

REFINITIV

DELTA REPORT

10-Q

ISPO - INSPIRATO INC

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	938
--------------	-----

 CHANGES	198
---	-----

 DELETIONS	285
---	-----

 ADDITIONS	455
---	-----

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 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, June 30, 2024**

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: 001-39791

INSPIRATO INCORPORATED

(Exact Name of Registrant as Specified in its Charter)

Delaware	85-2426959
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1544 Wazee Street	
Denver, CO	80202
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (303) 586-7771

Not applicable

(Former name, former address, and former fiscal year, if changed since last report)

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

Title of each class	Trading	Name of each exchange on which registered
	Symbol(s)	
Class A Common Stock, \$0.0001 par value per share	ISPO	The Nasdaq Global Market
Warrants, each whole warrant exercisable for 0.05 shares of Class A Common Stock at an exercise price of \$230.00 per share	ISPOW	The Nasdaq Global Market

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, 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 Exchange Act). Yes ☐ No ☒

As of May 3, 2024, the registrant had 3,676,039 shares of Class A Common Stock, 2,870,964 shares of Class V Common Stock, no shares of Class B Non-Voting Common Stock and 8,624,792 Warrants outstanding.

Table of Contents

	<u>Page</u>
<u>PART I.</u>	
<u>FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	
<u>Financial Statements (unaudited)</u>	4
<u>Condensed Consolidated Balance Sheets</u>	4
<u>Condensed Consolidated Statements of Operations and Comprehensive Income</u>	
<u>(Loss) Loss</u>	5
<u>Condensed Consolidated Statements of Equity (Deficit)</u>	6
<u>Condensed Consolidated Statements of Cash Flows</u>	7
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	8
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20 22
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	30 36
<u>Item 4.</u>	
<u>Controls and Procedures</u>	31 37
 <u>PART II.</u>	
<u>OTHER INFORMATION</u>	32 38
<u>Item 1.</u>	
<u>Legal Proceedings</u>	32 38
<u>Item 1A.</u>	
<u>Risk Factors</u>	32 38
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	32 39
<u>Item 3.</u>	
<u>Defaults Upon Senior Securities</u>	32 39
<u>Item 4.</u>	
<u>Mine Safety Disclosures</u>	32 39
<u>Item 5.</u>	
<u>Other Information</u>	32 39
<u>Item 6.</u>	
<u>Exhibits</u>	33 40
 <u>SIGNATURES</u>	 34 41

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Form 10-Q”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which statements involve substantial risks and uncertainties. Our forward-looking statements include, but are not limited to, statements regarding our and our management team’s hopes, beliefs, intentions or strategies regarding the future or future events or our future financial or operating performance. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “will,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this Form 10-Q may include, for example, statements about:

- Our partnership with Capital One Services, LLC (“Capital One”);
- Our ability to service our outstanding indebtedness and satisfy related covenants;
- The impact of changes to our executive management team;
- Our ability to comply with the continued listing standards of Nasdaq or the continued listing of our securities on Nasdaq;
- Changes in our strategy, future operations, financial position, estimated revenue and losses, projected costs, prospects and plans;
- The implementation, market acceptance and success of our business model, growth strategy and new products;
- Our expectations and forecasts with respect to the size and growth of the travel and hospitality industry;
- The ability of our services to meet members’ needs;
- Our ability to compete with others in the luxury travel and hospitality industry;
- Our ability to attract and retain qualified employees and management;
- Our ability to adapt to changes in consumer preferences, perception and spending habits and develop and expand our destination or other product offerings and gain market acceptance of our services, including in new geographic areas;
- Our ability to develop and maintain our brand and reputation;
- Developments and projections relating to our competitors and industry;
- The impact of natural disasters, acts of war, terrorism, widespread global pandemics or illness, including the COVID-19 pandemic, on our business and the actions we may take in response thereto;
- Expectations regarding the time during which we will be an emerging growth company under the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”);
- Our future capital requirements and sources and uses of cash;
- The impact of our reduction in workforce on our expenses;
- The impact of market conditions on our financial condition and operations, including fluctuations in interest rates and inflation;

- Our ability to obtain funding for our operations and future growth;
- Our ability to generate positive cash flow from operations, achieve profitability, and obtain additional financing or access the capital markets to manage our liquidity;
- The impact on our liquidity as a result of the obligations in our contractual agreements, including the covenants therein; and
- Our business, expansion plans and opportunities and other strategic alternatives that we may consider, including, but not limited to, mergers, acquisitions, investments, divestitures, and joint ventures.

We caution you that the foregoing list does not contain all of the forward-looking statements made in this Form 10-Q. Although we believe that the expectations reflected in any forward-looking statements are reasonable, we cannot guarantee future results, events, levels of activity, performance or achievements. Actual results are subject to numerous risks and uncertainties, including those related to the factors described above and as detailed in Part I, Item 1A of our most recent Annual Report on Form 10-

[Table of Contents](#)

K (“Form 10-K”) filed with the Securities and Exchange Commission (“SEC”), those discussed in Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part I, Item 2 of this Form 10-Q and in Part II, Item 7 of our Form 10-K and those discussed in other documents we file with the SEC.

Should one or more of the risks or uncertainties described herein or in any other documents we file with the SEC occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

Investors should consider the risks and uncertainties described herein and should not place undue reliance on any forward-looking statements. We do not undertake, and specifically disclaim, any obligation to publicly release the results of any revisions that may be made to any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Form 10-Q and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and such statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

[Table of Contents](#)
Part I - FINANCIAL INFORMATION
Item 1. Financial Statements.

INSPIRATO INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(in thousands, except par value)

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Assets				
Current assets				
Cash and cash equivalents	\$ 22,626	\$ 36,566	\$ 18,821	\$ 36,566
Restricted cash	10,660	5,700	10,660	5,700
Accounts receivable, net	2,238	3,306	2,823	3,306
Accounts receivable, net – related parties	1,040	842	1,334	842
Prepaid member travel	18,840	20,547	17,577	20,547
Prepaid expenses	4,338	6,135	5,894	6,135
Other current assets	1,772	1,744	1,860	1,744
Total current assets	61,514	74,840	58,969	74,840
Property and equipment, net	18,482	19,504	17,717	19,504
Goodwill	21,233	21,233	21,233	21,233
Right-of-use assets	206,822	209,702	198,906	209,702
Other noncurrent assets	4,993	5,448	4,841	5,448
Total assets	\$ 313,044	\$ 330,727	\$ 301,666	\$ 330,727
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$ 21,846	\$ 22,748	\$ 20,570	\$ 22,748
Deferred revenue	142,821	160,493	148,774	160,493
Lease liabilities	62,946	61,953	61,302	61,953

Total current liabilities	227,613	245,194	230,646	245,194
Deferred revenue, noncurrent	20,057	17,026	24,391	17,026
Lease liabilities, noncurrent	192,177	196,875	185,197	196,875
Convertible note	20,176	23,854	20,988	23,854
Other noncurrent liabilities	2,868	2,476	3,026	2,476
Total liabilities	462,891	485,425	464,248	485,425
Commitments and contingencies (Note 16)				
Commitments and contingencies (Note 14)				
Equity (Deficit)				
Class A common stock, par value \$0.0001 per share, 50,000 shares authorized, 3,676 and 3,537 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	7	7		
Class B common stock, par value \$0.0001 per share, 5,000 shares authorized, no shares issued or outstanding as of March 31, 2024 and December 31, 2023	—	—		
Class V common stock, \$0.0001 par value, 25,000 shares authorized, 2,871 and 2,907 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	6	6		
Preferred stock, par value \$0.0001 per share, 5,000 shares authorized, no shares issued or outstanding as of March 31, 2024 and December 31, 2023	—	—		
Class A common stock, par value \$0.0001 per share, 50,000 shares authorized, 3,819 and 3,537 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively			7	7
Class B common stock, par value \$0.0001 per share, 5,000 shares authorized, no shares issued or outstanding as of June 30, 2024 and December 31, 2023			—	—
Class V common stock, \$0.0001 par value, 25,000 shares authorized, 2,858 and 2,907 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively			6	6
Preferred stock, par value \$0.0001 per share, 5,000 shares authorized, no shares issued or outstanding as of June 30, 2024 and December 31, 2023			—	—
Additional paid-in capital	257,038	255,527	257,990	255,527
Accumulated deficit	(284,519)	(285,782)	(293,226)	(285,782)
Total equity (deficit) excluding noncontrolling interest	(27,468)	(30,242)	(35,223)	(30,242)

Noncontrolling interests	(122,379)	(124,456)	(127,359)	(124,456)
Total equity (deficit)	(149,847)	(154,698)	(162,582)	(154,698)
Total liabilities and equity (deficit)	\$ 313,044	\$ 330,727	\$ 301,666	\$ 330,727

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

[Table of Contents](#)

INSPIRATO INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(LOSS) LOSS
(Unaudited) (in thousands, except per share amounts)

	Three Months Ended March 31,	
	2024	2023
Revenue	\$ 80,245	\$ 91,700
Cost of revenue (including depreciation of \$1,289 in 2024 and \$927 in 2023)	48,524	60,056
Gross margin	31,721	31,644
General and administrative (including depreciation of \$338 in 2024 and \$0 in 2023)	14,649	17,907
Sales and marketing	8,726	6,710
Operations	7,023	8,296
Technology and development	2,050	3,407
Depreciation and amortization	1,001	979
Interest, net	323	(113)
(Gain) loss on fair value instruments	(4,149)	104

Other (income) expense, net	(295)	57
Income (loss) and comprehensive income (loss) before income taxes	2,393	(5,703)
Income tax expense	144	200
Net income (loss) and comprehensive income (loss)	2,249	(5,903)
Net (income) loss and comprehensive (income) loss attributable to noncontrolling interests	(986)	3,007
Net income (loss) and comprehensive income (loss) attributable to Inspirato Incorporated	\$ 1,263	\$ (2,896)
Income (Loss) Attributable to Inspirato Incorporated per Class A Share		
Basic net income (loss) attributable to Inspirato Incorporated per Class A share	\$ 0.35	\$ (0.90)
Diluted net loss attributable to Inspirato Incorporated per Class A share	\$ (0.18)	\$ (0.90)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	\$ 67,382	\$ 84,092	\$ 147,627	\$ 175,792
Cost of revenue (including depreciation of \$1,452, \$2,741, \$804 and \$1,731 during the three and six months ended June 30, 2024 and 2023, respectively)	51,201	64,716	99,725	124,772
Asset impairments	—	30,054	—	30,054
Gross margin	16,181	(10,678)	47,902	20,966
General and administrative (including depreciation of \$355, \$693, \$0 and \$0 during the three and six months ended June 30, 2024 and 2023, respectively)	13,994	16,680	28,643	34,587
Sales and marketing	8,772	8,309	17,498	15,019
Operations	4,766	6,966	11,789	15,262
Technology and development	2,266	3,280	4,316	6,687
Depreciation and amortization	1,013	1,015	2,014	1,994
Interest expense (income), net	373	(414)	696	(527)
Loss (gain) on fair value instruments	316	(380)	(3,833)	(276)
Other expense (income), net	18	321	(277)	378
Loss and comprehensive loss before income taxes	(15,337)	(46,455)	(12,944)	(52,158)
Income tax expense	56	217	200	417
Net loss and comprehensive loss	(15,393)	(46,672)	(13,144)	(52,575)
Net loss and comprehensive loss attributable to noncontrolling interests	6,686	23,252	5,700	26,259
Net loss and comprehensive loss attributable to Inspirato Incorporated	\$ (8,707)	\$ (23,420)	\$ (7,444)	\$ (26,316)
Loss Attributable to Inspirato Incorporated per Class A Share				

Basic and diluted net loss attributable to Inspirato Incorporated per Class							
A share	\$	(2.33)	\$	(6.96)	\$	(2.03)	\$ (7.98)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

INSPIRATO INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT) (Unaudited)
(in thousands)

	Class A Common Stock		Class V Common Stock		Additional			
	Shares	Value	Shares	Value	Paid-in Capital	Accumulated Deficit	Noncontrolling Interests	Total
Balance as of January 1, 2023	3,136	\$ 6	3,068	\$ 6	\$ 245,652	\$ (233,931)	\$ (86,723)	\$ (74,990)
Cumulative effect of change in accounting principle	—	—	—	—	—	(96)	(108)	(204)
Net loss and comprehensive loss	—	—	—	—	—	(2,896)	(3,007)	(5,903)
Equity-based compensation	—	—	—	—	657	—	—	657
Issuance of common stock upon exercise of stock option awards, net of shares withheld for income taxes	91	—	—	—	438	—	—	438
Issuance of Class A shares upon conversion of Class V shares	108	1	(108)	—	(1,481)	—	1,480	—
Balance as of March 31, 2023	3,335	\$ 7	2,960	\$ 6	\$ 245,266	\$ (236,923)	\$ (88,358)	\$ (80,002)
Balance as of January 1, 2024	3,537	\$ 7	2,907	\$ 6	\$ 255,527	\$ (285,782)	\$ (124,456)	\$ (154,698)
Net income and comprehensive income	—	—	—	—	—	1,263	986	2,249
Equity-based compensation	—	—	—	—	2,878	—	—	2,878
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for income taxes	103	—	—	—	(276)	—	—	(276)
Issuance of Class A shares upon conversion of Class V shares	36	—	(36)	—	(1,091)	—	1,091	—
Balance as of March 31, 2024	3,676	\$ 7	2,871	\$ 6	\$ 257,038	\$ (284,519)	\$ (122,379)	\$ (149,847)

	Additional							
	Class A Common Stock		Class V Common Stock		Paid-in	Accumulated	Noncontrolling	Total
	Shares	Value	Shares	Value	Capital	Deficit	Interests	
Balance as of January 1, 2023	3,136	\$ 6	3,068	\$ 6	\$ 245,652	\$ (233,931)	\$ (86,723)	\$ (74,990)
Cumulative effect of change in accounting principle	—	—	—	—	—	(96)	(108)	(204)
Net loss and comprehensive loss	—	—	—	—	—	(2,896)	(3,007)	(5,903)
Equity-based compensation	—	—	—	—	657	—	—	657
Issuance of common stock upon exercise of stock option awards, net of shares withheld for income taxes	91	—	—	—	438	—	—	438
Issuance of Class A shares upon conversion of Class V shares	108	1	(108)	—	(1,481)	—	1,480	—
Balance as of March 31, 2023	3,335	\$ 7	2,960	\$ 6	\$ 245,266	\$ (236,923)	\$ (88,358)	\$ (80,002)
Net loss and comprehensive loss	—	—	—	—	—	(23,420)	(23,252)	(46,672)
Equity-based compensation	—	—	—	—	3,731	—	—	3,731
Issuance of common stock upon exercise of stock option awards, net of shares withheld for income taxes	27	—	—	—	32	—	—	32
Issuance of Class A shares upon conversion of Class V shares	32	—	(32)	—	(683)	—	683	—
Balance at June 30, 2023	3,394	\$ 7	2,928	\$ 6	\$ 248,346	\$ (260,343)	\$ (110,927)	\$ (122,911)
Balance as of January 1, 2024	3,537	\$ 7	2,907	\$ 6	\$ 255,527	\$ (285,782)	\$ (124,456)	\$ (154,698)
Net income and comprehensive income	—	—	—	—	—	1,263	986	2,249
Equity-based compensation	—	—	—	—	2,878	—	—	2,878
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for income taxes	103	—	—	—	(276)	—	—	(276)
Issuance of Class A shares upon conversion of Class V shares	36	—	(36)	—	(1,091)	—	1,091	—
Balance as of March 31, 2024	3,676	\$ 7	2,871	\$ 6	\$ 257,038	\$ (284,519)	\$ (122,379)	\$ (149,847)

Net loss and comprehensive loss	—	—	—	—	—	(8,707)	(6,686)	(15,393)
Equity-based compensation	—	—	—	—	2,672	—	—	2,672
Issuance of common stock through employee stock purchase plan	24	—	—	—	84	—	—	84
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for income taxes	106	—	—	—	(98)	—	—	(98)
Issuance of Class A shares upon conversion of Class V shares	13	—	(13)	—	(1,706)	—	1,706	—
Balance at June 30, 2024	3,819	\$ 7	2,858	\$ 6	\$ 257,990	\$ (293,226)	\$ (127,359)	\$ (162,582)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

