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 June 30, 2024

OR

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

For the transition period from to

Commission File Number: 001-39405

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)

(888) 261-2693

(Registrant's telephone number, including area code)

N/A

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

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

Title of each class	Trading 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 August 12, 2024, there were 43,932,380 shares of the registrant's Class A common stock and 272,032,743 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 Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, 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;
- current macroeconomic events, including heightened inflation, rise in interest rates and the potential for an economic recession;
- failure to comply with laws and regulations or other regulatory action or investigations, including the Investment Advisers Act of 1940, as amended (the "Advisers Act");
- 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;
- our future capital needs;
- our ability to maintain an effective system of internal control over financial reporting;
- our ability to maintain and protect our intellectual property; and
- other factors detailed under the section of our Annual Report on Form 10-K for the year ended December 31, 2023 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

Item 1. Financial Statements.

MARKETWISE, INC.

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

	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 109,342	$ 155,174
Accounts receivable	4,475	4,528
Prepaid expenses	8,264	9,305
Related party receivables	1,295	5,182
Deferred contract acquisition costs	73,265	91,480
Other current assets	1,821	2,172
Total current assets	198,462	267,841
Property and equipment, net	603	690
Operating lease right-of-use assets	6,317	7,331
Intangible assets, net	8,301	6,255
Goodwill	33,560	31,038
Deferred contract acquisition costs, noncurrent	58,716	73,420
Deferred tax assets	9,233	9,693
Other assets	113	287
Total assets	$ 315,305	$ 396,555
Liabilities and stockholders' deficit		
Current liabilities:		
Trade and other payables	$ 3,576	$ 559
Related party payables	434	1,137
Accrued expenses	25,724	55,041
Deferred revenue and other contract liabilities	252,299	287,751
Operating lease liabilities	1,649	1,446
Other current liabilities	29,146	27,959
Total current liabilities	312,828	373,893
Long-term liabilities – related party	487	—
Deferred revenue and other contract liabilities, noncurrent	257,275	304,342
Related party tax receivable agreement liability, noncurrent	2,946	2,151
Other liabilities, noncurrent	2,269	746
Operating lease liabilities, noncurrent	3,454	4,366
Total liabilities	579,259	685,498
Commitments and Contingencies	—	—
Stockholders' deficit:		
Common stock - Class A, par value of $0.0001 per share, 950,000,000 shares authorized; 38,599,509 and 36,384,981 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	4	4
Common stock - Class B, par value of $0.0001 per share, 300,000,000 shares authorized; 280,390,147 and 288,092,303 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	28	29
Preferred stock - par value of $0.0001 per share, 100,000,000 shares authorized; 0 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	—	—
Additional paid-in capital	99,432	115,164
Accumulated other comprehensive income	10	65

(In thousands, except share and per share data)

Accumulated deficit	(123,142)	(126,343)
Total stockholders’ deficit attributable to MarketWise, Inc.	(23,668)	(11,081)
Noncontrolling interest	(240,286)	(277,862)
Total stockholders’ deficit	(263,954)	(288,943)
Total liabilities and stockholders’ deficit	$ 315,305	$ 396,555

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net revenue	$ 104,174	$ 103,363	$ 212,786	$ 228,978
Related party revenue	872	281	1,251	899
Total net revenue	105,046	103,644	214,037	229,877
Operating expenses:				
Cost of revenue [(1)]	13,379	14,635	26,747	29,925
Sales and marketing [(1)]	42,722	49,033	90,019	97,760
General and administrative [(1)]	24,514	27,629	48,316	55,662
Research and development [(1)]	2,171	2,230	4,320	4,693
Depreciation and amortization	669	994	1,362	1,978
Related party expense	257	204	384	332
Total operating expenses	83,712	94,725	171,148	190,350
Income from operations	21,334	8,919	42,889	39,527
Other (expense) income, net	(656)	238	(422)	625
Interest income, net	1,341	1,013	2,999	1,551
Income before income taxes	22,019	10,170	45,466	41,703
Income tax expense	779	427	1,514	1,355
Net income	21,240	9,743	43,952	40,348
Net income attributable to noncontrolling interests	19,696	9,707	40,751	38,845
Net income attributable to MarketWise, Inc.	$ 1,544	$ 36	$ 3,201	$ 1,503
Earnings per share – basic	$ 0.04	$ —	$ 0.09	$ 0.05
Earnings per share – diluted	$ 0.04	$ —	$ 0.08	$ 0.05
Weighted average shares outstanding – basic	38,204	30,526	37,465	29,853
Weighted average shares outstanding – diluted	38,833	31,837	39,123	31,162

[(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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	$ 21,240	$ 9,743	$ 43,952	$ 40,348
Other comprehensive loss:				
Cumulative translation adjustment	(17)	(35)	(55)	(14)
Total comprehensive income	$ 21,223	$ 9,708	$ 43,897	$ 40,334

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 and per share data)

	Common Stock - Class A		Common Stock - Class B							
	Shares	Amount	Shares	Amount	Additional paid-in capital	Accumulated deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Deficit Attributable to MarketWise, Inc.	Noncontrolling Interest	Total Stockholders' Deficit
Balance at April 1, 2023	29,913,490	$ 3	291,092,303	$ 29	$ 109,925	$ (126,658)	$ 65	$ (16,636)	$ (248,028)	$ (264,664)
Equity-based compensation	—	—	—	—	3,678	—	—	3,678	—	3,678
Issuance of common stock	648,849	—	—	—	332	—	—	332	—	332
Vesting of restricted stock units	261,656	—	—	—	—	—	—	—	—	—
Restricted stock units withheld to pay taxes	—	—	—	—	(476)	—	—	(476)	—	(476)
Cash dividends declared	—	—	—	—	(440)	—	—	(440)	—	(440)
Distributions	—	—	—	—	—	—	—	—	(5,583)	(5,583)
Issuance per redemption of Class B shares for Class A	1,250,000	—	(1,250,000)	—	(873)	—	—	(873)	1,067	194
Foreign currency translation adjustments	—	—	—	—	—	—	(35)	(35)	—	(35)
Net income	—	—	—	—	—	36	—	36	9,707	9,743
Balance at June 30, 2023	32,073,995	$ 3	289,842,303	$ 29	$ 112,146	$ (126,622)	$ 30	$ (14,414)	$ (242,837)	$ (257,251)

MARKETWISE, INC.

