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

FORM 10-Q

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2023

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-39405

MarketWise, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**87-1767914**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1125 N. Charles Street Baltimore, Maryland	**21201**
(Address of principal executive offices)	(Zip Code)

(Address of principal executive offices, including zip code)

(888) 261-2693

(Registrant's telephone number, including area code)

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

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	**MKTW**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☑	Smaller reporting company	☑
		Emerging growth company	☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 12 (a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

As of May 8, 2023, there were 35,429,642 shares of the registrant's Class A common stock and 291,092,303 shares of the registrant's Class B common stock, each with a par value of $0.0001 per share, outstanding.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of federal securities law, and as such are not historical facts. This includes, without limitation, statements regarding our financial position and business strategy, and the plans and objectives of management for our future operations. Such statements can be identified by the fact that they do not relate strictly to historical or current facts. When used in this report, words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “strive,” “would,” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements are predictions, projections, and other statements about future events that are based on current expectations and assumptions and, as a result, are subject to risks and uncertainties. Many factors could cause actual future events to differ materially from the forward-looking statements in this report, including, but not limited to:

- our ability to attract new subscribers and to persuade existing subscribers to renew their subscription agreements with us and to purchase additional products and services from us;
- our ability to adequately market our products and services, and to develop additional products and product offerings;
- our ability to manage our growth effectively, including through acquisitions;
- failure to maintain and protect our reputation for trustworthiness and independence;
- our ability to attract, develop, and retain capable management, editors, and other key personnel;
- our ability to grow market share in our existing markets or any new markets we may enter;
- adverse or weakened conditions in the financial sector, global financial markets, and global economy;
- our ability to respond to and adapt to changes in technology and consumer behavior;
- failure to successfully identify and integrate acquisitions, or dispose of assets and businesses;
- our public securities’ potential liquidity and trading;
- the impact of the regulatory environment and complexities with compliance related to such environment;
- the impact of the COVID-19 pandemic;
- our future capital needs;
- our ability to maintain an effective system of internal control over financial reporting, and to address and remediate existing material weaknesses in our internal control over financial reporting;
- our ability to maintain and protect our intellectual property; and
- other factors detailed under the section of this report entitled “Risk Factors.”

These forward-looking statements are based on information available as of the date of this report and current expectations, forecasts, and assumptions, and involve a number of judgments, risks, and uncertainties. Additionally, as a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements for any reason, except as may be required under applicable securities laws.

PART 1—FINANCIAL INFORMATION

MARKETWISE, INC.

Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except share and per share data)

Item 1. Financial Statements.

	March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 161,459	$ 158,575
Accounts receivable	3,140	4,040
Prepaid expenses	12,177	11,725
Related party receivables	579	1,512
Deferred contract acquisition costs	100,631	99,960
Other current assets	2,961	3,363
Total current assets	280,947	279,175
Property and equipment, net	835	892
Operating lease right-of-use assets	8,951	9,468
Intangible assets, net	15,515	16,047
Goodwill	31,307	31,307
Deferred contract acquisition costs, noncurrent	87,161	97,658
Deferred tax assets	6,435	7,332
Other assets	545	629
Total assets	$ 431,696	$ 442,508
Liabilities and stockholders' deficit		
Current liabilities:		
Trade and other payables	$ 2,156	$ 686
Related party payables, net	223	1,004
Accrued expenses	29,729	45,976
Deferred revenue and other contract liabilities	279,317	315,231
Operating lease liabilities	1,480	1,484
Other current liabilities	20,766	21,125
Total current liabilities	333,671	385,506
Deferred revenue and other contract liabilities, noncurrent	354,923	348,273
Derivative liabilities, noncurrent	2,292	1,281
Operating lease liabilities, noncurrent	5,474	5,831
Total liabilities	696,360	740,891
Stockholders' deficit:		
Common stock - Class A, par value of $0.0001 per share, 950,000,000 shares authorized; 29,913,490 and 29,039,655 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	3	3
Common stock - Class B, par value of $0.0001 per share, 300,000,000 shares authorized; 291,092,303 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	29	29
Preferred stock - par value of $0.0001 per share, 100,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	—	—
Additional paid-in capital	109,925	106,852
Accumulated other comprehensive income	65	44
Accumulated deficit	(126,658)	(128,125)
Total stockholders' deficit attributable to MarketWise, Inc.	(16,636)	(21,197)
Noncontrolling interest	(248,028)	(277,186)

Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except share and per share data)

Total stockholders’ deficit	(264,664)	(298,383)
Total liabilities, noncontrolling interest, and stockholders’ deficit	$ 431,696	$ 442,508

The accompanying notes are an integral part of these condensed consolidated financial statements.

MARKETWISE, INC.

Condensed Consolidated Statements of Operations (Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	2023	**2022**
Net revenue	$ 125,615	$ 136,620
Related party revenue	618	178
Total net revenue	126,233	136,798
Operating expenses:		
Cost of revenue [(1)]	15,290	17,617
Sales and marketing [(1)]	48,727	68,237
General and administrative [(1)]	28,033	30,545
Research and development [(1)]	2,463	2,278
Depreciation and amortization	984	604
Related party expense	128	97
Total operating expenses	95,625	119,378
Income from operations	30,608	17,420
Other income, net	387	7,296
Interest income (expense), net	538	(171)
Income before income taxes	31,533	24,545
Income tax expense	928	1,522
Net income	30,605	23,023
Net income attributable to noncontrolling interests	29,138	17,198
Net income attributable to MarketWise, Inc.	$ 1,467	$ 5,825
Net income per Class A common share – basic	$ 0.05	$ 0.24
Net income per Class A common share – diluted	$ 0.05	$ 0.24
Weighted average shares outstanding – basic	29,172	23,851
Weighted average shares outstanding – diluted	30,496	23,851

[(1)] Cost of revenue, sales and marketing, general and administrative, and research and development expenses are exclusive of depreciation and amortization shown as a separate line item

The accompanying notes are an integral part of these condensed consolidated financial statements.

MARKETWISE, INC.

Condensed Consolidated Statements of Comprehensive Income (Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2023	2022
Net income	$ 30,605	$ 23,023
Other comprehensive income (loss):		
Cumulative translation adjustment	21	(17)
Total comprehensive income	$ 30,626	$ 23,006

The accompanying notes are an integral part of these condensed consolidated financial statements.

MARKETWISE, INC.

Condensed Consolidated Statement of Stockholders' Deficit (Unaudited)

(In thousands, except share, unit, per share, and per unit data)

	Common Stock - Class A		Common Stock - Class B		Preferred Stock		Additional paid-in capital	Accumulated deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Deficit Attributable to MarketWise, Inc.	Noncontrolling Interest	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount						
Balance at January 1, 2022	24,718,402	$ 2	291,092,303	$ 29	—	$ —	$ 97,548	$ (146,115)	$ (9)	$ (48,545)	$ (356,717)	$ (405,262)
Equity-based compensation	—	—	—	—	—	—	2,588	—	—	2,588	—	2,588
Repurchases of stock	(2,143,446)	—	—	—	—	—	(11,491)	—	—	(11,491)	—	(11,491)
Distributions	—	—	—	—	—	—	—	—	—	—	(2,852)	(2,852)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(17)	(17)	—	(17)
Net income (see note below)	—	—	—	—	—	—	—	5,825	—	5,825	17,198	23,023
Balance at March 31, 2022	22,574,956	$ 2	291,092,303	$ 29	—	$ —	$ 88,645	$ (140,290)	$ (26)	$ (51,640)	$ (342,371)	$ (394,011)

Note: As of March 31, 2022, MarketWise, Inc.'s controlling interest in MarketWise, LLC is 7.2% and the noncontrolling interest was 92.8%. For the three months ended March 31, 2022, net income attributable to controlling interests included a $6.7 million gain on warrant liabilities and a $1.5 million tax provision, both of which are 100% attributable to the controlling interest.

	Common Stock - Class A		Common Stock - Class B		Preferred Stock		Additional paid-in capital	Accumulated deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Deficit Attributable to MarketWise, Inc.	Noncontrolling Interest	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount						
Balance at January 1, 2023	29,039,655	$ 3	291,092,303	$ 29	—	$ —	$ 106,852	$ (128,125)	$ 44	$ (21,197)	$ (277,186)	$ (298,383)
Equity-based compensation	—	—	—	—	—	—	3,703	—	—	3,703	—	3,703
Vesting of restricted stock units	873,835	—	—	—	—	—	—	—	—	—	—	—
Restricted stock units withheld to pay taxes	—	—	—	—	—	—	(630)	—	—	(630)	—	(630)
Distributions	—	—	—	—	—	—	—	—	—	—	20	20
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	21	21	—	21
Net income (loss)	—	—	—	—	—	—	—	1,467	—	1,467	29,138	30,605
Balance at March 31, 2023	29,913,490	$ 3	291,092,303	$ 29	—	$ —	$ 109,925	$ (126,658)	$ 65	$ (16,636)	$ (248,028)	$ (264,664)

Note: As of March 31, 2023, MarketWise, Inc.'s controlling interest in MarketWise, LLC is 9.3% and the noncontrolling interest was 90.7%. For the three months ended March 31, 2023, net income attributable to controlling interests included a $928 tax provision, which is 100% attributable to the controlling interest.

The accompanying notes are an integral part of these condensed consolidated financial statements.

MARKETWISE, INC.

Condensed Consolidated Statement of Cash Flows (Unaudited)

(In thousands)

	Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net income	$ 30,605	$ 23,023
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	984	604
Impairment of right-of-use assets	—	287
Stock-based compensation	3,703	2,588
Change in fair value of derivative liabilities	1,011	(7,131)
Deferred taxes	897	1,522
Unrealized gains on foreign currency	(10)	(8)
Noncash lease expense	517	478
Changes in operating assets and liabilities:		
Accounts receivable	900	(8,607)
Related party receivables and payables, net	152	(164)
Prepaid expenses	(452)	1,334
Other current assets and other assets	486	(259)
Deferred contract acquisition costs	9,826	(3,649)
Trade and other payables	1,480	(2,388)
Accrued expenses	(16,247)	(5,416)
Deferred revenue	(29,264)	1,448
Operating lease liabilities	(361)	(316)
Other current and long-term liabilities	(359)	(2,278)
Net cash provided by operating activities	3,868	1,068
Cash flows from investing activities:		
Purchases of property and equipment	(13)	(14)
Capitalized software development costs	(382)	(31)
Net cash used in investing activities	(395)	(45)
Cash flows from financing activities:		
Issuance of related party notes receivable	—	(4)
Repurchases of stock	—	(11,491)
Restricted stock units withheld to pay taxes	(630)	—
Distributions to noncontrolling interests	20	(2,852)
Net cash used in financing activities	(610)	(14,347)
Effect of exchange rate changes on cash	21	(17)
Net increase in cash, cash equivalents and restricted cash	2,884	(13,341)
Cash, cash equivalents and restricted cash — beginning of period	158,575	139,578
Cash, cash equivalents and restricted cash — end of period	$ 161,459	$ 126,237

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Organization

Description of Business and Basis of Presentation

MarketWise, Inc. ("MarketWise," "the Company," "we," "us," or "our") is a holding company that has no material assets other than its ownership in MarketWise, LLC, and operates and controls all of the businesses and operations of MarketWise, LLC and its subsidiaries. The Company provides independent investment research for investors around the world. We believe we are a leading content and technology multi-brand platform for self-directed investors. We offer a comprehensive portfolio of high-quality, independent investment research, as well as several software and analytical tools, on a subscription basis.

