

**CLEAR<sup>®</sup>**

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# Evaluation of Clear Secure Inc.

# Agenda



**Executive Summary**



**Review of Current  
Position**



**Overview of Clear  
Secure Inc**



**SWOT Analysis**



**Review of Q2 2024  
Earnings**



**Customer Growth  
and Retention**



**Q3 and FY 2024  
Guidance**



**Financial Overview**



**DCF & EV/EBITDA  
Valuation**



**Final  
Recommendation  
and Discussion**

# Executive Summary

**Today, we will review our current position of Clear Secure Inc. And vote on whether we should buy more, hold, or sell our position**

**If we buy more, we would like to use the remaining cash reserves (\$20,819 / 5.57% of the Fund) for the fund.**

**Clear has had excellent performance over the summer due to beating earnings estimates and buybacks.**

# Review of Current Position



SHARES HELD: 929



PURCHASE PRICE:  
\$19.31

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CURRENT PRICE:  
\$32.81



81.27%% SINCE END  
OF SPRING  
SEMESTER

-

68.90% SINCE  
PURCHASE



WEIGHT/BETA:  
8.10% OF FUND  
1.42 BETA

# Overview of Clear Secure Inc

- **Clear Secure, Inc. provides software solutions. The Company offers security applications for airports, stadiums, and other venues.**
- **As of end of Q2 2024, over 206 million members are now on the CLEAR platform with both the Clear Travel and Clear Verified programs**
- **Clear Travel acts as a TSA Precheck type of service, using an annual subscription model, and a person's biometrics profile to bypass security lines**
- **Clear Verified is an identity protection platform that allows businesses to ensure their client base is rid of fraud**
- **In 2020, Clear was selected by TSA precheck to be the only company able to offer renewal of TSA pre-checks to customers**



# SWOT ANALYSIS



## STRENGTHS

- Growth Lifecycle Stage
- Low Capital Requirements



## WEAKNESSES

- Over 10x More Costly than TSA Pre-Check (\$200 for 1 Year Subscription vs \$80 for 5-year Subscription)



## OPPORTUNITIES

- Further Expansion into National Airports
- A Forecast of 3% increase in air travel for 2024



## THREATS

- Possible Cyber-Security breach
- Security Breach at Airport through their service

# Review of Q2 2024 Earnings

- 3,566,853 shares repurchased at an average price of \$18.25
- \$186.7 million Revenue (up 24.6%) \$197.0 million Total Bookings, up 12.5%.
- Operating income of \$30.3 million; Adjusted EBITDA of \$47.5 million
- Net Income of \$38.6 million, Earnings per Common Share Basic and Diluted of \$0.26
- Net cash provided by operating activities of \$114.6 million; Free Cash Flow of \$110.1 million
- Since the IPO three years ago, Members, Bookings, and Free Cash Flow are up 283%, 219%, and 2,218% respectively

# Customer Growth and Retention



Active in 58 Clear Plus airports with the launch of Daniel K. Inouye International Airport (Honolulu)



Clear Plus Gross Dollar retention has hovered 90% over the past 5 quarters



Added 2.3 Million Members in Q2, 2024 for a total of 25 Million members (Clear plus, Clear verified)



Q2 2024 Active Clear Plus Members reached 7.1 million, up 14.8% as compared to Q2 of 2023





## Q3 and FY 2024 Guidance

- Expected 3rd quarter revenue of \$193-\$195 million and expected total bookings of \$220-\$222 million.
- For the rest of 2024, Clear expects to deliver strong revenue growth, expanding margins, and Free Cash Flow growth of at least 40% compared to 2023.

# Financial Overview

 Revenue, Adj	230.8	254.0	437.4	613.6	697.1	760.5	873.8
 Growth %, YoY	20.0	10.0	72.2	40.3	32.4	23.9	14.9
 Gross Profit, Adj	157.1	149.0	276.4	382.1	443.0	651.9	749.5
 Margin %	68.1	58.7	63.2	62.3	63.5	85.7	85.8
 EBITDA, Adj	-9.5	-101.2	-107.2	47.2	114.8	179.4	216.5
 Margin %	-4.1	-39.8	-24.5	7.7	16.5	23.6	24.8
 Net Income, Adj	-9.3	-114.1	-63.1	32.2	73.6	186.2	223.7
 Margin %	-4.0	-44.9	-14.4	5.3	10.6	24.5	25.6
 EPS, Adj	-0.12	-1.49	-0.77	0.35	0.79	1.22	1.44
 Growth %, YoY	-	-1,133.85	48.29	-	539.76	247.03	17.61
 Cash from Operations	-12.3	69.7	168.3	225.0	284.2		
 Capital Expenditures	-16.5	-29.0	-31.9	-26.1	-15.8	-17.9	-22.2
 Free Cash Flow	-28.8	40.7	136.4	198.9	268.4	219.5	250.3