Condensed Consolidated Statement of Stockholders' Deficit (Unaudited)

(In thousands, except share and per share data)

	Common Stock - Class A		Common Stock - Class B		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						
Balance at April 1, 2024	38,122,283	$ 4	287,592,303	$ 29	$ 115,259	$ (124,686)	$ 27	$ (9,367)	$ (260,019)	$ (269,386)
Equity-based compensation	—	—	—	—	1,766	—	—	1,766	—	1,766
Issuance of common stock	216,517	—	—	—	213	—	—	213	—	213
Vesting of restricted stock units	260,709	—	—	—	—	—	—	—	—	—
Repurchase of Class B shares	—	—	(7,202,156)	(1)	(10,802)	—	—	(10,803)	—	(10,803)
Cash dividends declared	—	—	—	—	(497)	—	—	(497)	—	(497)
Distributions	—	—	—	—	—	—	—	—	(6,554)	(6,554)
Foreign currency translation adjustments	—	—	—	—	—	—	(17)	(17)	—	(17)
Change in noncontrolling interest	—	—	—	—	(6,591)	—	—	(6,591)	6,591	—
Remeasurement of deferred taxes due to change in noncontrolling interest	—	—	—	—	84	—	—	84	—	84
Net income	—	—	—	—	—	1,544	—	1,544	19,696	21,240
Balance at June 30, 2024	38,599,509	$ 4	280,390,147	$ 28	$ 99,432	$ (123,142)	$ 10	$ (23,668)	$ (240,286)	$ (263,954)

	Common Stock - Class A		Common Stock - Class B		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						
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	—	—	—	—	7,381	—	—	7,381	—	7,381
Issuance of common stock	648,849	—	—	—	332	—	—	332	—	332
Vesting of restricted stock units	1,135,491	—	—	—	—	—	—	—	—	—
Restricted stock units withheld to pay taxes	—	—	—	—	(1,106)	—	—	(1,106)	—	(1,106)
Cash dividends declared	—	—	—	—	(440)	—	—	(440)	—	(440)
Distributions	—	—	—	—	—	—	—	—	(5,563)	(5,563)
Issuance per redemption of Class B shares for Class A	1,250,000	—	(1,250,000)	—	(873)	—	—	(873)	1,067	194
Foreign currency translation adjustments	—	—	—	—	—	—	(14)	(14)	—	(14)
Net income	—	—	—	—	—	1,503	—	1,503	38,845	40,348
Balance at June 30, 2023	32,073,995	$ 3	289,842,303	$ 29	$ 112,146	$ (126,622)	$ 30	$ (14,414)	$ (242,837)	$ (257,251)

Condensed Consolidated Statement of Stockholders’ Deficit (Unaudited)

(In thousands, except share and per share data)

	Common Stock - Class A		Common Stock - Class B		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						
Balance at January 1, 2024	36,384,981	$ 4	288,092,303	$ 29	$ 115,164	$ (126,343)	$ 65	$ (11,081) —	$ (277,862)	$ (288,943)
Equity-based compensation	—	—	—	—	3,941	—	—	3,941	—	3,941
Issuance of common stock	216,517	—	—	—	213	—	—	213	—	213
Vesting of restricted stock units	2,057,390	—	—	—	—	—	—	—	—	—
Restricted stock units withheld to pay taxes	(559,379)	—	—	—	(1,172)	—	—	(1,172)	—	(1,172)
Repurchase of Class B shares	—	—	(7,202,156)	(1)	(10,802)	—	—	(10,803)	—	(10,803)
Cash dividends declared	—	—	—	—	(990)	—	—	(990)	—	(990)
Distributions	—	—	—	—	—	—	—	—	(10,237)	(10,237)
Issuance per redemption of Class B shares for Class A	500,000	—	(500,000)	—	(471)	—	—	(471)	471	—
Foreign currency translation adjustments	—	—	—	—	—	—	(55)	(55)	—	(55)
Change in noncontrolling interest	—	—	—	—	(6,591)	—	—	(6,591)	6,591	—
Remeasurement of deferred taxes due to change in noncontrolling interest	—	—	—	—	140	—	—	140	—	140
Net income	—	—	—	—	—	3,201	—	3,201	40,751	43,952
Balance at June 30, 2024	38,599,509	$ 4	280,390,147	$ 28	$ 99,432	$ (123,142)	$ 10	$ (23,668)	$ (240,286)	$ (263,954)

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

MARKETWISE, INC.

Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash flows from operating activities:		
Net income	$ 43,952	$ 40,348
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,362	1,978
Stock-based compensation	5,464	7,381
Change in fair value of contingent consideration	764	—
Change in fair value of derivative liabilities, noncurrent	—	701
Deferred taxes	1,254	1,356
Unrealized gains on foreign currency	(64)	(26)
Noncash lease expense	1,015	1,053
Changes in operating assets and liabilities:		
Accounts receivable	53	902
Related party receivables and payables, net	2,200	(78)
Prepaid expenses	1,041	1,309
Other current assets and other assets	525	666
Deferred contract acquisition costs	32,919	19,942
Trade and other payables	3,167	2,408
Accrued expenses	(29,317)	(7,618)
Deferred revenue	(86,852)	(35,097)
Operating lease liabilities	(710)	(731)
Other current and long-term liabilities	921	(1,648)
Net cash (used in) provided by operating activities	(22,306)	32,846
Cash flows from investing activities:		
Purchases of property and equipment	(29)	(46)
Capitalized software development costs	(719)	(913)
Net cash used in investing activities	(748)	(959)
Cash flows from financing activities:		
Proceeds from issuance of common stock	213	332
Repurchases of stock	(10,803)	—
Restricted stock units withheld to pay taxes	(1,172)	(1,106)
Dividends paid	(724)	—
Distributions to noncontrolling interests	(10,237)	(2,652)
Net cash used in financing activities	(22,723)	(3,426)
Effect of exchange rate changes on cash	(55)	(14)
Net increase in cash, cash equivalents and restricted cash	(45,832)	28,447
Cash, cash equivalents and restricted cash — beginning of period	155,174	158,575
Cash, cash equivalents and restricted cash — end of period	$ 109,342	$ 187,022

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

1. Organization

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.

We operate multiple subsidiaries in the United States from our headquarters in Baltimore, Maryland.

On July 21, 2021, MarketWise, Inc. became a publicly traded company as a result of completing the business combination, recapitalization and other transactions with Ascendant Digital Acquisition Corp. ("ADAC" or "Sponsor"), a special purpose acquisition company, MarketWise, LLC, all of the members of MarketWise, LLC (the "MarketWise Members"), and Shareholder Representative Services LLC (collectively, the "Transactions").

2. Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying condensed consolidated financial statements ("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 financial statements. As of June 30, 2024, MarketWise, Inc. had a 12.1% ownership interest in MarketWise, LLC.

The Company determined that MarketWise, LLC is the primary beneficiary of a VIE, and therefore, the assets, liabilities, and results of operations of that VIE are included in the Company's financial statements.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany balances and transactions have been eliminated in consolidation.

Unaudited Interim Financial Information

The accompanying unaudited 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 financial statements may not include all of the information and notes required by GAAP for audited financial statements. The year-end December 31, 2023 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 financial statements contain all adjustments, consisting of items of a normal and recurring nature, necessary to present fairly our financial position as of June 30, 2024, the results of operations, comprehensive income, stockholders' deficit, and cash flows for the three and six months ended June 30, 2024 and 2023. The results of operations for the three and six months ended June 30, 2024 and 2023 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, 2023 filed with the Securities and Exchange Commission ("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 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 of 1933, as amended (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 Securities Exchange Act of 1934, as amended) 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 and six months ended June 30, 2024 and 2023 was attributable to consolidated MarketWise, Inc. and its respective noncontrolling interests.

As of June 30, 2024, MarketWise, Inc.’s controlling interest in MarketWise, LLC was 12.1% and the noncontrolling interest was 87.9%. For the three months ended June 30, 2024, net income attributable to controlling interests included a $779 tax provision, and for the six months ended June 30, 2024, net income attributable to controlling interests included a $1,514 tax provision, both of which were solely attributable to the controlling interest.

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

As of June 30, 2023, MarketWise, Inc.'s controlling interest in MarketWise, LLC was 10.0% and the noncontrolling interest was 90.0%. For the three months ended June 30, 2023, net income attributable to controlling interests included a $427 tax provision, and for the six months ended June 30, 2023, net income attributable to controlling interests included a $1,355 tax provision, both of which were 100% attributable to the controlling interest.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, *Improvements to Reportable Segment Disclosures,* ("ASU 2023-07") which is aimed at improving reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 also requires additional interim disclosures. ASU 2023-07 is effective for the Company for the annual period beginning January 1, 2024, and interim periods beginning on January 1, 2025. Early adoption is permitted. The enhanced segment disclosure requirements apply retrospectively to all prior periods presented in the financial statements, and prior period disclosures shall be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

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 June 30, 2024				
	Subscriptions	Advertising	Revenue Share (Related Party)	Revenue Share (Third-party)	Total
Timing of transfer:					
Transferred over time	$ 103,777	$ —	$ —	$ —	$ 103,777
Transferred at a point in time	—	358	872	39	1,269
Total	$ 103,777	$ 358	$ 872	$ 39	$ 105,046

	Three Months Ended June 30, 2023				
	Subscriptions	Advertising	Revenue Share (Related Party)	Revenue Share (Third-party)	Total
Timing of transfer:					
Transferred over time	$ 103,148	$ —	$ —	$ —	$ 103,148
Transferred at a point in time	—	169	281	46	496
Total	$ 103,148	$ 169	$ 281	$ 46	$ 103,644

	Six Months Ended June 30, 2024				
	Subscriptions	Advertising	Revenue Share (Related Party)	Revenue Share (Third-party)	Total
Timing of transfer:					
Transferred over time	$ 212,052	$ —	$ —	$ —	$ 212,052
Transferred at a point in time	—	677	1,251	57	1,985
Total	$ 212,052	$ 677	$ 1,251	$ 57	$ 214,037

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

	Six Months Ended June 30, 2023				
	Subscriptions	Advertising	Revenue Share (Related Party)	Revenue Share (Third-party)	Total
Timing of transfer:					
Transferred over time	$ 228,560	$ —	$ —	$ —	$ 228,560
Transferred at a point in time	—	316	899	102	1,317
Total	$ 228,560	$ 316	$ 899	$ 102	$ 229,877

Revenue recognition by subscription type was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Membership subscriptions	$ 48,602	$ 41,409	$ 98,228	$ 89,811
Term subscriptions	55,175	61,739	113,824	138,749
Non-subscription revenue	1,269	496	1,985	1,317
Total	$ 105,046	$ 103,644	$ 214,037	$ 229,877

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 from revenue share arrangements and the sale of print products and events, such as webinars and conferences.

