with our field ambassadors and field managers directly assisting members and their corresponding travel related costs. Employee-related costs recorded in direct salaries and benefits consist of salaries, taxes, benefits and equity-based compensation and expenses under arrangements related to the use of certain space at airports.

Research and Development

Research and development expenses consist primarily of employee related expenses, allocated overhead costs and costs for contractors related to the Company's development of new products and services and improving existing products and services. Research and development costs are generally expensed as incurred, except for costs incurred in connection with the development of internal-use software that qualify for capitalization as described in our internal-use software policy. Employee related compensation costs consist of salaries, taxes, benefits and equity-based compensation.

Sales and Marketing

Sales and marketing expenses consist primarily of costs of general marketing and promotional activities, advertising fees used to drive subscriber acquisition, commissions, the production costs to create our advertisements, expenses related to employees who oversee our sales and marketing efforts, as well as brand and allocated overhead costs.

General and Administrative

General and administrative expenses consist primarily of employee-related expenses for the executive, finance, accounting, legal, and human resources functions. Employee-related expenses consist of salaries, taxes, benefits and equity-based compensation. In addition, general and administrative expenses include non-personnel costs, such as legal, accounting and other professional fees, warrant expense, variable credit card fees, variable mobile enrollment costs, and all other supporting corporate expenses not allocated to other departments including overhead and acquisition-related costs.

Interest Income, Net

Interest Income, net primarily consists of interest income from our investment holdings partially offset by amortization of discounts on our marketable securities and issuance costs on our revolving credit facility.

Other Income (Expense), Net

Other Income (Expense), Net consists of certain non-recurring non-operating items including income recognized in relation to a minimum annual guarantee paid to us by a marketing partner, sublease income and other items such as changes in the fair value of contingent consideration.

Provision for Income Taxes

As a result of the IPO and Reorganization, the Company became the sole managing member of Alclear, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, Alclear is not subject to U.S. federal and most state and local income taxes. Any taxable income or loss generated by Alclear is passed through to and included in the taxable income or loss of its members, including the Company, based on ownership interest. The Company is subject to U.S. federal income taxes, in addition to state and local income taxes with respect to its allocable share of any taxable income or loss of Alclear, as well as any stand-alone income or loss generated by the Company. The Company is also subject to income taxes in Israel, Argentina, and Mexico.

Comparison of the three months ended March 31, 2023 and 2022 (in millions):

	Three Months Ended			
	March 31, 2023	**March 31, 2022**	**$ Change**	**% Change**
Revenue	**$ 132.4**	**$ 90.5**	**$ 41.9**	**46 %**
Operating expenses:				
Cost of revenue share fee	19.6	12.1	7.5	62 %
Cost of direct salaries and benefits	33.1	23.0	10.1	44 %
Research and development	21.9	15.5	6.4	42 %
Sales and marketing	9.5	7.8	1.7	22 %
General and administrative	58.1	45.9	12.2	27 %
Depreciation and amortization	5.2	4.4	0.8	18 %
Operating loss	**(15.1)**	**(18.2)**	**3.1**	**—**
Other income (expense)				
Interest income (expense), net	6.4	—	6.4	N/A
Other income (expense), net	0.3	(0.3)	0.6	N/A
Income (loss) before tax	**(8.4)**	**(18.5)**	**10.1**	**—**
Income tax benefit (expense)	0.1	(0.3)	0.4	N/A
Net loss	**$ (8.3)**	**$ (18.8)**	**$ 10.5**	**(56) %**

Below is a summary of the components of the Company’s total equity-based compensation expense:

	Three Months Ended March 31, 2023 (in thousands)				
	Pre-IPO employee performance awards	**Warrants**	**Founder PSU**	**Employee equity-based awards**	**Total**
Cost of direct salaries and benefits	$ 23	$ —	$ —	$ 50	$ 73
Research and development	222	—	—	4,730	4,952
Sales and marketing	(145)	—	—	44	(101)
General and administrative	762	623	6,485	3,855	11,725
Total equity-based compensation	**$ 862**	**$ 623**	**$ 6,485**	**$ 8,679**	**$ 16,649**