# EV/EBITDA

- Gen Digital was used as a competitor for comparison. Gen Digital is a biometric identification software service used by Norton Secure.
- EV to EBITDA Multiple of 57.18
- Implied overvaluation of 10.83%

Using Gen Digital to Clear Secure	
EBIT	1,427,000,000
Add: Depreciation and Amortization	684,000,000
<b>EBITDA</b>	<b>2,111,000,000</b>
Share Price	26.23
Shares Outstanding	640,000,000
<b>Market Cap</b>	<b>16,787,200,000</b>
Total Debt	9,069,000,000
<b>Enterprise Value</b>	<b>25,856,200,000</b>
EV/EBITDA Multiple	20.55

Clear Secure Valuation	
EV/EBITDA Multiple	57.18
EBIT	25,600,000
Add: Depreciation and Amortization	21,600,000
<b>EBITDA</b>	<b>47,200,000</b>
Enterprise Value	2,698,896,000
Less: Total Debt	0
<b>Equity Value</b>	<b>2,698,896,000</b>
Shares Outstanding	92,249,918
Implied Price Per Share	\$29.26
Market Price Per Share	\$32.81
<b>Company Overvalued</b>	<b>10.83%</b>

# DCF Valuation

- Forecasted sales projections: 25%, 15%, 5%, 2.9% coming from Bloomberg and IBIS World
- 2023 was first year with positive net earnings and internal forecasts predict this trend to stay
- Large tax benefits from past net losses
- DCF gives an implied overvaluation of 21%

DCF Valuation	
Numerator	24,067.36
Denominator	12.57%
TV	191,446
PV of TV	104,764
Enterprise Value	2,389,400,000
Net Debt	0
Equity Value	2,389,400,000
Shares O/S	92,249,918
Share Price	25.90137804
Market Price	32.81
Shares Overvalued	21.06%

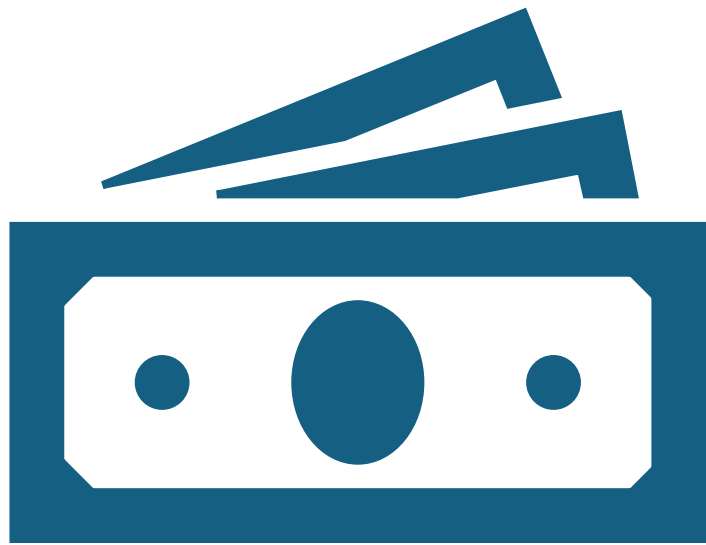
# Recommendation/Discussion

## Recommendation: SELL

- Last year, Owen and his group pitched Clear Secure with an exit strategy aiming to sell at 27.05 ~ \$4,600 gain. Today the price is over \$30
- We believe we should sell our position and take our winnings, as we have a very large return and beat our initial exit strategy due to everyone on summer vacation.
- We believe if we were to hold, we should simply change our exit strategy.

## PROPOSED EXIT STRATEGY FOR HOLD OPTION:

- With an Implied price of 29.26 from the EV/EBITDA Multiple, we should change our exit strategy to having a stop-loss at around \$27 and exit price of \$40.00



## Conclusion

### Options:

1. Buy with the rest of the Cash reserves in the Seger Fund (\$20,819)
2. Hold our position (Reevaluate our Exit Strategy)
3. Sell our position and take our winnings (adding 30k+ cash to the fund)