Net revenue by principal geographic areas was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
United States	$ 105,046	$ 103,644	$ 214,037	$ 229,786
International	—	—	—	91
Total	$ 105,046	$ 103,644	$ 214,037	$ 229,877

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

Contract Balances

The timing of revenue recognition, Billings (which represents amounts invoiced to customers), 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	
	June 30, 2024	December 31, 2023
Contract balances		
Accounts receivable	$ 4,475	$ 4,528
Obligations for refunds	$ 3,198	$ 3,157
Deferred revenue – current	$ 249,101	$ 284,594
Deferred revenue – non-current	$ 257,275	$ 304,342

We recognized $79,088 and $82,614 of revenue during the three months ended June 30, 2024 and 2023, respectively, and $171,649 and $186,649 during the six months ended June 30, 2024 and 2023, 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 $4,475 and $4,528 as of June 30, 2024 and December 31, 2023, respectively, related to the timing of cash settlement with our credit card processors.

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

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, 2024	$	164,900
Royalties and sales commissions – additions		8,076
Revenue share and cost per acquisition fees – additions		14,160
Amortization of capitalized costs		(55,155)
Balance at June 30, 2024	$	131,981

We did not recognize any impairment on capitalized costs associated with contracts with customers for the three and six months ended June 30, 2024 and 2023.

Remaining Performance Obligations

As of June 30, 2024, the Company had $509,574 of remaining performance obligations presented as deferred revenue in the condensed consolidated balance sheets. We expect to recognize approximately 50% of that amount as revenues over the next twelve months, with the remainder recognized thereafter.

4. Legacy Reorganization

On February 8, 2024, the Company reported that its Board of Directors had committed to a strategic realignment and reorganization (the "Reorganization") whereby the Company will wind-down the operations of its Legacy Research Group business ("Legacy Research") in response to misconduct discovered at Legacy Research where certain managers violated the Company's policies.

Following the commitment to the Reorganization, Legacy Research began to significantly curtail business activities including any marketing efforts to acquire new subscribers, but continued to serve existing subscribers and fulfill existing subscriptions during the first half of 2024. At the time of the announcement, there were 104 employees at Legacy Research, which represented approximately 18% of the Company's total employees. As of June 30, 2024, actions with respect to the employees were completed, and 48 employees were either terminated or resigned, and separation costs incurred in the three and six months ended June 30, 2024 totaled approximately $773 and $964, respectively, within general and administrative expenses. As of June 30, 2024, the Company was still evaluating a range of potential actions related to the Reorganization, including the transfer of certain Legacy Research assets to other businesses within MarketWise, and had not approved any such plans.

Legacy Research has leased office space and the current lease end date for this property is December 2028. As of June 30, 2024, the operating lease right-of-use asset and related leasehold improvements totaled approximately $2.8 million. The Company has ceased using this property in its operations and is evaluating various alternatives with respect to this property as of June 30, 2024.

During second quarter 2024, we began the process of offering certain Legacy Research subscribers similar products published by other MarketWise brands, consistent with past Company practice when we cease a publication.

In August 2024, we expect to substantially complete our Reorganization and operational transition plans with respect to substantially all of the Legacy Research brands, which resulted in the transfer of the related assets to other businesses within MarketWise for fair consideration. The administrative transfer process is expected to be complete during the third quarter 2024. For the remaining Legacy Research assets that we do not intend to transfer to other businesses within MarketWise, we continue to evaluate a range of potential actions.

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

5. Acquisitions

MMP Acquisition

On January 1, 2024, we acquired 100% ownership of certain assets and liabilities from Money Map Press, LLC (“MMP Acquisition”), a provider of financial newsletters, which is a related party. The Company will pay contingent consideration based on the level of subscription sales it achieves from certain customers beginning from the sale date through January 1, 2026, as defined in the sale agreement. The fair value of the contingent consideration was estimated to be $707. The contingent consideration will be remeasured at the end of each reporting period. The MMP Acquisition was accounted for using the acquisition method of accounting for business combinations. The purchase price allocation is preliminary pending completion of valuations of certain acquired assets and liabilities. The following table summarizes the fair value of assets acquired and liabilities assumed as of the acquisition date:

Goodwill	$ 2,522
Tradenames	283
Customer relationships	2,235
Total assets acquired	5,040
Deferred revenue, current	(3,166)
Deferred revenue, noncurrent	(1,167)
Liabilities assumed	(4,333)
Net assets acquired	$ 707

The excess purchase consideration over the fair values of assets acquired and liabilities assumed was recorded as goodwill. The acquired intangible assets related to the MMP Acquisition are amortized over their estimated useful lives. Accordingly, the tradenames are amortized over 8.7 years and customer relationships are amortized over 6.2 years. Amortization for the acquired intangible assets was $98 and $195 for the three and six months ended June 30, 2024, respectively.