	Three Months Ended March 31, 2022 (in thousands)				
	Pre-IPO employee performance awards	**Warrants**	**Founder PSU**	**Employee equity-based awards**	**Total**
Cost of direct salaries and benefits	$ —	$ —	$ —	$ 94	$ 94
Research and development	—	—	—	3,741	3,741
Sales and marketing	—	—	—	48	48
General and administrative	—	70	6,485	2,691	9,246
Total equity-based compensation	**$ —**	**$ 70**	**$ 6,485**	**$ 6,574**	**$ 13,129**

Information about our operating results for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 is set forth below:

Revenue

	Three Months Ended			
	March 31, 2023	**March 31, 2022**	**$ Change**	**% Change**
Revenue	$ 132.4	$ 90.5	$ 41.9	46 %

Revenue increased by $41.9 million, or 46%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The change was primarily due to a 53.1% increase in the number of average CLEAR Plus members. Approximately 30% of paying CLEAR Plus members were on a family plan as of March 31, 2023 and 2022, respectively.

Cost of revenue share fee

	Three Months Ended			
	March 31, 2023	**March 31, 2022**	**$ Change**	**% Change**
Cost of revenue share fee	$ 19.6	$ 12.1	$ 7.5	62 %

Cost of revenue share fee increased by $7.5 million, or 62%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The change was driven primarily by an increase of $2.2 million, or a 75% increase, in fixed airport fees and $5.2 million, or a 57% increase, in per member fees. COVID-related concessions reduced cost of revenue share fee by $0.6 million and $0.4 million in the three months ended March 31, 2023 and 2022.

Cost of direct salaries and benefits

	Three Months Ended			
	March 31, 2023	March 31, 2022	$ Change	% Change
Cost of direct salaries and benefits	$ 33.1	$ 23.0	$ 10.1	44 %

Cost of direct salaries and benefits expenses increased by $10.1 million, or 44%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The change was primarily due to increased employee compensation costs of $9.8 million caused by new airport openings and expansions and increased travel volumes leading to higher staffing needs.

Research and development

	Three Months Ended			
	March 31, 2023	March 31, 2022	$ Change	% Change
Research and development	$ 21.9	$ 15.5	$ 6.4	42 %

Research and development expenses increased by $6.4 million, or 42%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The change was primarily due to an increase of $3.3 million of employee compensation costs, an increase of $1.4 million related to higher allocated overhead costs and a $1.1 million increase in impairment of certain assets.

Sales and marketing

	Three Months Ended			
	March 31, 2023	March 31, 2022	$ Change	% Change
Sales and marketing	$ 9.5	$ 7.8	$ 1.7	22 %

Sales and marketing expenses increased by $1.7 million, or 22%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The change was driven primarily by increased ambassador commission expense of $1.2 million due to higher new member enrollments and a $0.9 million increase in discretionary marketing expense.

General and administrative

	Three Months Ended			
	March 31, 2023	March 31, 2022	$ Change	% Change
General and administrative	$ 58.1	$ 45.9	$ 12.2	27 %

General and administrative expenses increased by $12.2 million, or 27%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The change was primarily driven by a $3.6 million increase in employee-related expense, $1.8 million of higher technology costs, $1.7 million of higher allocated overhead costs, and $1.7 million in higher credit card fees due to higher bookings. Additionally, there was an increase in non-cash impairment on certain assets for $2.5 million, of which $1.5 million is related to a non-cash lease impairment.

Other income (expense)

	Three Months Ended			
	March 31, 2023	March 31, 2022	$ Change	% Change
Interest Income, net	$ 6.4	$ —	$ 6.4	N/A

Interest income, net increased by $6.4 million, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The change was driven by an increase in interest income on our marketable securities and cash and cash equivalents.

	Three Months Ended			
	March 31, 2023	March 31, 2022	$ Change	% Change
Other income	$ —	$ —	$ —	N/A
Other (expense)	$ 0.2	$ (0.3)	$ 0.5	N/A
Other income (expense), net	**$ 0.2**	**$ (0.3)**	**$ 0.5**	**N/A**

Other income (expense), net increased by $0.5 million, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The change was primarily due to higher sublease income and lower impairment of long-lived assets.

