May 13, 2024

tiny

Dear Shareholders,

2023 was a landmark year. It marked Tiny's eighth year of operations and just over eighteen years since Andrew founded Metalab, our original business, out of his apartment. This year, we completed our merger with WeCommerce, taking Tiny public, bought six businesses (which deployed the remainder of our private fund), and streamlined operations across the organization, significantly reducing costs and enhancing the speed of our decision-making.

When we formed Tiny in 2016, our group of companies was making a few million dollars in annual profit from a handful of small businesses. Fast-forward eight years, and we generated $51.2M in revenue and $9.9M of cash flow from operations in our latest quarter alone.

Though we are happy with our trajectory, we feel we are just getting started and are excited to continue building for decades. We look forward to the day when these figures are measured in billions, not millions.

In this letter, we break down our consolidated annual results and provide updates on our key operating groups: Beam, WeCommerce, Dribbble, and Tiny Fund 1.

Tiny Ltd. Key Metrics Summary (reported)[1]:

Period	Total Revenue	EBITDA[2]	Recurring Revenue	Cash Flow from Ops	Shares Outstanding
2021	$105.2M	$50.3M	N/A	$29.6M	87.5M
2022	$149.4M	$20.2M	$8.9M	$21.6M	144.9M
2023	$185.5M	$46.4M	$29.5M	$3.4M	179.3M
Q4-23	$51.2M	$1.5M	$9.7M	$9.9M	179.3M

Our businesses continue to demonstrate resilience, performing admirably even amid a challenging macroeconomic environment characterized by higher interest rates and a rapidly evolving technological landscape.

With our merger completed in April 2023, it's important to note there were numerous one-time items related to the merger impacting our annual results.

In 2023, Tiny incurred acquisition costs of $2.9M, acquisition-related compensation of $1.3M, severance costs of $5.1M, other non-recurring costs of $5.3M, impairment of $13.6M and a transaction related gain of $42.8M, resulting in a net total of ($14.6M) one-time transaction items.

In addition, the WeCommerce results are only partially included in the annual results due to the timing of the RTO. The pre-RTO EBITDA amounted to $0.5M. There were one-time costs impacting pre-RTO EBITDA, which were $2.5M of acquisition costs, $0.7M of severance, and $0.2M of non-recurring professional fees. Adding these back would result in pre-RTO EBITDA of $3.9M. With these one-time and transaction-related items removed and WeCommerce results included, EBITDA would have been $35.7M for 2023. Where we can, we will outline these one-time / transaction related items by platform throughout this letter to provide additional clarity on our results.

[1] Excludes WeCommerce results prior to reverse take-over (RTO) transaction on April 17, 2023

[2] Refer to Non-IFRS Measures for more information.

*"I think that every time you see the word 'EBITDA,' you should substitute the word 'bullshit' earnings." – **Charlie Munger***

We agree with Charlie, and starting in Q4–23, we began shifting away from reporting adjusted EBITDA in our public financial results, and hope to eliminate our use of EBITDA in the next year. While this metric can be helpful in some businesses, it contains many adjustments, including real expenses such as stock-based compensation and taxes. All of this combined makes it less useful for shareholders to understand real owners earnings and underlying cashflow, which we feel is our ultimate yardstick of success.

As we transition away from Mr. Munger's most hated metric, we admit that this year's letter makes many references to EBITDA figures. They are unadjusted, but we are working towards reporting metrics that we feel reflect our results better, including free cash flow per share, in the near future. These metrics will include things like interest and cash taxes and adjust for certain non-cash items. We are working hard to simplify our reporting, which will become easier in 2024 as we leave behind our messy year of mergers and restructuring.

Year in Review

Starting with our consolidated results, we ended the year with $185.5M in total revenue, $46.4M in EBITDA, and $3.4M in cash flow from operations. Had the acquisitions of WeCommerce and Clean Canvas occurred on January 1, 2023, we estimate they would have contributed $21.1M in revenue, bringing the total to $206.6M.