6. Goodwill and Intangible Assets, Net

Goodwill

The carrying amounts of goodwill are as follows:

Balance at December 31, 2023	$ 31,038
MMP Acquisition	2,522
Balance at June 30, 2024	$ 33,560

(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:

	June 30, 2024			
	Cost	Accumulated Amortization	Net Book Value	Weighted-Average Remaining Useful Life (in years)
Finite-lived intangible assets:				
Customer relationships	$ 14,679	$ (10,906)	$ 3,773	4.3
Tradenames	3,871	(2,781)	1,090	4.7
Capitalized software development costs	5,487	(3,136)	2,351	4.1
Finite-lived intangible assets, net	24,037	(16,823)	7,214	
Indefinite-lived intangible assets:				
Internet domain names	1,087	—	1,087	
Indefinite-lived intangible assets, net	1,087	—	1,087	
Intangible assets, net	$ 25,124	$ (16,823)	$ 8,301	

	December 31, 2023			
	Cost	Accumulated Amortization	Net Book Value	Weighted-Average Remaining Useful Life (in years)
Finite-lived intangible assets:				
Customer relationships	$ 12,443	$ (10,371)	$ 2,072	3.0
Tradenames	3,588	(2,611)	977	3.9
Capitalized software development costs	4,714	(2,595)	2,119	3.7
Finite-lived intangible assets, net	20,745	(15,577)	5,168	
Indefinite-lived intangible assets:				
Internet domain names	1,087	—	1,087	
Indefinite-lived intangible assets, net	1,087	—	1,087	
Intangible assets, net	$ 21,832	$ (15,577)	$ 6,255	

We recorded amortization expense related to finite-lived intangible assets of $612 and $925 for the three months ended June 30, 2024 and 2023, respectively, and $1,246 and $1,839 for the six months ended June 30, 2024 and 2023, respectively, within depreciation and amortization in the accompanying condensed consolidated statement of operations. These amounts include amortization of capitalized software development costs of $278 and $146 for the three months ended June 30, 2024 and 2023, respectively, and $542 and $289 for the six months ended June 30, 2024 and 2023, respectively.

We recorded additions to capitalized software development costs of $477 and 590 for the three months ended June 30, 2024 and 2023, respectively, and $774 and $972 for the six months ended June 30, 2024 and 2023, respectively.

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

As of June 30, 2024, the total expected future amortization expense for finite-lived intangible assets is as follows:

Remainder of 2024	$ 1,946
2025	2,008
2026	1,589
2027	580
2028	485
Thereafter	606
Finite-lived intangible assets, net	$ 7,214

7. 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:

	June 30, 2024			
	Level 1	Level 2	Level 3	Aggregate Fair Value
Assets:				
Money market funds	$ 87,728	$ —	$ —	$ 87,728
Contingent consideration receivable	—	—	269	$ 269
Total assets	87,728	—	269	87,997
Liabilities:				
Profits interests, noncurrent	—	—	2,269	2,269
Contingent consideration liability	—	—	487	487
Total liabilities	$ —	$ —	$ 2,756	$ 2,756

	December 31, 2023			
	Level 1	Level 2	Level 3	Aggregate Fair Value
Assets:				
Money market funds	$ 121,345	$ —	$ —	$ 121,345
Contingent consideration receivable	—	—	1,253	1,253
Total assets	121,345	—	1,253	122,598
Liabilities:				
Profits interests, noncurrent	—	—	746	746
Total liabilities	$ —	$ —	$ 746	$ 746

The level 3 assets relate to contingent consideration receivable from a related party associated with the Buttonwood Publishing sale, see *Note 4 - Acquisitions and Disposals* in our Annual Report on Form 10-K for the year ended December 31, 2023, and the level 3 liabilities relate to contingent consideration liability to a related party associated with the MMP Acquisition and profits interests, see *Note 5 - Acquisitions* and *Note 9 – Stock-Based Compensation*, respectively.

The following table summarizes the changes in fair value of the recurring Level 3 fair value measurements during the six months ended June 30, 2023:

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

		Level 3 Fair Value Measurements			
	Income Statement Line Item That Includes The Gains And Losses	Contingent consideration receivable	Profits interests, noncurrent	Contingent consideration liability	Total
Balance at December 31, 2023		$ 1,253	$ 746	$ —	
Issues		—	—	707	
Total gains (losses) recorded in earnings	Other (expense) income, net	(984)	—	—	(984)
Total (gains) losses recorded in earnings	Other (expense) income, net	—	—	(220)	(220)
Total (gains) losses recorded in earnings	General and administrative expense	$ —	$ 1,523	$ —	$ 1,523
Balance at June 30, 2024		$ 269	$ 2,269	$ 487	

The following table provides quantitative information regarding the recurring Level 3 fair value measurements inputs for the contingent consideration receivable, profits interests, and contingent consideration liability at their measurement dates:

	As of June 30, 2024
Contingent consideration receivable	
Discount rate	27.5 %
Revenue discount rate	5.6 %
Profits interests	
Discount rate	25.0 %
Discount for lack of marketability	29.2 %
Contingent consideration liability	
Discount Rate	27.5 %

The Company held no derivative liabilities as during the six months ended June 30, 2024. The following table summarizes the change in fair value of the derivative liabilities during the six months ended June 30, 2023:

Balance at January 1, 2023	$ 1,281
Change in fair value of derivative instruments	701
Balance at June 30, 2023	$ 1,982

8. Balance Sheet Components

Capitalized Implementation Costs

We capitalized cloud computing implementation costs for customer-relationship management, revenue management, and enterprise resource planning systems of $56 and $66 for the three months ended June 30, 2024 and 2023, respectively, and $56 and $71 for the six months ended June 30, 2024 and 2023, 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 $240 and

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

$229, for the three months ended June 30, 2024 and 2023, respectively, and $478 and $451 for the six months ended June 30, 2024 and 2023, respectively.

Property and Equipment, Net

Property and equipment, net consists of the following:

	Estimated Useful Lives	As of June 30, 2024	As of December 31, 2023
Furniture and fixtures	5 years	$ 960	$ 960
Computers, software and equipment	3 years	1,549	1,520
Leasehold improvements	Shorter of estimated useful life or remaining term of lease	1,271	1,271
		3,780	3,751
Less: Accumulated depreciation and amortization		(3,177)	(3,061)
Total property and equipment, net		$ 603	$ 690

Depreciation and amortization expense for property and equipment was $56 and $69 for the three months ended June 30, 2024 and 2023, respectively, and $116 and $139 for the six months ended June 30, 2024 and 2023, respectively.