While our headquarters are in Baltimore, Maryland, we operate multiple subsidiaries in the United States.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of MarketWise, Inc. and its subsidiary, MarketWise, LLC, a variable interest entity ("VIE") for which MarketWise, Inc. is deemed to be the primary beneficiary.

MarketWise, Inc. is a holding company that owns a minority economic interest in MarketWise, LLC but, through its role as the managing member of MarketWise, LLC, controls all of the business and operations of MarketWise, LLC. Therefore, MarketWise, LLC and its subsidiaries are included in the Company's condensed consolidated financial statements. As of March 31, 2023, MarketWise, Inc. had a 9.3% ownership interest in MarketWise, LLC.

The Company determined that MarketWise, LLC is the primary beneficiary of a VIE, Stansberry Pacific Research, and therefore, the assets, liabilities, and results of operations of that VIE are included in the Company's consolidated financial statements. For more information on Stansberry Pacific Research, see *Note 12 – Variable Interest Entities*.

The condensed consolidated financial statements have been prepared in accordance with GAAP. All intercompany balances and transactions have been eliminated in consolidation.

The accompanying statements of operations include certain expenses incurred by, and charged to us, by a related party for general corporate services. These expenses are based primarily on direct usage when identifiable, direct capital expenditures or other relevant allocations during the respective periods. We believe the assumptions underlying the accompanying condensed consolidated financial statements, including the assumptions regarding these expenses from this related party, are reasonable. Actual results may differ from these expenses, assumptions and estimates. The amounts recorded in the accompanying consolidated financial statements are not necessarily indicative of the actual amount of such indirect expenses that would have been recorded had we been a separate independent entity.

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated financial statements and the related footnote disclosures have been prepared by us in accordance with GAAP for interim financial reporting and as required by Rule 10-01 of Regulation S-X. Accordingly, the unaudited condensed consolidated financial statements may not include all of the information and notes required by GAAP for audited financial statements. The year-end December 31, 2022 consolidated balance sheet data included herein was derived from audited financial statements but does not include all disclosures required by GAAP for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of items of a normal and recurring nature, necessary to present fairly our financial position as of March 31, 2023, the results of operations, comprehensive income, stockholders' deficit, and cash flows for the three months ended March 31, 2023 and 2022. The results of operations for the three months ended March 31, 2023 and 2022 are not necessarily indicative of the results to be expected for the full year. The information contained herein should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC. Management considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through the date of issuance of these condensed financial statements.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions made in the accompanying financial statements include, but are not limited to, the fair value of common units, derivatives, warrants, valuation of assets acquired and liabilities assumed in business combinations, useful lives of intangible assets with definite lives, benefit period of deferred contract acquisition costs, determination of standalone selling prices, estimated life of lifetime customers, recoverability of goodwill and long-lived assets, valuation allowances on deferred tax assets, the incremental borrowing rates to calculate lease liabilities and right-of-use (“ROU”) assets and certain accruals. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors and adjust those estimates and assumptions when facts and circumstances dictate. Actual results could differ from those estimates.

Emerging Growth Company

We are an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that an emerging growth company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our unaudited condensed financial statements with another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Noncontrolling Interest

Noncontrolling interest represents the Company’s noncontrolling interest in consolidated subsidiaries which are not attributable, directly or indirectly, to the controlling Class A common stock ownership of the Company.

Net income for the three months ended March 31, 2023 was attributable to consolidated MarketWise, Inc. and its respective noncontrolling interests.

(Dollar amounts in thousands, except share, unit, per share, and per unit data)

As of March 31, 2023, MarketWise, Inc.'s controlling interest in MarketWise, LLC was 9.3% and the noncontrolling interest was 90.7%. For the three months ended March 31, 2023 net income attributable to controlling interests included a $0.9 million tax provision, which was 100% attributable to the controlling interest.

As of March 31, 2022, MarketWise, Inc.'s controlling interest in MarketWise, LLC was 7.2% and the noncontrolling interest was 92.8%. For the three months ended March 31, 2022, net income attributable to controlling interests included a $6.7 million gain on warrant liabilities and a $1.5 million tax provision, both of which are 100% attributable to the controlling interest.

3. Revenue Recognition

Disaggregation of revenues

The following table depicts the disaggregation of revenue according to customer type and is consistent with how we evaluate our financial performance. We believe this depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	Three Months Ended March 31, 2023				
	Subscriptions	Advertising	Revenue Share (Related Party)	Revenue Share (Third-party)	Total
Timing of transfer:					
Transferred over time	$ 125,412	$ —	$ —	$ —	$ 125,412
Transferred at a point in time	—	148	618	55	821
Total	$ 125,412	$ 148	$ 618	$ 55	$ 126,233

	Three Months Ended March 31, 2022				
	Subscriptions	Advertising	Revenue Share (Related Party)	Revenue Share (Third-party)	Total
Timing of transfer:					
Transferred over time	$ 136,100	$ —	$ —	$ —	$ 136,100
Transferred at a point in time	—	277	178	243	698
Total	$ 136,100	$ 277	$ 178	$ 243	$ 136,798

Revenue recognition by subscription type was as follows:

	Three Months Ended March 31,	
	2023	2022
Membership subscriptions	$ 48,402	$ 51,452
Term subscriptions	77,010	84,648
Non-subscription revenue	821	698
Total	$ 126,233	$ 136,798

Revenue for the Membership and Term subscription types are determined based on the terms of the subscription agreements. Non-subscription revenue consists of revenue from advertising and other revenue.

Net revenue by principal geographic areas was as follows:

	Three Months Ended March 31,	
	2023	2022
United States	$ 126,142	$ 136,711
International	91	87
Total	$ 126,233	$ 136,798

(Dollar amounts in thousands, except share, unit, per share, and per unit data)

Revenue by location is determined by the billing entity for the customer.

Contract Balances

The timing of revenue recognition, billings, cash collections and refunds affects the recognition of accounts receivable, contract assets and deferred revenue. Our current deferred revenue balance in the condensed consolidated balance sheets includes an obligation for refunds for contracts where the provision for refund has not lapsed. Accounts receivable, deferred revenue and obligation for refunds are as follows:

	As of	
	March 31, 2023	December 31, 2022
Contract balances		
Accounts receivable	$ 3,140	$ 4,040
Obligations for refunds	$ 4,358	$ 4,676
Deferred revenue – current	$ 274,959	$ 310,555
Deferred revenue – non-current	$ 354,923	$ 348,273

We recognized $104,035 and $109,730 of revenue during the three months ended March 31, 2023 and 2022, respectively, that was included within the beginning contract liability balance of the respective periods. The Company has collected all amounts included in deferred revenue other than $3,140 and $4,040 as of March 31, 2023 and December 31, 2022, respectively, related to the timing of cash settlement with our credit card processor.

Assets Recognized from Costs to Obtain a Contract with a Customer

The following table presents the opening and closing balances of our capitalized costs associated with contracts with customers:

Balance at January 1, 2023	$ 197,618
Royalties and sales commissions – additions	7,038
Revenue share and cost per acquisition fees – additions	10,175
Amortization of capitalized costs	(27,039)
Balance at March 31, 2023	$ 187,792

We did not recognize any impairment on capitalized costs associated with contracts with customers for the three months ended March 31, 2023 and 2022.

Remaining Performance Obligations

As of March 31, 2023, the Company had $634,240 of remaining performance obligations presented as deferred revenue in the condensed consolidated balance sheets. We expect to recognize approximately 44% of that amount as revenues over the next twelve months, with the remainder recognized thereafter.

4. Goodwill and Intangible Assets, Net

Goodwill

The carrying amounts of goodwill are as follows:

Balance at January 1, 2023	$ 31,307
Balance at March 31, 2023	$ 31,307

(Dollar amounts in thousands, except share, unit, per share, and per unit data)

Intangible assets, net

Intangible assets, net consisted of the following as of the dates indicated:

	March 31, 2023			
	Cost	**Accumulated Amortization**	**Net Book Value**	**Weighted-Average Remaining Useful Life (in years)**
Finite-lived intangible assets:				
Customer relationships	$ 21,718	$ (10,579)	$ 11,139	5.2
Tradenames	4,287	(2,381)	1,906	5.7
Capitalized software development costs	3,384	(2,001)	1,383	1.7
Finite-lived intangible assets, net	29,389	(14,961)	14,428	
Indefinite-lived intangible assets:				
Internet domain names	1,087	—	1,087	
Indefinite-lived intangible assets, net	1,087	—	1,087	
Intangible assets, net	$ 30,476	$ (14,961)	$ 15,515	

	December 31, 2022			
	Cost	**Accumulated Amortization**	**Net Book Value**	**Weighted-Average Remaining Useful Life (in years)**
Finite-lived intangible assets:				
Customer relationships	$ 21,718	$ (9,924)	$ 11,794	5.4
Tradenames	4,287	(2,265)	2,022	5.8
Capitalized software development costs	3,002	(1,858)	1,144	2.0
Finite-lived intangible assets, net	29,007	(14,047)	14,960	
Indefinite-lived intangible assets:				
Cryptocurrencies	—	—	—	
Internet domain names	1,087	—	1,087	
Indefinite-lived intangible assets, net	1,087	—	1,087	
Intangible assets, net	$ 30,094	$ (14,047)	$ 16,047	

We recorded amortization expense related to finite-lived intangible assets of $914 and $501 for the three months ended March 31, 2023 and 2022, respectively, within depreciation and amortization in the accompanying condensed consolidated statement of operations. These amounts include amortization of capitalized software development costs of $143 and $104 for the three months ended March 31, 2023 and 2022, respectively.

We recorded additions to capitalized software development costs of $382 and $31 for the three months ended March 31, 2023 and 2022, respectively.