Our fourth quarter results were the only period which included all the acquired and merged businesses, and represents a more accurate view of Tiny going forward. In Q4, we generated $51.2M of revenue, $1.5M of EBITDA, and $9.9M of cash from operations. We'll dive into the detailed operating group updates in the next section.

The challenging macro environment surfaced many great investment opportunities, resulting in us completing six acquisitions. We acquired Clean Canvas and Uptime at Tiny Ltd., and Letterboxd, Conference Badge, Mateina and Frosty Pop Games, along with additional investment in AeroPress and Medimap at Tiny Fund I ("Tiny Fund"). The total consideration paid for these investments was C$19.0M at Tiny and C$72.9M / US$55.1M at Tiny Fund. In 2024, we have already completed two acquisitions: Repeat within Tiny Ltd. and WholesalePet in Tiny Fund. The Tiny Fund acquisition in 2024 concluded the total deployable capital and now all net new acquisitions will be done at Tiny Ltd.

As a reminder, Tiny Ltd.'s annual results exclude the financials of Tiny Fund because they are not consolidated. Tiny Ltd. is a 20.24% Limited Partner (LP) in Tiny Fund and also receives 30% carry above an 8% hurdle rate. We understand this can be confusing, so we will be sharing more details over time about Tiny Fund to help everyone understand its financial performance and the value to Tiny Ltd. shareholders.

To date, Tiny Ltd. has invested US$29.95M in Tiny Fund I out of a total US$148.0M total fund size, resulting in a Tiny Ltd. LP stake of 20.24%. The difference from our previously noted US$150M total fund size was due to a few LPs reducing commitments.

Starting in 2024, we will provide more detailed fund results, including revenue and free cash flow. In the interim, we can share the fund has no debt and distributes dividends to LP's on a quarterly basis, with cumulative distributions of US$10.5M. In addition, Tiny Ltd. received US$0.6M in carry dollars which are primarily from dividends related to Abstract, which was acquired in 2021 for near zero equity dollars invested.

As we look forward to 2024 and beyond, our key priorities are:

1. Disciplined investment in organic growth;
2. Acquire great businesses;
3. Further streamline operations, improve efficiency, find and share best practices (i.e. learn what we do well and from our mistakes) and perform experiments across the organization;
4. Continue our operating model transformation into operating groups with platform leaders;

5. Pay down debt, when appropriate to do so; and,
6. Repurchase shares, if the right opportunity arises.

Operating group results

Tiny currently has three core operating groups:

1. Beam
2. WeCommerce
3. Dribbble

We also have a variety of standalone businesses that currently report directly to head office including those in the Tiny Fund, but we plan to organize all businesses into operating groups over time.

Beam

Beam is our digital services group focused on upper middle market and Fortune 500 clients. The core services provided include design, engineering, and strategy for digital software and services.

Early in the year, we brought in a new CEO for the group, Pradeep Nalluri. Pradeep is an exceptional leader who understands the business deeply having previously built, scaled and sold an engineering agency to a large strategic. We're excited about the group's prospects under his leadership.

The business proved resilient this year, especially given macro headwinds, generating $80.2M in revenue and $5.8M in EBITDA. There were some one-time costs impacting EBITDA this year, they were acquisition-related compensation of $1.3M, severance of $2.4M, non-recurring professional fees of $0.6M, and impairment of $13.5M. <u>With these costs removed, EBITDA for the year would have been $23.6M</u>. We made a number of changes at Beam in 2023 which have increased cash flow and will continue to have an impact into 2024.

Unpacking the annual results, Beam had a difficult Q1, which had an outsized negative impact on the year. The group was reorienting the client base towards enterprise customers which is now behind us and ended the year with strong Q4 results of $20.9M revenue. Though the operational shift caused a quarter of turbulence, we believe the business is substantially stronger now and positioned to perform well.

Despite discussions about AI and LLMs potentially disrupting the market, we continue to see increased demand for Beam's services as nearly every business in the world pursues some form of digital transformation. We believe AI and LLMs will be broadly adopted across all organizations in some form and expect that Beam will help many major companies along their digital transformation journeys.