[Table of Contents](#)

INSPIRATO INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(in thousands)

	Three months ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ 2,249	\$ (5,903)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,628	1,906
Loss on disposal of fixed assets	129	46
(Gain) loss on fair value instruments	(4,149)	104
Paid-in-kind interest included in net income	510	—
Equity-based compensation	2,878	657
Amortization of right-of-use assets	14,096	25,456
Changes in operating assets and liabilities:		
Accounts receivable, net	1,068	(3,086)
Accounts receivable, net – related parties	(198)	297
Prepaid member travel	1,707	(5,090)
Prepaid expenses	1,797	(208)
Other assets	153	(590)
Accounts payable and accrued liabilities	(861)	(2,826)
Deferred revenue	(14,641)	(3,772)
Lease liabilities	(14,921)	(24,578)
Other liabilities	353	—
Net cash used in operating activities	(7,202)	(17,587)
Cash flows from investing activities:		
Development of internal-use software	(236)	(1,932)
Purchase of property and equipment	(1,266)	(1,277)

Net cash used in investing activities	(1,502)	(3,209)
Cash flows from financing activities:		
Payments of employee taxes for share based awards	(276)	(718)
Proceeds from option exercises	—	1,156
Net cash (used in) provided by financing activities	(276)	438
Net decrease in cash, cash equivalents and restricted cash	(8,980)	(20,358)
Cash, cash equivalents and restricted cash – beginning of period	42,266	81,939
Cash, cash equivalents and restricted cash – end of period	\$ 33,286	\$ 61,581

	Six months ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (13,144)	\$ (52,575)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,448	3,725
Loss on disposal of fixed assets	164	588
Gain on fair value instruments	(3,833)	(276)
Asset impairments	—	30,054
Paid-in-kind interest included in net loss	1,030	—
Equity-based compensation	5,550	4,388
Amortization of right-of-use assets	31,789	42,362
Changes in operating assets and liabilities:		
Accounts receivable, net	483	(517)
Accounts receivable, net – related parties	(492)	388
Prepaid member travel	2,970	(2,270)
Prepaid expenses	241	(1,131)
Other assets	185	(1,192)
Accounts payable and accrued liabilities	(2,171)	(4,199)
Deferred revenue	(4,354)	(6,954)
Lease liabilities	(33,322)	(41,699)
Other liabilities	487	—
Net cash used in operating activities	(8,969)	(29,308)
Cash flows from investing activities:		
Development of internal-use software	(356)	(4,556)

Purchase of property and equipment	(3,170)	(2,500)
Net cash used in investing activities	(3,526)	(7,056)
Cash flows from financing activities:		
Payments of employee taxes for share based awards	(374)	(837)
Proceeds for purchases of shares for employee stock purchase plan	84	—
Proceeds from option exercises	—	1,307
Net cash (used in) provided by financing activities	(290)	470
Net decrease in cash, cash equivalents and restricted cash	(12,785)	(35,894)
Cash, cash equivalents and restricted cash – beginning of period	42,266	81,939
Cash, cash equivalents and restricted cash – end of period	\$ 29,481	\$ 46,045

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

[Table of Contents](#)

INSPIRATO INCORPORATED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) Nature of Business

Inspirato Incorporated and its subsidiaries (the “Company”, also referred to as “Inspirato”) is a subscription-based luxury travel company that provides exclusive access to a managed and controlled portfolio of curated vacation options, delivered through an innovative model designed to ensure the service, certainty and value that discerning customers demand. The Inspirato portfolio includes branded luxury vacation homes, accommodations at five-star hotel and resort partners and custom travel experiences.

For travelers, the Company offers access to a diverse portfolio of curated luxury vacation options that includes approximately 430 420 private luxury vacation homes available to the Company's customers and accommodations at over 240 230 luxury hotel and resort partners in the Company's over 180 destinations around the world as of March 31, 2024 June 30, 2024. The Company's portfolio also includes *Inspirato Only* experiences, featuring one-of-a-kind luxury safaris, cruises and other experiences with Inspirato-only member lists along with *Bespoke* trips, which offer custom-designed “bucket list” itineraries. Every Inspirato trip comes with the Company's personalized service envelope — including pre-trip planning, on-site concierge and daily housekeeping — designed to meet the needs of discerning travelers and drive exceptional customer satisfaction.

As of March 31, 2024 June 30, 2024, the Company's only subsidiary is Inspirato LLC. Inspirato LLC generally has subsidiaries in the jurisdictions where the Company has rental properties located. These entities typically lease local properties.

Liquidity and Management's Plans

During the year ended December 31, 2023, and the six months ended June 30, 2024, the Company experienced declines in active subscriptions, nights delivered and total average daily rates. As a result of these negative trends, revenues declined to \$67.4 million and \$147.6 million for the three and six months ended June 30, 2024, respectively, from \$84.1 million and \$175.8 million for the three and six months ended June 30, 2023, respectively. The Company also experienced negative cash flows from operating activities of \$9.0 million and \$29.3 million for the six months ended June 30, 2024, and 2023, respectively. As of June 30, 2024, the Company had \$18.8 million of cash and cash equivalents and \$10.7 million of restricted cash compared to \$36.6 million of cash and cash equivalents and \$5.7 million of restricted cash balances as of December 31, 2023.

As result of the continued operational challenges and significance of those conditions in relation to the Company's liquidity needs, management has developed and is executing on plans to address improvements in operations as well as obtain new capital investments that the Company believes will allow the Company to continue to meet its projected working capital and capital expenditure requirements for a period of at least the next twelve months. As of the date of these consolidated financial statements, the Company has implemented the following initiatives:

Capital Initiatives:

- On August 12, 2024, the Company entered into an investment agreement (the "Investment Agreement") with One Planet Group LLC, a Delaware limited liability company (the "Purchaser"), to acquire \$10.0 million of Class A common stock, \$0.00001 par value per share, at \$3.43 per share, and a warrant to acquire an additional 2.9 million shares of Class A common stock, for an aggregate purchase price of \$10.0 million (the "One Planet Financing"). Upon closing, the Purchaser has the ability to name three new Directors to the Inspirato Board of Directors and the size of the Company's Board is expected to remain at seven Directors. At the initial closing on August 13, 2024, the Purchaser acquired the first tranche of 1,335,271 shares for \$4.6 million. At the second closing, which is expected to occur in September 2024 and is subject to approval of the Company's stockholders, the Purchaser will acquire the remaining 1,580,180 shares for \$5.4 million, subject to a shareholder vote. In addition, pursuant to the Investment Agreement, the Purchaser was granted an option to acquire additional shares of Class A common stock for \$3.43 per share with an aggregate purchase price of up to \$2.5 million. The option may be exercised only if the second closing occurs. Additionally, along with each purchase of shares of Class A common stock, including optional additional shares, the Purchaser obtains an equivalent number of warrants which can each be exercised for an additional share of Class A common stock for \$3.43 per warrant and is exercisable for 5 years. These warrants will be issued only if the second tranche closing occurs.

The Company is also pursuing additional financing strategies and options. There can be no assurances that additional financing will be available at terms that will be satisfactory to the Company.

[Table of Contents](#)

Operational Initiatives:

- The Company initiated a:
 - 15% reduction of force of its headcount on August 12, 2024.

- o Entered into a Lease Termination and Surrender Agreement on August 12, 2024, effective August 31, 2024, (the “Termination Agreement”) of certain previously impaired, underperforming leases whereby the Company is extinguishing approximately \$41.2 million in lease liabilities as of the effective date of the Termination Agreement for leases that previously did not have termination rights.

Based on management’s plans, the Company expects to have sufficient liquidity for the continued operations of the Company’s business and necessary capital expenditures for a period of at least the next twelve months.

Reverse Stock Split

A reverse stock split in the ratio of 1-for-20 of all classes of common and preferred stock (the “Reverse Stock Split”) became effective as of October 16, 2023. The Reverse Stock Split had no effect on the par value of the Company’s Common Stock. The total number of shares of Class A Common Stock that the Company is authorized to issue was reduced from 1,000,000,000 to 50,000,000, the total number of shares of Class B Non-Voting Common Stock that the Company is authorized to issue was reduced from 100,000,000 to 5,000,000, the total number of shares of Class V Common Stock that the Company is authorized to issue was reduced from 500,000,000 to 25,000,000 and the total number of shares of Preferred Stock that the Company is authorized to issue was reduced from 100,000,000 to 5,000,000. Immediately after the Reverse Stock Split, each stockholder’s percentage ownership interest in the Company and proportional voting power remained unchanged, except for minor changes resulting from the treatment of fractional shares.

Proportional adjustments were also made to the number of shares of Class A Common Stock issuable pursuant to the Company’s outstanding warrants, Note (as defined below) and equity awards, as well as the number of shares authorized and reserved for issuance pursuant to the Company’s equity incentive and employee stock purchase plans. The exercise prices, conversion prices and stock price targets of outstanding warrants, Note and equity awards were also proportionately adjusted, as applicable. All historical share and per share amounts have been adjusted to reflect the Reverse Stock Split for all periods presented.

(2) Significant Accounting Policies

(a) Basis of Presentation

These unaudited condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements and the accompanying notes (collectively, the “Condensed Consolidated Financial Statements”) should be read together with the audited consolidated financial statements and accompanying notes included in the Company’s 2023 Form 10-K which was filed with the SEC on March 12, 2024.

These Condensed Consolidated Financial Statements have been prepared on the same basis as the audited annual financial statements and reflect all adjustments, which include normal recurring adjustments, necessary for the fair statement of the Company's financial position as of **March 31, 2024** **June 30, 2024** and the results of operations for the three **and six** months ended **March 31, 2023** **June 30, 2023** and 2024. The results of operations for the three **and six** months ended **March 31, 2024** **June 30, 2024** are not necessarily indicative of the results to be expected for the full year ending December 31, 2024 or any other future interim or annual period.

8

[Table of Contents](#)

All amounts presented in these Condensed Consolidated Financial Statements are expressed in thousands of U.S. dollars, except share and per share amounts and unless otherwise noted.

Refer to Note 2, Significant Accounting Policies to the consolidated financial statements in the Company's Annual Report on Form 10-K, filed with the SEC on March 12, 2024, for a summary and discussion of the Company's significant accounting policies, except as updated below.

9

[Table of Contents](#)

(b) Reclassification of Prior Year Presentation

Reclassifications of previously reported amounts have been made to conform to the current year's presentation. Accounts payable and accrued liabilities, which had been previously reported separately, have been combined within the Condensed Consolidated Statements of Cash Flows. This reclassification did not impact previously reported amounts on the Company's Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations and Comprehensive **Income (Loss)** **Loss** or Condensed Consolidated Statements of Equity (Deficit).

To conform with the current year's presentation where equity-based compensation reported is allocated between the applicable financial statement line items within the Condensed Consolidated Statements of Operations and Comprehensive **Income (Loss)**, **Loss**, the Company reclassified **\$0.2 million** **\$1.2 million** and **\$1.4 million** of equity-based compensation expense for the three **and six** months ended **March 31, 2023** **June 30, 2023, respectively**, out of general and administrative and into cost of revenue, sales and marketing, operations, and technology and development. This adjustment impacted the Company's gross margin presented within the Condensed Consolidated Statements of Operations and Comprehensive **Income (Loss)** **Loss** for the three **and six** months ended **March 31, 2023** **June 30, 2023** by the amount of equity-based compensation reclassified to cost of revenue. This adjustment did not impact the Company's net loss presented within the Condensed Consolidated Statements of Operations and Comprehensive **Income (Loss)** **Loss** for the three **and six** months ended **March 31, 2023** **June 30, 2023**. This adjustment did not impact previously reported amounts on the Company's Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Equity (Deficit) or Condensed Consolidated Statements of Cash Flows.

See the table below for a reconciliation of previously reported balances to the adjusted balances for this year's presentation within the Condensed Consolidated Statements of Operations and Comprehensive **Income (Loss)** **Loss** (in thousands):

	For the three months ended March 31, 2023			For the three months ended June 30, 2023		
	Previously Reported		Adjusted Presentation	Previously Reported		Adjusted Presentation
		Adjustment			Adjustment	
Cost of revenue	\$ 60,052	\$ 4	\$ 60,056	\$ 64,686	\$ 30	\$ 64,716
General and administrative	\$ 18,110	\$ (203)	\$ 17,907	\$ 17,885	\$ (1,205)	\$ 16,680
Sales and marketing	\$ 6,647	\$ 63	\$ 6,710	\$ 7,954	\$ 355	\$ 8,309
Operations	\$ 8,205	\$ 91	\$ 8,296	\$ 6,419	\$ 547	\$ 6,966
Technology and development	\$ 3,362	\$ 45	\$ 3,407	\$ 3,007	\$ 273	\$ 3,280

	For the six months ended June 30, 2023		
	Previously Reported		Adjusted Presentation
		Adjustment	
Cost of revenue	\$ 124,738	\$ 34	\$ 124,772
General and administrative	\$ 35,995	\$ (1,408)	\$ 34,587
Sales and marketing	\$ 14,601	\$ 418	\$ 15,019
Operations	\$ 14,624	\$ 638	\$ 15,262
Technology and development	\$ 6,369	\$ 318	\$ 6,687

(c) Use of Estimates

The preparation of Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the accompanying notes. Changes in facts and circumstances or discovery of new information may result in revised estimates, and actual results could differ from those estimates.

(3) Revenue

Revenues are as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Travel	\$ 49,674	\$ 55,128
Subscription	28,065	36,511
Rewards and other revenue	2,506	61
Total	\$ 80,245	\$ 91,700

910

[Table of Contents](#)

(3) Revenue

Revenues are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Travel	\$ 38,846	\$ 48,031	\$ 88,520	\$ 103,159
Subscription	25,240	36,038	53,305	72,549
Rewards and other revenue	3,296	23	5,802	84
Total	\$ 67,382	\$ 84,092	\$ 147,627	\$ 175,792

The Company recognizes assets and liabilities associated with its contracts with its members. Contract assets include commissions paid to the Company's sales staff for contracts with initial terms greater than one year; these costs are capitalized and amortized over the life of the contract. As of **March 31, 2024** **June 30, 2024**, the balance of capitalized commissions was **\$1.8 million** **\$1.9 million**, of which **\$1.1 million** **\$1.2 million** is included within other current assets and \$0.7 million is included within other noncurrent assets on the Company's Condensed Consolidated Balance Sheets. During the three months ended **March 31, 2024**, **June 30, 2024** and **2023** the Company recognized **\$0.3 million** **\$0.8 million** and **\$0.1 million**, respectively, of amortization expense in sales and marketing within the Company's Condensed Consolidated Statements of Operations and Comprehensive **Income (Loss)**. **Loss**. During the **three** **six** months ended **March 31, 2023**, **June 30, 2024** and **2023**, the Company recognized **\$22 thousand** **\$1.1 million** and **\$0.1 million**, respectively, of amortization expense in sales and marketing within the Company's Condensed Consolidated Statements of Operations and Comprehensive **Income (Loss)**. **Loss**. Contract liabilities include deferred revenue as discussed below.