(Dollar amounts in thousands, except share, unit, per share, and per unit data)

As of March 31, 2023, the total expected future amortization expense for finite-lived intangible assets is as follows:

Remainder of 2023	$ 2,618
2024	3,420
2025	2,523
2026	2,262
2027	1,647
Thereafter	1,958
Finite-lived intangible assets, net	$ 14,428

5. Fair Value Measurements

The following tables summarize our financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as of the dates indicated:

	March 31, 2023			
	Level 1	Level 2	Level 3	Aggregate Fair Value
Assets:				
Money market funds	$ 84,564	$ —	$ —	$ 84,564
Total assets	84,564	—	—	84,564
Liabilities:				
Derivative liabilities, noncurrent	—	—	2,292	2,292
Total liabilities	$ —	$ —	$ 2,292	$ 2,292

	December 31, 2022			
	Level 1	Level 2	Level 3	Aggregate Fair Value
Assets:				
Money market funds	$ 80,327	$ —	$ —	$ 80,327
Total assets	80,327	—	—	80,327
Liabilities:				
Derivative liabilities, noncurrent	—	—	1,281	1,281
Total liabilities	$ —	$ —	$ 1,281	$ 1,281

The level 3 liabilities relate to certain employee contracts with embedded derivatives, see *Note 7 – Derivative Financial Instruments*.

The following table provides quantitative information regarding Level 3 fair value measurements inputs at their measurement dates:

	As of	
	March 31, 2023	December 31, 2022
Volatility	38.8 %	37.3 %
Discount rate	21.7 %	21.8 %
Credit spread	1.0 %	0.2 %
Risk-free rate	3.5 %	3.5 %

(Dollar amounts in thousands, except share, unit, per share, and per unit data)

The following table summarizes the change in fair value of the derivative liabilities during the three months ended March 31, 2023 and 2022:

Balance at January 1, 2023	$	1,281
Change in fair value of derivative instruments		1,011
Balance at March 31, 2023	$	2,292
Balance at January 1, 2022	$	31,347
Change in fair value of derivative instruments and warrants		(7,131)
Balance at March 31, 2022	$	24,216

6. Balance Sheet Components

Capitalized Implementation Costs

We capitalized cloud computing implementation costs for customer-relationship management, revenue management, and enterprise resource planning systems of $5 and $540 for the three months ended March 31, 2023 and 2022, respectively. The capitalized implementation costs are capitalized within other current assets and other assets on the condensed consolidated balance sheets. Amortization expense related to capitalized cloud computing implementation costs was $222 and $2 for the three months ended March 31, 2023 and 2022, respectively.

Property and Equipment, Net

Property and equipment, net consists of the following:

		As of			
	Estimated Useful Lives		**March 31, 2023**		**December 31, 2022**
Furniture and fixtures	5 years	$	960	$	960
Computers, software and equipment	3 years		1,471		1,458
Leasehold improvements	Shorter of estimated useful life or remaining term of lease		1,278		1,278
			3,709		3,696
Less: Accumulated depreciation and amortization			(2,874)		(2,804)
Total property and equipment, net		$	835	$	892

Depreciation and amortization expense for property and equipment was $70 and $103 for the three months ended March 31, 2023 and 2022, respectively.

Accrued Expenses

Accrued expenses consist of the following:

	As of			
		March 31, 2023		**December 31, 2022**
Commission and variable compensation	$	12,710	$	24,207
Payroll and benefits		2,960		5,258
Other accrued expenses		14,059		16,511
Total accrued expenses	$	29,729	$	45,976

(Dollar amounts in thousands, except share, unit, per share, and per unit data)

7. Derivative Financial Instruments

Prior to the closing of the Transactions (as defined and discussed in our Annual Report on Form 10-K filed with the SEC on March 31, 2023), as part of our compensation and employee retention strategy, we entered into contracts with key employees and independent contractors which contain embedded derivatives. These contracts are intended to compensate the employees or independent contractors for services provided and retain their future services. These embedded derivative instruments are issued in the form of phantom interests in Net Income, as defined by our board of directors, that grant the holder value equal to a percentage of Net Income *multiplied* by a price multiple. All derivative instruments are recorded at fair value as derivative liabilities on our condensed consolidated balance sheets.

As of March 31, 2023, there is one embedded derivative instrument outstanding. The following table presents information on the location and amounts of derivative instrument gains and losses:

		Three Months Ended March 31,	
		2023	2022
Derivatives Not Designated as Hedging Instruments	**Location of Gain (Loss) Recognized in Income Statement**		
Phantom Interests in Net Income	General and administrative expenses	$ (1,011)	$ 414
Warrants	Other income, net	—	6,717
Total		$ (1,011)	$ 7,131

See *Note 5 – Fair Value Measurements* for more information regarding the valuation of our derivative instruments.

(Dollar amounts in thousands, except share, unit, per share, and per unit data)

8. Stock-Based Compensation

Included within cost of revenue, sales and marketing, and general and administrative expenses are total stock-based compensation expenses as follows:

	Three Months Ended March 31,	
	2023	2022
Cost of revenue	$ 1,008	$ 532
Sales and marketing	1,092	565
General and administrative	1,603	1,491
Total stock based-compensation expense	$ 3,703	$ 2,588

Total stock-based compensation expense for the three months ended March 31, 2023 and 2022 includes expenses related to our 2021 Incentive Award Plan and our ESPP, as follows:

	Three Months Ended March 31,	
	2023	2022
2021 Incentive Award Plan	$ 3,603	$ 2,430
Employee Stock Purchase Plan	100	158
Total stock-based compensation expense	$ 3,703	$ 2,588

2021 Incentive Award Plan

As of March 31, 2023, The Company has reserved a total of 33,960,802 shares of MarketWise Class A common stock for issuance pursuant to the 2021 Incentive Award Plan.

During the three months ended March 31, 2023, we granted 4,126,040 restricted stock units (“RSUs”) to certain employees and service providers in aggregate under our 2021 Incentive Award Plan.

For employees and service providers, both RSUs and stock appreciation rights (“SARs”) are primarily time based and typically vest ratably over four years, as specified in the individual grant notices. The RSUs may entitle the recipients to dividend equivalents if approved by the Plan Administrator, which are subject to the same vesting terms and accumulate during the vesting period. Upon vesting, the RSU holder will be issued the Company’s Class A common stock. The SARs will be settled in the Company’s Class A common stock upon exercise. The shares to be issued upon exercise will have a total market value equal to the SAR value calculated as (x) number of shares underlying SAR, multiplied by (y) any excess of the Company’s share value on the date of exercise over the exercise price set in each individual grant notice.

The fair value of the RSU is the same as the Company’s share price on the date of grant. The fair value of the SARs was determined using a Black-Scholes model.

The activities of the RSUs and SARs and the related weighted average grant-date fair value of the respective share classes are summarized as follows, including granted, exercised and forfeited from January 1, 2023 to March 31, 2023.

(Dollar amounts in thousands, except share, unit, per share, and per unit data)

	RSUs		SARs	
	Units	Weighted-Average Grant Date Fair Value	Units	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2023	6,261,543	$ 3.45	1,747,473	$ 4.05
Granted	4,126,040	1.83	—	—
Exercised or vested	(1,226,887)	1.81	—	—
Forfeited	(167,328)	3.49	(63,761)	4.05
Expired	—	—	—	—
Outstanding at March 31, 2023	8,993,368	$ 2.93	1,683,712	$ 4.05
Exercisable at March 31, 2023	—	$ —	430,903	$ 4.05

The stock compensation expense related to the RSU and SAR grants was $3,603 and $2,430 for the three months ended three months ended March 31, 2023 and 2022, respectively. As of March 31, 2023, 430,903 of the SARs were exercisable and they have a remaining contractual term of 8.2 years.

Employee Stock Purchase Plan

As of March 31, 2023, The Company has reserved for issuance a total of 6,728,300 shares of Class A common stock for the ESPP. The current offering period began on January 1, 2023 and ends on June 30, 2023.

The Company recognized $100 and $158 of stock-based compensation expense related to the ESPP during the three months ended three months ended March 31, 2023 and 2022, respectively. As of March 31, 2023, $264 has been withheld on behalf of employees for the June 30, 2023 purchase date.

9. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
Basic earnings per share:		
Numerator:		
Net income	$ 30,605	$ 23,023
Less: Net income attributable to noncontrolling interests	29,138	17,198
Net income attributable to Class A common shareholders	$ 1,467	$ 5,825
Denominator:		
Weighted average shares outstanding (in thousands)	29,172	23,851
Basic earnings per share	$ 0.05	$ 0.24
Diluted earnings per share:		
Numerator:		
Net income	$ 30,605	$ 23,023
Less: Net income attributable to noncontrolling interests	29,138	17,198
Net income attributable to Class A common shareholders	$ 1,467	$ 5,825
Denominator:		
Weighted average shares outstanding (in thousands)	30,496	23,851
Diluted earnings per share	$ 0.05	$ 0.24

The Company’s potentially dilutive securities and their impact on the computation of diluted earnings per share is as follows:

- Public and Private Placement Warrants: the public and Private Placement Warrants were "out of the money" during the three months ended March 31, 2022, therefore, net income per share excludes any impact of the 20,699,993 public warrants and 10,280,000 Private Placement Warrants. The warrants were exchanged in September 2022 and there are no warrants outstanding as of March 31, 2023.

- Sponsor and MarketWise Management Member Earnout shares: the 3,051,000 Sponsor Earn Out shares and the 2,000,000 MarketWise Management Member Earn Out shares (as defined and discussed in our Current Report on Form 8-K filed with the SEC on July 28, 2021) held in escrow are excluded from the earnings per share computation in both periods since the earnout contingency has not been met.

- Restricted stock units: The basic earnings per share calculation includes the impact of vested RSUs as of March 31, 2022 and March 31, 2023. The diluted earnings per share calculation includes the impact of dilutive RSUs and excludes the impact of antidilutive RSUs for the three months ended March 31, 2023 and 2022. The diluted earnings per share calculation for the three months ended March 31, 2023 excludes certain RSUs with performance conditions, since the performance conditions have not been met as of March 31, 2023.

- Stock appreciation rights: The diluted earnings per share calculation for the three months ended March 31, 2023 and 2022 excludes the impact of SARs since the effect was antidilutive.
- ESPP: The diluted earnings per share calculation includes the impact of the ESPP since the effect was dilutive as of March 31, 2023. The diluted earnings per share calculation excludes the impact of the ESPP since the effect was antidilutive as of March 31, 2022.

10. Income Taxes

We are subject to U.S. federal and state taxes with respect to our allocable share of any taxable income or loss of MarketWise, LLC, as well as any stand-alone income or loss we generate. MarketWise, LLC is treated as a partnership for U.S. income tax purposes and for most applicable state and local income tax purposes and generally does not pay income taxes in most jurisdictions. Instead, MarketWise, LLC’s taxable income or loss is passed through to its members, including us.