WeCommerce

WeCommerce, our e-commerce software group led by CEO Jordan Taub, generates revenue from two key business lines: software and themes. In 2023, we expanded our themes portfolio with the acquisition of Clean Canvas and bolstered our software capabilities through the acquisition of Uptime. We also recently acquired Repeat, a VC backed software business in the personalization and retention space.

We saw Clean Canvas as an attractive opportunity given a combination of factors—we paid a fair price for the business, the quality and reputation of the product and team were stellar, and we had existing best practices and know-how that would have an immediate improvement on both revenue and profitability. Both of the software acquisitions were strategic integrations, with each adding functionality or features to an existing platform within the portfolio.

Uptime has since been integrated into our Pixel Union store management suite, which includes theme updating and store backups. Repeat's technology and team is currently being integrated with Stamped, where we believe it's personalization and retention features will play a key part in expanding Stamped's value proposition to mid-market and enterprise merchants going forward.

In 2023, the group generated $36.6M in revenue and $2.8M in EBITDA. There were transaction and one-time costs impacting WeCommerce's EBITDA this year, which were business acquisition costs of $2.8M, severance of $0.9M, and non-recurring professional fees of $1.8M. Additionally, these reported results exclude WeCommerce's pre-RTO revenue of $13.6M and EBITDA of $0.5M. There were one-time costs impacting pre-RTO EBITDA, which were $2.5M of acquisition costs, $0.7M of severance, and $0.2M of non-recurring professional fees. Adding these back would result in pre-RTO EBITDA of $3.9M. With these costs removed and pre-RTO results added, revenue would have been $50.2M and EBITDA for the year would have been $12.2M. WeCommerce's results only include one quarter of Clean Canvas and Uptime, as we acquired these businesses towards the end of Q3. In Q4, WeCommerce generated $13.2M in revenue.

Our software businesses are executing a strategy of pursuing more up-market customers (higher annual contract value) while servicing and adding SMB merchants efficiently. In particular, Stamped has invested heavily in its product with the release of Loyalty 2.0 in 2023, performance upgrades in reviews, and key partner integrations—all with the goal of adding more enterprise merchants. Kno has grown its customer and revenue base considerably since our acquisition in March 2022, and has recently expanded a partnership with Tik Tok. Our other businesses continue their disciplined investment in organic growth, whether it be through new product launches (Alliance Pro at Orbit) or key feature enhancements (Shop App integrations at FourSixty).

Our theme businesses remain strong both in terms of revenue and profitability. As a core focus, we will continue to launch top quality themes and features, with a number of new releases expected in 2024. Our themes portfolio continues to share best practices and where appropriate, leverage its shared team and resources. Archetype has looked to expand its offering to agency, developer and enterprise customers with the release of its Devkit product this year. This product is focused on driving more repeat themes purchases and cementing our reputation as the leading developer of premium Shopify themes.

We're pleased with the results of the group and remain confident in the long term upwards trajectory of e-commerce and Shopify, which we believe is the premier platform for mid-market and enterprise merchants. We will continue to evaluate both platform acquisitions and strategic tuck-in opportunities in the space and expand the platform over time. In general, we believe that by remaining disciplined and patient, we will see the benefits of reduced VC investment in the space both in terms of acquisition opportunities and competition.

Dribbble

Our social network, Dribbble (that's right, three b's), is home to many of the world's leading designers and creative professionals. Ranked among the top 4,000 sites on the internet, Dribbble also owns Creative Market, one of the largest digital goods marketplaces selling assets like fonts, web templates and themes.

In 2023, the group generated $61.5M in revenue and $7.4M in EBITDA. There were some one-time costs impacting EBITDA this year, including severance of $0.3M, and non-recurring professional fees of $0.2M. With these costs removed, EBITDA for the year would have been $7.9M.