Assets and liabilities related to contracts with members are as follows (in thousands):

	March 31,		December 31,	
			June 30,	December 31,
	2024	2023	2024	2023
Assets:				
Accounts receivable, net	\$ 2,238	\$ 3,306	\$ 2,823	\$ 3,306
Prepaid member travel	\$ 18,840	\$ 20,547	\$ 17,577	\$ 20,547
Other current assets	\$ 1,177	\$ 1,053	\$ 1,117	\$ 1,053
Other noncurrent assets	\$ 747	\$ 845	\$ 744	\$ 845
Liabilities:				
Deferred revenue, current	\$ 142,821	\$ 160,493	\$ 148,774	\$ 160,493
Deferred revenue, noncurrent	\$ 20,057	\$ 17,026	\$ 24,391	\$ 17,026

Deferred revenue is comprised of the following (in thousands):

	March 31,	December 31,	June 30,	December 31,
	2024	2023	2024	2023
Travel	\$ 75,922	\$ 81,613	\$ 81,012	\$ 81,613
Subscriptions	57,897	66,367	63,793	66,367
Travel credits	18,010	18,852	16,788	18,852
Rewards	11,049	10,687	11,572	10,687
Total	162,878	177,519	173,165	177,519
Less: Deferred revenue, noncurrent	20,057	17,026	24,391	17,026
Deferred revenue, current	\$ 142,821	\$ 160,493	\$ 148,774	\$ 160,493

During the **three six** months ended **March 31, 2024** **June 30, 2024**, **\$71.4 million** **\$107.8 million** of revenue was recognized that was included in the balance of deferred revenue as of December 31, 2023. Significant movements in the deferred revenue balance during the **three six** months ended **March 31, 2024** **June 30, 2024** consisted of increases due to payments received prior to transfer of control of the underlying performance obligations to the customer, which were offset by decreases as performance obligations were satisfied. During the **three six** months ended **March 31, 2023** **June 30, 2023**, **\$63.0 million** **\$103.4 million** of revenue was recognized that was included in the balance of deferred revenue as of December 31, 2022.

Deferred revenue includes payments received in advance from members and is generally recognized to revenue within 2 years. Deferred revenue related to *Inspirato Rewards* (“*Rewards*”) represents multiple performance obligations associated with the Company’s member loyalty program. Revenues related to *Rewards* are recognized over time based upon historical travel patterns and

[Table of Contents](#)

members’ average life, which includes an estimate of *Rewards* benefits that will expire or will not be used during the benefit period of the *Rewards* material rights (up to 30 months). **Deferred revenue related to *Inspirato Invited* (“*Invited*”) subscriptions is amortized over the ten-year contract period.**

[Table of Contents](#)

(4) Prepaid Expenses and Prepaid Member Travel

Prepaid expenses

Prepaid expenses are as follows (in thousands):

March 31, December 31,		June 30, December 31,	
2024 2023		2024 2023	

Software	\$ 2,135	\$ 2,899	\$ 1,968	\$ 2,899
Insurance	847	1,873	2,522	1,873
Property operations	843	720	906	720
Operating supplies	513	643	498	643
Total	\$ 4,338	\$ 6,135	\$ 5,894	\$ 6,135

Prepaid Member Travel

Prepaid member travel of \$18.8 million, \$17.6 million and \$20.5 million as of March 31, 2024, June 30, 2024 and December 31, 2023, respectively, includes deposits for future member travel.

(5) Property and Equipment, Net

Property and equipment, net are as follows (in thousands):

	Useful Life (years)	March 31, 2024	December 31, 2023	Useful Life (years)	June 30, 2024	December 31, 2023
Residence leasehold improvements	3	\$ 21,202	\$ 21,372	3	\$ 21,465	\$ 21,372
Internal-use software	3	17,053	16,510	3	17,587	16,510
Corporate office leasehold improvements	3	3,901	5,323	3	3,901	5,323
Furniture, fixtures and equipment	5	1,262	1,214	5	1,262	1,214
Computer equipment	3	1,114	1,114	3	1,114	1,114
Residence vehicles	5	626	689	5	584	689
Total cost		45,158	46,222		45,913	46,222
Accumulated depreciation and amortization		(26,676)	(26,718)		(28,196)	(26,718)
Property and equipment, net		\$ 18,482	\$ 19,504		\$ 17,717	\$ 19,504

(6) Accounts Payable and Accrued Liabilities

The following table presents the components of accounts payable and accrued liabilities (in thousands):

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
--	-------------------	----------------------	------------------	----------------------

Trade creditors	\$ 12,179	\$ 11,644	\$ 10,742	\$ 11,644
Occupancy taxes payable	5,963	6,823	6,188	6,823
Compensation accruals	3,500	3,786	3,429	3,786
Income and other taxes payable	204	495	211	495
Accounts payable and accrued liabilities	\$ 21,846	\$ 22,748	\$ 20,570	\$ 22,748

12

[Table of Contents](#)

(7) Debt

Convertible Note

On August 7, 2023, the Company entered into an investment agreement with Oakstone Ventures, Inc. (the "Purchaser" ("Oakstone")), an affiliate of Capital One Services, LLC ("Capital One"), relating to the sale and issuance to the Purchaser Oakstone of an 8% Senior Secured Convertible

11

[Table of Contents](#)

Note due 2028 in a principal amount of \$25.0 million (the "Note"). On September 29, 2023, the Company issued the Note. The total net proceeds from this offering were \$23.1 million, after deducting \$1.9 million of debt issuance costs.

The Note bears interest at a fixed rate of 8% per annum. Interest on the Note is payable quarterly on the last business day of each calendar quarter following the issuance of the Note and the Company has elected to pay

interest in kind by increasing the outstanding principal amount of the Note by the amount of interest payable on such interest payment date. As of **March 31, 2024** **June 30, 2024** and December 31, 2023, the outstanding amount of the Note was **\$26.0 million** **\$26.5 million** and \$25.5 million, respectively.

The current conversion price of the Note is \$30 per share, which has been adjusted for the September 26, 2023 Reverse Stock Split, and on or after **the three-year anniversary of September 29, 2023, the closing of the investment agreement, September 29, 2026** the Note will be redeemable (subject to certain terms and conditions) by the Company in whole (but not in part) at a redemption price equal to the fair market value of the Class A Common Stock issuable upon conversion of the then-outstanding principal amount of the Note. The Note also includes a minimum liquidity threshold of \$10 million.

The Company has elected to carry the Note at fair value, with changes in its value recognized as fair value gains or losses on the Condensed Consolidated **Statement Statements** of Operations and Comprehensive **Income (Loss)**. **Fair Loss**. A fair value **gainsloss** of **\$4.2 million** **\$0.3 million** and a fair value gain of **\$3.9 million** for the three **and six** months ended **March 31, 2024** **June 30, 2024**, respectively, were recorded in (gain) loss on fair value instruments within the Company's Condensed Consolidated Statements of **Operation Operations** and Comprehensive **Income (Loss)**. **Loss**.

Loan Facility

In October of 2020, the Company obtained a revolving line of credit that was scheduled to mature October of 2023 and was terminated in March of 2023. The facility had a limit of \$14 million. There was no interest expense related to the facility for the three **and six** months ended **March 31, 2023** **June 30, 2023**.

Interest, Net

The Company incurred **interest expense on the Note of \$0.5 million and \$0.0 million during the three months ended March 31, 2024 and 2023, respectively**. The interest expense was offset by interest income from the **Company's banking relationship of \$0.2 million and \$0.1 million for the three months ended March 31, 2024 and 2023, respectively, resulting in a net interest expense of \$0.3 million** **\$0.4 million** and **\$0.7 million** for the three **and six months ended June 30, 2024, respectively**, and net interest income **of \$0.1 million** **\$0.4 million** and **\$0.5 million** for the three **and six** months ended **March 31, 2024 and 2023, June 30, 2023**, respectively, which has been recognized to interest, net within the Company's Condensed Consolidated Statements of Operations and Comprehensive **Income (Loss)**. **Loss**. The Company incurred interest expense on the Note of \$0.5 million and **\$1.0 million during the three and six months ended June 30, 2024, respectively**. The Company did not incur interest expense on the Note during the three and six months ended June 30, 2023 as the Note was not yet issued. The interest expense was offset by interest income from the Company's banking relationship of **\$0.1 million and \$0.3 million for the three and six months ended June 30, 2024, respectively**, and **\$0.4 million and \$0.5 million for the three and six months ended June 30, 2023, respectively**.

(8) Leases

The Company enters into operating leases primarily for standalone homes, luxury condos and hotel rooms and suites. As of **March 31, 2024** **June 30, 2024**, active leases have remaining terms ranging from 1 to **20****19** years, and generally contain extension options at the approval of both parties. The Company has not generally included these renewal periods in the lease term as it is not reasonably certain that the renewal option will be exercised. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Variable lease expense includes expenses incurred as a result of the lease agreement which are not considered known expenses at lease inception and are recognized as incurred. Variable expenses can include, but are not limited to, revenue shares, owner buyback adjustments and usage-based agreements. Operating lease expense and variable lease expense are included in cost of revenue within the Condensed Consolidated Statements of Operations and Comprehensive **Income (Loss)**, **Loss**.

The following table details the composition of operating lease expense (in thousands):

	Three Months Ended March 31,	
	2024	2023
Operating lease expense	\$ 19,728	\$ 22,798
Variable lease expense	\$ 301	\$ 386

12**13**

[Table of Contents](#)

The following table details the composition of operating lease expense (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating lease expense	\$ 18,830	\$ 22,360	\$ 38,558	\$ 45,158
Variable lease expense	\$ 200	\$ 116	\$ 501	\$ 502

The maturities of the Company's operating lease liabilities as of **March 31, 2024** **June 30, 2024** are as follows (in thousands):

Fiscal Year Ending	Operating leases	Operating leases
Remainder of 2024	\$ 62,311	\$ 41,573

2025	69,682	71,450
2026	51,302	52,994
2027	38,316	39,788
2028	29,497	31,032
2029 and thereafter	72,518	76,668
Total minimum lease payments	323,626	313,505
Less: interest expense	(68,503)	(67,006)
Present value of lease obligations	255,123	246,499
Less: current lease obligations	(62,946)	(61,302)
Long-term lease obligations	\$ 192,177	\$185,197

As of **March 31, 2024** **June 30, 2024**, the Company was party to **19** **16** leases that had not yet commenced. Future payments under these leases were **\$26.9 million** **\$24.3 million** as of **March 31, 2024** **June 30, 2024**.

The following table presents additional information about the Company's operating lease obligations:

	Three Months Ended March 31,	
	2024	2023
Weighted-average remaining lease term (in years)	5.5	5.6
Weighted-average discount rate	8.68%	6.83%

	June 30, 2024	December 31, 2023
Weighted-average remaining lease term (in years)	5.5	5.6
Weighted-average discount rate	8.83%	8.23%

Impairment of Right-of-Use Assets

The Company tests long-lived assets for recoverability whenever events or changes in circumstances suggest that the carrying value of an asset or group of assets may not be recoverable.

During the three **and six** months ended **March 31, 2024 and 2023**, **June 30, 2024**, the Company reviewed cash flow forecasts of leases against the carrying value of their right-of-use assets. The Company determined that none of the right-of-use assets for leases had net carrying values that exceeded their estimated undiscounted future cash flows and therefore no impairment was recorded for the three **and six** months ended **March 31, 2024 or 2023**, **June 30, 2024**.

During the three and six months ended **June 30, 2023**, the Company reviewed cash flow forecasts of leases against the carrying value of their right-of-use assets. The Company determined that the right-of-use assets for

thirty-three leases had net carrying values that exceeded their estimated undiscounted future cash flows. These leases were primarily related to one group of underperforming properties in a single geographic location. The Company then estimated the fair value of the asset groups based on their cash flows discounted at a rate commensurate with the risk involved and based on assumptions representative of market participants. The carrying values of the asset groups exceeded their fair values and, as a result, the Company recorded right-of-use asset impairments of \$30.1 million and property and equipment impairment of \$0.3 million for the three and six months ended June 30, 2023. These impairments are recorded in asset impairments within the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss.

[Table of Contents](#)

(9) Income Taxes

As of **March 31, 2024** **June 30, 2024**, Inspirato Incorporated holds **56.1%** **57.2%** of the economic interest in Inspirato LLC (see Note **15**) **13**), which is treated as a partnership for U.S. federal income tax purposes. As a partnership, Inspirato LLC is itself generally not subject to U.S. federal income tax under current U.S. tax laws as its net taxable income or loss is passed through to its members and included in their tax returns, even though such net taxable income may not have actually been distributed. Inspirato Incorporated is subject to U.S. federal income taxes, in addition to state and local income taxes, with respect to its **56.1%** **57.2%** distributive share of the net taxable income of Inspirato LLC. Inspirato Incorporated is also subject to taxes in foreign jurisdictions.

The effective income tax rate was **6.0%** **negative 0.4%** and **negative 1.5%** for the three and six months ended **March 31, 2024** **June 30, 2024**, respectively, and **negative 3.5%** **0.5%** and **negative 0.8%** for the three and six months ended **March 31, 2023** **June 30, 2023**, respectively. The effective income tax rate for the three and six months ended **March 31, 2024** **June 30, 2024** differed from the statutory rate in the respective **period, periods**, primarily due to the losses allocated to noncontrolling interests and the recognition of a valuation allowance. Income tax expense recorded in the three and six months ended **March 31, 2024** **June 30, 2024** and 2023 represents amounts owed to foreign taxing authorities.

The Company has assessed the realizability of the net deferred tax assets and in that analysis has considered the relevant positive and negative evidence available to determine whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The Company has recorded a full valuation allowance against the deferred tax assets at Inspirato Incorporated as of **March 31, 2024** **June 30, 2024** and December

31, 2023, which will be maintained until there is sufficient evidence to support the reversal of all or some portion of these allowances.

13

Table On February 11, 2022, the Company entered into a Tax Receivable Agreement (the "TRA"). Under the TRA, the Company is generally required to pay holders of Contents the noncontrolling interests in Inspirato LLC, who also hold noneconomic voting interests in Inspirato Incorporated through their ownership of Class V Common Stock of Inspirato Incorporated, (the "Continuing Inspirato Members") 85% of the amount of cash savings, if any, in U.S. federal, state or local tax that the Company realizes directly or indirectly (or are deemed to realize in certain circumstances) as a result of (i) certain tax attributes created as a result of any sales or exchanges (as determined for U.S. federal income tax purposes) to or with the Company of their interests in Inspirato for shares of Inspirato Incorporated's Class A common stock or cash, including any basis adjustment relating to the assets of Inspirato and (ii) tax benefits attributable to payments made under the TRA (including imputed interest).

The original TRA provides that, in certain events, including Inspirato's exercise of early termination rights, Inspirato's obligations under the TRA will accelerate and Inspirato will be required to make a lump-sum cash payment to the applicable parties to the TRA equal to the present value of all forecasted future payments that would have otherwise been made under the TRA, which lump-sum payment would be based on certain assumptions, including those relating to Inspirato's future taxable income. On August 9, 2024, the TRA was amended by the Company and the other parties signatory thereto. As so amended, the TRA will terminate in full and in August 2024, the Company will pay \$0.3 million to settle the TRA.

The Company's income tax filings are subject to audit by various taxing jurisdictions. The Company will monitor the status of U.S. federal, state and local income tax returns that may be subject to audit in future periods. No U.S. federal, state and local income tax returns are currently under examination by the respective taxing authorities.

As of March 31, 2024 June 30, 2024, the Company has recorded amounts related to indirect taxes, uncertain tax positions and foreign income taxes, totaling \$2.8 million \$2.9 million, within other noncurrent liabilities on the condensed consolidated balance sheets based on its current estimate of their realizability.

(10) Equity of Inspirato Incorporated

The Company had three classes of common stock as of March 31, 2024 June 30, 2024: Class A, Class V and Class B Common Stock. Holders of the Class A and Class V Common Stock will vote together as a single class

on all matters submitted to stockholders for their vote or approval, except as required by applicable law, and each share of Class A or Class V Common Stock will be entitled to one vote on such matters. Holders of Class B Common Stock do not have voting rights. No class of common stock has any conversion rights.

Table of Contents

(11) Earnings (Loss) Loss Attributable to Inspirato Incorporated per Class A Share

Basic and diluted earnings (loss) per share (“EPS”) is computed utilizing shares that participate in the Company’s earnings – including dividend rights. The Company’s Class A and Class B Common Stock are the classes of shares that are entitled to the Company’s earnings and dividends.