Accrued Expenses

Accrued expenses consist of the following:

	As of June 30, 2024	As of December 31, 2023
Commission and variable compensation	$ 10,625	$ 29,817
Payroll and benefits	4,778	10,941
Other accrued expenses	10,321	14,283
Total accrued expenses	$ 25,724	$ 55,041

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

9. 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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Cost of revenue	$ 543	$ 683	$ 1,142	$ 1,691
Sales and marketing	498	716	1,119	1,808
General and administrative	616	2,279	3,203	3,882
Total stock based-compensation expense	$ 1,657	$ 3,678	$ 5,464	$ 7,381

Total stock-based compensation expense for the three and six months ended June 30, 2024 and 2023 includes expenses related to our MarketWise, Inc. 2021 Incentive Award Plan (the "2021 Incentive Award Plan") our 2021 Employee Stock Purchase Plan ("ESPP"), and profits interests as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
2021 Incentive Award Plan	$ 1,687	$ 3,587	$ 3,773	$ 7,190
Employee Stock Purchase Plan	79	91	168	191
Profits interests	(109)	—	1,523	—
Total stock-based compensation expense	$ 1,657	$ 3,678	$ 5,464	$ 7,381

2021 Incentive Award Plan

During the six months ended June 30, 2024, we granted 1,341,395 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 a corresponding number of 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 of a SAR will have a total market value equal to the SAR value calculated as (x) number of shares underlying such 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, including granted, exercised and forfeited, from January 1, 2024 to June 30, 2024, are summarized as follows:

(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, 2024	7,740,261	$	2.57	1,586,184	$	4.05
Granted	1,341,395		1.74	—		—
Exercised or vested	(2,057,390)		1.86	—		—
Forfeited	(693,251)		2.86	(201,275)		4.05
Outstanding at June 30, 2024	6,331,015	$	2.60	1,384,909	$	4.05
Exercisable at June 30, 2024	—	$	—	738,787	$	4.05

The stock compensation expense related to the RSU and SAR grants was $1,687 and $2,443 for the three months ended June 30, 2024 and 2023, respectively, and $3,773 and $6,046 for the six months ended June 30, 2024 and 2023, respectively. As of June 30, 2024, 738,787 of the SARs were exercisable and they have a remaining contractual term of 6.6 years.

In connection with the Company's new compensation structure effective on July 1, 2024, we granted approximately 18.1 million RSUs to employees on that date, which vest ratably over 4 years.

Employee Stock Purchase Plan

The Company recognized $79 and $91 of stock-based compensation expense related to the ESPP during the three months ended June 30, 2024 and 2023, respectively, and $168 and $191 for the six months ended June 30, 2024 and 2023, respectively. The Company issued 216,517 shares of Class A common stock for $213 related to employee purchases under the ESPP during the six months ended June 30, 2024.

Profits Interests

The stock-based compensation (income) expense related to the profits interests, which are liability classified, was $(109) and $0 for the three months ended June 30, 2024 and 2023, respectively, and $1,523 and $0 for the six months ended June 30, 2024 and 2023, respectively.

10. Earnings Per Share

The following tables set forth the computation of basic and diluted earnings per share for the three and six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Basic earnings per share:				
Numerator:				
Net income	$ 21,240	$ 9,743	$ 43,952	$ 40,348
Less: Net income attributable to noncontrolling interests	19,696	9,707	40,751	38,845
Net income attributable to Class A common stockholders	$ 1,544	$ 36	$ 3,201	$ 1,503
Denominator:				
Weighted average shares outstanding (in thousands)	38,204	30,526	37,465	29,853
Basic earnings per share	$ 0.04	$ —	$ 0.09	$ 0.05
Diluted earnings per share:				
Numerator:				
Net income	$ 21,240	$ 9,743	$ 43,952	$ 40,348
Less: Net income attributable to noncontrolling interests	19,696	9,707	40,751	38,845
Net income attributable to Class A common stockholders	$ 1,544	$ 36	$ 3,201	$ 1,503
Denominator:				
Weighted average shares outstanding (in thousands)	38,833	31,837	39,123	31,162
Diluted earnings per share	$ 0.04	$ —	$ 0.08	$ 0.05

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

- Sponsor and MarketWise Management Member Earnout Shares: the 3,051,000 Sponsor Earnout Shares and the 2,000,000 MarketWise Management Member Earnout 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. The diluted earnings per share calculation includes the impact of unvested RSUs, where the impact is dilutive, unless the Company has a net loss.
- Stock appreciation rights: The diluted earnings per share calculation excludes the impact of SARs since the effect was antidilutive.
- ESPP: The diluted earnings per share calculation includes the impact of dilutive shares and excludes the impact of antidilutive shares under the ESPP as of June 30, 2024 and 2023.

11. 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.

Our effective income tax rate was 3.6% and 3.3% for the three and six months ended June 30, 2024, respectively, and 4.2% and 3.3% for the three and six months ended June 30, 2023, respectively. The main driver of the effective income tax rate for the three and six months ended June 30, 2023 was the income allocation to the non-controlling interest. The main driver of the increase in the effective tax rate from the three months ended June 30, 2023 is the change in the income allocation to the non-controlling interest. Our effective tax rate for the three and six months ended June 30, 2024 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 $29,869 for certain deferred tax assets that are not more likely than not to be realized.