While Dribbble's revenue has softened alongside the overall hiring market, we remain optimistic on the long term opportunity of Dribbble as a premier social network and marketplace for freelance design work. We recently hired a new CEO, Constantine Anastasakis, to lead the business who has extensive experience in the space, having worked at both Pond5 and Fiverr. He will be executing on our thesis of enhancing Dribbble's position as the go to destination for designers to find both freelance and full-time work.

With over 16 million visitors every month and nearly half coming directly by typing dribbble.com into their browser, Dribbble is already widely seen as the top design social network. We believe the long term product market fit is to become the destination for designers to earn a living. Practically, this means creating a robust marketplace where companies can find and hire incredible design talent directly on our platform.

To put the opportunity into perspective, Upwork attracts 45 million monthly visitors (~3 times Dribbble's traffic) and generates over $180 million in annual revenue. Our aim is to provide a best in class experience for designers, where we can facilitate finding high quality and meaningful projects, while generating additional revenue for Dribbble by charging fees for facilitating the transaction. We are excited about the marketplace opportunity and confident in our new CEO Constantine's stewardship of this plan.

Tiny Fund I

In 2023, the fund acquired Letterboxd, Conference Badge, Mateina and Frosty Pop Games (minority stake). Early in 2024, we also acquired WholesalePet. With these acquisitions, our fund is now fully deployed and poised for growth and distribution.

Among these acquisitions, Letterboxd represents our largest capital deployment, with an investment of $36 million for a 60% ownership stake. Letterboxd stands out as one of the fastest-growing film social networks, boasting over 33 million monthly visitors and ranking among the top 1,000 websites globally, with the vast majority of traffic coming direct to the website. This is in stark contrast to Rotten Tomatoes and IMDb with the exact opposite being the case—most of their traffic is driven by organic search. This is a true testament to the loyalty and engagement of Letterboxd's users. The company has an exciting product roadmap, which includes the launch of TV series in the future. We remain daily users and very optimistic on the outlook of Letterboxd.

The Tiny Fund businesses have cumulatively distributed US$10.5M to LP's and $0.6M of carry to Tiny Ltd. We're excited to see the core fund businesses grow and execute on their plans while continuing to distribute cash flow regularly.

Management Incentives

We never used to give out equity grants or stock options. We'd tell our employees that we were open to a conversation if they ever wanted to buy in, but they'd have to use their own cash. In fact, that's how we became business partners: almost a decade ago, Chris used his own money to buy shares in the company at fair market value.

But over the years, something happened: we started hiring fancy executives. Ones who demanded stock options in order to join us. After consulting with advisors and friends, we decided we'd give it a shot. After all, everyone seemed to be doing it. Perhaps we were missing something?

It turns out, we were right in the first place. Over the past few years, we've learned a few things about stock options the hard way. Here's how it played out:

1. Since the executives didn't have to purchase them, they didn't value them. They were free lotto tickets—a fun "get rich" bonus. Expected and not properly factored into total compensation in their heads.

2. Having not exercised their options, they didn't participate in profits, creating a natural misalignment, incentivizing them to hoard cash and aim for high-risk projects instead of taking profits. They didn't feel the ownership since the cash never hit their bank account.

3. Most dangerously, options created a binary outcome. If the value of the stock was in the money, the executive got rich. If the value of the stock went even a cent below their strike price, they were suddenly worthless.

After seeing these perverse incentives firsthand, we have learned our lesson and are transitioning away from stock options. We are focused on aligning the compensation of our executives with the return on invested capital of either Tiny, their operating group, or their business—whichever is closest to their scope of responsibilities. This metric drives their annual cash bonus, a material portion of which is then required to be used to purchase Tiny shares on the open market.

We believe that this model allows for stronger executive to shareholder alignment and plan to use various forms of this construct going forward. It has been working well so far and we will report back next year.

Of course, this doesn't mean we will never issue equity incentives. We reserve the right to tinker, but going forward, no stock market lottery tickets allowed.