The effective income tax rate was 2.9% and 6.2% for the three months ended March 31, 2023 and 2022, respectively. The main driver of the rate for the three months ended March 31, 2022 was the income allocation to the non-controlling interest. The main driver of the decrease in the effective tax rate from the three months ended March 31, 2022 is the change in the income allocation to the non-controlling interest. Our effective tax rate for the three months ended March 31, 2023 differs from the U.S. federal statutory rate primarily because we generally do not record income taxes for the noncontrolling portion of pre-tax income.

As a result of the reverse capitalization in 2021, we recorded a deferred tax asset resulting from the outside basis difference in our interest in MarketWise, LLC. The company considers both positive and negative evidence when measuring the need for a valuation allowance. A valuation allowance is not required to the extent that, in management’s judgment, positive evidence exists with a magnitude and duration sufficient to result in a conclusion that it is more likely than not (a likelihood of more than 50%) that the Company’s deferred tax assets will be realized.

In evaluating the need for a valuation allowance on the deferred tax asset, the company considered positive evidence related to its historic earnings, forecasted income and reversal of temporary differences. Therefore, the Company recorded a valuation allowance in the amount of $29,088 for certain deferred tax assets that are not more likely than not to be realized.

As part of the Transactions, we entered into Tax Receivable Agreements (“TRAs”) with certain shareholders that will represent approximately 85% of the calculated tax savings based on the portion of basis adjustments on future exchanges of MarketWise, LLC units and other carryforward attributes assumed that we anticipate to be able to utilize in future years. There was no exchange of MarketWise LLC units as part of the Transactions and there has been no exchange since the closing; therefore, we have not recorded a liability under the TRAs as of March 31, 2023.

As of March 31, 2023, we had no unrecognized tax positions and believe there will be no changes to uncertain tax positions within the next 12 months.

11. Related Party Transactions

We have certain revenue share agreements with related parties. Accordingly, we recognized revenue from related parties of $618 and $178 for the three months ended March 31, 2023 and 2022, respectively.

We also incurred revenue share expenses paid to related parties of $1,152 and $923 which were capitalized as contract origination costs for the three months ended March 31, 2023 and 2022, respectively.

(Dollar amounts in thousands, except share, unit, per share, and per unit data)

Additionally, a related party provided call center support and other services to the Company for which we recorded an expense within cost of revenue of $136 and $329 for the three months ended March 31, 2023 and 2022, respectively.

A related party provided marketing and copywriting services to the Company for which we recorded an expense within cost of revenue of $253 for the three months ended March 31, 2023.

A related party also provided certain corporate functions to MarketWise and the costs of these services are charged to MarketWise. We recorded $27 and $21 for the three months ended March 31, 2023 and 2022, respectively, within related party expense in the accompanying condensed consolidated statement of operations. We held balances of $272 and $1,043 as of March 31, 2023 and December 31, 2022 of related party payables related to revenue share expenses, call center support, and the services noted above. The balances with our related party are presented net and are included in related party payables, net in the condensed consolidated balance sheet.

We earned fees and provided certain accounting and marketing services to companies owned by certain of MarketWise's Class B stockholders. As a result, we recognized $302 and $167 in other income, net for the three months ended March 31, 2023 and 2022, respectively. Related party receivables related to these services were $237 and $403 as of March 31, 2023 and December 31, 2022, respectively.

We lease offices from related parties. Lease payments made to related parties were $433 and $391 for the three months ended March 31, 2023 and 2022, respectively, and rent expense of $605 and $553 were recognized in general and administrative expenses for the three months ended March 31, 2023 and 2022, related to leases with related parties. At March 31, 2023 and December 31, 2022, ROU assets of $8,740 and $9,210 and lease liabilities of $6,729 and $7,041 are associated with leases with related parties.

In April 2020 we provided a loan to a then Class A unitholder and recognized a related party note receivable from the unitholder of $1,148. We recognized $4 in interest income for the three months ended March 31, 2022. This loan was repaid in October 2022.

12. Variable Interest Entities

We consolidated a VIE based on our ability to exercise power and being the primary beneficiary of the entity including directing the operations and marketing campaigns and sharing customer lists and publications, as of March 31, 2023 and December 31, 2022. There have been no reconsideration events during these periods. The assets of consolidated variable interest entities may only be used to settle obligations of these entities. In addition, there is no recourse to MarketWise for the consolidated VIE's liabilities. The following represents financial information for the consolidated VIE included in the condensed consolidated balance sheets:

	As of	
	March 31, 2023	**December 31, 2022**
Current assets	$ 3,696	$ 3,678
Noncurrent assets	525	300
Total assets	$ 4,221	$ 3,978
Current liabilities	$ 359	$ 227
Total liabilities	$ 359	$ 227

(Dollar amounts in thousands, except share, unit, per share, and per unit data)

13. Supplemental Cash Flow Information

Supplemental cash flow disclosures are as follows:

	Three Months Ended March 31,	
	2023	2022
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ (293)	$ (152)
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	(498)	(456)
Operating lease right-of-use assets obtained in exchange for lease obligations	—	(179)
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Capitalized software included in accounts payable	37	202

	As of March 31,	
	2023	2022
Reconciliation of Cash and Cash Equivalents and Restricted Cash:		
Cash and cash equivalents	$ 161,459	$ 125,737
Restricted cash	—	500
Total	$ 161,459	$ 126,237

14. Shareholders' Equity

The Company's capital stock consists of (i) issued and outstanding Class A common stock with a par value of $0.0001 per share, and (ii) issued and outstanding Class B common stock with a par value of $0.0001 per share.

The table set forth below reflects information about the Company's equity as of March 31, 2023. The 3,051,000 Sponsor Earn Out shares held in escrow and the 2,000,000 Management Earn Out shares are considered contingently issuable shares and therefore excluded from the number of Class A common stock issued and outstanding in the table below.

	Authorized	Issued	Outstanding
Common stock - Class A	950,000,000	29,913,490	29,913,490
Common stock - Class B	300,000,000	291,092,303	291,092,303
Preferred stock	100,000,000	—	—
Total	1,350,000,000	321,005,793	321,005,793

Each share of Class A and Class B common stock entitles the holder one vote per share. Only holders of Class A common stock have the right to receive dividend distributions. In the event of liquidation, dissolution or winding up of the affairs of the Company, only holders of Class A common stock have the right to receive liquidation proceeds, while the holders of Class B common stock are entitled to only the par value of their shares. Class B common stock can be issued only to MarketWise Members, their respective successors and permitted transferees. Our board of directors has discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock.

On November 4, 2021, our Board of Directors authorized the repurchase of up to $35.0 million in aggregate of shares of the Company's Class A common stock, with the authorization to expire on November 3, 2023. We did not repurchase any shares during the three months ended March 31, 2023. During the three months ended March 31, 2022, we repurchased 2,143,446 shares totaling $11,491 in the aggregate, including fees and commissions of $22.

Since the inception of the program we have repurchased 2,984,987 total shares. The maximum dollar value of shares that may yet to be purchased under the plan was $18,636 as of March 31, 2023.

For each share of Class A common stock the Company repurchases under the share repurchase program, MarketWise, LLC, the Company's direct subsidiary, will redeem one common unit of MarketWise, LLC held by the Company, decreasing the percentage ownership of MarketWise, LLC by the Company and relatively increasing the ownership by the other unitholders.

15. Subsequent Events

Subsequent events have been evaluated through May 11, 2023, which is the date that the financial statements were issued.

On May 9, 2023, the Company declared a cash dividend to its Class A common stock holders in the amount of $0.01 per share and a cash distribution to its common unit holders in the amount of $0.01 per unit, to shareholders of record as of June 1, 2023. The total amount of the dividend payment to Class A holders will be approximately $0.4 million and the total amount of the distribution payment to common unit holders will be approximately $2.9 million. The dividend and distribution will be paid on July 20, 2023.

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

The following discussion and analysis of the financial condition and results of operations of MarketWise, Inc., a Delaware corporation ("MarketWise," "we," "us," and "our"), should be read together with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Annual Report"). The following discussion contains forward-looking statements. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ materially from those projected in the forward-looking statements include, but are not limited to, those discussed in the section entitled "Cautionary Statement Regarding Forward-Looking Statements" in this report.

Overview

We are a leading multi-brand platform of subscription businesses that provides premium financial research, software, education, and tools for self-directed investors. We offer a comprehensive portfolio of high-quality, independent investment research, as well as several software and analytical tools, on a subscription basis.

MarketWise started in 1999 with the simple idea that, if we could publish intelligent, independent, insightful, and in-depth investment research and treat the subscriber the way we would want to be treated, then subscribers would renew their subscriptions and stay with us. Over the years, we have expanded our business into a comprehensive suite of investment research products and solutions. We now produce a diversified product portfolio from a variety of financial research brands such as Stansberry Research, Palm Beach Research, Chaikin Analytics, InvestorPlace, and Empire Financial Research. Our entire investment research product portfolio is 100% digital and channel agnostic, and we offer all of our research across a variety of platforms, including desktop, laptop, and mobile devices, including tablets and mobile phones.

Today, we benefit from the confluence of a leading editorial team, diverse portfolio of content and brands, and comprehensive suite of investor-centric tools that appeal to a broad subscriber base.

Key Factors Affecting Our Performance

We believe that our growth and future success are dependent upon several factors, including those below and those noted in the "Risk Factors" section in the Annual Report. The key factors below represent significant business opportunities as well as challenges that we must successfully address in order to continue our growth and improve our financial results.

Growing our subscriber base with compelling unit economics. We are highly focused on continuing to acquire new subscribers to support our long-term growth. Our marketing spend is a large driver of new subscriber growth. At the heart of our marketing strategy is our compelling unit economics that combine long-term subscriber relationships, highly scalable content delivery, cost-effective customer acquisition, and high-margin conversions.

Our Paid Subscribers as of December 31, 2022 generated average customer lifetime Billings of approximately $1,815, resulting in a LTV/CAC (as defined below) ratio of approximately 2.0x. On average, it takes us approximately 0.6 to 1.5 years for a Paid Subscriber's cumulative net revenue to exceed the total cost of acquiring that subscriber (which includes fixed costs, such as marketing salaries). For more information on Billings and our LTV/CAC ratio and the components of this ratio, see "—*Key Business Metrics*" and "—*Definitions of Metrics,"* respectively.

We adjust our marketing spend to drive efficient and profitable customer acquisition. We can adjust our marketing spend in near real-time, and we monitor costs per acquisition relative to the cart value of the initial subscription. We seek and typically achieve 90-day payback periods to cover this variable component of the direct marketing spend.

