

Letter from the Co-CEOs of Tiny Ltd.

May 12, 2023



Dear Shareholders,

2022 was a huge year. Two years ago, WeCommerce, one of Tiny's subsidiaries, went public on the TSX Venture Exchange. It was a bit of an experiment for us—our first time taking a company public—and it turned out to be a wonderful experience. While it added some extra paperwork, we relished having all the tools in the capital allocation toolkit at our disposal and enjoyed being able to bring outside shareholders along for the ride.

Six months ago, we decided that we wanted to take all of our businesses public. We approached the board of WeCommerce with a proposal to combine the mothership, Tiny, with its little brother, WeCommerce. We liked the idea of having a single holding company, one group of shareholders, and the flexibility to invest our capital in the highest and best opportunities. Our own forever holding company in the style of Berkshire Hathaway.

After a herculean effort by the board, as well as our head office teams at Tiny and WeCommerce, we combined the businesses into a new entity: Tiny Ltd. As much as we love reviewing phonebook sized piles of legal paperwork and conducting financial audits, we are excited to have the merger behind us and to be able to focus all of our energy on capital allocation.

Despite a busy year with the merger, we have been busy on that front as well. In 2022, we acquired many wonderful businesses, including Fontspring, KnoCommerce and HappyFunCorp in our operating groups, and Abstract and Befunky in our fund.

We also formed a new operating group that holds our digital services businesses called Beam, creating more accountability and a dedicated team to explore opportunities for reinvestment and M&A. In the process, we decided it made sense to fully merge in MetaLab, the group's most prominent digital services business and one that Tiny only owned 20% of historically. Beam now owns 100% of MetaLab, and our basket of digital services businesses include HappyFunCorp, Frosty, 8020, Button, and Z1.

With all of this change, we felt it would be valuable to provide a high level overview of how we run Tiny.

We'll break this down as follows:

1. Our Business Structure
2. Our Approach to Capital Allocation
3. Our Operating Groups
4. Our Performance

Our Business Structure

Tiny is run as a decentralized holding company. Similar to Berkshire Hathaway, we have a small head office that focuses most of its energy on three things: capital allocation, incentives, and high level finance (accounting, legal, compliance, and tax). We buy profitable businesses, usually directly from the founder, and hold them for the long term. We build value over time by reinvesting the profits to grow our earnings via reinvestment in our existing businesses and new acquisitions.

We own over 30 operating businesses. Most have their own CEO and management team, and we do not pursue synergies (although CEOs are free to collaborate with one another). Unless they have the need for capital, profits are sent back to head office to be invested.

We hire exceptional CEOs, align their incentives with shareholders, and leave them to run their business. While we monitor results from a distance, we stay out of our CEO's businesses unless we see a particularly scary looking iceberg or they call us for help.

Over time, when we acquire a number of similar businesses and achieve sufficient scale, we form an operating group. Each operating group is essentially a mini holding company that manages a collection of similar businesses. Each has its own CEO and management team and is responsible for their own capital allocation including acquisitions, with Tiny's head office approving major initiatives. Tiny currently consists of three core operating groups: Beam, our digital services group, WeCommerce, our ecommerce software group, and Dribbble, our social network and marketplace for designers.

Outside of our current operating groups, we have 2 standalone and 5 fund-owned businesses that report directly to head office. We expect to form them into operating groups as they reach critical mass.

One under appreciated asset is our US\$150.0M private fund. We raised this fund in the middle of COVID to "load the elephant gun" with extra capital while we were still private. To date, we have deployed \$97.2M of the fund. \$52.8M remains to be deployed.

Outside of operating group bolt-in and strategic acquisitions, all net-new acquisitions are made in the fund until all capital is deployed. Accordingly, we hold a variety of businesses within the fund, including AeroPress, Abstract, Girlboss, BeFunky, MediMap and others.

Our Approach to Capital Allocation

We look for businesses with the following criteria:

- A simple business model
A business we can explain to our parents
- Healthy profits
A consistent track record of profitability
- Happy employees and customers
A positive culture and no sketchy stuff
- A unique advantage
Like a brand, community or niche
- A long-term record
At least 3-5 years operating history and a reputation for doing the right thing
- A fair price
We will pay up for quality, but we need to know that in most scenarios we will earn a fair return

While our roots lie in the technology industry, we will consider any business that we feel we are capable of understanding. Our companies range from enterprise software, to a coffee maker company, to a social network. When entering new industries, we focus on partnering with best-in-class CEOs within that industry.

Based on our own experience selling businesses, we have built a process focused on founders. This means our deals are fast, our diligence is focused on what really matters, and we give the founder full flexibility to either stay and run the business or transition to a new CEO. Sometimes founders sail off into the sunset and sell everything,

sometimes they continue to advise and hold a minority stake; other times, they choose to keep running the business. It's 100% driven by the founder. Most importantly: we make a commitment not to ruin the business they spent the last decade building. We do not flip businesses, and we generally do not make significant staffing changes. We keep the DNA of the company the same and operate for the long-term.

The founders who sell to Tiny have often been at it for 7-10 years and simply get exhausted and want to take some chips off the table. They could sell to a traditional PE firm or take a venture round, but they don't want their life's work to be flipped in 3-5 years or have their team compromised with the obligation of unrealistic growth. Usually, it's our track record that convinces them that we would be a good long term steward for their business.