In Closing

As we close out the year at Tiny, we remain open minded for what a world of continued change could look like. From the rapid rise in interest rates to the adoption of AI and LLMs as indispensable tools, we sense the progress of change will only accelerate. We continue to strategically position Tiny to capitalize on these shifts by improving our core operations and sharpening our investment focus.

As a public company, many forces gear your mindset toward short-term orientation, from the 90-day shot clock for results to the quarterly forecasts expected by many market participants. Despite these forces, the two of us, as the largest shareholders in the business, representing roughly 77% of shares outstanding, continue to focus on the long term and make decisions that we hope will benefit Tiny and its shareholders in the decades to come.

We're proud of the strong foundation of operating businesses and leaders at Tiny, which will continue compounding for decades to come. Thank you for your continued trust and support.

We hope to see you all at our Annual General Meeting, which will be held on June 20th from 11A.M. to 1P.M. at The Fairmont Empress Hotel in Victoria, BC. We will be conducting a Q&A and hope to see you there.

Andrew Wilkinson & Chris Sparling

Co-CEOs

P.S. To our new shareholders, we have included an overview of Tiny starting on the next page for additional background information.

Appendix

Tiny Overview

For new shareholders and a refresher to existing shareholders, we wanted to provide a short overview of what tiny is and our strategy.

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

We own over 35 operating businesses. Most have their own CEO and management team, and we generally 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 the detailed results from a distance, we try to 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 several standalone operating businesses that currently report directly to head office but will be formed into operating groups over time. We expect to continue with this decentralized approach and are likely to grow the operating groups and potentially form more over time to keep the decision making as close to the customers and employees of those businesses.

One under appreciated asset is our US$148.0M private fund. We raised this fund in the middle of COVID to "load the elephant gun" with extra capital while we were still private. We have now fully deployed the fund and are in a growth and distribution phase. The fund businesses consist of AeroPress, Letterboxd, Abstract, Conference Badge, Girlboss, BeFunky, Letterboxd, MediMap, WholesalePet, Mateina, and a couple other minority positions.

All net-new acquisitions will now be made in Tiny, while the fund will continue to pay distributions and we will evaluate potential future options for limited partners to receive liquidity if they desire.

Our Approach to Acquiring Businesses

When acquiring businesses we look for the following:

- 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 social networks. When entering new industries, we focus on partnering with best-in-class CEOs within that industry. We are increasingly spending time in industries outside of technology and are likely to find compelling opportunities sooner than later.

We continue to hone our desire for a decentralized organization, which we believe is the most effective way to have decision making as close to the teams and customers of each business within Tiny. We are continuing to align Tiny into a few key operating groups where all of the businesses will sit within over time.

NON-IFRS MEASURES RECONCILIATION

This shareholder letter makes reference to EBITDA which is a non-IFRS measure. This measure does not have a standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies. Rather, this measure is provided as additional information to complement those IFRS measures by providing further understanding of the results of operations from management's perspective. Accordingly, this measure should not be considered in isolation nor as a substitute for analysis of the financial information reported under IFRS. Management uses non-IFRS measures to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. As required by Canadian securities laws, the Company defines and reconciles these non-IFRS measures below:

EBITDA is defined as earnings (net income or loss) before finance costs, income taxes, depreciation and amortization. EBITDA is reconciled to net income (loss) from the financial statements.

Fiscal Year 2023	**Beam**	**Dribbble**	**WeCommerce**	**Other**	**Consolidated**
Revenue	**$80.2M**	**$61.5M**	**$36.6M**	**$7.2M**	**$185.5M**
Net income/(loss)	($5.6M)	$1.5M	($19.2M)	$38.1M	$14.8M
Taxes	$2.1M	$2.5M	$0.2M	($9.2M)	($4.4M)
Depreciation and amortization	$3.8M	$3.4M	$18.7M	$1.2M	$27.1M
Interest expense	$5.5M	-	$3.1M	$0.3M	$8.9M
EBITDA	**$5.8M**	**$7.4M**	**$2.8M**	**$30.4M**	**$46.4M**