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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): March 5, 2024

Inspirato Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-39791
(Commission
File Number)

85-2426959
(I.R.S. Employer
Identification No.)

1544 Wazee Street
Denver, CO
(Address of principal executive offices)

80202
(Zip Code)

(303) 586-7771

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.0001 par value per share	ISPO	The Nasdaq Stock Market LLC
Warrants to purchase Class A common stock	ISPOW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

On March 5, 2024, Inspirato Incorporated (“Inspirato” or the “Company”) issued a press release announcing its financial results for the quarter and full year ended December 31, 2023. A copy of the press release is furnished as Exhibit 99.1 to this current report on Form 8-K and is incorporated by reference herein.

Additionally, on March 6, 2024, the Company held a conference call (the “Earnings Call”) with respect to its financial results for the quarter and full year ended December 31, 2023. The Earnings Call transcript is furnished as Exhibit 99.2 to this current report on Form 8-K and is incorporated by reference herein.

Item 7.01 Regulation FD Disclosure.

Inspirato announces material information to the public about Inspirato, its products and services, and other matters through a variety of means, including filings with the Securities and Exchange Commission, press releases, public conference calls, webcasts, the investor relations section of its website (<https://investor.inspirato.com>), its blog (<https://www.inspirato.com/details>) and its Twitter account (@inspirato) in order to achieve broad, non-exclusionary distribution of information to the public and for complying with its disclosure obligations under Regulation FD.

The information in Item 2.02 and Item 7.01 of this Current Report on Form 8-K, and Exhibits 99.1 and 99.2 attached hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits.**

Exhibit No.	Description
99.1	Press Release dated March 5, 2024
99.2	Transcript of Earnings Call, dated March 6, 2024
104	Cover Page Interactive Data File (Cover page XBRL tags are embedded within the Inline XBRL document)

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 hereunto duly authorized.

Inspirato Incorporated

Date: March 7, 2024

By: /s/ Robert Kaiden

Name: Robert Kaiden

Title: Chief Financial Officer



Inspirato Announces 2023 Revenue and Adjusted EBITDA within Previously Guided Ranges, Provides 2024 Guidance

DENVER, March 5, 2024 (GLOBE NEWSWIRE) – Inspirato Incorporated (“Inspirato” or the “Company”) (NASDAQ: ISPO), the innovative luxury travel club, today announced its 2023 fourth quarter and full-year results and provided 2024 guidance aimed at improving its path to profitability.

Except as otherwise stated, all financial results discussed below are presented in accordance with generally accepted accounting principles in the United States of America, or GAAP. As supplemental information, we have provided certain additional non-GAAP financial measures in this press release’s supplemental tables, and such supplemental tables include a reconciliation of these non-GAAP measures to our GAAP results. The sum of individual metrics may not always equal total amounts indicated due to rounding.

2023 Fourth Quarter and Full-Year Highlights:

- Full-year total revenue was within the Company’s previously provided guidance range of \$320 to \$340 million. Total revenue of \$70.7 million in the fourth quarter and \$329.1 million for the full year, representing year-over-year decreases of 18% and 5%, respectively.
 - Total Nights Delivered per member increased 2% in 2023 compared to 2022. Total Nights Delivered of 40,600 in the fourth quarter and 185,000 for the full-year 2023, representing year-over-year decreases of 14% and 1%, respectively.
 - Residence occupancy in the fourth quarter and full year of 2023 of 65% and 72%, respectively, compared to 73% and 81% in the comparable 2022 periods. Residence average daily rates (“ADR”) were approximately \$1,700 and \$1,800 in the fourth quarter and full-year 2023 periods, respectively, compared to approximately \$1,900 and \$1,800 in the comparable 2022 periods.
 - Total Active Subscriptions of approximately 13,800 as of December 31, 2023, were comprised of approximately 11,300 Inspirato Club subscriptions and approximately 2,500 Inspirato Pass subscriptions. More than 75% of new sales made in 2023 were for contract terms of two years or more.
 - Launched Inspirato Rewards, the Company’s first ever loyalty program, in August 2023. As of December 31, 2023, approximately 47% of Inspirato members had earned Rewards status based on 2023 annual spend of at least \$20,000.
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- Inspirato for Good (“IFG”) and Inspirato for Business (“IFB”) had fourth quarter contracted sales of \$2.1 million and \$2.8 million, respectively. For the full year 2023, IFG and IFB had contracted sales of \$9.6 million and \$14.5 million, respectively. Additionally, IFG sold more than 3,000 travel and membership packages in its first full year of operations, which are not included in the Company’s subscription count.
- Net loss of \$15.9 million in the fourth quarter of 2023, compared to a net loss of \$14.6 million in the fourth quarter of 2022. Full-year 2023 net loss was \$93.9 million compared to a net loss of approximately \$51.1 million in 2022. The fourth quarter and full year 2023 net loss included asset impairments predominantly related to properties in one geographic location of \$6.5 million and \$40.8 million, respectively.
- Full-year 2023 Adjusted EBITDA loss, a non-GAAP financial measure defined below, was favorable compared to the Company’s previously provided guidance range of an Adjusted EBITDA loss between \$30 million and \$45 million. Adjusted EBITDA loss of \$5.4 million in the fourth quarter of 2023 and \$29.3 million for the full-year 2023 compared to Adjusted EBITDA losses of \$9.5 million and \$32.1 million in the comparable 2022 periods.

Management Commentary

“I’m excited about our positioning heading into 2024,” commented Chief Executive Officer, Eric Grosse. “While 2023 was largely characterized by our portfolio optimization efforts and cost control initiatives, I expect 2024 to be a year in which Inspirato returns to its roots by simplifying the business with a renewed focus on our value proposition, ultimately resulting in a reinvigorated member base. Our core remains strong and our value-proposition to members continues to improve, as evidenced by the early success of Inspirato Rewards and the recent modifications to Inspirato Pass.”

Chief Financial Officer, Robert Kaiden, added, “We have delivered results in-line or above our internal expectations for the past two quarters and look to continue building a track record of execution in 2024. Our top priority in 2024 is to reach breakeven, on an Adjusted EBITDA basis, by executing a plan that is grounded on achievable goals. Should we succeed, we not only expect to deliver periods of EBITDA profitability in 2024, but will have set the stage for profitable growth in the future with solid financial strength and adequate liquidity.”