As of March 31, 2023, our paid subscriber base was 777 thousand, down 131 thousand, or 14.5% as compared to 909 thousand at March 31, 2022. Our base is comprised of subscribers obtained through both direct-to-paid acquisition and free-to-paid conversions. Since 2019, direct-to-paid acquisition has accounted for approximately two-thirds of our annual Paid Subscriber acquisition, and is largely driven by display ads and targeted email campaigns.

Our free subscription products also serve as a significant source of new Paid Subscribers, accounting for approximately one-third of our annual Paid Subscriber acquisition since 2019. Our free-to-paid and active free-to-paid conversion rates reflects the rates at which Free Subscribers and Active Free Subscribers purchase paid subscription products. Our annual free-to-paid and annual active free-to-paid conversion rates were approximately 1% to 2% and 2% to 4%, respectively, between 2020 and 2022. Over that same three year period, our cumulative free-to-paid and cumulative active free-to-paid conversion rates were 4% and 10%, respectively.

Retaining and expanding relationships with existing subscribers. We believe that we have a significant opportunity to expand our relationships with our large base of Free and Paid Subscribers. Thanks to the quality of our products, we believe our customers will continue their relationship with us and extend and increase their subscriptions over time. As we deepen our engagement with our subscribers, our customers tend to purchase more and higher-value products. Our ARPU (as defined below) as of March 31, 2023 was $493, which decreased 22.4% from $636 as of March 31, 2022. For more information on ARPU, see "*Key Business Metrics—Average Revenue Per User.*"

Conversion rates are important to our business because they are an indicator of how engaged and how well we are connecting with our subscribers. The time it takes our customers to move from our free products to our lower-priced paid subscriptions and eventually to high-end products and membership "bundled" offerings impacts our growth in net revenue, Billings, and ARPU.

Our high-value composition rate reflects the rate at which Paid Subscribers that have purchased less than $600 of our products over their lifetime convert into subscribers that have purchased more than $600. We believe our high-value composition rate reflects our ability to retain existing subscribers through renewals and our ability to expand our relationship with them when those subscribers purchase higher-value subscriptions. Our cumulative ultra high-value composition rate reflects the rate at which high value Paid Subscribers that have purchased more than $600 of our products over their lifetime convert into subscribers that have purchased more than $5,000. We believe our ultra high-value composition rate reflects our ability to successfully build lifetime relationships with our subscribers, often across multiple products and brands. As of March 31, 2023, our high-value composition rate and cumulative ultra high-value composition rate were 46% and 39%, respectively.

Definitions of Metrics

Throughout this discussion and analysis, a number of our financial and operating metrics are referenced which we do not consider to be key business metrics, but which we review to monitor performance, and which we believe may be useful to investors. These are:

Annual free-to-paid and annual active free-to-paid conversion rates: We calculate our free-to-paid conversion rate as the number of Free Subscribers who purchased a subscription during the period *divided by* the average number of Free Subscribers during the period. We calculate our active free-to-paid conversion rate as the number of Active Free Subscribers who purchased a subscription during the period *divided by* the average number of Active Free Subscribers during the period. We believe our free-to-paid and active free-to-paid conversion rates are indicators of the type of Free Subscribers that we are signing up and the quality of our content and marketing efforts. Investors should consider free-to-paid and active free-to-paid conversion rates as two of the factors in evaluating our ability to maintain a robust pipeline for new customer acquisition.

Cumulative free-to-paid and cumulative active free-to-paid conversion rates: We calculate our cumulative free-to-paid conversion rate as the number of Free Subscribers who purchased a subscription during the trailing three-year period *divided by* the average number of Free Subscribers during the trailing three-year period. We calculate our cumulative active free-to-paid conversion rate as the number of Active Free Subscribers who purchased a subscription during the trailing three-year period *divided by* the average number of Active Free Subscribers during the trailing three-year period.

High-value composition rate: Our high-value composition rate reflects the number of Paid Subscribers who have purchased >$600 in aggregate over their lifetime as of a particular point in time *divided by* the total number of Paid Subscribers as of that same point in time.

Landing Page Visits: The cumulative number of visits to our standalone web pages created specifically for each marketing campaign. We believe landing page visits are a measure of customer engagement.

LTV/CAC ratio: We calculate LTV/CAC ratio as LTV *divided by* CAC. We use LTV/CAC ratio because it is a standard metric for subscription-based businesses, and we believe that an LTV/CAC ratio above 3x is considered to be indicative of strong profitability and marketing efficiency. We believe that an increasing LTV per subscriber reflects our existing subscribers recognizing our value proposition, which will expand their relationship with us across our platform over time, either through a combination of additional product purchases or by joining our membership offerings. Investors should consider this metric when evaluating our ability to achieve a return on our marketing investment. Lifetime value ("LTV") represents the average margin on average customer lifetime Billings (that is, the estimated cumulative spend across a customer's lifetime). Customer acquisition cost ("CAC") is defined as direct marketing spend, *plus* external revenue share expense, *plus* retention and renewal expenses, *plus* copywriting and marketing salaries, *plus* telesales salaries and commissions, *plus* customer service commissions.

Net revenue retention: Net revenue retention is defined as Billings from all prior period cohorts in the current period, *divided by* all Billings from the prior period. We believe that a high net revenue retention rate is a measure of customer retention and an indicator of the engagement of our subscribers with our products. Investors should consider net revenue retention as an ongoing measure when evaluating our subscribers' interest in continuing to subscribe to our products and spending more with us over time.

Ultra high-value composition rate: Our ultra high-value composition rate reflects the number of Paid Subscribers who have purchased >$5,000 in aggregate over their lifetime as of a particular point in time *divided by* the number of high-value subscribers as of that same point in time. We believe our ultra high-value composition rate reflects our ability to successfully build lifetime relationships with our subscribers, often across multiple products and brands. Investors should consider ultra high-value composition rate as a factor in evaluating our ability to retain and expand our relationship with our subscribers.

Key Business Metrics

We review the following key business metrics to measure our performance, identify trends, formulate financial projections, and make strategic decisions. We are not aware of any uniform standards for calculating these key metrics, which may hinder comparability with other companies who may calculate similarly titled metrics in a different way.

	As of and for the Three Months Ended March 31,			As of and for the Three Months Ended December 31,	
	2023	2022	*% change*	2022	*% change*
Free Subscribers	15,678,205	14,521,004	*8.0%*	15,702,545	*(0.2)%*
Paid Subscribers	777,397	908,718	*(14.5)%*	841,277	*(7.6)%*
ARPU	$ 493	$ 636	*(22.5)%*	$ 519	*(5.0)%*
Billings (in thousands)	$ 97,171	$ 135,995	*(28.5)%*	$ 100,923	*(3.7)%*

Free Subscribers. Free Subscribers are defined as unique subscribers who have subscribed to one of our free investment publications via a valid email address and continue to remain directly opted in, excluding any Paid Subscribers who also have free subscriptions. Free subscriptions are often daily publications that include some commentary about the stock market, investing ideas, or other specialized topics. Included within our free publications are advertisements and editorial support for our current marketing campaigns. While subscribed to our publications, Free Subscribers learn about our editors and analysts, get to know our products and services, and learn more about ways we can help them be a better investor.

In order to better describe our universe of Free Subscribers, we recognize sub-categories of Free Subscribers – Active and Passive Free Subscribers. Active Free Subscribers are those Free Subscribers with whom we have engaged during the most recent quarter and represent those individuals who have received and/or consumed our content on a regular basis during that same quarter. Our analysis indicates that this population of Active Free Subscribers is more likely to continue to consume content and convert to a Paid Subscriber. Passive Free Subscribers represent those individuals who have not directly received our content during the most recent quarter, however, they remain included in our Free Subscriber population as defined above and may continue to consume content from our platforms. We expect the composition of our Active and Passive Free Subscribers will change over time as we refine our marketing and data analysis techniques aimed at converting Free Subscribers to Paid Subscribers.

Free Subscribers increased by 1.2 million, or 8.0%, to 15.7 million at March 31, 2023 as compared to 14.5 million at March 31, 2022. As of March 31, 2023, average Active Free Subscribers decreased by 0.6 million, or 11.5%, to 4.0 million, compared to 4.6 million as of March 31, 2022. The year over year decline in active free subscribers is a result of decreased engagement with our Free Subscriber community as consumer engagement continues to be soft.

Free Subscribers was flat at 15.7 million as of March 31, 2023 as compared to 15.7 million as of December 31, 2022. As of March 31, 2023, average Active Free Subscribers decreased by 0.3 million, or 6.1% to 4.0 million, compared to 4.3 million as of December 31, 2022.

Paid Subscribers. We define Paid Subscribers as the total number of unique subscribers with at least one paid subscription at the end of the period. We view the number of Paid Subscribers at the end of a given period as a key indicator of the attractiveness of our products and services, as well as the efficacy of our marketing in converting Free Subscribers to Paid Subscribers and generating direct-to-paid Paid Subscribers. We grow our Paid Subscriber base through performance marketing directly to prospective and existing subscribers across a variety of media, channels, and platforms.

Total Paid Subscribers decreased by 131 thousand, or 14.5%, to 777 thousand as of March 31, 2023 as compared to 909 thousand at March 31, 2022, driven by softening consumer engagement that began in third quarter 2022 as well as a significant decrease in direct marketing spend as we focus on maintenance of profitability.

Total Paid Subscribers decreased by 64 thousand, or 7.6%, to 777 thousand as of March 31, 2023 as compared to 841 thousand as of December 31, 2022. With customer engagement still low and billings lagging behind prior periods, we decreased our marketing spend further, resulting in an 18% decline in the number of gross new subscribers in the first quarter 2023 versus fourth quarter 2022.

Subscriber count churn has ranged from approximately 1.8% to 2.7% per month between 2020 and 2022. As of March 31, 2023, the average monthly churn over the trailing twelve months was near the higher end of the this range. Almost all of the subscribers who churned in first quarter 2023 did so having owned only one entry level publication. This is evidenced by the fact that their ARPU approximately matched the subscription price of our entry level publications. We believe our net revenue retention rate, which has averaged over 80% from 2020 to 2022, is a more meaningful gauge of subscriber satisfaction.

Average Revenue Per User. We calculate ARPU as the trailing four quarters of net Billings *divided by* the average number of quarterly total Paid Subscribers over that period. We believe ARPU is a key indicator of how successful we are in attracting subscribers to higher-value content. We believe that our high ARPU is indicative of the trust we build with our subscribers and of the value they see in our products and services.

ARPU decreased by $143, or 22.4%, to $493 as of March 31, 2023 as compared to $636 as of March 31, 2022. The year-over-year decrease was driven by a 31% decrease in trailing four quarter Billings, while trailing four quarter Paid Subscribers only decreased by 11%. The decrease in trailing four quarter Billings is due in part to the volatility across asset classes, high-inflation environment, and fears of recession that have persisted since first quarter 2022, which we believe has left prospective and existing subscribers hesitant to purchase or upgrade as they assess the latest economic data and the Federal Reserve’s potential next steps.