EPS is computed using the two-class method. Under the two-class method, the Company allocates net income attributable to Inspirato Incorporated to Class A Common Stock (including those with vested share-based awards). Basic earnings per share is calculated by taking net income attributable to Inspirato Incorporated, less earnings allocated to Class A Common Stock, divided by the basic weighted-average Class A Common Stock outstanding. Net income (loss) loss per share is calculated by taking net income (loss) loss attributable to Inspirato Incorporated divided by weighted-average Class A Common Stock outstanding. In accordance with the two-class method, diluted earnings (loss) per share is calculated using the more dilutive of the impact of the treasury-stock method or from reducing net income for the earnings allocated to Class A Common Stock.

The following table presents the Company’s basic and diluted EPS for the three and six months ended March 31, 2024 June 30, 2024 and 2023 (in thousands, except per share amounts):

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Net income (loss) attributable to Inspirato Incorporated	\$ 1,263	\$ (2,896)				

<p>The following table presents the Company's diluted EPS for the three months ended March 31, 2024 and 2023 (in thousands, except per share amounts):</p>		
	<p>Three Months Ended March 31,</p>	
	<p>2024</p>	<p>2023</p>
Net income (loss) attributable to Inspirato Incorporated	<p>\$ 1,263</p>	<p>\$ (2,896)</p>

Impact of convertible note interest and fair market value adjustment attributable to Inspirato Incorporated Class A Shares	(2,066)	—
Net loss attributable to common stockholders	\$ (803)	\$ (2,896)
Weighted average Class A Shares outstanding, Basic	3,595	3,226
Effect of dilutive securities	850	—
Weighted average Class A Shares outstanding, Diluted	4,445	3,226
Net loss attributable to Inspirato Incorporated per Class A Share, Diluted	\$ (0.18)	\$ (0.90)

14

[Table of Contents](#)

Due to the net loss attributable to Inspirato Incorporated for the three and six months ended March 31, 2023, June 30, 2024 and 2023, diluted weighted-average Class A shares outstanding are equal to basic weighted-average shares outstanding as the effect of any incremental equity awards is anti-dilutive. The following securities are excluded from the computation of diluted shares for the three and six months ended March 31, 2024, June 30, 2024 and 2023 due to their anti-dilutive effects (in thousands):

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Restricted stock units	552	791	564	943	606	857
Stock options	189	257	165	237	177	249
Warrants	431	431	431	431	431	431
Note			885	—	885	—
Anti-dilutive securities	1,172	1,479	2,045	1,611	2,099	1,537

(12) Equity-Based Compensation

During the three and six months ended June 30, 2024 and 2023, the Company recognized \$2.7 million, \$5.6 million, \$3.7 million and \$4.4 million, respectively, of equity-based compensation. The following table details where equity-based compensation is recognized on the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cost of revenue	\$ 14	\$ 30	\$ 32	\$ 34
General and administrative	1,943	2,526	4,005	2,980
Sales and marketing	248	355	570	418
Operations	283	547	576	638
Technology and development	184	273	367	318
Total equity-based compensation	\$ 2,672	\$ 3,731	\$ 5,550	\$ 4,388

The Company also recognized income tax benefits from stock compensation of \$0.4 million, \$0.8 million, \$0.4 million and \$0.5 million for the three and six months ended June 30, 2024 and 2023, respectively.

[Table of Contents](#)

2021 Plan

The following table represents restricted stock unit ("RSU") activity for the six months ended June 30, 2024 and 2023:

	Number of units (in thousands)	Weighted average grant date fair value
Outstanding as of December 31, 2022	275	\$ 124.60
Granted	783	\$ 27.41
Vested	(85)	\$ 120.40
Forfeited	(42)	\$ 56.06
Outstanding as of June 30, 2023	931	\$ 46.34

Outstanding as of December 31, 2023	727	\$	41.42
Granted	308	\$	3.94
Vested	(300)	\$	35.09
Forfeited	(30)	\$	35.46
Outstanding as of June 30, 2024	705	\$	27.99

As of June 30, 2024, there was \$14.4 million of unrecognized compensation cost related to RSUs which is expected to be recognized over a weighted average period of 1.7 years. Additionally, during the three and six months ended June 30, 2024, the Company accelerated vesting of some RSUs which resulted in \$0.5 million and \$0.8 million, respectively, of incremental compensation cost recognized in the period.

Unit Option Plan

The Company had 152,000 and 204,000 stock options outstanding and exercisable as of June 30, 2024 and December 31, 2023, respectively. No options have been granted since January of 2021. There were no stock option exercises during the three and six months ended June 30, 2024. There were 7,000 and 37,000 stock option exercises during the three and six months ended June 30, 2023, respectively, at a weighted average exercise price of \$15.60 and \$15.60 per share, respectively.

(13) Noncontrolling Interest

As of June 30, 2024 and December 31, 2023 the noncontrolling interests owned 42.8% and 45.1%, respectively, of Inspirato LLC. During the three and six months ended June 30, 2024 and 2023, the Company issued 13,000 shares, 49,000 shares, 32,000 shares and 140,000 shares, respectively, of Class A Common Stock in exchange for the same number of New Common Units, resulting also in the cancellation of the same number of shares of Class V Common Stock.

[Table of Contents](#)

The following table summarizes the changes in share ownership of Inspirato LLC (in thousands):

	New Common Units			
	Inspirato Incorporated	Continuing Inspirato LLC Members	Continuing Inspirato LLC Members subject to vesting	Total
Balance as of January 1, 2023	3,136	2,983	85	6,204
Conversion of Class V to Class A	140	(140)	—	—
Vesting of profits interests	—	22	(22)	—
Issuance of Common Stock from net option exercises	118	—	—	118
Balance as of June 30, 2023	3,394	2,865	63	6,322
Balance as of January 1, 2024	3,537	2,907	—	6,444
Conversion of Class V to Class A	49	(49)	—	—
Issuance of Common Stock from employee stock purchases and vesting of restricted stock units	233	—	—	233
Balance as of June 30, 2024	3,819	2,858	—	6,677

(14) Commitments and Contingencies

Litigation

The Company is involved in various legal proceedings. The Company establishes reserves for specific legal proceedings when the likelihood of an unfavorable outcome is probable and the amount of loss can be reasonably estimated. The Company does not believe that there is a reasonable possibility of material loss or loss in excess of the amount that the Company has accrued. The Company recognizes legal fees related to any ongoing legal proceeding as incurred.

On February 16, 2023, a class action lawsuit was filed in the U.S. District Court in the District of Colorado captioned Keith Koch, Individually and on behalf of all others similarly situated v. Inspirato Incorporated, Brent Handler, and R. Webster Neighbor. The complaint alleged violations of Section 10(b) of the Exchange Act and

Rule 10b-5 promulgated thereunder against all defendants, and Section 20(a) of the Exchange Act against the individual defendants. The complaint generally alleged that certain of the Company's prior public statements about its results of operations and financial condition were materially false and misleading because they misrepresented and failed to disclose adverse facts pertaining to the restatement of the Company's Condensed Consolidated Financial Statements as of and for the three months ended March 31, 2022 and June 30, 2022. On July 16, 2024, the magistrate recommended the case be dismissed and the plaintiff filed objections to these recommendations on July 30, 2024. The Company responded to these objections on August 13, 2024 and expects the Court to dismiss the shareholder lawsuit.

Financial Guarantee Requirement

Inspirato LLC is a party to a financial guarantee requirement with a third party. The guarantee is satisfied through \$30 million in surety bonds. The surety bond agreements remain in effect and their term is continuous. The surety has the right to terminate the bonds upon 180 days' notice. Inspirato LLC has the right to terminate the bonds upon termination and satisfaction of the agreement which the bonds secure.

Credit Card Reserve

The Company has a \$10 million restricted cash reserve balance with a credit card issuer. As of June 30, 2024 and December 31, 2023, \$10.0 million and \$4.8 million, respectively, was reserved and is included in restricted cash within the Condensed Consolidated Balance Sheets.

[Table of Contents](#)

(12) Equity-Based Compensation

During the three months ended March 31, 2024 and 2023, the Company recognized \$2.9 million and \$0.7 million, respectively, of equity-based compensation. The following table details where equity-based compensation is recognized on the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (in thousands):

	Three Months Ended March 31,	
	2024	2023
Cost of revenue	\$ 18	\$ 4

General and administrative	2,062	454
Sales and marketing	322	63
Operations	293	91
Technology and development	183	45
Total equity-based compensation	\$ 2,878	\$ 657

The Company also recognized income tax benefits from stock compensation of \$0.4 million and \$0.1 million for the three months ended March 31, 2024 and 2023, respectively.

2021 Plan

The following table represents restricted stock unit ("RSU") activity for the three months ended March 31, 2024 and 2023:

	Number of units (in thousands)	Weighted average grant date fair value
Outstanding as of December 31, 2022	275	\$ 124.60
Granted	746	\$ 27.82
Vested	(61)	\$ 124.48
Forfeited	(6)	\$ 123.98
Outstanding as of March 31, 2023	954	\$ 47.88
Outstanding as of December 31, 2023	727	\$ 41.42
Granted	—	\$ 0.00
Vested	(167)	\$ 37.07
Forfeited	(8)	\$ 40.65
Outstanding as of March 31, 2024	552	\$ 42.74

As of March 31, 2024, there was \$17.5 million of unrecognized compensation cost related to RSUs which is expected to be recognized over a weighted average period of 1.9 years. Additionally, during the three months ended March 31, 2023, the Company accelerated vesting of some RSUs which resulted in \$0.3 million of incremental compensation cost recognized in the period.

[Table of Contents](#)

Unit Option Plan

The Company had 181,000 and 204,000 stock options outstanding and exercisable as of March 31, 2024 and December 31, 2023, respectively. No options have been granted since January of 2021. There were no stock option exercises during the three months ended March 31, 2024 and 30,000 stock options were exercised during the three months ended March 31, 2023 at a weighted average exercise price of \$15.60 per share.

(13) Employee Benefit Plans

Employee Stock Purchase Plan

The Company has an employee stock purchase plan (the “ESPP”), under which the Company is authorized to issue 200,000 shares of Class A Common Stock. At both March 31, 2024 and December 31, 2023, the Company had approximately 141,000 shares of Class A Common Stock which remain available for issuance under the ESPP. Generally, all full-time employees are eligible to participate in the ESPP. Employee stock purchases are made through payroll deductions. The ESPP consists of six-month offering periods during which employees may enroll in the plan. The purchase price on each purchase date shall not be less than eighty-five percent (85%) of the lesser of (a) the fair market value of a share of stock on the offering date of the offering period or (b) the fair market value of a share of stock on the purchase date. During the three months ended March 31, 2024 and 2023, there were no employee purchases of Class A Common Stock through the ESPP.

401(k) Employee Savings Plan

The Company sponsors a defined contribution 401(k) plan (the “Plan”) that covers substantially all employees. During the three months ended March 31, 2024 and 2023, the Company matched \$0.0 million and \$0.6 million, respectively.

(14) (15) Fair Value Measurements

Under ASC 820, *Fair Value Measurements and Disclosures*, disclosures relating to how fair value is determined for assets and liabilities are required and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs, as follows:

- **Level 1** – Quoted prices in active markets for identical assets and liabilities.
- **Level 2** – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- **Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes several valuation techniques in order to assess the fair value of its financial assets and liabilities.

16

[Table of Contents](#)

The following tables set forth the fair value of the Company's financial assets and liabilities measured at fair value on a recurring basis as of **March 31, 2024**, **June 30, 2024** and December 31, 2023 based on the three-tier fair value hierarchy (in thousands):

	March 31, 2024				June 30, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash and cash equivalents	\$ 22,626	\$ —	\$ —	\$ 22,626	\$18,821	\$ —	\$ —	\$18,821
Restricted cash	10,660	—	—	10,660	10,660	—	—	10,660
Total	\$ 33,286	\$ —	\$ —	\$ 33,286	\$29,481	\$ —	\$ —	\$29,481
Liabilities								
Convertible Note	\$ —	\$ —	\$ 20,176	\$ 20,176	\$ —	\$ —	\$ 20,988	\$ 20,988
Warrants	87	—	—	87	112	—	—	112
Total	\$ 87	\$ —	\$ 20,176	\$ 20,263	\$ 112	\$ —	\$ 20,988	\$21,100

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 36,566	\$ —	\$ —	\$ 36,566
Restricted cash	5,700	—	—	5,700
Total	\$ 42,266	\$ —	\$ —	\$ 42,266
Liabilities				
Convertible Note	\$ —	\$ —	\$ 23,854	\$ 23,854
Warrants	48	—	—	48

Total

\$	48	\$	—	\$23,854	\$23,902
----	----	----	---	----------	----------

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash are comprised of credit card receivables and cash and are categorized as Level 1 instruments. The Company maintains cash with various high-quality financial institutions and holds restricted cash with certain credit card processors as a deposit until services are rendered. Cash, cash equivalents and restricted cash are carried at cost, which management believes approximates fair value. As of **March 31, 2024** **June 30, 2024** and December 31, 2023, the Company had \$10.7 million and \$5.7 million, respectively, of restricted cash.

19

[Table of Contents](#)

Warrants

The Company is party to issued and outstanding Public Warrants and has also issued warrants in connection with a commercial agreement with Saks.com LLC (the “Saks Warrant Shares”), both of which have been recorded within other noncurrent liabilities within the Condensed Consolidated Balance Sheets. As the Public Warrants utilize an observable price in an active market to assess their fair value the warrants are categorized as Level 1 instruments. Additionally, as there was an immaterial amount of outstanding Saks Warrant Shares as of **March 31, 2024** **June 30, 2024**, the Company concluded the fair market value of the outstanding Saks Warrant Shares to be less than **less than** \$0.1 million as of **March 31, 2024** **June 30, 2024**. On **July 31, 2024**, the Company terminated the commercial agreement with Saks.com LLC and paid a termination fee of less than \$0.1 million.

Convertible Note

The estimated fair value of the Note has been determined to be a Level 3 measurement, as the Company utilizes a binomial lattice model where both the debt and stock features of the Note are considered. In reviewing the debt features of the Note, the Company considered its scheduled coupon and principal payments and compared them to those of instruments currently outstanding in the market of companies with similar credit ratings as well as the risk-free rate. In considering the stock features of the Note, the Company considered the value and volatility of its own stock, in addition to considering volatility of similar instruments in the marketplace as well as the conversion feature of the Note which is discounted at the risk-free rate.

[Table of Contents](#)

(15) Noncontrolling Interest(16) Employee Benefit Plans

During the three months ended March 31, 2024 and 2023, 43.9% and 50.9%**Employee Stock Purchase Plan**

The Company has an employee stock purchase plan (the “ESPP”), respectively, of the consolidated net income (loss) of Inspirato LLC was allocated to the noncontrolling interests of Inspirato LLC. During the three months ended March 31, 2024 and 2023, under which the Company issued 36,000 is authorized to issue 200,000 shares of Class A Common Stock. At June 30, 2024 and 108,000 December 31, 2023, the Company had approximately 117,000 and 141,000 shares respectively, of Class A Common Stock, in exchange respectively, which remain available for issuance under the same number of New Common Units, resulting also ESPP. Generally, all full-time employees who have been employed by Inspirato for at least six months are eligible to participate in the cancellation ESPP. Employee stock purchases are made through payroll deductions. The ESPP consists of six-month offering periods during which employees may enroll in the plan. The purchase price on each purchase date shall not be less than eighty-five percent (85%) of the same number lesser of (a) the fair market value of a share of stock on the offering date of the offering period or (b) the fair market value of a share of stock on the purchase date. During both the three and six months ended June 30, 2024, there were 24,000 shares of Class V A Common Stock. Stock purchased by employees through the ESPP. During both the three and six months ended June 30, 2023, there were no employee purchases of Class A Common Stock through the ESPP.

401(k) Employee Savings Plan

The following table summarizes Company sponsors a defined contribution 401(k) plan (the “Plan”) that covers substantially all employees. During both the changes in share ownership of Inspirato LLC (in thousands): three and six months ended June 30, 2024, the Company made no matching contributions. During the three and six months ended June 30, 2023, the Company matched \$0.3 million and \$0.9 million, respectively.