As part of the reverse capitalization in 2021, we entered into a Tax Receivable Agreement ("TRA") with certain stockholders. Pursuant to our election under Section 754 of the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder, we expect to receive a step up in the tax basis of our ownership in MarketWise, LLC as exchanges of the LLC Units (as defined herein) occur. These increases in tax basis may reduce the amount we may otherwise pay to various tax authorities in the future. The TRA liability represents approximately 85% of the calculated tax savings based on basis adjustments and other carryforward attributes assumed that we anticipate being able to utilize in future years. We will retain the remaining 15% of calculated tax savings. The payments contemplated by the TRA are not conditioned upon any continued ownership interest in MarketWise, LLC. The timing and amount of aggregate payments due pursuant to the TRA may vary based on several factors including the timing and amount of future taxable income, as well as future applicable tax rates. As such, significant inputs and assumptions are used to estimate the future expected payments under the TRA. During the three and six months ended June 30, 2024, Members of MarketWise, LLC exchanged an aggregate of 500,000 and common units of MarketWise, LLC ("LLC Units") together with an equal number of shares of Class B common stock for 500,000 and newly-issued shares of Class A common stock, respectively. In addition, MarketWise LLC purchased 7,202,156 LLC Units and canceled an equal number of shares of Class B common stock. As a result, we have recorded a liability of $2,946 under the TRA as of June 30, 2024. No payments have been made under the TRA and no payments are expected in the next 12 months.

As of June 30, 2024, we had no unrecognized tax positions and we do not expect changes to uncertain tax positions within the next 12 months.

12. Related Party Transactions

We have certain revenue share agreements with related parties. Accordingly, we recognized revenue from related parties of $872 and $281 for the three months ended June 30, 2024 and 2023, respectively, and $1,251 and $899 for the six months ended June 30, 2024 and 2023, respectively.

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

We incurred costs related to revenue share agreements with related parties which are capitalized within deferred contract acquisition costs. We capitalized $745 and $935 for the three months ended June 30, 2024 and 2023, respectively, and $2,051 and $2,087 for the six months ended June 30, 2024 and 2023, respectively.

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 $86 and $217 for the three months ended June 30, 2024 and 2023, respectively, and $220 and $353 for the six months ended June 30, 2024 and 2023, respectively.

A related party provided marketing and copywriting services to the Company for which we recorded an expense within cost of revenue of $0 and $332 for the three months ended June 30, 2024 and 2023, respectively, $0 and $585 for the six months ended June 30, 2024 and 2023, respectively.

A related party also provided certain corporate functions to the Company and the costs of these services are charged to us. We recorded $16 and $27 for the three months ended June 30, 2024 and 2023, respectively, and $39 and $54 for the six months ended June 30, 2024 and 2023, respectively, within related party expense in the accompanying condensed consolidated statement of operations. We held balances of $487 and $1,220 as of June 30, 2024 and December 31, 2023, respectively, of related party payables related to revenue share expenses, call center support, and the services noted above. The balances with this related party are presented net and are included in related party payables 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 $107 and $205 in other income, net for the three months ended June 30, 2024 and 2023, respectively, and $262 and $507 for the six months ended June 30, 2024 and 2023, respectively. Related party receivables related to these services were $262 and $239 as of June 30, 2024 and December 31, 2023, respectively.

We lease offices from related parties. Lease payments made to related parties were $435 and $435 for the three months ended June 30, 2024 and 2023, respectively, and $870 and $868 for the six months ended June 30, 2024 and 2023, respectively. Related party rent expense was $603 and $595 for the three months ended June 30, 2024 and 2023, respectively, and $1,206 and $1,200 for the six months ended June 30, 2024 and 2023, respectively, and was recognized in general and administrative expenses. At June 30, 2024 and December 31, 2023, ROU assets of $6,277 and $7,261 and lease liabilities of $5,061 and $5,740, respectively, are associated with leases with related parties.

13. Supplemental Cash Flow Information

Supplemental cash flow disclosures are as follows:

	Six Months Ended June 30,	
	2024	2023
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 462	$ 479
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	(930)	(994)
Operating lease right-of-use assets obtained in exchange for lease obligations	—	(76)
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Capitalized software included in accounts payable	55	59
Fair value of contingent consideration liability related to MMP Acquisition	707	—

14. Stockholders' Equity

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

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 June 30, 2024. The 3,051,000 Sponsor Earnout Shares held in escrow and the 2,000,000 Management Member Earnout 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	38,599,509	38,599,509
Common stock – Class B	300,000,000	280,390,147	280,390,147
Preferred stock	100,000,000	—	—
Total	1,350,000,000	318,989,656	318,989,656

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 dividends. 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 members of MarketWise, LLC, their respective successors and permitted transferees. Under the terms of the Third Amended and Restated Limited Liability Company Operating Agreement of MarketWise, LLC (the “MarketWise Operating Agreement”), and subject to certain restrictions set forth therein, the MarketWise Members are entitled to have their LLC Units redeemed or exchanged for shares of our Class A common stock, at our option. If redeemed for cash at the Company’s option, such cash would have to be generated through an offering of shares to the market such that there would not be any situation where there would be a net cash obligation to the Company for such redemption. Shares of our Class B common stock held by any such redeeming or exchanging MarketWise Member will be canceled for no additional consideration on a one-for-one basis with the redeemed or exchanged LLC Units whenever the MarketWise Members’ LLC Units are so redeemed or exchanged. The MarketWise Members may exercise such redemption rights for as long as their LLC Units remain outstanding. Our Board 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.

In April 2024, we purchased 7.2 million LLC Units for $10.8 million and canceled the same amount of Class B shares. In July 2024, we canceled an additional 8.4 million LLC Units and Class B shares.