ARPU decreased by $26, or 4.9%, to $493 as of March 31, 2023 as compared to $519 as of December 31, 2022. The sequential decrease was driven by a 8% decrease in trailing four-quarter Billings, while trailing four-quarter average Paid Subscribers only decreased 4%.

While they have declined somewhat recently, our ARPUs remain high relative to other subscription businesses, and we attribute this to the quality of our content and effective sales and marketing efforts regarding higher value content, bundled subscriptions and membership subscriptions. These subscriptions have compelling economics that allow us to recoup our initial marketing spend made to acquire these subscribers. Specifically, our payback period was estimated at 1.5 years, 0.9 years, and 0.6 years for the years ended December 31, 2022, 2021 and 2020, respectively. We have experienced an increase in the 2022 payback period primarily due to a combination of increased customer acquisition costs and the hesitancy of these subscribers to make additional purchases. The payback period reached the low side of the historical range in 2020 as a result of expanded conversion rates and, to a far lesser degree, decreasing costs for media spend as demand dropped as a result of the pandemic. We have seen the costs for media spend revert back to higher rates in 2021 which continued through first quarter 2023.

Billings. Billings represents amounts invoiced to customers. We measure and monitor our Billings because it provides insight into trends in cash generation from our marketing campaigns. We generally bill our subscribers at the time of sale and receive full cash payment up front, and defer and recognize a portion of the related revenue ratably over time for term and membership subscriptions. For certain subscriptions, we may invoice our Paid Subscribers at the beginning of the term, in annual or monthly installments, and, from time to time, in multi-year installments. Only amounts invoiced to a Paid Subscriber in a given period are included in Billings. While we believe that Billings provides valuable insight into the cash that will be generated from sales of our subscriptions, this metric may vary from period to period for a number of reasons and, therefore, Billings has a number of limitations as a quarter-over-quarter or year-over-year comparative measure. These reasons include, but are not limited to, the following: (i) a variety of contractual terms could result in some periods having a higher proportion of annual or membership subscriptions than other periods; (ii) fluctuations in payment terms may affect the Billings recognized in a particular period; and (iii) the timing of large campaigns may vary significantly from period to period.

Billings decreased by $38.8 million, or 28.5%, to $97.2 million for the first quarter 2023 as compared to $136.0 million for first quarter 2022. We believe the decrease is due in large part to reduced engagement of prospective and existing subscribers. Levels of engagement had plateaued during the second half of 2021 and first half of 2022. The second half of 2022 saw further declines with uncertainty stemming from external factors such as 40-year high inflation, volatility across asset classes, federal reserve tightening, and the war in Ukraine, which we believe further contributed to prospective and existing subscribers delaying their purchases through first quarter 2023.

Approximately 37% of our Billings came from membership subscriptions, 62% from term subscriptions, and 1% from other Billings in both first quarter 2023 and 2022.

Billings decreased by $3.8 million, or 3.7%, to $97.2 million for first quarter 2023 as compared to $100.9 million for fourth quarter 2022. With overall consumer engagement, as measured by landing pages, slightly up versus fourth quarter 2022, we attribute the decline in billings to lower overall conversion rates on our various marketing campaigns within the quarter.

Components of MarketWise's Results of Operations

Net Revenue

We generate net revenue primarily from services provided in delivering term and membership subscription-based financial research, publications, and SaaS offerings to individual subscribers through our online platforms, advertising arrangements, print products, events, and revenue share agreements.

Net revenue is recognized ratably over the duration of the subscriptions, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. In addition to term subscriptions, we offer membership subscriptions where we receive a large upfront payment when the subscriber enters into the contract, and for which we will receive a lower annual maintenance fee thereafter. Subscribers are typically billed in advance of the subscriptions. Much of our net revenue is generated from subscriptions entered into during previous periods. Consequently, any decreases in new subscriptions or renewals in any one period may not be immediately reflected as a decrease in net revenue for that period, but could negatively affect our net revenue in future quarters. This also makes it difficult for us to rapidly increase our net revenue through the sale of additional subscriptions in any period, as net revenue is recognized over the term of the subscription agreement. We expect subscription net revenue to continue to increase as we have experienced sales growth in membership and multi-year contracts in recent periods.

We earn net revenue from the sale of advertising placements on our websites and from the sale of print products and events. We also recognize net revenue through revenue share agreements where we earn a commission for successful sales by other parties generated through the use of our customer list. We expect advertising and other net revenue to increase in absolute dollars as our business grows.

Employee Compensation Costs

Employee compensation costs, or payroll and payroll-related costs, include salaries, bonuses, benefits, and stock-based compensation for employees classified within cost of revenue, sales and marketing, and general and administrative, and also includes sales commissions for sales and marketing employees.

We recognized stock-based compensation expenses related to our 2021 Incentive Award Plan and our ESPP of $3.7 million and $2.6 million during the three months ended March 31, 2023 and 2022.

The total amount of stock-based compensation expense included within each of the respective line items in the condensed consolidated statement of operations is as follows:

(In thousands)	Three Months Ended March 31,	
	2023	2022
Cost of revenue	$ 1,008	$ 532
Sales and marketing	1,092	565
General and administrative	1,603	1,491
Total stock based-compensation expense	$ 3,703	$ 2,588

Cost of Revenue

Cost of revenue consists primarily of payroll, payroll-related costs and stock-based compensation expenses related to the 2021 Incentive Award Plan and the ESPP associated with producing and publishing MarketWise's content, hosting fees, customer service, credit card processing fees, product costs, and allocated overhead. Cost of revenue is exclusive of depreciation and amortization, which is shown as a separate line item.

We expect cost of revenue to increase as our business grows, including as a result of new acquisitions, joint ventures, and other strategic transactions. However, the level and timing of our variable compensation may not match the pattern of how net revenue is recognized over the subscription term. Therefore, we expect that our cost of revenue will fluctuate as a percentage of net revenue in the future.

Sales and Marketing

Sales and marketing expenses consist primarily of payroll, payroll-related costs and stock-based compensation expenses related to the 2021 Incentive Award Plan and the ESPP, amortization of deferred contract acquisition costs, agency costs, advertising campaigns, and branding initiatives. Sales and marketing expenses are exclusive of depreciation and amortization shown as a separate line item.

We expect that our sales and marketing expense will increase in absolute dollars and continue to be our largest operating expense for the foreseeable future as we expand our sales and marketing efforts. However, because we incur sales and marketing expenses up front when we launch campaigns to drive sales, while we recognize net revenue ratably over the underlying subscription term, we expect that our sales and marketing expense will fluctuate as a percentage of our net revenue over the long term. Sales and marketing expenses may fluctuate further as a result of acquisitions, joint ventures, or other strategic transactions we undertake in the future.

Research and Development

Research and development expenses consist primarily of payroll, payroll-related costs and stock-based compensation expenses related to the 2021 Incentive Award Plan and the ESPP, technical services, software expenses, and hosting expenses. Research and development expenses are exclusive of depreciation and amortization shown as a separate line item.

We expect that our research and development expense will increase in absolute dollars as our business grows, including as a result of new acquisitions, joint ventures, and other strategic transactions, particularly as we incur additional costs related to continued investments in our platform.

General and Administrative

General and administrative expenses consist primarily of payroll, payroll-related costs and stock-based compensation expenses related to the 2021 Incentive Award Plan and the ESPP associated with our finance, legal, information technology, human resources, executive, and administrative personnel, legal fees, corporate insurance, office expenses, professional fees, and travel and entertainment costs.

We expect to continue to incur additional general and administrative expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a national securities exchange, costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, and increased expenses for insurance, investor relations, and professional services. General and administrative expenses may fluctuate further as a result of acquisitions, joint ventures, or other strategic transactions we undertake in the future.

Depreciation and Amortization

Depreciation and amortization expenses consist of amortization of trade names, customer relationship intangibles, and software development costs, as well as depreciation on other property and equipment such as leasehold improvements, furniture and fixtures, and computer equipment. We expect depreciation and amortization expenses to increase on an absolute dollar basis as our business grows, including as a result of new acquisitions, joint ventures, and other strategic transactions, but to remain generally consistent as a percentage of total net revenue.

Related Party Expense

Related party expenses primarily consist of expenses for certain corporate functions performed by a related party for certain historic periods, as well as board of director compensation and revenue share expenses. We have built our own corporate infrastructure and do not expect non-revenue share expenses from this related party in the future.

Other Income (Expense), Net

Other income (expense), net primarily consists of the net gains on our embedded derivative instruments.

Interest (Expense) Income, Net

Interest (expense) income, net primarily consists of interest income from our money market accounts, as well as interest expense on outstanding borrowings under the 2021 Credit Facility.

Net Income Attributable to Noncontrolling Interests

As of March 31, 2023, MarketWise, Inc.'s controlling interest in MarketWise, LLC was 9.3% and the noncontrolling interest was 90.7%. For the three months ended March 31, 2023 net income attributable to controlling interests included a $0.9 million tax provision, which is 100% attributable to the controlling interest.

As of March 31, 2022, MarketWise, Inc.'s controlling interest in MarketWise, LLC was 7.2% and the noncontrolling interest was 92.8%. Net income attributable to controlling interests for the three months ended March 31, 2022 included a $6.7 million gain on warrant liabilities and a $1.5 million tax provision, both of which are 100% attributable to the controlling interest.

Results of Operations

The following table sets forth our results of operations for the periods presented:

(In thousands)	Three Months Ended March 31, 2023	2022
Net revenue	$ 125,615	$ 136,620
Related party revenue	618	178
Total net revenue	126,233	136,798
Operating expenses:		
Cost of revenue(1)	15,290	17,617
Sales and marketing(1)	48,727	68,237
General and administrative(1)	28,033	30,545
Research and development(1)	2,463	2,278
Depreciation and amortization	984	604
Related party expense	128	97
Total operating expenses	95,625	119,378
Income from operations	30,608	17,420
Other income, net	387	7,296
Interest income (expense), net	538	(171)
Income before income taxes	31,533	24,545
Income tax expense	928	1,522
Net income	30,605	23,023
Net income attributable to noncontrolling interests	29,138	17,198
Net income attributable to MarketWise, Inc.	$ 1,467	$ 5,825

(1) Cost of revenue, sales and marketing, general and administrative, and research and development expenses are exclusive of depreciation and amortization shown as a separate line item.