	New Common Units		Total
	Inspirato Incorporated	Continuing Inspirato LLC Members	Continuing Inspirato LLC Members subject to vesting

Balance as of January 1, 2023	3,136	2,983	85	6,204
Conversion of Class V to Class A	108	(108)	—	—
Vesting of profits interests	—	11	(11)	—
Issuance of Common Stock	91	—	—	91
Balance as of March 31, 2023	3,335	2,886	74	6,295
Balance as of January 1, 2024	3,537	2,907	—	6,444
Conversion of Class V to Class A	36	(36)	—	—
Vesting of profits interests	—	—	—	—
Issuance of Common Stock	103	—	—	103
Balance as of March 31, 2024	3,676	2,871	—	6,547

(16) Commitments and Contingencies

Litigation

The Company is involved in various legal proceedings. The Company establishes reserves for specific legal proceedings when the likelihood of an unfavorable outcome is probable and the amount of loss can be reasonably estimated. The Company does not believe that there is a reasonable possibility of material loss or loss in excess of the amount that the Company has accrued. The Company recognizes legal fees related to any ongoing legal proceeding as incurred.

On February 16, 2023, a class action lawsuit was filed in the U.S. District Court in the District of Colorado captioned Keith Koch, Individually and on behalf of all others similarly situated v. Inspirato Incorporated, Brent Handler, and R. Webster Neighbor. The complaint alleges violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder against all defendants, and Section 20(a) of the Exchange Act against the individual defendants. The complaint generally alleges that certain of the Company's prior public statements about its results of operations and financial condition were materially false and misleading because they misrepresented and failed to disclose adverse facts pertaining to the restatement of the Company's Condensed Consolidated Financial Statements as of and for the three months ended March 31, 2022 and June 30, 2022. The Company believes it has meritorious defense to the claims in this matter and intends to vigorously defend against them.

Financial Guarantee Requirement

Inspirato LLC is a party to a financial guarantee requirement with a third party. The guarantee is being satisfied through \$30 million of surety bonds. The financial guarantee bond agreement remains in effect and its term is

continuous to align with the term of the agreement it supports.

[Table of Contents](#)

Credit Card Reserve

The Company has committed to provide a \$10 million reserve balance with a credit card processor through credit card transactions. As of March 31, 2024 and December 31, 2023, \$10.0 million and \$4.8 million, respectively, was reserved and is included in restricted cash within the Condensed Consolidated Balance Sheets.

(17) Related Party Transactions

As part of the Portico acquisition in 2013, Inspirato LLC entered into certain ancillary and commercial arrangements with Exclusive Resorts, where several of the Company's significant shareholders also hold a significant investment, primarily involving the continuation of services to Portico members until such memberships terminate. As of March 31, 2024 June 30, 2024 and December 31, 2023, balances due from related parties for these arrangements totaled \$1.0 million \$1.3 million and \$0.8 million, respectively, and are recorded to accounts receivable, net – related parties on the Company's Condensed Consolidated Balance Sheets. Revenue related to these arrangements is included in the Company's travel revenue. Separating revenue related to Portico's members from the Company's total travel revenue is not practicable.

Inspirato LLC was party to certain property usage agreements with Exclusive Resorts, pursuant to which Inspirato LLC paid Exclusive Resorts to use and operate certain Exclusive Resorts homes for Inspirato members' usage. For the three and six months ended March 31, 2024 June 30, 2024, Inspirato recognized no related party expense related to these agreements as these property usage agreements had been terminated during 2023. For the three and six months ended March 31, 2023 June 30, 2023, Inspirato recognized \$0.4 million \$0.1 million and \$0.6 million, respectively, in related party expense related to these agreements. As of March 31, 2024 June 30, 2024 and December 31, 2023, Inspirato had paid all amounts due and payable under the property usage agreements.

[Table of Contents](#)

In March of 2024, Inspirato LLC entered into license agreements with Exclusive Resorts for use of certain of the Company's leased properties. These agreements, as amended in April 2024, commence in May and September of 2024. The agreements have initial terms of three years, subject to early termination rights for both parties. During For the three and six months ended March 31, 2024 June 30, 2024, no \$0.1 million and \$0.1 million, respectively, of revenue was recognized in the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). Loss.

Inspirato LLC has entered into lease agreements with certain Company executives and board members whereby Inspirato LLC leases property from those executives and board members and pays those executives and board members a fee in advance of the leased property becoming available for occupancy. Total payments made under these lease agreements were less than \$0.1 million during both the three and six months ended June 30, 2024. Total payments made under these lease agreements were less than \$0.1 million for both the three and six months ended March 31, 2024 and 2023. June 30, 2023.

(18) Supplemental Financial Information

The following table presents the year-to-date supplemental and non-cash investing and financing activities (in thousands):

	Three months ended March 31,		Six months ended June 30,	
	2024	2023	2024	2023
Supplemental cash flow information:				
Cash paid for income taxes	\$ 67	\$ —	\$ 106	\$ 59
Significant non-cash transactions:				
Conversion of Class V to Class A stock	\$ 1,091	\$ —	\$ 2,797	\$ —
Accounting principle adoption	\$ —	\$ 204	\$ —	\$ 204
Fixed assets purchased but unpaid, included in accounts payable at period end	\$ 321	\$ 265	\$ 367	\$ 1,038
Operating lease right-of-use assets exchanged for lease obligations	\$ 11,216	\$ 11,732	\$ 20,993	\$ 35,068

(19) Subsequent Events

As discussed in Note 1 – Nature of Business, on August 12, 2024, the Company entered into the Investment Agreement for the One Planet Financing. At the initial closing on August 13, 2024, the Purchaser acquired the first tranche of 1,335,271 shares for \$4.6 million. At the second closing, which is expected to occur in September 2024 and is subject to approval of the Company's stockholders, the Purchaser will acquire the remaining 1,580,180 shares for \$5.4 million. In addition, pursuant to the Investment Agreement, the Purchaser was granted an option to acquire additional shares of Class A common stock for \$3.43 per share with an aggregate purchase price of up to \$2.5 million. The option may be exercised only if the second closing occurs. Additionally, along with each purchase of shares of Class A common stock, including optional additional shares, the Purchaser obtains an equivalent number of warrants which can each be exercised for an additional share of Class A common stock for \$3.43 per warrant and is exercisable for 5 years. These warrants will be issued only if the second tranche closing occurs. Further, as part of the Investment Agreement, on August 12, 2024, the Company performed a reduction in force of 15% of the Company's headcount as of that date. Additionally, on August 13, 2024, in connection with the financing transaction CEO Eric Grosse resigned from that position and Payam Zamai was named CEO and Chairman of the Board.

On August 12, 2024, the Company entered into the Termination Agreement, effective August 31, 2024, with a third party to terminate the Company's lease agreement related to one group of underperforming properties in a single geographic location. As part of the Termination Agreement, the Company will pay a termination fee of \$6.6 million, subject to certain adjustments, payable in installments from August 2024 to March 2025. The Termination Agreement will result in a decrease to the Company's operating lease liabilities of approximately \$41.2 million as of the effective date of the Termination Agreement. Additionally, as part of the Termination Agreement the Purchaser agreed to act as Guarantor of the \$6.6 million termination fee. As compensation for that guarantee the Company will pay the Purchaser \$0.6 million ratably over six months beginning January 2025.

On August 9, 2024, the TRA was amended by the Company and the other parties signatory thereto. As so amended, the TRA will terminate in full and in August 2024, the Company will pay \$0.3 million to settle the TRA. See Note 9 for further discussion on the TRA.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and related notes thereto as of and for the three and six months ended March 31, 2024 June 30, 2024 and 2023 included elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2023 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 12, 2024. This discussion includes both historical information and forward-looking statements based upon current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the sections titled "Risk Factors" and "Special Note Regarding Forward Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

OVERVIEW

Inspirato Incorporated and its subsidiaries (collectively the "Company", "Inspirato", "we", or "our") is a subscription-based luxury travel company that provides exclusive access to a managed and controlled portfolio of curated vacation options, delivered through an innovative model designed to ensure the service, certainty and value that discerning customers demand. The Inspirato portfolio includes branded luxury vacation homes, accommodations at five-star hotel and resort partners and custom travel experiences.

For travelers, we offer access to a diverse portfolio of vacation options that includes approximately 430 420 private luxury vacation homes available to our customers, and accommodations at over 240 230 luxury hotel and resort partners in over 180 destinations around the world as of March 31, 2024 June 30, 2024. Our portfolio also includes *Inspirato Only* experiences, featuring one-of-a-kind luxury safaris, cruises and other experiences with Inspirato-only member lists along with *Bespoke* trips, which offer custom-designed "bucket list" itineraries. Every Inspirato trip comes with our personalized service envelope — including pre-trip planning, on-site concierge and daily housekeeping — designed to meet the needs of discerning travelers and drive exceptional customer satisfaction.

Inspirato Invited

In June of 2024, we launched *Inspirato Invited* ("Invited"), a ten-year subscription that offers a fixed daily rate to our members in exchange for a substantial upfront enrollment fee.

Our Loyalty Program

In August of 2023, we launched *Inspirato Rewards* (“*Rewards*”), our member loyalty program that supports our diverse portfolio of curated luxury vacation options for members with at least one active paid member subscription (“*Subscription*”). *Rewards* is designed to incentivize repeat business by rewarding members with exclusive discounts and benefits based on their activity with us. Members who earn one of the three *Rewards* statuses may earn, depending on their status, extra savings on *Inspirato Club* (“*Club*”) bookings; early access to new property releases, new *Experiences* and year-end festive dates; and complimentary nights, among other benefits.

Capital One Ventures Investment and Strategic Partnership

In August of 2023, we entered into the Investment Agreement (the “Investment Agreement”) an investment agreement with an affiliate of Capital One Services, LLC (“Capital One”), providing for a \$25.0 million strategic investment by Capital One in the Company through the private placement of an 8% Senior Secured Convertible Note due 2028 (the “Note”). On September 29, 2023, we sold and issued the Note. The total net proceeds from this offering were approximately \$23.1 million, after deducting \$1.9 million of debt issuance costs.

The Note is an unsubordinated secured obligation of the Company. The Note is secured by a first priority security interest in substantially all of Inspirato Incorporated’s and its domestic subsidiaries’ assets. The Note is fully and unconditionally guaranteed by certain existing and future domestic subsidiaries of the Company. The Note bears interest at a fixed rate of 8% per annum. Interest on the Note is payable quarterly on the last business day of each calendar quarter following the issuance of the Note and the Company has elected to pay interest in kind by increasing the outstanding principal amount of the Note by the amount of interest payable on such interest payment date. The Note will mature on September 29, 2028, subject to earlier conversion, redemption or repurchase.

22

[Table of Contents](#)

The Note is currently convertible at a conversion price of \$30 per share, subject to customary anti-dilution adjustments upon certain events, including any dividend of Company securities or other property, stock split, stock combination, reclassification, consolidation, merger or a sale of all or substantially all of the Company’s assets.

20

[Table of Contents](#)

Additionally, our strategic partnership with Capital One is expected to provide us with a long-term partner with the ability to deliver increased demand for travel services as well as highly-qualified lead generation opportunities for our *Club* and *Inspirato Pass* (“Pass”) Subscription offerings, while providing Capital One a highly differentiated and exclusive luxury travel benefit for its consumers.

Reverse Stock Split

A reverse stock split in the ratio of 1-for-20 of our Class A Common Stock, Class B Non-Voting Common Stock and Class V Common Stock (“the Reverse Stock Split”) became effective as of October 16, 2023. Immediately after the Reverse Stock Split, each stockholder’s percentage ownership interest in the Company and proportional voting power remained unchanged, except for minor changes resulting from the treatment of fractional shares.

Proportional adjustments were also made to the number of shares of Class A Common Stock issuable pursuant to the Company’s outstanding warrants, Note, and equity awards, as well as the number of shares authorized and reserved for issuance pursuant to the Company’s equity incentive and employee stock purchase plans. The exercise prices, conversion prices and stock price targets of outstanding warrants, Note and equity awards were also proportionately adjusted, as applicable. Accordingly, (i) with respect to the Company’s publicly traded warrants trading under the symbol “ISPOW,” each 20 warrants outstanding immediately prior to the Reverse Stock Split are now exercisable for one share of Class A Common Stock at an exercise price of \$230.00 per share, which is 20 times \$11.50, the exercise price per share in effect prior to the Effective Time and (ii) with respect to the Note, the conversion price is now \$30 per share, which is 20 times \$1.50, the conversion price in effect prior to the Effective Time. All historical share and per share amounts have been adjusted to reflect the Reverse Stock Split for all periods presented.

Key Business Metrics

We review a number of operating and financial metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and business plans, and make strategic decisions.

Active Subscriptions

We define Active Subscriptions as Subscriptions that are paid in full, as well as those for which we expect payment for renewal. We use Active Subscriptions to assess the adoption of our subscription offerings, which is a key factor in assessing our penetration of the market in which we operate and a key driver of revenue. Members can have one or more Active Subscriptions. The following table shows our approximate total number of Active Subscriptions as of **March 31, 2024**, **June 30, 2024** and 2023:

	March 31,		June 30,	
	2024	2023	2024	2023
Legacy	7,500	9,100	7,200	8,700
Pass	2,100	3,300	1,900	3,000
Club	3,400	3,300	3,600	3,500
Total Active Subscriptions	13,000	15,700	12,700	15,200

Legacy Subscriptions, an offering we no longer sell, had substantial enrollment fees and have annual dues that are lower than annualized dues for Club Subscriptions. Club and Pass Subscriptions are available through monthly, semi-annual, annual, and multi-year contracts. Invited Subscriptions are available through ten-year contracts and include fixed nightly rates for the duration of the contract term and are included as part of Club subscriptions above given the limited number of sales as the program was launched in June of 2024. The majority of our Subscriptions are annual or multi-year contracts.

Subscription revenue is comprised of enrollment fees and recurring dues, net of discounts and travel incentives provided to members. We typically bill upfront for Club and Pass Subscriptions and Subscription payments are non-refundable. Our Subscription agreements typically auto-renew after the initial term. Our agreements are generally cancellable by providing 30 days' notice.

23

[Table of Contents](#)

Amounts that have been billed are initially recorded as deferred revenue until the revenue is recognized. Revenue is recognized ratably over the related contractual term, generally beginning on the date that our platform is made available to a member. Invited Subscription revenue is amortized over the ten-year contract period.

Our Subscription revenue and operating results are impacted by our ability to attract and maintain members, including through our Rewards program.

21

Average Daily Rates and Total Occupancy

Average daily rate (“ADR”) is defined as the total paid travel revenue, divided by total paid nights in leased residences or hotel rooms and suites. ADR does not include *Pass* nights utilized. Occupancy is defined as all paid, *Pass*, *Inspirato for Good* (“IFG”), *Inspirato for Business* (“IFB”), employee and complimentary nights in all at-risk properties divided by the total number of at-risk nights available. Net-rate hotel partners are excluded from Hotel Occupancy as these are dependent on the hotel having capacity for *Inspirato* requests.

We monitor (i) paid nights delivered as a percentage of total nights delivered, (ii) ADR and (iii) Occupancy for our residences and leased hotels as we bear the financial responsibility in these properties and can more closely control both the nightly rates and costs as compared to our net-rate hotel partners. Average rates at our hotel partners are typically lower than our residences, as our residences are typically larger and accommodate more guests than hotel rooms and suites.

The combination of ADR and Occupancy provides us insights regarding how effectively we are utilizing our at-risk properties. Below we have summarized our travel operating statistics:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Residences						
Paid Nights Delivered	17,200	17,200	13,600	14,000	30,500	31,200
Total Nights Delivered	26,000	29,900	21,700	27,900	47,300	57,700
Occupancy	80 %	77 %	70 %	72 %	74 %	74 %
ADR	\$ 1,965	\$ 2,152	\$ 1,535	\$ 1,744	\$ 1,744	\$ 1,969
Hotels						
Paid Nights Delivered (1)	8,800	10,800	8,300	11,100	17,400	22,000
Total Nights Delivered (1)	15,300	20,800	14,000	19,500	29,800	40,300

Occupancy												
(2)	73%		71%		79%		76%		73%		73%	
ADR (2)	\$	1,053	\$	1,055	\$	1,035	\$	922	\$	1,044	\$	988
Total												
Paid												
Nights												
Delivered												
(1)	26,000		28,100		21,900		25,100		47,900		53,100	
Total												
Nights												
Delivered												
(1)	41,300		50,700		35,700		47,400		77,000		98,000	
Occupancy												
(2)	78%		75%		71%		73%		74%		74%	
ADR (2)	\$	1,655	\$	1,728	\$	1,346	\$	1,379	\$	1,514	\$	1,563

(1) Includes net-rate hotel nights.