2024 Guidance

For 2024, Inspirato anticipates total revenue between \$275 million and \$305 million and Adjusted EBITDA between a loss of \$15 million and income of \$5 million. The Company expects to benefit from its recent portfolio optimization efforts and cost control initiatives, resulting in periods of profitability on an Adjusted EBITDA basis, including the first quarter of 2024. Total cash operating expenses are expected to decline by approximately 5-12% year-over-year to a range of \$115 million to \$125 million.

In 2024, the Company plans to focus on better aligning its current offerings to its short- and long-term priorities of profitable operations, improved member engagement and increased travel revenue per member. As a result of this realignment, the Company anticipates a reduction of its Pass member base by a similar amount as 2023 and to exit the year with a similar amount of Club members as year-end 2023.

In 2023, Inspirato reduced the asking ADR on new bookings in both its residences and hotels, contributing to an expected year-over-year decrease of 5-10% in 2024 residence and hotel ADRs. The combination of Inspirato Rewards and reduced residence ADRs led to a slight increase year-over-year in reservations and nights booked per member to exit 2023 and begin 2024. In February 2024, that trend reversed, resulting in the Company expecting a slight decrease in residence revenue on a year-over-year basis. 2024 hotel revenue is expected to decrease by 5-10% year-over-year due to aforementioned decreases in anticipated hotel ADRs and fewer expected hotel nights delivered.

The Company currently expects its strategic partnership with Capital One Ventures to begin a multi-phased launch in the second half of 2024. Accordingly, 2024 guidance contains minimal expected revenue associated with the strategic partnership as future travel revenue is expected to be recognized as travel is delivered, predominantly beginning in 2025.

These statements are forward-looking and actual results may differ materially. Refer to the Forward-Looking Statements section below for information on the factors that could cause Inspirato's actual results to differ materially from these forward-looking statements.

Forward-looking Adjusted EBITDA is a forward-looking non-GAAP financial measure. The Company is unable to reconcile forward-looking Adjusted EBITDA to net income, its most directly comparable forward-looking GAAP financial measure, without unreasonable effort, as a result of the uncertainty regarding, and the potential variability of, reconciling items such as equity-based compensation expense. However, it is important to note that material changes to reconciling items could have a significant effect on Inspirato's future GAAP results.

2023 Financial Results and Operational Metrics

The following table provides the components of gross margin for the periods ended December 31, 2022 and 2023:

<i>(Unaudited, in millions)</i>	Three Months Ended December 31,			Year Ended December 31,		
	2022	2023	% Change	2022	2023	% Change
Travel revenue	\$ 46.5	\$ 38.1	(18.1)%	\$ 198.9	\$ 190.3	(4.4)%
Subscription revenue	39.3	31.7	(19.3)%	145.7	137.6	(5.5)%
Rewards and other revenue	0.8	0.9	12.5 %	1.0	1.2	28.2 %
Total revenue	86.6	70.7	(18.4)%	345.5	329.1	(4.8)%
Cost of revenue	60.7	51.4	(15.3)%	228.4	233.9	2.4 %
Asset impairments	0.9	6.5	n/m	0.9	40.8	n/m
Gross margin	\$ 25.0	\$ 12.8	(48.7)%	\$ 116.2	\$ 54.4	(53.2)%
Gross margin (%)	29 %	18 %	N/A	34 %	17 %	N/A

n/m = not meaningful

The following table provides a breakdown of Nights Delivered, Occupancy and ADR for the periods ended December 31, 2022 and 2023:

	Three months ended December 31,			Year ended December 31,		
	2021	2022	2023	2021	2022	2023
Residences						
Paid Nights Delivered	16,000	14,500	14,100	61,100	67,800	61,400
Total Nights Delivered	24,800	27,700	24,400	94,800	114,900	111,600
Occupancy	84 %	73 %	65 %	88 %	81 %	72 %
ADR	\$ 1,693	\$ 1,923	\$ 1,687	\$ 1,557	\$ 1,825	\$ 1,825
Hotels						
Paid Nights Delivered ⁽¹⁾	8,600	10,400	9,600	29,300	38,900	41,900
Total Nights Delivered ⁽¹⁾	14,300	19,500	16,200	48,200	72,700	73,400
Occupancy ⁽²⁾	77 %	70 %	70 %	79 %	79 %	72 %
ADR ⁽²⁾	\$ 956	\$ 970	\$ 925	\$ 962	\$ 970	\$ 935
Total						
Paid Nights Delivered ⁽¹⁾	24,600	24,900	23,700	90,500	106,600	103,300
Total Nights Delivered ⁽¹⁾	39,100	47,200	40,600	143,000	187,600	185,000
Occupancy ⁽²⁾	82 %	72 %	67 %	85 %	80 %	72 %
ADR ⁽²⁾	\$ 1,364	\$ 1,513	\$ 1,464	\$ 1,364	\$ 1,513	\$ 1,464

⁽¹⁾ Includes net rate hotel nights as we are monitoring the usage of all property types, which is inclusive of both at-risk and net rate hotel nights, for our members.

⁽²⁾ Excludes net rate hotel nights as we are in charge of the occupancy and ultimate financial responsibility of these hotels and, as such, we closely manage the occupancy rates of these at-risk hotel nights. Net rate hotels do not have a total number of nights available and, therefore, are excluded.

Reconciliation of Non- GAAP Financial Measures

In addition to Inspirato's results determined in accordance with GAAP, Inspirato uses Adjusted Net Loss, Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow as part of its overall assessment of performance, including the preparation of its annual operating budget and quarterly forecasts, to evaluate the effectiveness of its business strategies and to communicate with its Board concerning our business and financial

performance. Inspirato believes that these non-GAAP financial measures provide useful information to investors about its 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 its management in their financial and operational decision making. Inspirato is presenting these non-GAAP financial measures to assist investors in seeing its 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 Inspirato's 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 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.

Inspirato provides a reconciliation of Adjusted Net Loss, Adjusted EBITDA, Adjusted EBTIDA Margin and Free Cash Flow to their respective related GAAP financial measures. Inspirato encourages 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. Adjusted Net Loss is a non-GAAP financial measure that Inspirato defines as net loss and comprehensive loss less fair value gains and losses on financial instruments and asset impairments.