Income tax benefit (expense)

	Three Months Ended			
	March 31, 2023	March 31, 2022	$ Change	% Change
Income tax benefit (expense)	$ 0.1	$ (0.3)	$ 0.4	N/A

Income tax benefit increased by $0.4 million for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The change was primarily due to the U.S. federal and state current taxes not offset by tax attributes (e.g. net operating losses and general business tax credits).

Liquidity and Capital Resources

Our operations have been financed primarily through equity financing and cash flow from operating activities. As of March 31, 2023, we had cash and cash equivalents of $39.1 million and marketable securities of $708.9 million.

Historically, our principal uses of cash and cash equivalents have included funding our operations, capital expenditures, repurchases of members' equity and more recently, business combinations and investments that enhance our strategic positioning. We may also use our cash and cash equivalents to repurchase our Class A Common Stock, pay cash dividends and distribute to members for tax payments. We plan to finance our operations, future stock repurchases, cash dividends and capital expenditures largely through cash generated from the proceeds of our IPO and operations. We believe our existing cash and cash equivalents, marketable securities, cash provided by operations and the availability of additional funds under our Credit Agreement (as defined below) will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months, including payment of a special dividend and known commitments and contingencies as discussed below. Future capital expenditure will generally relate to building enhancements to the functionality of our current platform, equipment, leasehold improvements and furniture and fixtures related to office expansion and relocation, and general corporate infrastructure.

On May 13, 2022, the Company's Board authorized a share repurchase program pursuant to which the Company may purchase up to $100,000 of its Class A Common Stock. Under the repurchase program, the Company may purchase shares of its Class A Common Stock on a discretionary basis from time to time through open market repurchases, privately negotiated transactions, or other means, including through Rule 10b5-1 trading plans. The timing and actual number of shares repurchased will be determined by management depending on a variety of factors, including stock price, trading volume, market conditions, and other general business considerations. The repurchase program has no expiration date and may be modified, suspended, or terminated at any time. During the three months ended March 31, 2023, the Company repurchased 281,838 shares for $6.5 million. The repurchased shares were retired. As of March 31, 2023, $88.6 million remains available under the repurchase authorization.

On November 14, 2022, the Company announced that its Board declared a special cash dividend in the amount of $0.25 per share, payable on December 7, 2022 to holders of record of the Class A Common Stock and Class B Common Stock as of the close of business on November 28, 2022 (the "Record Date"). The Company funded the dividend from proportionate cash distributions by Alclear to all of its members as of the Record Date, including holders of non-controlling interests in Alclear (who owned approximately 43% of the interests in Alclear as of the Record Date) and the Company (which owned approximately 57% of the interests in Alclear as of the Record Date). Any future dividends will be subject to the approval of the Board. To the extent the dividend exceeds the Company's current and accumulated earnings and profits, a portion of the dividend may be deemed a return of capital or a capital gain to the holders of our Class A Common Stock or Class B Common Stock, as applicable.

On May 9, 2023, the Company announced that a special committee of its Board declared a special cash dividend in the amount of $0.20 per share payable on May 25, 2023 to holders of record of the Class A Common Stock and Class B Common Stock as of the close of business on May 18, 2023.

The Company is funding the payment of the special cash dividend from its pro rata share of tax distributions made by Alclear. Tax distributions are required under Alclear's Operating Agreement, generally at the highest tax rate applicable to individuals. However, due mainly to the Company's utilization of certain tax attributes and the lower tax rate on corporations, the Company has received cash from tax distributions in excess of what is required to fund its tax liabilities and obligations under its Tax Receivable Agreement. The excess cash held by the Company is being used to fund the cash dividend.

To the extent the dividend exceeds our current and accumulated earnings and profits, a portion of the dividend may be deemed a return of capital or a capital gain to the holders of our Class A Common Stock or Class B Common Stock, as applicable.

The Board has not established a regular dividend policy regarding excess tax distributions received from Alclear. Any future dividends will be at the discretion of, and subject to the approval of, the Board.

Refer to our risks and uncertainties discussed under the heading "Forward-Looking Statements" and in Part II. Item 1A. "Risk Factors."