The following table sets forth our condensed consolidated statements of operations data expressed as a percentage of net revenue for the periods indicated:

	Three Months Ended March 31,	
	2023	2022
Net revenue	100.0 %	100.0 %
Operating expenses:		
Cost of revenue[(1)]	12.1 %	12.9 %
Sales and marketing[(1)]	38.6 %	49.9 %
General and administrative[(1)]	22.2 %	22.3 %
Research and development[(1)]	2.0 %	1.7 %
Depreciation and amortization	0.8 %	0.4 %
Related party expense	0.1 %	0.1 %
Total operating expenses	75.8 %	87.3 %
Income from operations	24.2 %	12.7 %
Other income, net	0.3 %	5.3 %
Interest income (expense), net	0.4 %	(0.1)%
Income before income taxes	25.0 %	17.9 %
Income tax expense	0.7 %	1.1 %
Net income	24.2 %	16.8 %
Net income attributable to noncontrolling interests	23.1 %	12.6 %
Net income attributable to MarketWise, Inc.	1.2 %	4.3 %

(1) Cost of revenue, sales and marketing, general and administrative, and research and development expenses are exclusive of depreciation and amortization shown as a separate line item.

Comparison of Three Months Ended March 31, 2023 and Three Months Ended March 31, 2022

Net Revenue

(In thousands)	Three Months Ended March 31,			
	2023	2022	$ Change	% Change
Net revenue	$ 126,233	$ 136,798	$ (10,565)	(7.7)%

Net revenue decreased by $10.6 million, or 7.7%, from $136.8 million for the three months ended March 31, 2022 to $126.2 million for the three months ended March 31, 2023. The decrease in net revenue was primarily driven by a $7.6 million decrease in term subscription revenue and a $3.1 million decrease in membership subscription revenue.

Both term subscription revenue and membership subscription revenue decreased during the three months ended March 31, 2023 primarily due to lower Billings as compared to the 2022 period which was driven by reduced engagement of prospective and existing subscribers in the 2023 period.

Operating Expenses

(In thousands)	Three Months Ended March 31,			
	2023	2022	$ Change	% Change
Operating expenses:				
Cost of revenue	$ 15,290	$ 17,617	$ (2,327)	(13.2)%
Sales and marketing	48,727	68,237	(19,510)	(28.6)%
General and administrative	28,033	30,545	(2,512)	(8.2)%
Research and development	2,463	2,278	185	8.1 %
Depreciation and amortization	984	604	380	62.9 %
Related party expenses	128	97	31	32.0 %
Total operating expenses	$ 95,625	$ 119,378	$ (23,753)	(19.9)%

Cost of Revenue

Cost of revenue decreased by $2.3 million, or 13.2%, from $17.6 million for the three months ended March 31, 2022 to $15.3 million for the three months ended March 31, 2023, primarily driven by a $1.0 million decrease in outsourced customer service, a $0.8 million decrease in credit card fees, and a $0.6 million decrease in salaries, taxes and benefits. This was partially offset by a $0.5 million increase in stock-based compensation expense related to awards under the 2021 Incentive Award Plan and the ESPP.

Sales and Marketing

Sales and marketing expense decreased by $19.5 million, or 28.6%, from $68.2 million for the three months ended March 31, 2022 to $48.7 million for the three months ended March 31, 2023, primarily driven by a $25.1 million decrease in marketing expense as we have reduced our marketing spend due to higher per unit subscriber acquisition costs resulting from higher post-COVID increases in demand for display advertising. This was partially offset by a $4.4 million increase in amortization of deferred contract acquisition costs, and a $1.0 million increase in salaries, taxes and benefits.

General and Administrative

General and administrative expense decreased by $2.5 million, or 8.2%, from $30.5 million for the three months ended March 31, 2022 to $28.0 million for the three months ended March 31, 2023, primarily driven by a $1.6 million decrease in salaries, taxes and benefits, a $0.9 million decrease in state, franchise and sales tax expense, a $0.7 million decrease in professional fees, and a $0.5 million decrease in dues and subscriptions. This is partially offset by a $1.6 million increase in incentive compensation and profits interest expenses.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe that the below non-GAAP financial measures are useful in evaluating our operating performance. We use the below non-GAAP financial measures, collectively, to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance, and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results. This non-GAAP financial information is presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly titled non-GAAP measures used by other companies. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliations of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

(In thousands)	Three Months Ended March 31,		
	2023	2022	*% Change*
Adjusted CFFO	$ 3,868	$ 1,068	*262.2%*
Adjusted CFFO Margin	4.0 %	0.8 %	

Adjusted CFFO / Adjusted CFFO Margin

In addition to our results determined in accordance with GAAP, we disclose the non-GAAP financial measure Adjusted CFFO. We define Adjusted CFFO as cash flow from operations plus or minus any non-recurring items. We define Adjusted CFFO Margin as Adjusted CFFO as a percentage of Billings.

We believe that Adjusted CFFO and Adjusted CFFO Margin are useful indicators that provide information to management and investors about our ability to generate cash, to facilitate comparison of our results to those of peer companies over multiple periods (without the effects of non-recurring items), and for internal planning and forecasting purposes.

Adjusted CFFO and Adjusted CFFO Margin have limitations as analytical tools, and should not be considered in isolation or as substitutes for analysis of other GAAP financial measures, such as cash flow from operations or operating cash flow margin. Some of the limitations of using Adjusted CFFO and Adjusted CFFO Margin are that these metrics may be calculated differently by other companies in our industry.

We expect Adjusted CFFO and Adjusted CFFO Margin to fluctuate in future periods as we invest in our business to execute our growth strategy. These activities, along with any non-recurring items as described above, may result in fluctuations in Adjusted CFFO and Adjusted CFFO Margin in future periods.

The following table provides a reconciliation of net cash provided by operating activities, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted CFFO for each of the periods presented:

(In thousands)	Three Months Ended March 31,		
	2023	2022	*% Change*
Net cash provided by operating activities	$ 3,868	$ 1,068	*262.2%*
Nonrecurring expenses	—	—	*N/M*
Adjusted CFFO	$ 3,868	$ 1,068	*262.2%*

The following table provides the calculation of net cash provided by operating activities margin as a percentage of total net revenue, the most directly comparable financial measure in accordance with GAAP, and Adjusted CFFO Margin for each of the periods presented:

(In thousands)	Three Months Ended March 31,		
	2023	2022	*% change*
Net cash provided by operating activities	$ 3,868	1,068	*262.2%*
Total net revenue	126,233	136,798	*(7.7)%*
Net cash provided by operating activities margin	3.1 %	0.8 %	
Adjusted CFFO	$ 3,868	$ 1,068	*262.2%*
Billings	97,171	135,995	*(28.5)%*
Adjusted CFFO Margin	4.0 %	0.8 %	

Net cash provided by operating activities margin increased from 0.8% for the three months ended March 31, 2022 to 3.1% for the three months ended March 31, 2023 primarily due to the increase in net cash provided by operating activities. Cash flow from operations increased by $2.8 million, or 262.2%, from $1.1 million for the three months ended March 31, 2022 to $3.9 million for the three months ended March 31, 2023, primarily due to net income of $30.6 million, adjusted for net non-cash items which increased cash by $7.1 million, and net changes in our operating assets and liabilities which reduced cash by $33.8 million.

Billings represents amounts invoiced to customers. We generally bill our subscribers at the time of sale and receive full cash payment up front, and in accordance with GAAP, we defer and recognize a portion of the related revenue ratably over time for term and membership subscriptions. For certain subscriptions, we may invoice our Paid Subscribers at the beginning of the term, in annual or monthly installments, and, from time to time, in multi-year installments.

Adjusted CFFO margin increased from 0.8% for three months ended March 31, 2022 to 4.0% for the three months ended March 31, 2023 due to the increase in Adjusted CFFO and the decrease in Billings. Adjusted CFFO increased by $2.8 million, or 262.2%, from $1.1 million for the three months ended March 31, 2022 to $3.9 million for the three months ended March 31, 2023, primarily driven by a decrease in operating expenses as a result of cost cutting initiatives.

The Effect of the COVID-19 Pandemic

The COVID-19 pandemic has had a significant impact on worldwide activity, the global supply chain, financial markets, trading activities, and consumer behavior, and the expected duration of these impacts remain uncertain.

We have continued to operate our business without much disruption during the pandemic, and we required our employees to work remotely in response to stay-at-home orders imposed by the U.S. and local governments in March 2020. While COVID-19 has impacted the sales and profitability of many companies' businesses over this period, it had not negatively impacted our net revenues during its peak periods. However, as the effect of COVID-19 has declined, we have seen a decline in consumer engagement as compared to the peak COVID-19 period, which we believe has had an effect of reducing our revenues and profitability.

While it is not possible at this time to estimate the impact, if any, that COVID-19 will have on our business longer term, the continued spread of COVID-19 and the measures taken by governments, businesses, and other organizations in response to COVID-19 could adversely impact our business, financial condition, and our results of operations. For more information, see the "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" sections in our Annual Report.

Liquidity and Capital Resources

General

As of March 31, 2023, our principal sources of liquidity were cash, cash equivalents, and restricted cash of $161.5 million. Cash and cash equivalents are comprised of bank deposits, money market funds, and certificates of deposit. Restricted cash is comprised of reserves held with credit card processors for chargebacks and refunds. We have financed our operations primarily through cash received from operations, and our sources of liquidity have enabled us to make continued investments in supporting the growth of our business. Our 2021 Credit Facility (as defined and further discussed below) can be used to finance permitted acquisitions, for working capital and general corporate purposes. We expect that our operating cash flows, in addition to cash on hand, will enable us to continue to make investments in the future, and to pay dividends. We expect our operating cash flows to further improve as we increase our operational efficiency and experience economies of scale.

We believe that our existing cash and cash equivalents and cash flow from operations will be sufficient to support working capital and capital expenditure requirements for at least the next 12 months. Our future capital requirements will depend on many factors, including our subscription growth rate, subscription renewal activity, including the timing and the amount of cash received from subscribers, the pace of expansion of sales and marketing activities, the timing and extent of spending to support development efforts, the introduction of new and enhanced products, and the level of costs to operate as a public company. We may, in the future, enter into arrangements to acquire or invest in complementary businesses, products, and technologies.

We may be required to seek additional equity or debt financing. In the event that we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued innovation, we may not be able to compete successfully, which would harm our business, operations, and financial condition.

A substantial source of our cash is from our deferred revenue, which is included in the liabilities section of our condensed consolidated balance sheets. Deferred revenue consists of the unearned portion of customer Billings, which is recognized as net revenue in accordance with our revenue recognition policy. As of March 31, 2023, we had deferred revenue of $634.2 million, of which $279.3 million was recorded as a current liability and is expected to be recognized as net revenue over the next 12 months, provided all other revenue recognition criteria have been met.