The above items are excluded from Inspirato's Adjusted Net Loss measure because management believes that these costs and expenses are not indicative of core operating performance and do not reflect the underlying economics of Inspirato's business.

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure that Inspirato defines as net loss less interest, income taxes, depreciation and amortization, equity-based compensation expense, fair value gains and losses on financial instruments, asset impairments and public company readiness expenses.

The above items are excluded from Inspirato's Adjusted EBITDA measure because management believes that these costs and expenses are not indicative of core operating performance and do not reflect the underlying economics of Inspirato's business.

Free Cash Flow. Inspirato defines Free Cash Flow as net cash provided by (used in) operating activities less purchases of property and equipment and development of internal-use software. Inspirato believes that Free Cash Flow is a meaningful indicator of liquidity that provides information to 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.

See below for reconciliations of non-GAAP financial measures.

Key Business and Other Operating Metrics

Inspirato uses a number of operating and financial metrics, including the following key business metrics, to evaluate its business, measure its performance, identify trends affecting its business, formulate financial projections and business plans, and make strategic decisions. Inspirato regularly reviews and may adjust processes for calculating its internal metrics to improve their accuracy.

Active Subscriptions. Inspirato uses Active Subscriptions to assess the adoption of its subscription offerings, which is a key factor in assessing penetration of the market in which it operates and a key driver of revenue. Inspirato defines Active Subscriptions as subscriptions as of the measurement date that are paid in full, as well as those for which Inspirato expects payment for renewal.

Total Nights Delivered. Total Nights Delivered includes all Paid, Inspirato Pass, Inspirato for Good, Inspirato for Business, employee and other complimentary nights in all residences or hotels.

Inspirato Incorporated
Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except per share data)
(unaudited)

	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	2022	2023	2022	2023
Revenue	\$ 86,627	\$ 70,710	\$ 345,530	\$ 329,100
Cost of revenue (including depreciation of \$855 and \$2,245 in 2022 and \$2,036 and \$6,090 in 2023, respectively)	60,708	51,444	228,401	233,942
Asset impairments	925	6,496	925	40,844
Gross margin	24,994	12,770	116,204	54,314
General and administrative (including depreciation of \$0 and \$0 in 2022 and \$690 and \$690 in 2023)	16,518	15,879	65,807	72,117
Sales and marketing	8,216	8,496	39,368	32,884
Operations	10,484	3,518	42,372	28,125
Technology and development	4,385	1,965	14,219	11,330
Depreciation and amortization	1,026	781	3,191	3,773
Interest (income) expense, net	(19)	(71)	188	1,133
(Gain) loss on fair value instruments	(1,329)	(1,825)	1,696	(2,368)
Other (income) expense, net	92	76	(355)	457
Loss and comprehensive loss before income taxes	(14,379)	(16,049)	(50,282)	(93,138)
Income tax expense (benefit)	210	(188)	799	721
Net loss and comprehensive loss	(14,589)	(15,861)	(51,081)	(93,859)
Net loss and comprehensive loss attributable to noncontrolling interests	8,007	7,076	27,024	42,104
Net loss and comprehensive loss attributable to Inspirato Incorporated	\$ (6,582)	\$ (8,785)	\$ (24,057)	\$ (51,755)
Loss Attributable to Inspirato Incorporated per Class A Share				
Basic and diluted weighted average Class A shares outstanding	2,956	3,500	2,616	3,380
Basic and diluted net loss attributable to Inspirato Incorporated per Class A share	\$ (2.23)	\$ (2.51)	\$ (9.20)	\$ (15.31)

Inspirato Incorporated
Consolidated Balance Sheets
(in thousands, except par value)
(unaudited)

	December 31,	
	2022	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 80,278	\$ 36,566
Restricted cash	1,661	5,700
Accounts receivable, net	3,140	3,306
Accounts receivable, net – related parties	663	842
Prepaid member travel	19,915	20,547
Prepaid expenses	10,922	6,135
Other current assets	302	1,744
Total current assets	116,881	74,840
Property and equipment, net	18,298	19,504
Goodwill	21,233	21,233
Right-of-use assets	271,702	209,702
Other noncurrent assets	2,253	5,448
Total assets	\$ 430,367	\$ 330,727
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 36,086	\$ 22,748
Deferred revenue	167,733	160,493
Lease liabilities	74,299	61,953
Total current liabilities	278,118	245,194
Deferred revenue, noncurrent	18,321	17,026
Lease liabilities, noncurrent	208,159	196,875
Convertible note	—	23,854
Warrants	759	48
Other noncurrent liabilities	—	2,428
Total liabilities	505,357	485,425
Commitments and contingencies		
Equity (Deficit)		
Class A common stock, par value \$0.0001 per share, 50,000 shares authorized, 3,136 and 3,537 shares issued and outstanding as of December 31, 2022 and December 31, 2023, respectively	6	7
Class B common stock, par value \$0.0001 per share, 5,000 shares authorized, no shares issued or outstanding as of December 31, 2023	—	—
Class V common stock, \$0.0001 par value, 25,000 shares authorized, 3,068 and 2,907 shares issued and outstanding as of December 31, 2022 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 December 31, 2022 and December 31, 2023	—	—
Additional paid-in capital	245,652	255,527
Accumulated deficit	(233,931)	(285,782)
Total equity (deficit) excluding noncontrolling interest	11,733	(30,242)
Noncontrolling interests	(86,723)	(124,456)
Total equity (deficit)	(74,990)	(154,698)
Total liabilities and equity (deficit)	\$ 430,367	\$ 330,727