(2) Excludes net-rate hotel nights as we purchase individual nights but do not have a total number of nights obligation.

Travel revenue is generally recognized when travel occurs. Amounts that have been billed are initially recorded as deferred revenue until recognized when travel occurs. We derive our travel revenue by charging a nightly rate for stays at our portfolio of residences and hotels. For residence and hotel stays, a service charge is also included. Travel revenue also includes amounts collected from fees when a trip is cancelled. A portion of travel revenue comes from customers who do not have paid Subscriptions; these customers receive trial Subscriptions and are primarily from *IFG* and *IFB* or are customers who are under promotions with partners, such as Exclusive Resorts. We also earn revenue from *Inspirato Only* experiences and *Bespoke* trips.

[Table of Contents](#)

Our travel revenue and operating results are impacted by the number of trips that we are able to deliver to our members as well as the rates we charge for stays. Our revenue management team establishes nightly rates to optimize desired occupancy and revenue.

[Table of Contents](#)

Other Factors Affecting Our Performance and Trends and Uncertainties

We believe that the growth and future success of our business depend on many factors, including those from the Key Business Metrics discussed above. While each of these factors presents significant opportunities for our business, they also pose important challenges that we have to successfully address in order to continue to grow our business and further improve our results of operations.

Seasonality

Our travel revenues are seasonal, reflecting typical travel behavior patterns of travelers over the course of the calendar year. In a typical year, the first, third, and fourth quarters have higher travel revenues than the second quarter. Our Subscription services are seasonal to the extent that interest from potential new members tends to also follow travel revenue. However, revenues from existing members are not impacted by seasonality.

[Table of Contents](#)

Results of operations

The following table sets forth our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) Loss for the three months ended March 31, 2024 June 30, 2024 and 2023 (in thousands, other than percentages):

	Three Months Ended March 31,	Amount of increase	Percent change favorable

	2024	2023	(decrease)	(unfavorable)
Revenue	\$ 80,245	\$ 91,700	\$ (11,455)	(12)%
Cost of revenue (1)	48,524	60,056	(11,532)	19 %
Gross margin	\$ 31,721	\$ 31,644	\$ 77	0 %
Gross margin percent	40 %	35 %	5 pp	15 %
General and administrative (1)	\$ 14,649	\$ 17,907	\$ (3,258)	18 %
Sales and marketing (1)	8,726	6,710	2,016	(30)%
Operations (1)	7,023	8,296	(1,273)	15 %
Technology and development (1)	2,050	3,407	(1,357)	40 %
Depreciation and amortization	1,001	979	22	(2)%
Interest, net	323	(113)	436	n/m
(Gain) loss on fair value instruments	(4,149)	104	(4,253)	n/m
Other (income) expense, net	(295)	57	(352)	n/m
Income (loss) and comprehensive income (loss) before income taxes	2,393	(5,703)	8,096	142 %
Income tax expense	144	200	(56)	28 %
Net income (loss) and comprehensive income (loss)	\$ 2,249	\$ (5,903)	\$ 8,152	138 %

	Three Months Ended		Amount of	Percent
	June 30,		increase	change
	2024	2023	(decrease)	(unfavorable)
Revenue	\$ 67,382	\$ 84,092	\$ (16,710)	(20)%
Cost of revenue (1)	51,201	64,716	(13,515)	21 %
Asset impairments	—	30,054	(30,054)	100 %
Gross margin	\$ 16,181	\$ (10,678)	\$ (26,859)	252 %
Gross margin percent	24 %	(13)%	(37)pp	
General and administrative (1)	\$ 13,994	\$ 16,680	\$ (2,686)	16 %
Sales and marketing (1)	8,772	8,309	463	(6)%
Operations (1)	4,766	6,966	(2,200)	32 %
Technology and development (1)	2,266	3,280	(1,014)	31 %
Depreciation and amortization	1,013	1,015	(2)	(0)%
Interest, net	373	(414)	787	n/m
Loss (gain) on fair value instruments	316	(380)	696	n/m
Other expense, net	18	321	(303)	94 %

Loss and comprehensive loss before income taxes	(15,337)	(46,455)	31,118	67 %
Income tax expense	56	217	(161)	74 %
Net loss and comprehensive loss	\$ (15,393)	\$ (46,672)	\$ (31,279)	67 %

n/m - non-meaningful

pp - percentage point

- (1) Note the balances presented for cost of revenue, general and administrative, sales and marketing, operations and technology and development for the three months ended **March 31, 2023** **June 30, 2023** have been adjusted to reflect the current year's presentation of the allocation of stock-based compensation. This change impacted gross margin for the three months ended **March 31, 2023** **June 30, 2023** by the amount of equity-based compensation reclassified to cost of revenue. This change did not impact the loss before income taxes but, rather, was a reclassification between the financial statement line items. See the reclassification of prior year presentation footnote within Note 2 – Significant Accounting Policies in the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for more information.

Comparison of the three months ended **March 31, 2024** **June 30, 2024** and 2023:

Revenue. Total revenue decreased **\$11.5 million** **\$16.7 million** from **\$91.7 million** **\$84.1 million** for the three months ended **March 31, 2023** **June 30, 2023** to **\$80.2 million** **\$67.4 million** for the three months ended **March 31, 2024** **June 30, 2024**, a decrease of **12%** **20%**. Disaggregated revenue for the three months ended **March 31, 2024** **June 30, 2024** and 2023 is as follows (in thousands, other than percentages):

	Three Months Ended			Percent	Three Months Ended			Percent
	March 31,		Amount of	change	June 30,		Amount of	change
	2024	2023	(decrease)	favorable	2024	2023	(decrease)	favorable
				(unfavorable)				(unfavorable)
Travel	\$ 49,674	\$ 55,128	\$ (5,454)	(10)%	\$ 38,846	\$ 48,031	\$ (9,185)	(19)%
Subscription	28,065	36,511	(8,446)	(23)%	25,240	36,038	(10,798)	(30)%
Rewards								
and other	2,506	61	2,445	4,008 %	3,296	23	3,273	14,230 %
revenue								
Total	\$ 80,245	\$ 91,700	\$ (11,455)	(12)%	\$ 67,382	\$ 84,092	\$ (16,710)	(20)%

[Table of Contents](#)

Travel revenue decreased \$5.5 million \$9.2 million from \$55.1 million \$48.0 million for the three months ended March 31, 2023 June 30, 2023 to \$49.7 million \$38.8 million for the three months ended March 31, 2024 June 30, 2024. The decrease in travel revenue is primarily driven by a 7% 13% decrease in paid nights delivered as well as a 4% 2% decrease in the ADR recognized for those paid nights resulting in a \$4.1 million decreases of \$6.1 million and \$2.3 million decrease, \$1.2 million, respectively, to travel revenue. Travel revenue further decreased \$1.9 million declined by \$1.6 million for deferrals from the *Rewards* program that did not exist during the three months ended March 31, 2023 June 30, 2023. Further declines in travel revenue were caused by net decreases in service fee revenue, cancel fee revenue, partner commission revenue and other travel revenue of \$1.6 million and a decrease in contra revenue recognized for perks consumed for travel of \$1.5 million. These decreases were partially offset by an increase of \$2.8 million \$3.0 million in revenue from *IFG* and *IFB*.

Subscription revenue decreased \$8.4 million \$10.8 million from \$36.5 million \$36.0 million for the three months ended March 31, 2023 June 30, 2023 to \$28.1 million \$25.2 million for the three months ended March 31, 2024 June 30, 2024. The decrease was is primarily due to a 17% 16% decrease in the number of Subscriptions subscriptions during the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023, resulting in a \$7.1 million \$5.9 million decrease to subscription revenue as well as a \$3.8 million decrease of \$1.3 million from a decline in the revenue recognized per subscription due to the decline in *Pass* subscriptions. Additionally, subscription revenue further declined by \$1.1 million for deferrals from the *Rewards* program that did not exist during the three months ended March 31, 2023 June 30, 2023.

Rewards and other revenue increased \$2.4 million \$3.3 million from less than \$0.1 million for the three months ended March 31, 2023 June 30, 2023 to \$2.5 million \$3.3 million for the three months ended March 31, 2024 June 30, 2024. The increase was is primarily the result of estimated usage related to *Rewards*, our member loyalty program, which was launched in August of 2023.

Cost of revenue. Cost of revenue decreased \$11.5 million \$13.5 million from \$60.1 million \$64.7 million for the three months ended March 31, 2023 June 30, 2023 to \$48.5 million \$51.2 million for the three months ended March 31, 2024 June 30, 2024, a decrease of 19% 21%. The decrease was is primarily a result of decreases in booking fees of \$4.2 million \$9.9 million driven by lower bookings, net decreases in lease costs of \$3.3 million, \$3.5 million and a net decreases decrease of \$2.3 million \$0.2 million from the transition of certain employees from cost of revenue to operations after March 31, 2023 June 30, 2023 partially offset by increases in employee costs remaining in cost of revenue, revenue.

Asset impairments. Asset impairments decreased \$30.1 million from \$30.1 million for the three months ended June 30, 2023 to \$0.0 million for the three months ended June 30, 2024. During the three months ended June 30, 2023, we identified 33 leases for which the right-of-use assets and decreases related property and

equipment had net carrying values that exceeded their estimated fair value as determined by their estimated discounted future cash flows. Most of \$1.7 million from other miscellaneous cost these leases were related to one group of revenue expenses from our cost savings initiatives. underperforming properties in a single geographic location. Based on this information, we recorded right-of-use asset impairments of \$30.1 million and property plant and equipment impairments of \$0.3 million for the three months ended June 30, 2023. No asset impairments were identified for the three months ended June 30, 2024.

General and administrative. General and administrative expenses decreased \$3.3 million \$2.7 million from \$17.9 million \$16.7 million for the three months ended March 31, 2023 June 30, 2023 to \$14.6 million \$14.0 million for the three months ended March 31, 2024 June 30, 2024, a decrease of 18% 16%. The decrease was is primarily a result of \$2.0 million lower legal and professional services fees as well as a net decrease of \$1.3 million \$1.8 million due to lower headcount from the reductions in force that took place during 2023. 2023, decreases of \$0.6 million due to lower software license expenses, net decreases of \$0.8 million from other expenses, including merchant processing fees and taxes and fees, partially offset by \$0.5 million of higher legal and professional services fees.

Sales and marketing. Sales and marketing expenses increased \$2.0 million \$0.5 million from \$6.7 million \$8.3 million for the three months ended March 31, 2023 June 30, 2023 to \$8.7 million \$8.8 million for the three months ended March 31, 2024 June 30, 2024, an increase of 30% 6%. The increase was is primarily a result of higher employee compensation of \$1.8 million due to the transition of certain employees from operations to sales and marketing during 2023 as well as increases in employee costs between periods.

Operations. Operations expenses decreased \$1.3 million \$2.2 million from \$8.3 million for the three months ended March 31, 2023 to \$7.0 million for the three months ended March 31, 2024 June 30, 2023 to \$4.8 million for the three months ended June 30, 2024, a decrease of 15% 32%, primarily due to a net decrease in compensation expense of \$1.1 million \$1.3 million from the transition of certain employees from operations to sales and marketing during 2023 partially offset by the net transition of certain employees from cost of revenue into operations as well as and from operations to sales and marketing and a net increase decrease of \$0.8 million from lower spend due to decreases in employee costs between periods, the number of residences and other cost savings initiatives.

Technology and development. Technology and development expenses decreased \$1.4 million \$1.0 million from \$3.4 million \$3.3 million for the three months ended March 31, 2023 June 30, 2023 to \$2.1 million \$2.3 million for the three months ended March 31, 2024 June 30, 2024, a decrease of 40% 31%, primarily due to the reductions in force that took place during 2023, which were weighted towards personnel within the technology and development department.

[Table of Contents](#)

Depreciation and amortization. Depreciation and amortization expenses remained flat during for the three months ended March 31, 2024 as compared to June 30, 2023 and the three months ended March 31, 2023 June 30, 2024, primarily due to stabilized capital spend that serves to replace long-lived assets as they come to the end of their useful lives.

Interest, net. Interest expense, net changed from net interest income of \$0.1 million \$0.4 million for the three months ended March 31, 2023 June 30, 2023 to net interest expense of \$0.3 million \$0.4 million for the three months ended March 31, 2024 June 30, 2024, primarily due to interest expense incurred in relation to the Note of \$0.5 million partially offset by an increase during the three months ended June 30, 2024 as well as a decrease in interest income of \$0.1 million from our cash investments. investments from \$0.4 million for the three months ended June 30, 2023 to \$0.1 million for the three months ended June 30, 2024.

(Gain) loss Loss (gain) on fair value instruments. Gains and losses on fair value instruments changed from a gain of \$0.4 million for the three months ended June 30, 2023 to a loss of \$0.3 million for the three months ended June 30, 2024. Warrant fair value gains were \$0.4 million for the three months ended June 30, 2023 and warrant fair value losses were less than \$0.1 million for the three months ended March 31, 2023 to a gain of \$4.1 million for the three months ended March 31, 2024 June 30, 2024. Warrant The fair value losses were \$0.1 million for the three months ended March 31, 2023 and \$0.0 million for the three months ended March 31, 2024. The fair

[Table of Contents](#)

value gain loss recognized on the Note was \$4.2 million \$0.3 million during the three months ended March 31, 2024 June 30, 2024, primarily due to changes in discount rates. There were no debt fair value adjustments The Note was not yet outstanding as of June 30, 2023.

Other expense, net. Other expense, net decreased from \$0.3 million for the three months ended June 30, 2023 to less than \$0.1 million for the three months ended June 30, 2024 primarily due to \$0.3 million lower loss on retirement of fixed assets during the three months ended March 31, 2023 June 30, 2024 as compared to the three months ended June 30, 2023.

Income tax expense. Income tax expense remained flat decreased \$0.1 million from \$0.2 million during the three months ended March 31, 2024 as compared June 30, 2023 to \$0.1 million during the three months ended

March 31, 2023 as we continue to maintain a valuation allowance against our deferred tax assets. June 30, 2024. We continue to maintain a valuation allowance against the full value of our net deferred tax assets because as we believe it is more likely than not that the recoverability of these deferred tax assets will not be realized. realized and, as such, do not record any significant income tax expense.

26 28

[Table of Contents](#)

The following table sets forth our Condensed Consolidated Statements of Operations and Comprehensive Loss for the six months ended June 30, 2024 and 2023 (in thousands, other than percentages):

	Six Months Ended June 30,		Amount of increase (decrease)	Percent change favorable (unfavorable)
	2024	2023		
Revenue	\$ 147,627	\$ 175,792	\$ (28,165)	(16)%
Cost of revenue (1)	99,725	124,772	(25,047)	20 %
Asset impairments	—	30,054	(30,054)	100 %
Gross margin	\$ 47,902	\$ 20,966	\$ 26,936	128 %
Gross margin percent	32 %	12 %	21 pp	
General and administrative (1)	\$ 28,643	\$ 34,587	\$ (5,944)	17 %
Sales and marketing (1)	17,498	15,019	2,479	(17)%
Operations (1)	11,789	15,262	(3,473)	23 %
Technology and development (1)	4,316	6,687	(2,371)	35 %
Depreciation and amortization	2,014	1,994	20	(1)%
Interest expense (income), net	696	(527)	1,223	n/m
Gain on fair value instruments	(3,833)	(276)	(3,557)	(1,289)%
Other (income) expense, net	(277)	378	(655)	n/m
Loss and comprehensive loss before income taxes	(12,944)	(52,158)	39,214	75 %
Income tax expense	200	417	(217)	52 %

Net loss and comprehensive loss	\$ (13,144)	\$ (52,575)	\$ 39,431	75 %
---------------------------------	-------------	-------------	-----------	------

n/m - non-meaningful

pp - percentage point

- (1) Note the balances presented for cost of revenue, general and administrative, sales and marketing, operations and technology and development for the six months ended June 30, 2023 have been adjusted to reflect the current year's presentation of the allocation of stock-based compensation. This change impacted gross margin for the six months ended June 30, 2023 by the amount of equity-based compensation reclassified to cost of revenue. This change did not impact the loss before income taxes but, rather, was a reclassification between the financial statement line items. See the reclassification of prior year presentation footnote within Note 2 – Significant Accounting Policies in the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for more information.