Our investments typically fit into three buckets:

Exceptional Business

Every once in a while, we are lucky enough to buy an exceptional business with a competitive moat and the ability to grow revenue and earnings. Typically, the moat comes from a network effect, high switching costs, or brand.

These wonderful businesses only come along every few years, but when they do, we pounce. These opportunities have accelerated in recent years with our growing brand presence.

Venture Misfits

These are businesses that would be phenomenal but for their cap table. They have dedicated teams, good growth and strong potential for profits. However, because they've raised tens of millions of dollars and are not doubling in size every year, the venture capitalists on the boards of these companies check out once they realize they will not be a unicorn and generally just want it off their plate.

Because of this incentive misalignment, we've consistently seen an unfair advantage in making the process quick and painless for sellers.

Mismanaged Gems

Typically these are good businesses that are missing a key element. Often the outgoing management team has a blind spot or isn't interested in pursuing an opportunity (for example, they don't spend on marketing or have underbuilt their sales team).

These opportunities may have a weaker moat, but because they are under-optimized we can derisk our investment by hiring a CEO who will deploy near term best practices.

On a high level, our capital allocation waterfall is as follows:

1. Deploy capital into intelligent growth within subsidiaries
2. Acquire net-new businesses and platforms
3. Share buybacks

Operating Groups Background and Overview

Beam

Beam is our digital services group focused on middle market and enterprise customers. The core services provided include design, engineering, and strategy for digital software and services.

The business had a strong year generating \$81.0M in revenue and \$19.4M in earnings from operations, which represents annual revenue growth of 29% and an earnings from operations decline of 10%. Margins were compressed

in the short term due management refocusing the business on more durable contracts with large enterprise customers like Google, Uber, and Trip Advisor, and we expect them to normalize over time.

Since we started in this business in 2006, we have only seen an accelerated demand for these services as every business in the world becomes a software company. While services businesses are never a straight line up and to the right, constantly juggling supply and demand, we're excited about management's vision to help the Fortune 500 continue its transition to the digital world.

WeCommerce

WeCommerce is our ecommerce software group. The three key revenue lines of the business include software, themes and services.

Despite a difficult economic period in the e-commerce industry, the business performed well generating \$48.5M in revenue and \$9.5M in Adj. EBITDA.¹

While the world has briefly soured on ecommerce in the wake of the COVID pull forward, we continue to believe that Shopify is the best platform for SMB and enterprise ecommerce and have a portfolio of exceptional businesses in the Shopify ecosystem.

Dribbble

Our social network, Dribbble, is home to many of the world's leading designers and creative professionals. It is one of the top 3,000 sites on the internet and also owns Creative Market, a large digital goods marketplaces selling digital assets such as fonts and themes. The group's five key revenue lines include hiring, premium memberships, digital goods, advertising and education.

The group had another consistent year of performance with \$62.6M in revenue and \$8.1M in earnings from operations.

We are excited about a number of fast growing revenue opportunities within the group, especially our education and fonts businesses.

Our Performance

In 2022, Tiny and WeCommerce brought in combined Revenue of \$202.1M and generated \$46.3M of adjusted EBITDA. This was a 35% increase in Revenue and a 6.9% decrease in adjusted EBITDA from 2021.

	Revenue	Adj. EBITDA
2020	\$105.2M	\$40.4M
2021	\$149.4M	\$49.7M
2022	\$202.1M	\$46.3M

Two important notes about our financials:

¹ EBITDA and Adjusted EBITDA are Non-IFRS financial measures. We use these non-IFRS measures, amongst other things, to facilitate operating performance comparisons from period to period. For definitions and a reconciliation of these non-IFRS measures to the most comparable IFRS measures, see the section entitled "Non-IFRS measures" in the Company's MD&A for the year ended December 31, 2022 which is available on SEDAR at www.sedar.com under the Company's profile.

1. A significant portion of our capital over the past two years has been invested in our private fund, whose underlying business results are not consolidated in our financial statements.
2. Part way through 2022, we started recognizing our digital marketplace revenue on a gross basis. That had the impact of increasing both revenues and expenses, which causes margins to appear compressed.

In Closing

The world has been a strange place these past few years. With near zero interest rates, HODL-ing to the moon, SPAC mania, and crypto insanity. Accordingly, we've spent a great deal of time sitting on our hands passing on overvalued deals. Fortunately, things are beginning to come back to reality again and we are looking forward to buying some wonderful businesses in the coming years.

Like everyone else, we are watching in awe as artificial intelligence takes flight. While we expect it to impact some of our businesses, we also see opportunities for AI to serve customers more efficiently, significantly expand margins and make our other businesses more valuable. We generally believe that, as Excel played out with accountants, AI will enable huge productivity gains and significantly increase the amount of custom software that gets built. Regardless, we continue to scan the horizon for AI icebergs and have been parroting one of our favorite quotes around the office:

"Only the paranoid survive."
—Andy Grove

We could not be more excited to celebrate our birth as a public company. Thank you for joining us on this ride, we look forward to compounding alongside you.

We hope to see you all at our Annual General Meeting, which will be held June 15th, 2023 at The Fairmont Empress Hotel in Victoria, BC. We will be conducting a Q&A and are happy to answer any questions you may have.

Please RSVP at this link:

<https://www.eventbrite.com/e/tiny-annual-general-meeting-tickets-634944585347>

Andrew Wilkinson & Chris Sparling
Co-CEOs