Inspirato Incorporated
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Year Ended December 31,	
	2022	2023
Cash flows from operating activities:		
Net loss	\$ (51,081)	\$ (93,859)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,436	10,553
Note financing costs included in interest expense, net	—	1,859
Loss on disposal of fixed assets	207	685
(Gain) loss on fair value instruments	1,696	(2,368)
Asset impairments	925	40,844
Equity-based compensation	8,802	13,652
Amortization of right-of-use assets	88,098	87,623
Changes in operating assets and liabilities:		
Accounts receivable, net	(751)	(370)
Accounts receivable, net – related parties	(277)	(179)
Prepaid member travel	930	432
Prepaid expenses	(4,577)	1,421
Other assets	(725)	(1,955)
Accounts payable and accrued liabilities	(4,078)	(6,123)
Deferred revenue	(5,209)	(13,614)
Lease liabilities	(85,085)	(89,775)
Deferred rent	—	—
Other liabilities	—	(219)
Net cash used in operating activities	(45,689)	(51,393)
Cash flows from investing activities:		
Development of internal-use software	(5,420)	(5,819)
Purchase of property and equipment	(8,850)	(6,305)
Net cash used in investing activities	(14,270)	(12,124)
Cash flows from financing activities:		
Repayments of debt	(27,267)	—
Proceeds from debt	14,000	25,000
Payments of financing costs for Note	—	(1,859)
Common unit redemptions	—	—
Preferred unit redemptions	—	—
Proceeds from reverse recapitalization	90,070	—
Payments of reverse recapitalization costs	(23,899)	—
Proceeds from issuance of Class A common stock	5,000	105
Payments of employee taxes for share based awards	(669)	(178)
Proceeds from option exercises	1,894	776
Distributions	(184)	—
Net cash provided by financing activities	58,945	23,844
Net decrease in cash, cash equivalents and restricted cash	(1,014)	(39,673)
Cash, cash equivalents and restricted cash – beginning of year	82,953	81,939
Cash, cash equivalents and restricted cash – end of year	\$ 81,939	\$ 42,266

Reconciliation of Net Loss to Adjusted EBITDA (Unaudited)

<i>(in thousands)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2022	2023	2022	2023
Net loss and comprehensive loss	\$ (14,589)	\$ (15,861)	\$ (51,081)	\$ (93,859)
Interest (income) expense, net	(19)	(71)	188	1,133
Income tax expense (benefit)	210	(188)	799	721
Depreciation and amortization	1,881	3,507	5,436	10,553
Equity-based compensation	3,373	2,578	8,802	13,652
(Gain) loss on fair value instruments	(1,329)	(1,825)	1,696	(2,368)
Asset impairments	925	6,496	925	40,844
Public company readiness costs	—	—	1,092	—
Adjusted EBITDA	\$ (9,548)	\$ (5,364)	\$ (32,143)	\$ (29,324)
Adjusted EBITDA Margin ⁽¹⁾	(11.0)%	(7.6)%	(9.3)%	(8.9)%

(1) We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenue for the same period.

Reconciliation of Net Loss to Adjusted Net Loss (Unaudited)

<i>(in thousands)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2022	2023	2022	2023
Net loss and comprehensive loss	\$ (14,589)	\$ (15,861)	\$ (51,081)	\$ (93,859)
Asset impairments	925	6,496	925	40,844
(Gain) loss on fair value instruments	(1,329)	(1,825)	1,696	(2,368)
Adjusted Net Loss	\$ (14,993)	\$ (11,190)	\$ (48,460)	\$ (55,383)

Reconciliation of Free Cash Flow (Unaudited)

<i>(in thousands)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2022	2023	2022	2023
Net cash provided by (used in) operating activities	\$ 2,590	\$ (5,988)	\$ (45,689)	\$ (51,393)
Development of internal-use software	(2,673)	105	(5,420)	(5,819)
Purchase of property and equipment	(1,732)	(1,498)	(8,850)	(6,305)
Free Cash Flow	\$ (1,815)	\$ (7,381)	\$ (59,959)	\$ (63,517)

2023 Fourth Quarter and Year-End Earnings Call and Webcast

The Company invites you to join Eric Grosse, Chief Executive Officer, and Robert Kaiden, Chief Financial Officer, for a conference call on Wednesday, March 6 to discuss its 2023 fourth quarter and year-end operating and financial results.

To listen to the audio webcast and Q&A, please visit the Inspirato Investor Relations website at <https://investor.inspirato.com>. An audio replay of the webcast will be available on the Inspirato Investor Relations website shortly after the call.

Conference Call and Webcast:

Date/Time: Wednesday, March 6, 2024 at 11am ET

Webcast: <https://edge.media-server.com/mmc/p/does73p7>

About Inspirato

Inspirato (NASDAQ: ISPO) is a luxury travel subscription 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 more information, visit www.inspirato.com and follow @inspirato on Instagram, Facebook, X, and LinkedIn.

FORWARD-LOOKING STATEMENTS

This press release 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 our 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”, “guidance” 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 press release may include, for example, statements about: future financial performance (particularly in “2024 Guidance”), and future business, strategic and operational initiatives and results. These forward-looking statements are subject to numerous risks and uncertainties and actual results may differ materially from those expressed in or implied by the forward-looking statements. These risks and uncertainties may relate to, among other things:

- 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;
- 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 geographies;
- 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;
- 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 business, expansion plans and opportunities; and
- Other factors detailed under the section Risk Factors in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023 (the "Form 10-K") that will be 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 II, Item 7 of that Form 10-K and those discussed in other documents we file with the SEC.

We caution you that the foregoing list does not contain all of the forward-looking statements made in this press release. 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.

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. We do not assume responsibility for the accuracy and completeness of any forward-looking statements. We assume no responsibility for updating

forward-looking information contained or incorporated by reference herein or in any documents we file with the SEC, except as required by law.

Investors should consider the risks and uncertainties described herein and should not place undue reliance on any forward-looking statements.

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 press release 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.

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C O N F E R E N C E C A L L P A R T I C I P A N T S

Mike Grondahl Northland Securities, Inc. - Analyst

P R E S E N T A T I O N**Operator**

Good day, and thank you for standing by, and welcome to the Inspirato fourth quarter 2023 earnings conference call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today. Kelly, please go.

Kyle Sourk - Inspirato Inc - VP, IR

Thank you and good morning. On today's call we have CEO, Eric Grossa, and CFO, Robert K. Yesterday afternoon, we issued our press release announcing our fourth quarter and full year 2023 results, which is available on the Investor Relations page of our website at investor dot spiritaero.com. Before we begin our formal remarks. We remind everyone that some of today's comments are forward-looking statements, including but not limited to, our expectations of future operating results and financial position guidance and growth prospects, business strategy and plans and market position and potential market opportunities. These statements are based on assumptions and we assume no obligation to update them as actual results could differ materially. We refer you to our SEC filings for a more detailed discussion of additional risks.

In addition, during the call, management will discuss non-GAAP measures, which are useful in evaluating the company's operating performance. These measures should not be considered in isolation or as a substitute for our financial results prepared in accordance with GAAP. Reconciliations of these measures to the most directly comparable GAAP measure are included in our earnings release.