Credit Agreement

On March 31, 2020, we entered into a credit agreement (the "Credit Agreement") for a three-year $50 million revolving credit facility that expires on March 31, 2023. Borrowings under the Credit Agreement generally bear interest between 1.5% and 2.5% per year and also include interest based on the greater of the prime rate, LIBOR or New York Federal Reserve Bank ("NYFRB") rate, plus an applicable margin for specific interest periods. In April 2021, the Company increased the size of the revolving credit facility to $100 million. The revolving credit facility includes a letter of credit sub-facility

We have the option to repay any borrowings under the Credit Agreement without premium or penalty prior to maturity. In addition, the Credit Agreement contains certain other covenants (none of which relate to financial condition), events of default and other customary provisions, and also contains customary LIBOR replacement mechanics. The Credit Agreement contains customary affirmative covenants, such as financial statement reporting requirements and delivery of borrowing base certificates, as well as customary covenants that restrict our ability to, among other things, incur additional indebtedness, sell certain assets, guarantee obligations of third parties, declare dividends or make certain distributions, and undergo a merger or consolidation or certain other transactions.

As of May 4, 2023, the Company had a remaining borrowing capacity of $93.9, net of standby letters of credit, and had no outstanding debt obligations.

In addition, the credit agreement contains certain other covenants (none of which relate to financial condition), events of default and other customary provisions, and also contains customary LIBOR replacement mechanics. As of March 31, 2023, the Company was in compliance with all of the financial and non-financial covenants of the Credit Agreement. Refer to Note 21 within the condensed consolidated financial statements for further details.

Cash Flow

The following summarizes our cash flows for the three months ended March 31, 2023 and March 31, 2022 (in millions):

	Three Months Ended		
	March 31, 2023	March 31, 2022	$ Change
Net cash provided by operating activities	$60.8	$24.9	$35.9
Net cash used in investing activities	(50.6)	(5.6)	(45.0)
Net cash used in financing activities	(9.1)	—	(9.1)
Net increase in cash, cash equivalents, and restricted cash	1.1	19.3	(18.2)
Cash, cash equivalents, and restricted cash, beginning of year	**68.9**	**309.1**	**(240.2)**
Net exchange differences on cash, cash equivalents, and restricted cash	—	—	—
Cash, cash equivalents, and restricted cash, end of period	**$70.0**	**$328.4**	**($258.4)**

Cash flows from operating activities

For the three months ended March 31, 2023, net cash provided by operating activities was $60.8 million compared to net cash provided by operating activities of $24.9 million for the three months ended March 31, 2022, an increase of $35.9 million primarily due to year-over-year favorable changes in working capital of $21.2 million and an increase in non-cash adjustments to net loss of $4.1 million.

Cash flows from investing activities

For the three months ended March 31, 2023 net cash used in investing activities was $50.6 compared to net cash used in investing activities of $5.6 for the three months ended March 31, 2022, an increase of $45.0 million. The change was primarily due to an increase in the net purchases and sales of marketable securities of $35.2 million, a purchase of a strategic investment of $6.0 million and an increase in capital expenditures of $3.8 million.

Cash flows from financing activities

For the three months ended March 31, 2023, net cash used in financing activities was $9.1 million compared to net cash from financing activities of $0.0 million for the three months ended March 31, 2022, an increase of $9.1 million. The change was primarily due to an increase in the amounts used to repurchase Class A Common Stock of $6.5 million and payment of taxes on net settled stock based awards of $2.5 million. .

Commitments and Contingencies

We have non-cancelable operating lease arrangements for office space. As of March 31, 2023, we had future minimum payments of $219 million, with $11.3 million due within twelve months.

We have and continue to enter into agreements with airports for access to floor and office space. As of March 31, 2023, we had future minimum payments of $38.1 million.

We have commitments for future marketing expenditures to sports stadiums of $11.6 million as of March 31, 2023.

We are subject to certain minimum spend commitments of approximately $4.7 million over the next two years under service arrangements.

Critical Accounting Policies and Estimates

The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. The Securities and Exchange Commission (“SEC”) has defined a company’s critical accounting policies as the ones that are most important to the portrayal of a company’s financial condition and results of operations, and which require a company to make its most difficult and subjective judgments. Based on this definition, we have identified the critical accounting policies and judgments addressed below. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. Refer to Note 2 within the condensed consolidated financial statements for further information.