Comparison of the six months ended June 30, 2024 and 2023:

Revenue. Total revenue decreased \$28.2 million from \$175.8 million for the six months ended June 30, 2023 to \$147.6 million for the six months ended June 30, 2024, a decrease of 16%. Disaggregated revenue for the six months ended June 30, 2024 and 2023 is as follows (in thousands, other than percentages):

	Six Months Ended June 30,		Amount of increase (decrease)	Percent change favorable (unfavorable)
	2024	2023		
Travel	\$ 88,520	\$ 103,159	\$ (14,639)	(14)%
Subscription	53,305	72,549	(19,244)	(27)%
Rewards and other revenue	5,802	84	5,718	6,807 %
Total	\$ 147,627	\$ 175,792	\$ (28,165)	(16)%

[Table of Contents](#)

Travel revenue decreased \$14.6 million from \$103.2 million for the six months ended June 30, 2023 to \$88.5 million for the six months ended June 30, 2024. The decrease in travel revenue is primarily driven by a 10% decrease in paid nights delivered as well as a 3% decrease in the ADR recognized for those paid nights resulting in decreases of \$10.1 million and \$3.3 million, respectively, to travel revenue. Travel revenue further

decreased \$3.5 million for deferrals from the *Rewards* program that did not exist during the six months ended June 30, 2023. Further declines in travel revenue were caused by net decreases in service fee revenue, cancel fee revenue, partner commission revenue and other travel revenue of \$2.0 million and a decrease in contra revenue recognized for perks consumed for travel of \$1.5 million. These decreases were partially offset by an increase of \$5.8 million in revenue from *IFG* and *IFB*.

Subscription revenue decreased \$19.2 million from \$72.5 million for the six months ended June 30, 2023 to \$53.3 million for the six months ended June 30, 2024. The decrease is primarily due to a 16% decrease in the number of subscriptions during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, resulting in an \$11.9 million decrease to subscription revenue as well as a \$4.9 million decrease from a decline in the revenue recognized per subscription due to the decline in *Pass* subscriptions. Additionally, subscription revenue further declined by \$2.4 million for deferrals from the *Rewards* program that did not exist during the six months ended June 30, 2023.

Rewards and other revenue increased \$5.7 million from \$0.1 million for the six months ended June 30, 2023 to \$5.8 million for the six months ended June 30, 2024. The increase is primarily the result of estimated usage related to *Rewards*, our member loyalty program, which was launched in August of 2023.

Cost of revenue. Cost of revenue decreased \$25.0 million from \$124.8 million for the six months ended June 30, 2023 to \$99.7 million for the six months ended June 30, 2024, a decrease of 20%. The decrease is primarily a result of decreases in booking fees of \$14.1 million driven by lower bookings, net decreases in lease costs of \$6.8 million, decreases of \$2.1 million from lower property management, resort and housekeeping fees and net decreases of \$2.0 million from the transition of certain employees from cost of revenue to operations after June 30, 2023 partially offset by increases in employee costs remaining in cost of revenue.

Asset impairments. Asset impairments decreased \$30.1 million from \$30.1 million for the six months ended June 30, 2023 to \$0.0 million for the six months ended June 30, 2024. During the six months ended June 30, 2023, we identified 33 leases for which the right-of-use assets and related property and equipment had net carrying values that exceeded their estimated fair value as determined by their estimated discounted future cash flows. Most of these leases were related to one group of underperforming properties in a single geographic location. Based on this information, we recorded right-of-use asset impairments of \$30.1 million and property plant and equipment impairments of \$0.3 million for the six months ended June 30, 2023. No asset impairments were identified for the six months ended June 30, 2024.

General and administrative. General and administrative expenses decreased \$5.9 million from \$34.6 million for the six months ended June 30, 2023 to \$28.6 million for the six months ended June 30, 2024, a decrease of 17%. The decrease is primarily a result of a decrease of \$3.3 million due to lower headcount from the reductions in force that took place during 2023, a decrease of \$1.6 million from lower audit and professional services expenses, a decrease of \$0.6 million from other taxes and fees and a decrease of \$0.4 million from lower equity-based compensation expense.

Sales and marketing. Sales and marketing expenses increased \$2.5 million from \$15.0 million for the six months ended June 30, 2023 to \$17.5 million for the six months ended June 30, 2024, an increase of 17%. The increase is primarily a result of higher employee compensation due to the transition of certain employees from operations to sales and marketing during 2023 as well as increases in employee costs between periods.

Operations. Operations expenses decreased \$3.5 million from \$15.3 million for the six months ended June 30, 2023 to \$11.8 million for the six months ended June 30, 2024, a decrease of 23%, primarily due to a decrease of \$2.4 million from the net transition of certain employees from cost of revenue into operations and from operations to sales and marketing and a net decrease of \$1.1 million from lower spend due to decreases in the number of residences and other cost savings initiatives.

Technology and development. Technology and development expenses decreased \$2.4 million from \$6.7 million for the six months ended June 30, 2023 to \$4.3 million for the six months ended June 30, 2024, a decrease of 35%, primarily due to the reductions in force that took place during 2023, which were weighted towards personnel within the technology and development department.

[Table of Contents](#)

Depreciation and amortization. Depreciation and amortization expenses remained flat for the six months ended June 30, 2023 and the six months ended June 30, 2024, primarily due to stabilized capital spend that serves to replace long-lived assets as they come to the end of their useful lives.

Interest expense (income), net. Interest expense, net changed from net interest income of \$0.5 million for the six months ended June 30, 2023 to net interest expense of \$0.7 million for the six months ended June 30, 2024, primarily due to interest expense incurred in relation to the Note of \$1.0 million for the six months ended June 30, 2024 partially offset by interest income of \$0.3 million.

Gain on fair value instruments. Gains on fair value instruments increased from \$0.3 million for the six months ended June 30, 2023 to \$3.8 million for the six months ended June 30, 2024. Warrant fair value gains were \$0.3 million for the six months ended June 30, 2023 and warrant fair value losses were \$0.1 million for the six months ended June 30, 2024. The fair value gain recognized on the Note was \$3.9 million during the six months ended June 30, 2024, primarily due to changes in discount rates. The Note was not yet outstanding as of June 30, 2023.

Other (income) expense, net. Other (income) expense, net changed from other expense, net of \$0.4 million for the six months ended June 30, 2023 to other income, net of \$0.3 million for the six months ended June 30, 2024. The change from expense to income is primarily due to \$0.3 million lower loss on retirement of fixed assets during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 and insurance recoveries of \$0.4 million during the six months ended June 30, 2024 that were not received during the six months ended June 30, 2023.

Income tax expense. Income tax expense decreased \$0.2 million from \$0.4 million for the six months ended June 30, 2023 to \$0.2 million for the six months ended June 30, 2024. We continue to maintain a valuation allowance against the full value of our net deferred tax assets as we believe it is more likely than not that the recoverability of these deferred tax assets will not be realized and, as such, do not record any significant income tax expense.

[Table of Contents](#)

Liquidity and Capital Resources

Overview

During the year ended December 31, 2023, and the six months ended June 30, 2024, the Company experienced declines in active subscriptions, nights delivered and total average daily rates. As a result of these negative trends, revenues declined to \$67.4 million and \$147.6 million for the three and six months ended June 30, 2024, respectively, from \$84.1 million and \$175.8 million for the three and six months ended June 30, 2023, respectively. The Company also experienced negative cash flows from operating activities of \$9.0 million and \$29.3 million for the six months ended June 30, 2024, and 2023, respectively. As of March 31, 2024 June 30, 2024, we had \$22.6 million \$18.8 million of cash and cash equivalents and \$10.7 million of restricted cash. cash compared to \$36.6 million of cash and cash equivalents and \$5.7 million of restricted cash balances as of December 31, 2023.

As result of the continued operational challenges and significance of those conditions in relation to the Company's liquidity needs, management has developed and is executing on plans to address improvements in operations as well as obtain new capital investments that the Company believes will allow the Company to continue to meet its projected working capital and capital expenditure requirements for a period of at least the next twelve months. The Company has implemented the following initiatives:

Capital Initiatives:

- On August 12, 2024, the Company entered into an investment agreement (the “Investment Agreement”) with One Planet Group LLC, a Delaware limited liability company, (the “Purchaser”) to acquire \$10.0 million of Class A common stock, \$0.00001 par value per share, at \$3.43 per share, and a warrant to acquire an additional 2.9 million shares of Class A common stock, for an aggregate purchase price of \$10.0 million (the “One Planet Financing”). At the initial closing on August 13, 2024, the Purchaser acquired the first tranche of 1,335,271 shares for \$4.6 million. At the second closing, which is expected to occur in September 2024 and is subject to approval of the Company’s stockholders, the Purchaser will acquire the remaining 1,580,180 shares for \$5.4 million, subject to a shareholder vote. In addition, pursuant to the Investment Agreement, the Purchaser was granted an option to acquire additional shares of Class A common stock for \$3.43 per share with an aggregate purchase price of up to \$2.5 million. The option may be exercised only if the second closing occurs. Additionally, along with each purchase of shares of Class A common stock, including optional additional shares, the Purchaser obtains an equivalent number of warrants which can each be exercised for an additional share of Class A common stock for \$3.43 per warrant and is exercisable for 5 years. These warrants will be issued only if the second tranche closing occurs.

We are also pursuing additional financing strategies and options. There can be no assurances that additional financing will be available at terms that will be satisfactory to us.

Operational Initiatives:

- We initiated a:
 - 15% reduction of force of its headcount on August 12, 2024.
 - Entered into a Lease Termination and Surrender Agreement on August 12, 2024, effective August 31, 2024, (the “Termination Agreement”) of certain previously impaired, underperforming leases whereby we are extinguishing approximately \$41.2 million in lease liabilities as of the effective date of the Termination Agreement for leases that previously did not have termination rights.

Through the above-mentioned equity financing agreement, in conjunction with the reduction in force, future cash receipts related to us repositioning existing products and launching new products that improve profitability and working capital dynamics and additional cost reduction measures, led by the lease termination of previously impaired, poorly performing leases, we believe our cash

and cash equivalents on hand will be sufficient to meet our projected working capital and capital expenditure requirements for a period of at least the next twelve months.

We are operating in an uncertain economic environment, however, and we cannot make assurances that our business will generate sufficient cash flow from operations or that financing will be available to us and in amounts sufficient to enable us to fund our other liquidity needs. If cash generated from our operations is not sufficient or available to meet our liquidity requirements, then we may be required to obtain additional financing in the future. There can be no assurances that equity or debt financing will be available to us if or when we need it needs or, if financing is available, the terms will be satisfactory to us and not dilutive to our stockholders.

Our principal sources of liquidity have historically consisted of cash flow from financing activities as well as operating activities, primarily from revenue related to travel and Subscriptions. On September 29, 2023, we sold and issued the Note for net proceeds of approximately \$23.1 million. We are in compliance with all covenants under the Note. For additional information on the Note, refer to “Overview—Capital One Ventures Investment and Strategic Partnership” above.

We have generally maintained a working capital deficit, in which our current liabilities exceed our current assets, primarily due to our significant deferred revenue and operating leases. Deferred revenue relates primarily to travel, Subscriptions subscriptions and travel credits purchased, all of which are paid to us in advance but are not yet taken or consumed and accordingly do not represent an obligation to make future cash payments other than to fund trip-related expenses, and to a lesser extent Rewards, which is an accounting allocation to defer a portion of members' spend. As of March 31, 2024 June 30, 2024, deferred revenue included \$75.9 million \$81.0 million, \$57.9 million \$63.8 million, \$18.0 million \$16.8 million and \$11.0 million \$11.6 million for travel, Subscriptions, subscriptions, travel credits and Rewards, respectively. Also, as of March 31, 2024 June 30, 2024, our current operating lease liabilities totaled \$62.9 million \$61.3 million and our noncurrent operating lease liabilities totaled \$192.2 million \$185.2 million. Our cash needs vary from period to period primarily based on the timing of travel and sales promotions.

Our future capital requirements will depend on many factors including our rate of member and revenue growth, travel bookings, change in the number of properties, other initiatives including the success of Rewards and Invited and overall economic conditions.

The following table presents summarized information from our Condensed Consolidated Statements of Cash Flows for the three six months ended March 31, 2024 June 30, 2024 and 2023 (in thousands):

	Three Months Ended March 31,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net cash used in operating activities	\$ (7,202)	\$ (17,587)	\$ (8,969)	\$ (29,308)
Net cash used in investing activities	(1,502)	(3,209)	(3,526)	(7,056)
Net cash (used in) provided by financing activities	(276)	438	(290)	470

Net decrease in cash, cash equivalents and restricted cash	\$ (8,980)	\$ (20,358)	\$ (12,785)	\$ (35,894)
--	------------	-------------	-------------	-------------

Cash Flows

Cash flows used in operating activities. Cash used in operating activities decreased from \$17.6 million \$29.3 million during the three six months ended March 31, 2023 June 30, 2023 to \$7.2 million \$9.0 million during the three six months ended March 31, 2024 June 30, 2024. This decrease was is primarily driven by an increase in net income of \$8.2 million \$39.4 million, an increase of in equity compensation of \$2.2 million \$1.2 million, as well as favorable changes in operating assets and liabilities of \$6.8 million \$5.2 million change in prepaid member travel, a \$4.2 million \$2.6 million change in account receivable net, a \$2.0 million change in prepaid assets, and deferred revenue a \$2.0 million change in accounts payable and accrued liabilities. liabilities, a \$1.4 million change in prepaid expenses and a \$1.0 million change in accounts receivable, net. These were partially offset by a \$4.3 million \$30.1 million change in asset impairments as well as a \$3.6 million change in gain on fair value instruments and a \$10.9 million change in deferred revenue. instruments.

Cash flows used in investing activities. Cash used in investing activities decreased from \$3.2 million \$7.1 million during the three six months ended March 31, 2023 June 30, 2023 to \$1.5 million \$3.5 million during the three six months ended March 31, 2024 June 30, 2024. The decrease was driven by lower expenditures related to ongoing internal software development projects of \$1.7 million \$4.2 million partially offset by higher expenditures for property and equipment of \$0.7 million.

Cash flows (used in) provided by financing activities. Cash (used in) provided by financing activities decreased changed from \$0.4 million cash provided by financing activities of \$0.5 million during the three six months ended March 31, 2023 June 30, 2023 to cash used by in financing activities of \$0.3 million during the three six months ended June 30, 2024. The change is primarily due to decreased cash proceeds from option exercises of \$1.3 million partially offset by decreases for employee taxes for share based awards of \$0.5 million and increased proceeds from purchases of shares through the employee stock purchase plan of \$0.1 million during the six months ended June 30, 2024.

27 33

[Table of Contents](#)

March 31, 2024. The decrease was primarily due to no cash proceeds from option exercises during the three months ended March 31, 2024. Additionally, there were decreased payments of employee taxes for share

based awards and decreased proceeds from option exercises during the three months ended March 31, 2024 as compared to the three months ended March 31, 2023.

Use of Cash and Contractual Obligations

We expect to meet our cash requirements for the next twelve months through use of our available cash and cash equivalents and cash flows from operating activities. We expect to meet our long-term cash requirements with cash flows from operating and financing activities, including but not limited to potential future issuances of debt or equity. Our primary uses of cash are for operating expenses, lease payments and capital expenditures.