With that, I'll turn the call over to our CTO, Patrick processed.

Eric Grosse - Inspirato Inc - CEO

Thanks, Kyle, and good morning, everyone. On our last call, we spent much of the time reinforcing the pillars, Vince Ratos value proposition, our world-class portfolio of luxury residences and the first-class service we provide to ensure each trip is remarkable and memorable today, I'll review some of our successes from 2023 as well as our strategic priorities and plans for 2024.

Before turning it over to Robert to cover our 2023 results and 2024 guidance in more detail.

Before jumping in, I do want to highlight that we are reporting fourth quarter results in line with our internal expectations and within our 2023 full year revenue guidance range for adjusted EBITDA, we are slightly favorable to our guidance range and Sprouts has always been a name you can trust.

When you travel with us, you trust you'll get first-class service at a world-class property in 2024. It is amongst our highest priorities to earn that same level of trust and credibility with our shareholders. Q4 marked the second consecutive quarter of delivering results in line with our plan, and we're excited for the opportunity to build a real track record of execution in 2024 through clear and transparent communication, we believe that doing so will unlock significant value for both our members and our shareholders.

Looking back the second half of 2023 was largely defined by a heightened focus on execution and operating efficiencies. We took meaningful steps to streamline our cost structure and improve member engagement. It's aimed at accelerating our path to profitability and positioning us for sustainable future growth.

From an expense standpoint, the largest item in our P&L is our leases. The team has done a tremendous job aligning our portfolio with our member base and the new post-pandemic normal of leisure travel. This included a detailed property-level analysis of our portfolio with an emphasis on unit economics, regional scale and member satisfaction. We were also successful in reducing our cash operating expenses.

For the full year, we stripped out more than \$20 million of expenses, a year over year reduction of approximately 15%. As you'll hear in a moment, we expect to continue to realize incremental savings in 2024 based on the actions we took in 2023 and most importantly, feel we have the right people in the right processes to handle future growth when the time comes.

Next, I want to discuss the steps we've taken to improve our member experience. Although we pride ourselves in our member satisfaction as documented and highlighted by our best-in-class NPS scores of approximately 70, we've recently placed more emphasis on increasing member engagement and reenergizing our member base during periods of rapid growth. In the past, we would monitor positive trends in total nights booked and total nights delivered with less focus on who was booking and where they were going.

So to address this midway through 2023, we took three decisive actions. First, we reorganized around a member success team dedicated to serving members and helping them book travel.

Next, we lowered the asking prices for our nightly rates. And most recently we launched a loyalty program. Each of these were aimed not only in increasing our nights per member, but our paid nights per member at our managed and controlled properties. These notes are the most accretive in our portfolio. This approach has led to a series of small wins and a few recent trends that we have. Our eyes first in broader Rewards has been a hit since its launch in August, nearly half. Our members have gain rewards status based on their 2023 spend. As a reminder, our lowest status tier starts at \$20,000 of annual spend. This is proof of our loyal and engaged member base.

Second, we're raising the bar to entry and exit from in-store auto by focusing on selling multiyear memberships and renewals. This aligns with our desire to make any broader more of a club and less of a product. It has resulted in fewer but better sales and should continue to improve our member retention engagement. For reference, in 2023 over 90% of our new club sales were for at least one year and more than 75% were for two years or more. Finally, we saw an uptick in the number of reservations and nights booked per member to end 2023 and to begin 2024. However, and this is a small dataset in February.

Those trends have normalize reverting to or even slightly below 2023 levels. Our team has a sharp eye on this very recent information, and we analyze both our engagement strategy as well as our travel trends at large. Look for updates on this throughout the year as it pertains to our expected results in 2024. This has caused a slightly wider range of potential outcomes. Although we are once again prioritizing our path to profitability, I'm confident that the progress we have made as an organization over the last six to nine months has led to a significant improvement in our ability to recognize, analyze and react in real time, and I'm exec I'm excited about our 2024 plans ahead of us for the full year, we remain focused on reaching breakeven of adjusted EBITDA and are expecting between a loss of \$15 million and income of %5 million. Meanwhile, we expect total revenue between \$275 million and \$305 million, a decrease compared to 2023 due primarily to headwinds related to continued decreases in our pass subscriptions.

I'll let Robert cover some of the details of the plan in a few moments, but would first like to highlight our 24 2024 strategic initiatives that position us to be a true turnaround story after rightsizing our cost structure and improving our operating efficiencies in 2023, we are shifting our focus in 2024 to our product offerings and customer acquisition strategy? Are we offering the right products? Are they complementary to each other? Are they priced appropriately? And are we targeting the right traveler? Inspiron has a deeply rooted brand that resonates with a large core audience.

Over the last few years, we've grown our member base and our portfolio substantially. We've launched several new products with varying degrees of success. Our goal in 2024 is to simplify its product for both current members and prospective members as well. We want to return to our roots and operate as a true travel club well Re, instilling a sense of community amongst our members and importantly, continuing to deliver exceptional vacations.

This broader path is a great example of an area we can refine over the past year, we've seen meaningful churn for many reasons, including life changes, the macro-environment and perhaps the past focused on the quantity of new member sales as opposed to ensuring the proper fit other prospective members. At the same time in 2023, while approximately 20% of our members were passholders, nearly 40% of our nights delivered were past nights the math simply won't work and as a result, pass has not been profitable.

Ultimately, it's apparent that we need to improve passive positioning. What does it designed to do? What are the targeted towards and how does it coexist with club? Just last month, we announced changes to our product path today. It will function as the luxury travel offering for the frequent and flexible traveler. That means great value for an amazing number of trip options, Equitable rates to that of our club members for smaller number of premium trips and unparalleled access and value for last-minute bookings.

We've embraced passes functionality by improving flexibility and access to short term booking. Since implementing these changes in mid-February, we've booked approximately 300 flip chips and 1,200 nights at properties that may have otherwise spoiled. Importantly, 60% of these reservations were for stayed within 30 days at the time of booking. We've also removed non-core features. The past that were costly, dense, Brado entering and infrequently used by members. And finally, we're planning to manage

the number of past memberships in conjunction with overall inventory and market placement. These changes will simplify pass, improve the engagement and experience for our members and ultimately make pass more profitable for its products.