We have incurred and we will continue to incur public company expenses related to our operations, *plus* we expect to incur payment obligations under the Tax Receivable Agreement in the future, which we expect to be significant. MarketWise, Inc. intends to cause MarketWise, LLC to make distributions to MarketWise, Inc. in an amount sufficient to allow MarketWise, Inc. to pay its tax obligations and operating expenses, including distributions to fund any payments due under the Tax Receivable Agreement. If MarketWise, LLC does not have sufficient cash to fund distributions to MarketWise, Inc. in amounts sufficient to cover MarketWise, Inc.'s obligations under the Tax Receivable Agreement, it may have to borrow funds, which could materially adversely affect its liquidity and financial condition and subject it to various restrictions imposed by any such lenders. To the extent that MarketWise, Inc. is unable to make timely payments under the Tax Receivable Agreement for any reason, the unpaid amounts will be deferred and will accrue interest until paid. For additional information regarding the Tax Receivable Agreement, see the section entitled " Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Tax Receivable Agreement" in the Annual Report.

Furthermore, to the extent we have taxable income, we will make distributions to the MarketWise Members in amounts sufficient for the MarketWise Members to pay taxes due on their share of MarketWise income at prevailing individual income tax rates. Such amounts will be reflected in MarketWise, Inc.'s statement of cash flows as cash used in financing activities, and so will not decrease the amount of cash from operations or net income reflected in MarketWise, Inc.'s financial statements. However, such distributions will decrease the amount of cash available to us for use in our business.

Share Repurchase Program

In 2021, our Board of Directors authorized the repurchase of up to $35.0 million in aggregate of shares of the Company's Class A common stock, with the authorization to expire on November 3, 2023. We did not repurchase any shares during the three months ended March 31, 2023. During the three months ended March 31, 2022, we repurchased 2,143,446 shares totaling $11,491 in the aggregate, including fees and commissions of $22.

For each share of Class A common stock the Company repurchases under the share repurchase program, MarketWise, LLC, the Company's direct subsidiary, will redeem one common unit of MarketWise, LLC held by the Company, decreasing the percentage ownership of MarketWise, LLC by the Company and relatively increasing the ownership by the other unitholders.

Credit Facility

In 2021, MarketWise, LLC, entered into a loan and security agreement (the "Loan and Security Agreement") providing for up to $150 million of commitments under a revolving credit facility (the "2021 Credit Facility"), including a $5 million letter of credit sublimit, and allows for revolving commitments under the 2021 Credit Facility to be increased or new term commitments to be established by up to $65 million. The existing lenders under the 2021 Credit Facility are entitled, but not obligated, to provide such incremental commitments. The 2021 Credit Facility has a term of three years, maturing on October 29, 2024.

The 2021 Credit Facility is guaranteed by MarketWise, LLC's direct and indirect material U.S. subsidiaries, subject to customary exceptions (the "Guarantors"), pursuant to a guaranty by the Guarantors in favor of HSBC Bank USA, National Association, as agent (the "Guaranty"). Borrowings under the 2021 Credit Facility are secured by a first-priority lien on substantially all of the assets of MarketWise, LLC and the Guarantors, subject to customary exceptions.

Borrowings will bear interest at a floating rate depending on MarketWise, LLC's Net Leverage Ratio (as defined in the Loan and Security Agreement). As of March 31, 2023, there were no outstanding advances under the 2021 Credit Facility.

The Loan and Security Agreement contains customary affirmative and negative covenants for transactions of this type, and contains financial maintenance covenants that require MarketWise, LLC to maintain an Interest Coverage Ratio and Net Leverage Ratio (both as defined in the Loan and Security Agreement), and provides for a number of customary events of default, which could result in the acceleration of obligations and the termination of lending commitments under the Loan and Security Agreement. As of March 31, 2023, we were in compliance with these covenants.

Cash Flows

The following table presents a summary of our consolidated cash flows provided by (used in) operating, investing, and financing activities for the periods indicated:

(In thousands)	**Three Months Ended March 31,**	
	2023	**2022**
Net cash provided by operating activities	$ 3,868	$ 1,068
Net cash used in investing activities	(395)	(45)
Net cash used in financing activities	(610)	(14,347)

Operating Activities

For the three months ended March 31, 2023, net cash provided by operating activities was $3.9 million, primarily due to net income of $30.6 million, adjusted for net non-cash items which increased cash by $7.1 million, and net changes in our operating assets and liabilities which reduced cash by $33.8 million. The non-cash items include a change in fair value of derivative liabilities of $1.0 million, and stock-based compensation expense of $3.7 million. The changes in operating assets and liabilities were primarily driven by an decrease in deferred revenue, which decreased cash by $29.3 million due to our overall decrease in sales, a decrease in accrued expenses, which decreased cash by $16.2 million, and a net increase due to deferred contract acquisition costs of $9.8 million.

For the three months ended March 31, 2022, net cash provided by operating activities was $1.1 million, primarily due to net income of $23.0 million, adjusted for net non-cash items which reduced cash by $1.7 million, and net changes in our operating assets and liabilities which reduced cash by $20.3 million, largely due to timing differences in the net receipt of cash. The non-cash items include a change in fair value of derivative liabilities of $7.1 million, which was partially offset by stock-based compensation expense of $2.6 million. The changes in operating assets and liabilities were primarily driven by an increase in deferred revenue of $1.4 million due to our overall increase in sales, partially offset by an increase in accounts receivable of $8.6 million due to an increase in the cash reserves held by our credit card processor, a decrease in accrued expenses of $5.4 million, and a net increase in deferred contract acquisition costs of $3.6 million.

Investing Activities

For the three months ended March 31, 2023, net cash used in investing activities was $0.4 million.

For the three months ended March 31, 2022, net cash used in investing activities was $0.0 million.

Financing Activities

For the three months ended March 31, 2023, net cash used in financing activities was $0.6 million.

For the three months ended March 31, 2022, net cash used in financing activities was $14.3 million, primarily due to $11.5 million in share repurchases and $2.9 million in distributions to noncontrolling interests.

Critical Accounting Estimates

Our condensed consolidated financial statements have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, and expenses, and related disclosures. On an ongoing basis, management evaluates its estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

Management believes that, of our significant accounting policies, which are described in Note 2 to our consolidated financial statements for the year ended December 31, 2022 in our Annual Report, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, management believes that “Revenue Recognition” and “Transactions and Valuation of Goodwill and Other Acquired Intangible Assets” are the two policies that are the most critical to aid in fully understanding and evaluating our condensed consolidated financial condition and results of operations. Refer to the 2022 Annual Report on Form 10-K for further discussion of these two policies. During the three months ended March 31, 2023, there were no material changes to these policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended (the “Exchange Act”)). Based on that evaluation, and as a result of the material weaknesses described below, our principal executive officer and principal financial officer concluded that, as of March 31, 2023, our disclosure controls and procedures were not effective. In light of this fact, our management has performed additional analyses, reconciliations, and other post-closing procedures and has concluded that, notwithstanding the material weaknesses in our internal control over financial reporting, the condensed consolidated financial statements for the periods covered by and included in this Quarterly Report on Form 10-Q fairly state, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

As previously reported, in connection with the audit of our consolidated financial statements for the year ended December 31, 2020, our management determined that material weaknesses existed in our internal control over financial reporting related to: (i) a lack of contemporaneous documentation and account reconciliation, and (ii) the lack of a formal or documented risk assessment process. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Remediation Efforts to Address the Material Weaknesses

We have taken a number of remediation actions since the identification of the material weakness through March 31, 2023, including:

- hiring personnel with appropriate levels of experience in accounting, technology, risk assessment, and internal controls;

- establishing a comprehensive SOX program that includes the documentation and assessment of the Company's risks and internal controls over financial reporting to comply with the Sarbanes-Oxley Act;
- implementing an annual risk assessment process over financial reporting;
- implementing an annual cyber security risk assessment process;
- establishing a Disclosure Task Force with participants across business units to ensure the completeness and accuracy of financial reporting disclosures;
- establishing regular director and executive management meetings to oversee Company risks and performance;
- implementing a new revenue recognition application and associated internal controls over financial reporting; and
- enhancing account reconciliation processes and internal controls, leveraging the use of a reconciliation application, and training of accounting personnel.

While significant progress has been made to enhance our internal control over financial reporting, we are still in the process of building and enhancing our processes, procedures, and controls. Additional time is required to complete the remediation of these material weaknesses and the assessment to ensure the sustainability of these remediation actions. We believe the above actions, when complete, will be effective in the remediation of the material weaknesses described above. As such, we have not concluded that the material weaknesses have been fully remediated as of March 31, 2023.

Changes in Internal Control Over Financial Reporting

Other than as described above, there have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Not applicable.

Item 1A. Risk Factors.

The risks described below could have a material adverse impact on our business, financial condition, or operating results. Although it is not possible to predict or identify all such risks and uncertainties, they may include, but are not limited to, the factors discussed below. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business or results of operations

There have been no material changes in the risk factors disclosed in Part 1, Item 1A, of our Annual Report.

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

Issuer Purchases of Equity Securities

In November 2021, our Board of Directors authorized the repurchase of up to $35.0 million in aggregate of shares of the Company's Class A common stock, with the authorization to expire on November 3, 2023. There were no share repurchases made by or on behalf of the Company of its common stock during the three months ended March 31, 2023. The maximum dollar value of shares that may yet to be purchased under the plan was $18.6 million as of March 31, 2023.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

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

Exhibit No.	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Definition Linkbase Document
101.DEF	XBRL Taxonomy Extension Label Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

	MARKETWISE, INC.	
Date: May 11, 2023	By:	/s/ Stephen Park
	Name:	Stephen Park
	Title:	Interim Chief Financial Officer

Exhibit 31.1

Certification by the Chief Executive Officer pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Amber Mason, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MarketWise, Inc. (the “registrant”) for the fiscal quarter ended March 31, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

MarketWise, Inc.

Date: May 11, 2023

By: /s/ Amber Mason

Name: Amber Mason

Title: Chief Executive Officer

Exhibit 31.2

Certification by the Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen Park, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MarketWise, Inc. (the “registrant”) for the fiscal quarter ended March 31, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

MarketWise, Inc.

Date: May 11, 2023

By:	/s/ Stephen Park
Name:	Stephen Park
Title:	Interim Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer
pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, Amber Mason, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of MarketWise, Inc. for the fiscal quarter ended March 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of MarketWise, Inc.

MarketWise, Inc.

Date: May 11, 2023	By:	/s/ Amber Mason
	Name:	Amber Mason
	Title:	Chief Executive Officer

Exhibit 32.2

Certification of Chief Financial Officer
pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, Stephen Park, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of MarketWise, Inc. for the fiscal quarter ended March 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of MarketWise, Inc.

MarketWise, Inc.

Date: May 11, 2023

By:	/s/ Stephen Park
Name:	Stephen Park
Title:	Interim Chief Financial Officer