Our future commitments consist of obligations under the Note (including principal and coupon interest) and operating leases, primarily for vacation properties and our corporate headquarters. The leases may require us to pay taxes, insurance, utilities and maintenance costs. We have been undergoing a lease optimization process to decrease our cash commitments related to operating leases, whereby we have renegotiated certain leases and terminated certain leases, depending on the individual lease situation. See Note 8 – Leases in our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

Future minimum annual commitments under these operating leases as of March 31, 2024 June 30, 2024 are as follows (in thousands):

Fiscal Year Ending	Operating leases	Operating leases
Remainder of 2024	\$ 62,311	\$ 41,573
2025	69,682	71,450
2026	51,302	52,994
2027	38,316	39,788
2028	29,497	31,032
2029 and thereafter	72,518	76,668
Total minimum lease payments	\$ 323,626	\$ 313,505

As of March 31, 2024 June 30, 2024, the Company was party to 19 16 leases that had not yet commenced. Future payments under these leases were \$26.9 million \$24.3 million as of March 31, 2024 June 30, 2024.

The \$25.0 million Note is an unsubordinated secured obligation of the Company. The Note bears interest at a fixed rate of 8% per annum. Interest on the Note is payable quarterly on the last business day of each calendar quarter following the issuance of the Note and is payable at the election of the Company in cash or in kind by increasing the outstanding principal amount of the Note by the amount of interest payable on such interest payment date. The Note will mature on September 29, 2028, subject to earlier conversion, redemption or repurchase.

On February 11, 2022, we entered into a Tax Receivable Agreement (the "TRA"). The TRA provides that, in certain events, including Inspirato's exercise of early termination rights, Inspirato's obligations under the TRA will accelerate and Inspirato will be required to make a lump-sum cash payment to the applicable parties to the TRA equal to the present value of all forecasted future payments that would have otherwise been made under the TRA, which lump-sum payment would be based on certain assumptions, including those relating to Inspirato's future taxable income. On August 9, 2024, the TRA was amended by us and the other parties signatory thereto. As so amended, the TRA will terminate in full and in August 2024, we will pay \$0.3 million to settle the TRA.

On August 12, 2024, we entered into the Termination Agreement, effective August 31, 2024, with a third party to terminate our lease agreement related to one group of underperforming properties in a single geographic location. The Termination Agreement will result in a decrease to our operating lease liabilities of approximately \$41.2 million as well as decrease our total committed future minimum lease payments by \$57.0 million as of the effective date of the Termination Agreement. As part of the Termination Agreement, we will pay a termination fee of \$6.6 million, subject to certain adjustments, payable in installments from August 2024 to March 2025. Additionally, as part of the Termination Agreement the Purchaser agreed to act as Guarantor of the \$6.6 million termination fee. As compensation for that guarantee the Company will pay the Purchaser \$0.6 million ratably over six months beginning January 2025.

[Table of Contents](#)

Non-GAAP Financial Metrics

In addition to our results determined in accordance with GAAP, we use Adjusted Net Loss, Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies and to communicate with our Board concerning our business and financial performance. We believe that these non-GAAP financial measures provide useful information to investors about our business and financial performance, enhance their overall understanding of our past performance and future prospects, and allow for greater transparency with respect to metrics used by our management in their financial and operational decision making. We are presenting these non-GAAP financial measures to assist investors in seeing our business and financial performance through the eyes of management, and because we

believe that these non-GAAP financial measures provide an additional tool for investors to use in comparing results of operations of our business over multiple periods with other companies in our industry.

There are limitations related to the use of these non-GAAP financial measures, including that they exclude significant expenses that are required by GAAP to be recorded in our financial measures. Other companies may calculate non-GAAP financial measures differently or may use other measures to calculate their financial performance, and therefore, our non-GAAP financial measures may not be directly comparable to similarly titled measures of other companies. Thus, these non-GAAP financial measures should be

[Table of Contents](#)

considered in addition to, and not as a substitute for or superior to, measures of financial performance prepared in accordance with GAAP and should not be considered as an alternative to any measures derived in accordance with GAAP.

We provide a reconciliation of Adjusted Net Loss, Adjusted EBITDA, Adjusted EBTIDA Margin and Free Cash Flow to their respective related GAAP financial measures. We encourage investors and others to review our business, results of operations, and financial information in its entirety, not to rely on any single financial measure, and to view Adjusted Net Loss, Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow in conjunction with their respective related GAAP financial measures.

Adjusted Net Loss

We define Adjusted Net Loss as net income (loss) loss and comprehensive income (loss) loss less fair value gains and losses on financial instruments and asset impairments.

The above items are excluded from Adjusted Net Loss because our management believes that they are not indicative of our core operating performance and do not reflect the underlying economics of our business. The following table presents a reconciliation of our net income (loss) loss and comprehensive income (loss), loss, the closest GAAP measure, to Adjusted Net Loss (in thousands):

Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
2024	2023	2024	2023	2024	2023

Net income (loss)							
and							
comprehensive							
income (loss)	\$	2,249	\$	(5,903)			
(Gain) loss on fair							
value instruments		(4,149)		104			
Net loss and							
comprehensive							
loss			\$	(15,393)	\$	(46,672)	\$ (13,144) \$ (52,575)
Asset impairments				—		30,054	— 30,054
Loss (gain) on fair							
value instruments				316		(380)	(3,833) (276)
Adjusted Net							
Loss	\$	(1,900)	\$	(5,799)	\$	(15,077)	\$ (16,998) \$ (16,977) \$ (22,797)

Adjusted EBITDA and Adjusted EBITDA Margin

We define Adjusted EBITDA as net income (loss) loss and comprehensive income (loss) loss less interest, income taxes, depreciation and amortization, equity-based compensation expense, fair value gains and losses on financial instruments and asset impairments. We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenue for the same period.

35

[Table of Contents](#)

The above items are excluded from our Adjusted EBITDA measure because our management believes that they are not indicative of our core operating performance and do not reflect the underlying economics of our business. The following table represents a reconciliation of our net income (loss) loss and comprehensive income (loss), loss, the closest GAAP measure, to Adjusted EBITDA (in thousands, other than percentages):

Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
2024	2023	2024	2023	2024	2023

Net income (loss) and comprehensive income (loss)	\$		\$				
Interest, net		2,249		(5,903)			
Net loss and comprehensive loss							
Interest expense (income), net							
Income tax expense							
Depreciation and amortization							
Equity-based compensation							
(Gain) loss on fair value instruments							
Loss (gain) on fair value instruments							
Asset impairments							
Adjusted EBITDA							
Adjusted EBITDA							
Margin							

Free Cash Flow

We define Free Cash Flow as net cash provided by (used in) operating activities less purchases of property and equipment and development of internal-use software. We believe that Free Cash Flow is a meaningful indicator of liquidity that provides information to our management and investors about the amount of cash generated from operations, after purchases of property and equipment and development of internal-use software, that can be used for strategic initiatives, if any.

[Table of Contents](#)

The following table presents a reconciliation of our net cash used in operating activities, the closest GAAP measure, to Free Cash Flow (in thousands):

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Net cash used in operating activities	\$ (7,202)	\$ (17,587)	\$ (1,767)	\$ (11,721)	\$ (8,969)	\$ (29,308)
Development of internal-use software	(236)	(1,932)	(120)	(2,624)	(356)	(4,556)
Purchase of property and equipment	(1,266)	(1,277)	(1,904)	(1,223)	(3,170)	(2,500)
Free Cash Flow	\$ (8,704)	\$ (20,796)	\$ (3,791)	\$ (15,568)	\$ (12,495)	\$ (36,364)

Recently Adopted Accounting Pronouncements

For information on recently adopted accounting pronouncements, see Note 2 to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Our principal market risk is our exposure to foreign currency risk.

Foreign Currency Risk

We are exposed to foreign currency risk, mainly related to non-lease operating expenditures that we incur in foreign countries. Many of our leases, which are the most significant component of operating costs in foreign countries, are denominated in U.S. dollars and thus do not result in foreign currency risk. During the three and six months ended **March 31, 2024** and **June 30, 2024**, our operating expenditures denominated in foreign currencies were approximately **\$6.0 million**, **\$7.3 million** and **\$13.3 million**, respectively, primarily in Mexican Pesos and Euros. A hypothetical 10% increase or decrease in the value of the U.S. dollar relative to the Mexican Peso and

Euro would have a \$0.6 million \$0.7 million and \$1.3 million impact to our Condensed Consolidated Financial Statements for the three and six months ended March 31, 2024.

June 30, 2024, respectively.

30 36

[Table of Contents](#)

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) are designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including its Chief Executive Officer and Chief Financial Officer (the “Executives”), to allow timely decisions regarding required disclosures.

Our management, with the participation of the Executives, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based on that evaluation, and as a result of the material weakness described below, the Executives concluded that as of March 31, June 30, 2024, our disclosure controls and procedures were not effective to a reasonable assurance level.

Nevertheless, based on the performance of additional procedures by management designed to ensure reliability of financial reporting, our management has concluded that, notwithstanding the material weaknesses described below, the Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q, fairly present, in all material respects, our financial position, results of operations, and cash flows as of the dates, and for each of the periods presented, in conformity with U.S. GAAP.

Remediation Plan for Material Weaknesses in Internal Control Over Financial Reporting

In response to the material weaknesses identified in “Part II, Item 9A. Controls and Procedures” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, we, with oversight from the Audit

Committee of the Board of Directors, developed a plan to remediate the material weaknesses. Ongoing remediation activities include:

- Continue to design and implement a comprehensive and continuous risk assessment process to identify and assess financial statement risks and ensure that the financial reporting process and related internal controls are in place to respond to those risks;
- Continue to enhance the design of and implement additional process-level control activities and ensure they are properly evidenced and operating effectively; and
- Enhance the training provided to our control operators.

We believe the foregoing efforts will effectively remediate the material weaknesses described in our Annual Report on Form 10-K for the year ended December 31, 2023. Because the reliability of the internal control process requires repeatable execution, the successful on-going remediation of the material weaknesses will require on-going review and evidence of effectiveness prior to concluding that controls are effective.

Changes in Internal Control Over Financial Reporting

As outlined above, we are in the process of taking steps to remediate the material weaknesses. We made no other changes in internal control over financial reporting during the quarter ended **March 31, 2024** **June 30, 2024**, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

31 **37**

[Table of Contents](#)

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in litigation or other legal proceedings arising in the ordinary course of our business. Except as described below, we are not currently a party to any material litigation or legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, negative publicity, reputational harm and other factors.

Class Action Complaint Relating to Restatement

On February 16, 2023, a class action lawsuit was filed in the U.S. District Court in the District of Colorado captioned Keith Koch, Individually and on behalf of all others similarly situated v. Inspirato Incorporated, Brent Handler, and R. Webster Neighbor. The complaint alleges violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder against all defendants, and Section 20(a) of the Exchange Act against the individual defendants. The complaint seeks certification as a class action and an unspecified amount of damages, attorneys' fees, expenses, and other costs. The complaint generally alleges that certain of our prior public statements about our results of operations and financial condition were materially false and misleading because they misrepresented and failed to disclose adverse facts pertaining to the restatement of our unaudited Consolidated Financial Statements as of and for the three months ended March 31, 2022 and June 30, 2022. On July 16, 2024, the magistrate recommended the case be dismissed and the plaintiff filed objections to these recommendations on July 30, 2024. The Company will respond to these objections and expects the Court to dismiss the shareholder lawsuit.

Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, except for the following:

There can be no assurance that our securities will continue to be listed on Nasdaq or that we will be able to comply with the continued listing standards of Nasdaq.

In May 2024, we received a notice from the Staff of the Listing Qualifications Department of Nasdaq that we had not regained compliance with Nasdaq Listing Rule 5450(b)(2)(C) concerning the minimum market value of our publicly held shares (the "MVPHS Rule"). We appealed Nasdaq's delisting determination by filing a hearing request with the Nasdaq Hearings Panel (the "Panel") on July 18, 2024. This request stayed the suspension of trading of the Company's securities pending the Panel's decision. On August 5, 2024, the Company received written notification from the Panel notifying us of its decision to grant the Company's request to continue its listing on the Nasdaq Stock Market subject to us meeting certain conditions outlined in the letter:

- On or before August 30, 2024, we shall file a registration statement with the SEC for a public offering;
- On or before November 22, 2024, we shall file a Form 10-Q demonstrating compliance with Listing Rule 5450(b)(2).

If Nasdaq delists the Company's securities from trading on its exchange for failure to meet the listing standards, the Company and our stockholders could face significant negative consequences including:

- limited availability of market quotations for the Company's securities;
- a determination that our Class A Common Stock is a "penny stock" which will require brokers trading in our Class A Common Stock to adhere to more stringent rules;

- a possible reduction in the level of trading activity in the secondary trading market for shares of our Class A Common Stock;
- a limited amount of analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future

38

[Table of Contents](#)

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

None.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other~~Other~~ Information.

~~Not applicable.~~ On August 13, 2024, in connection with the financing transaction described in Note 19 – Subsequent Events, CEO Eric Grosse resigned from that position and as a director, and CFO Robert Kaiden temporarily assumed the duties of principal executive officer. Effective upon the filing of this report, Mr. Kaiden will cease acting as principal executive officer and Payam Zamani will become CEO as contemplated by the investment agreement governing the financing transaction. Biographical information for Mr. Kaiden is set forth in the Company's proxy statement for its 2024 annual meeting of stockholders.

32 39

[Table of Contents](#)

Item 6. Exhibits.

The exhibits listed below are filed or incorporated by reference as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Exhibit Description	Provided Herein	Incorporated by Reference			
			Form	File No.	Exhibit	Filing Date
3.1	Second Amended and Restated Certificate of Incorporation of the Company.		10-Q	001-39791	3.1	November 9, 2023
3.1.1	Certificate of Amendment to Second Amended and Restated Certificate of Incorporation of the Company.		8-K	001-39791	3.2	October 18, 2023
3.2	Amended and Restated Bylaws of the Company.		8-K	001-39791	3.2	February 14, 2022
10.1	Employment Agreement, dated as of March 20, 2024, by and between Inspirato LLC and Robert Kaiden		8-K	001-39791	10.1	March 28, 2024
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
32.1+	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				
101.INS	INLINE XBRL Instance 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 (embedded within the Inline XBRL document or included within the Exhibit 101 attachments)

The exhibits listed below are filed or incorporated by reference as part of this Quarterly Report on Form 10-Q.

- + The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Inspirato Incorporated under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

3340

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Inspirato Incorporated

Date: May 9, 2024

By:

/s/ Eric Grosse

Eric Grosse

Chief Executive Officer and Director

(Principal Executive Officer)

Date: May 9, 2024 August 14, 2024

By: /s/ Robert Kaiden
Robert Kaiden
Chief Financial Officer
(Principal Executive, Financial and Accounting Officer)

34 41

Exhibit 31.1

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Eric Grosse, Robert Kaiden, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Inspirato Incorporated;
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, 2024 August 14, 2024

By: /s/ Eric Grosse Robert Kaiden

Name: Eric Grosse Robert Kaiden

Title: Chief Executive Financial Officer

(Principal Executive, Financial and Accounting Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Robert Kaiden, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Inspirato Incorporated;
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, 2024 August 14, 2024

By: /s/ Robert Kaiden

Name: Robert Kaiden

Title: Chief Financial Officer

(Principal Executive, Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND 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, Eric Grosse, Robert Kaiden, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Inspirato Incorporated for the fiscal quarter ended March 31, 2024 June 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Inspirato Incorporated.

Date: May 9, 2024

By: /s/ Eric Grosse

Name: Eric Grosse

Title: Chief Executive Officer

(Principal Executive Officer)

I, Robert Kaiden, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Inspirato Incorporated for the fiscal quarter ended March 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Inspirato Incorporated.

Date: May 9, 2024 August 14, 2024

By: /s/ Robert Kaiden

Name: Robert Kaiden

Title: Chief Financial Officer

(Principal Executive, Financial and Accounting Officer)

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.