Next, the team will take a fresh look at our other offerings to make sure they align with our strategic priorities while also providing tremendous value to our current and future members like any good brand that delivers value to its consumers and creates value for its shareholders and for auto success will be driven by our ability to drive member engagement and advocacy in order to do what we do best deliver exceptional service and value we need to do so from a position of operational strength with a solid foundation. At the end of the day, our mission is to inspire lasting memories and relationships by enriching the way our members experience the world. I'm fully confident that by staying true to our core values, care, collaboration, courage and curiosity, we will achieve just that in 2024.

Before turning the call over to Robert, I'd like to thank our employees for their incredible work in 2023 with continued focus on execution. I believe we are set up for a much improved 2024.

And with that, I'll turn the call over to Robert.

Robert Kaiden - Inspirato Inc - Chief Financial Officer

Thanks, Eric. Before giving more color on our 2024 plan, I'd like to quickly cover our fourth quarter and full year 2023 results. In the fourth quarter, we generated total revenue of \$71 million, a gross margin of \$13 million, and a gross margin of \$19 million, excluding the impact of asset impairments. Although fourth quarter revenue decreased 18% year over year, it's important to note that it was in line with our internal expectations over year-over-year decrease in revenue is due to decrease in both subscription and travel revenue.

From a subscription revenue standpoint, we've seen a decline in both the number of pass and club subscriptions. However, due to the higher price point of a pass subscription pass has been the primary driver of the decrease in subscription revenue. At year end, we had 13,800 active subscriptions, consisting of approximately 2,500 pass and 11,300 club subscriptions. This compares to 16,100 active subscriptions consisting of 3,600 pass and 12,500 club subscriptions at year end 2022.

Keep in mind, we've invested significant sales resources in our Inscriber for good and in Sprout for business platforms, which combined generated approximately \$25 million of contracted sales in 2023. Further is rider for goods sold more than 3,000 travel memberships last year that are not included in our subscription count. While there is no recurring revenue from the sales, we feel they are strong prequalified prospects that we're excited to introduce to these better experience and hope to convert to a full membership over time.

As far as travel revenue, the year-over-year decrease is primarily due to a decrease in the number of total leads delivered specifically our paid night delivered in large part due to a decline in the number of clubs, subscriptions as well as the timing of our experiences and the deferral of some revenue due to the accounting treatment for rewards programs.

In the fourth quarter, we delivered approximately 41,000 total nights with a resident occupancy of 65% compared to 47,000 total nights with 73% residents occupancy in the fourth quarter of 2022. Adrs were approximately \$1,700 in the fourth quarter of 2023 compared to approximately 1900 in the fourth quarter of 2022, with the year-over-year decrease due to us lowering our ADRs midway through 2023.

Meanwhile, when comparing full year performance. Resident's ADRs were relatively flat year over year at approximately \$1,800 and we delivered a similar number of total nights in each of 2022 and 2023. At the same time, our resins occupancy decreased in 2023 to 72% from 81% in 2022, primarily due to increased availability. As a reminder, increased availability was due to new leases committed to in 2022 or before that were added in 2023 while our portfolio optimization efforts in 2023 will start to have a more significant impact moving forward.

In 2024, we believe the combination of lower nightly rates and fewer nights available will help us find the proper supply and demand balance to improve our operating efficiencies. For the full year, we generated \$329 million of revenue, which is around the midpoint of our guidance range of \$320 million to \$340 million. The year-over-year decrease in total revenue of approximately \$15 million or 5% was due to decreases in each of subscription and travel revenue. The majority of the subscription revenue decrease was due to fewer pass subscriptions, while traveling revenue was mostly impacted by a reduced number of paid nights delivered in our residences, a positive both fewer clubs, subscriptions and more Hotel Travel.

Moving down the P&L, our fourth quarter gross margin was \$13 million or 18% of revenue compared to \$25 million or 29% of revenue in the fourth quarter of 2022. Absent the impact of asset impairments, fourth quarter 2023 gross margin would have been \$19 million or 27% of revenue.

For the full year, our gross margin was \$54 million or 17% of revenue compared to \$116 million or 34% of revenue in 2022. Absent the impact of asset impairments of approximately \$41 million for the full year, our gross margin would have been \$95 million or 29% of revenue. Of note, these impairments were associated with leases predominantly in one geographic location.

Cutting one level deeper, our fourth quarter cost of revenue was approximately \$51 million, a 15% decrease compared to cost of revenue in Q4 of

2022. This is consistent with our efforts to better manage our booking fees, and it also includes a small amount of lease expense savings. As I'll touch on in a minute, we expect to continue this positive trend in 2024.

Total cash operating expenses were approximately \$27 million in the fourth quarter of 2023 compared to approximately \$36 million in the fourth quarter of 2022. While the fourth quarter of 2023 did include a favorable entry year period adjustment of \$1.8 million related to operations. I'm proud of the progress we've made, and I'm confident that we can reach a sustainable run rate for 2024.

For the full year, our cash operating expenses totaled approximately \$131 million compared to \$153 million in 2022. As a reminder, our guidance range for 2023 of \$125 million to \$130 million did not include our third quarter reduction in force executive management changes and associated severance payments.

Finally, as Eric mentioned, I'm proud to report that our adjusted EBITDA loss of \$29 million for 2023 ended the year slightly favorable compared to our previous guided range of a loss between \$30 million and \$45 million. This compares to a 2022 adjusted EBITDA loss of \$32 million with quarter adjusted EBITDA losses in 2023 and 2022 of \$5.4 million and \$9.5 million, respectively.

Equally important, we ended the year with a cash balance of approximately \$42 million, which was slightly ahead of our internal expectation and represents a slowdown in our quarterly cash burn compared to the rest of 2023. Overall, I'm incredibly proud of how the team performed the past year. Specifically these past six months where I feel our results such as improved adjusted EBITDA are beginning to reflect the changes and efforts we've made.

Turning to 2024, I expect continued improvement for the full year, we expect adjusted EBITDA approaching breakeven more specifically between a loss of \$15 million and income of \$5 million and total revenue between \$275 million and \$305 million. Our number one financial priority in 2024 is reaching breakeven on an adjusted EBITDA basis. While total revenue is obviously important, it is merely an output of what we believe is a very achievable plan grounded on reasonable assumptions, as I'll cover in a minute, we expect a decrease in past subscription revenue, lower ADRs in our residents and fewer total members to be the main drivers of our decreased revenue.