Tax Receivable Agreement

The Company entered into a Tax Receivable Agreement ("TRA") which generally provides for payment by the Company to the remaining members of Alclear, the "TRA Holders," of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that the Company actually realizes or is deemed to realize in certain circumstances. The Company will retain the benefit of the remaining 15% of these net cash savings. As of March 31, 2023, the Company did not record a liability from the TRA.

Recent Accounting Pronouncements

Refer to Note 2 within the condensed consolidated financial statements, for recently issued accounting pronouncements and their expected impact.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

In the normal course of business, we are subject to a variety of risks which can affect our operations and profitability. We broadly define these areas of risk and interest rate risk.

Interest Rate Risk

We had cash and cash equivalents of $39.1 million as of March 31, 2023. Cash and cash equivalents includes highly liquid securities that have a maturity of three months or less at the date of purchase. The fair value of our cash and cash equivalents would not be significantly affected by either a 10% increase or decrease in interest rates due mainly to the short-term nature of these instruments.

We manage cash and cash equivalents in various institutions at levels beyond federally insured limits per institution, and we may purchase investments not guaranteed by the FDIC. Accordingly, there is a risk that we will not recover the full principal of our investments or that their liquidity may be diminished

Debt

Interest payable on our revolving credit facility is variable. Borrowings generally will bear interest based on the greater of the prime rate, LIBOR or NYFRB rate, plus an applicable margin for specific interest periods. As of March 31, 2023, we had no outstanding borrowings under the revolving credit facility.

Investments in Marketable Securities

We had marketable securities totaling $708.9 million as of March 31, 2023. This amount was invested primarily in money market funds, commercial paper, corporate notes and bonds, and government securities. Our investments are made for capital preservation purposes and we do not enter into investments for trading or speculative purposes. We are exposed to market risk related to changes in interest rates where a decline in interest rates would reduce our interest income, net and conversely, an increase in interest rates would have an adverse impact on the fair value of our investment portfolio. The effect of a hypothetical 100 basis points increase or decrease in overall interest rate would result in unrealized loss or gain to our "available for sale" investment fair value of approximately $4.1 million that would be recognized in accumulated other comprehensive loss within the condensed consolidated balance sheets.

Foreign Currency Transaction and Translation Risk

Fluctuations in foreign currencies impact the amount of total assets, liabilities, revenues, operating expenses and cash flows that we report for our foreign subsidiaries upon the translation of these amounts into USD. Since the majority of our business is transacted in the U.S. dollar, foreign currency transaction and translation risk was insignificant for the three months ended March 31, 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the quarter ended March 31, 2023. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the quarter ended March 31, 2023, our disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, with the Company have been detected.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended March 31, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company is subject to commercial litigation claims and various legal proceedings, as well as administrative and regulatory reviews arising in the ordinary course of business. We currently believe that the ultimate outcome of such lawsuits, proceedings and reviews will not, individually or in the aggregate, have a material adverse effect on our condensed consolidated financial statements.

Item 1A. Risk Factors

We have disclosed under the heading “Risk Factors” in our Annual Report on Form 10-K the risk factors which materially affect our business, financial condition or results of operations. There have been no material changes from the risk factors previously disclosed. You should carefully consider the risk factors set forth in the Annual Report on Form 10-K and the other information set forth elsewhere in this Quarterly Report on Form 10-Q. You should be aware that these risk factors and other information may not describe every risk facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended March 31, 2023, certain non-controlling interest holders exchanged their Alclear Units and corresponding shares of Class C Common Stock or Class D Common Stock for shares of the Company’s Class A Common Stock or Class B Common Stock, as applicable. As a result, the Company issued 2,048,773 shares of Class A Common Stock.

Use of IPO Proceeds

On July 2, 2021, we closed our IPO, in which the Company issued 15,180,000 shares of Class A common stock (which included 1,980,000 shares of Class A common stock as a result of the exercise of the underwriters’ over-allotment option, which was exercised on June 30, 2021). All shares in the IPO were registered under the Securities Act pursuant to a Registration Statement on Form S-1 (File No. 333-256851), which was declared effective by the SEC on June 29, 2021 (the “Registration Statement”).