From a member standpoint, we're assuming club subscriptions to be relatively flat year over year, while pass subscriptions are expected to decrease by a similar absolute number in 2024 as they did in 2023. As Eric mentioned, we are confident that recent changes to pass will improve the member experience and overall functionality of passed. However, we also expect most of our sales focus to be on club, as is the true foundation of in Toronto and increasing our club membership ultimately enables increased pass memberships in the future. For club itself, we plan to continue targeting longer term stickier sales.

We expect this to result in an increase in our club member base, which will be offset by the natural attrition of our legacy members. The net result in 2024 is once again expected to be a declining member base with a decrease in pass alone expected to create a subscription revenue headwind of nearly \$30 million.

From a travel standpoint, fewer members accrete to fewer total nights delivered. However, we're expecting improvements in terms of total occupancy and the mix between paid nights and passed nights as well as resins nights and hotel nights.

As Eric mentioned, we have seen mixed results from a booking perspective despite lower pricing for our rewards and member success team. As a result, our current range assume similar pay travel behavior for members 2023 plus or minus 5%. For residences, we're currently assuming rates slightly below \$1,750 per night on average for the year, which compares to slightly above \$1,800 per night received in 2023.

On the hotel side, we expect a decrease in our total miles delivered in 2024 compared to 2023, though much of this is expected to be attributable to fewer past nights. Overall, we currently expect travel revenue to account for approximately 65% of total revenue, whereas in 2023 account for less than 60%.

In terms of our cost structure, I've spent much of the past few quarters outlining our portfolio optimization plans, and I'm excited to begin realizing the benefits. In 2024, we expect approximately \$30 million of lease expense savings compared to 2023. Coupled with our emphasis on reducing our booking fees, we expect to realize meaningful gross margin expansion beginning in the first quarter.

Finally, I alluded to our fourth quarter 2023 operating expenses serving as a good run rate moving forward. Our full year range of cash operating expenses in 2024 is between \$115 million and \$125 million, which represents an improvement of 5% to 12% compared to 2023. All in, we expect to drive a meaningful year-over-year improvement in our adjusted EBITDA, driven by focus on improved efficiencies. We expect cost efficiencies in our leases, fixed and variable costs, booking expenses and operating expenses, and we expect operating efficiencies in our travel mix and more focused sales efforts.

Overall, I'm pleased with the plan we put together time and again, on this call, we've referenced hitting our guidance range, and our intention is to continue building a track record of execution in 2024. Though we don't provide quarterly guidance, we believe this plan will deliver periods of positive adjusted EBITDA and ultimately improve our financial strength for the long term.

With that, let me turn it over to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Mike Grondahl, Northland Securities.

Mike Grondahl - Northland Securities, Inc. - Analyst

Hey, guys. Thanks. It sounds like you retooled the past membership quite a bit. And if I heard you right, it fell from like 3,600 to 2,500, and it sounds like it's going to fall by a like amount in 2024 to about 1,400 units for subscriptions. What does the new path look like? And do you think you've gotten that to breakeven or making a profit for you if you could answer that, it would be great.

Eric Grosse - Inspirato Inc - CEO

Terrific. Thanks, Mike, for your question. This is Eric. On what I can do is talk a little bit about what path looks like and the changes we've made to it. And then I can pass it over to Robert to walk through the implications of what that means from a 2024 perspective. In terms of what path looks like and the changes are really what we wanted to do is to provide a big benefit to our pass holders and to enable a last-minute travel much more. So with past going forward with the concept, we're calling conflicts trips, which really opens up significantly more high-value inventory that likely would otherwise have gone unsold.

And as we noted since we've made this change, about 60% of the flex trips that we've sold are under 30 days of departure, which is a really good sign for us because it shows that we can really drive demand towards that on close-in piece that that otherwise might spoil. And what we're also doing in addition to providing this of this benefit, the significant benefit to passholders. I'm also to streamline the product and to make it simpler on.

So that's why we sunsetted capabilities within past that we're pretty unpopular with passholders. And we're frankly, pretty inefficient and expensive for us to operate. Like of an example of this would be beyond travel as well as on past cruisers. And so a net, what we've got is, I think, a much simpler service and a much simpler to communicate product that has really, really strong value proposition to the right kind of passholder. The one that is spontaneous, the one that is flexible, the one that is open for last

minute travel and also provides a very, very valuable niche in our overall product portfolio. So that it's a profitable product and can really contribute to Inspirato success as a whole.

Robert Kaiden - Inspirato Inc - Chief Financial Officer

Great. Mike, I'll -- this is Robert, I'll take it a little bit further on the financial side of the house there. Past was just to be very clear, unprofitable for us in 2023. And before that, as Eric said before, 40% of our nights with only 20% of our members is going towards path. And moreover, lot of pass members, we're booking a lot of third party hotels, which which had a lot of booking costs associated with them as well.

So a combination of between we're taking out some of those non-profitable areas, non-core, non-profitable areas of path of getting our members who are Pass members to get them a great opportunity for inventory that's really last minute would otherwise flow.

It's a win-win. They're able to get inventory that's at a great price, great inventory at a great price and we're able to use some of that inventory. Those are some of the benefits and that we see and so passes in a much better financial position in 2024 and forward.

Mike Grondahl - Northland Securities, Inc. - Analyst

Got it. And then a second question just on the gross margin impairments related to the leases, I think you said it was \$6 million in 4Q and about \$40 million in '23, would you say that's cleaned up now? Do we have to worry about those 1Q 2Q?

Robert Kaiden - Inspirato Inc - Chief Financial Officer

Yes. Thanks for the question, Mike. Absolutely. We feel like we're in a good place now. We've known about these impairments for some time now. And the reason they've been rolling in quarter over quarter is because under again these this group of arrangements we have for a certain number of properties. We've been rolling them in over time. And so every time we've rolled them in from an accounting perspective, is the first time we could take an impairment charge on them. So those are all now rolled into our portfolio. Those are all at fair value like any company. It could be a small one-off impairment here or there, but we're not expecting any sort of large impairments on a go-forward basis.

Mike Grondahl - Northland Securities, Inc. - Analyst

Got it. And then maybe lastly, on any update on Capital One, I think it I think that partnership sounds like it starts in the second half and they kind of have to roll it out. How would you bake that into 24? And what can that look like over '25 maybe?

Eric Grosse - Inspirato Inc - CEO

Sure. Thanks, Mike uplift where I think we've been very clear that we're tremendously excited about our capital one partnership come mainly because our respective strengths are so well suited for one another. I mean, what we're very good at is finding and managing a pretty world class portfolio of high-end residences and giving our members a pretty first class experience when they when they travel with us.

And Capital One amongst other things, is a pretty world-class demand aggregator, and they're really focused on becoming a very major player in travel. So that dynamic, I think, creates a win-win situation

for both of us, which is why Capital One was so excited about our partnership and why they invested in the last last fall. And so what we're doing right now is working very hard on all the tenant, technical integration work between ourselves and Capital One and their technology partner hopper. And we really expect to be operational in the first phase of our partnership in the second half of this year. In terms of forecast, it's always difficult to predict what a large new partnership will bring on and it's still in the near term.

Yes, I'd say we've been always probably a little bit more cautious in how that up, how that partnership will perform but and grow out of the blocks. But when you take a look at Capital One's size, commitment to travel and breadth and then you look at it relative to our size, I think it's pretty clear definitely over the medium to longer term going to be a game changer for us.

Mike Grondahl - Northland Securities, Inc. - Analyst

And it looks like they may get Discover too, which would maybe even make a bigger.

Eric Grosse - Inspirato Inc - CEO

Good point.

Mike Grondahl - Northland Securities, Inc. - Analyst

Do you think it's June or July before you have a better feel is it September, like when do you think you'll get, I don't know, a better sense of what it looks like roughly when during the year?

Eric Grosse - Inspirato Inc - CEO

Well, I would say that that I mean Q3 is when we're launching it. So we'll have sort of initial data points then going into the fourth quarter, which typically tends to be a stronger seasonal period for us, we should have a better idea. And so I think it's fair to say that our confidence will increase over the course of the year.

Operator

Shweta Khajuria, Evercore ISI.

Unidentified Participant

Hey, this is Luke on for Shweta. On just two questions, if I could. Can you just go over any low hanging fruit on the operating expense side, where you can drive efficiencies? And then how should we think about the seasonality of your revenue and EBITDA throughout '24. Can you just help us kind of think about how to model that?

Eric Grosse - Inspirato Inc - CEO

Sure. With respect to expense efficiency, this is one where I want to give credit to the team on what we've done. And over the course of the last six to nine months, we have done a lot of work to basically streamline our business and make us more operationally efficient so that we can be successful and get to profitability on a wider range of outcomes. And so that really starts with our portfolio. Our real estate

portfolio on Robert's led a tremendous effort to rightsize that part of our business and also as a result of shifting demand really towards our risk properties would be able to we're able to make meaningful improvements on our COGS line as well.

And when you combine that with the OpEx improvements we've made just in terms of becoming more operationally efficient, both in terms of personnel as well as process, you're looking at a year-over-year swing in excess of \$50 million and so that is really important to us being able to say that we have a shot and we have line of sight to get to break to breakeven. And maybe I'll hand it over to Robert to handle to answer your question around seasonality.

Robert Kaiden - Inspirato Inc - Chief Financial Officer

Yes. And maybe a little things, just to contextualize this a bit more on some of the things that Eric talked about when it comes to our overall costs. And we think about 2024, like we've been talking about in these last few calls, there are things that we've done already, and that's much of the savings that we'll have in 2024 are things that are done and dusted.

So for instance, we've talked a lot about our portfolio optimization which will have savings year-over-year savings of approximately \$30 million. Those are agreements that we terminated in 2023, where there was just a period of time that needed to pass before we were fully out of those leases. A lot of those were six months and some of them were 12 months. So we're starting to see in -- really in Q1 the impact of the ones that were rolling off in six months coming off the books and then will be a brand that will be our biggest quarterly decline in terms of the number of leases -- \$1 of leases, and then we'll see an additional gradual decline throughout the rest of the year.

When it comes to the operating expenses, we've taken a lot of actions already. So as you know, we had a reduction in force a first in January last year and then in July of last year and we'll get the full year benefit of that, a second reduction in force when we move into 2024. Moreover, as we were going through our planning cycle back in the fall, there was a lot of other things we looked at in operating expenses, how could we be more efficient in our software spend lots and lots of little areas that in total are piled up and amounted to the savings that we're talking about. And you'll see this is part of it like a three-year trend. We went from 100 -- approximately \$155 million in 2022 to approximately \$135 million in 2023. And now we're coming down to \$115 million to \$125 million. So I think we've we've kind of optimized on what we can do from a operating expense savings perspective.

As it relates to your question on seasonality on revenue and EBITDA. We've had somewhat fairly consistent seasonality over time, and it really starts with the revenue because most of our costs are fairly straight line across the year. And so as our revenue goes for a particular quarter, so goes our EBITDA as well.

Bob, when I look at our revenue, you break it down into two pieces, the subscription revenue and then there's travel revenue as it relates to subscription revenue, that is generally fairly straight line as well. Although as we talked about before, we'll see a decline in our past number of subscriptions as we go through the year. So there will be a decline over time in subscription revenue because of that fairly straight line across the year.

When it comes to travel, we have are periods where we have folks traveling more and we have periods where people actually book travel more. And so typically, Q1, Q3 and Q4 are heavier travel periods

relative to Q2, Q2 is and you just don't see as much in that April to June timeframe, but it's also time where there's more bookings generally to prepare for either the summer season or even to prepare to start getting ready for it at a year in travel again. So we expect that revenues will follow for travel, something along those path between Q1, one three and four. There's a little bit of seasonality even within those. But overall, we'd say that's when we'll see the higher revenue because it's when people take the trips that we recognize the revenue.

Operator

Thank you. I'm showing no further questions at this time. I would now like to turn it back to CEO, Eric Grosse, for closing remarks.

Eric Grosse - Inspirato Inc - CEO

It's a terrific. Well, thanks, everyone, for listening and participating in our quarter call. Look, we're committed to keeping our lines of communication open and look forward to our next earning call for the first quarter, which will be in May. In the meantime, thanks very much and talk soon.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.