Goldman Sachs & Co. was the representative of the underwriters, which comprised Goldman Sachs & Co., J.P. Morgan Securities LLC, Allen & Company LLC, Wells Fargo Securities, LLC, LionTree Advisors LLC, Stifel, Nicolaus & Company, Incorporated, Telsey Advisory Group LLC, Centerview Partners LLC, Loop Capital Markets LLC, and Roberts & Ryan Investments, Inc. The lead book-runners of our IPO were Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Allen & Company LLC and Wells Fargo Securities, LLC.

The initial offering price to the public in the IPO was $31.00 per share. We received $29.295 per share from the underwriters after deducting underwriting discounts and commissions of $1.705 per share. We incurred underwriting discounts and commissions of approximately $25.9 million, including the effect of the exercise of the over-allotment option.. Thus, our net offering proceeds, after deducting underwriting discounts and commissions, net of the rebate on the over-allotment option, were approximately $445.9 million, which the Company contributed to Alclear in exchange for 15,180,000 Alclear Units. The Company has caused Alclear to use such contributed amount to pay offering expenses of approximately $9.0 million, and for general corporate purposes. There has been no material change in the planned use of the IPO net proceeds from what is described in the Company’s Registration Statement. No payments were made to our directors or officers or their associates, holders of 10% or more of any class of our equity securities or any affiliates.

Issuer Purchases of Equity Securities

Below is a summary of the repurchases during the three months ended March 31, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program
January 1, 2023- January 31, 2023	—	$ —	—	$ 95,103,000
February 1, 2023- February 28, 2023	—	$ —	—	$ 95,103,000
March 1, 2023- March 31, 2023	281,838	$ 22.96	281,838	$ 88,627,004
Total	**281,838**	**$ 22.96**	**281,838**	

All purchases of Class A Common Stock reported in the above table were purchased by the Company pursuant to the Company's share repurchase program, authorized by the Board on May 13, 2022 and publicly announced by the Company on May 16, 2022. The share repurchase program provides for the purchase by the Company of up to $100 million of the Company's Class A Common Stock on a discretionary basis from time to time through open market repurchases, privately negotiated transactions, or other means, including through Rule 10b5-1 trading plans. The timing and actual number of shares repurchased will be determined by management depending on a variety of factors, including stock price, trading volume, market conditions, and other general business considerations. The repurchase program has no expiration date and may be modified, suspended, or terminated at any time. The above table excludes shares repurchased to settle employee tax withholding related to the vesting of stock awards.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information.

None

Item 6. Exhibits

The documents listed in the Index to Exhibits of this quarterly report on Form 10-Q are incorporated by reference or are filed with this quarterly report on Form 10-Q, in each case as indicated therein.

Exhibit Number	Description
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on May 9, 2023.

Date:	May 9, 2023	By:	/s/ Caryn Seidman-Becker
			Caryn Seidman-Becker
			Chairman and Chief Executive Officer
Date:	May 9, 2023	By:	/s/ Kenneth Cornick
			Kenneth Cornick
			President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Caryn Seidman-Becker, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Clear Secure, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	May 9, 2023	By:	/s/ Caryn Seidman-Becker
			Caryn Seidman-Becker
			Chairman and Chief Executive Officer
			(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth Cornick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clear Secure, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	May 9, 2023	By:	/s/ Kenneth Cornick
			Kenneth Cornick
			President and Chief Financial Officer
			(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Caryn Seidman-Becker, Chief Executive Officer of Clear Secure, Inc. (the “Company”), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2023 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Clear Secure, Inc.

Date:	May 9, 2023	By:	/s/ Caryn Seidman-Becker
			Caryn Seidman-Becker
			Chairman and Chief Executive Officer
			(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kenneth Cornick, President and Chief Financial Officer of Clear Secure, Inc. (the “Company”), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2023 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Clear Secure, Inc.

Date:	May 9, 2023	By:	/s/ Kenneth Cornick
			Kenneth Cornick
			President and Chief Financial Officer
			(Principal Financial Officer)