In 2023, we commenced paying quarterly dividends on shares of our Class A common stock and distributions on our LLC Units. There can be no assurance that we will continue to pay dividends in the future. The payment of any future dividends and distributions will be at the discretion of our Board of Directors and will depend on our results of operations, capital requirements, financial condition, prospects, contractual arrangements, any limitations on payment of dividends present in any debt agreements, and other factors that our Board of Directors may deem relevant.

The dividends and distributions declared during the six months ended June 30, 2024 were as follows:

		Dividends		Distributions	
Date declared	Date paid	per share	Total	per unit	Total
March 5, 2024	April 25, 2024	$ 0.01	$ 493	$ 0.01	$ 2,878
May 3, 2024	June 25, 2024	$ 0.01	$ 497	$ 0.01	$ 2,804

15. Subsequent Events

Subsequent events have been evaluated through August 14, 2024, which is the date that the financial statements were issued.

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 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, 2023 (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 and Chaikin Analytics. 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.

Second Quarter 2024 Highlights

In first quarter 2024 the Company reported that its Board of Directors had committed to a strategic realignment and reorganization (the "Reorganization") whereby we will wind-down the operations of our Legacy Research Group business ("Legacy Research") in response to misconduct discovered at Legacy Research where certain managers violated the Company's policies. During second quarter 2024 we substantially finalized actions with respect to the former Legacy employees and began transitioning customers to other brands within MarketWise. In August 2024, we expect to substantially complete certain of our Reorganization plans. For more information on the Legacy Reorganization, see "— Legacy Reorganization."

The following table presents net cash provided by operating activities, and the related margin as a percentage of net revenue, and Adjusted CFFO, a non-GAAP measure, and the related margin as a percentage of Billings, for each of the periods presented. For more information on Adjusted CFFO and Adjusted CFFO Margin, see "— Non-GAAP Financial Measures."

(In thousands)	Three Months Ended June 30,		
	2024	2023	*% Change*
Net cash (used in) provided by operating activities	$ (3,795)	28,978	*(113.1)%*
Total net revenue	105,046	103,644	*1.4 %*
Net cash (used in) provided by operating activities margin	(3.6) %	28.0 %	
Adjusted CFFO	$ (3,795)	$ 28,978	*(113.1)%*
Billings	57,577	96,170	*(40.1)%*
Adjusted CFFO Margin	(6.6 %)	30.1 %	

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 defined below) as of December 31, 2023 generated average customer lifetime Billings of approximately $1,494, resulting in a LTV/CAC (as defined below) ratio of approximately 2.3x. On average, it takes us approximately 1.1 to 1.6 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.

As of June 30, 2024, our Paid Subscriber base was 645 thousand, down 105 thousand, or 14.0% as compared to 750 thousand at June 30, 2023. Our Paid Subscriber 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.

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 June 30, 2024 was $456, which decreased

6.8% from $490 as of June 30, 2023. 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 June 30, 2024, our high-value composition rate and ultra high-value composition rate were 50% and 43%, 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: The Company has historically defined free-to-paid conversion rate as the number of Free Subscribers (as defined below) who purchased a subscription during the period divided by the average number of Free Subscribers during the period. In addition, the Company has historically defined active free-to-paid conversion rate as the number of Active Free Subscribers (as defined below) who purchased a subscription during the period divided by the average number of Active Free Subscribers during the period. There have been no changes to the calculation of free-to-paid or active free-to-paid conversion rates. However, the Company has revised the definition of free-to-paid and active free-to-paid conversion rates to provide clarity in how they are calculated.

We calculate our free-to-paid conversion rate as the sum of (i) the number of Free Subscribers who purchased their first subscription during the period and (ii) the number of Free Subscribers who purchased their first subscription during the period after six months of not having an active paid subscription across all of MarketWise *divided by* the average number of Free Subscribers during the period. We calculate our active free-to-paid conversion rate as the sum of (i) the number of Active Free Subscribers who purchased their first subscription during the period and (ii) the number of Active Free Subscribers who purchased their first subscription during the period after six months of not having an active paid subscription across all of MarketWise *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 sum of (i) the number of Free Subscribers who purchased their first subscription during the trailing three-year period and (ii) the number of Free Subscribers who purchased their first subscription during the trailing three-year period after six months of not having an active paid subscription across all of MarketWise *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 sum of (i) the number of Active Free Subscribers who purchased their first subscription during the trailing three-year period and (ii) the number of Active Free Subscribers who purchased their first subscription during the trailing three-year period after six months of not having an active paid subscription across all of MarketWise *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 June 30,			As of and for the Six Months Ended June 30,			As of and for the Three Months Ended March 31,	
	2024	2023	% change	2024	2023	% change	2024	% change
Free Subscribers	15,240,613	15,948,652	(4.4)%	15,240,613	15,948,652	(4.4)%	16,655,670	(8.5)%
Active Free Subscribers	4,782,307	3,917,739	22.1 %	4,782,307	3,917,739	22.1%	3,784,280	26.4 %
Paid Subscribers	645,259	750,287	(14.0)%	645,259	750,287	(14.0)%	683,436	(5.6)%
ARPU	$ 456	$ 490	(6.8)%	$ 456	$ 490	(6.8)%	$ 492	(7.3)%
New Marketing Billings (in thousands)	$ 38,676	$ 70,062	(44.8)%	$ 93,464	$ 136,808	(31.7)%	$ 54,788	(29.4)%
Net Renewal Billings (in thousands)	$ 17,120	$ 25,311	(32.4)%	$ 38,558	$ 54,412	(29.1)%	$ 21,439	(20.1)%
Other Billings (in thousands)	$ 1,781	$ 797	123.5 %	$ 2,777	$ 2,121	30.9%	$ 995	79.0 %
Total Billings (in thousands)	$ 57,577	$ 96,170	(40.1)%	$ 134,799	$ 193,341	(30.3)%	$ 77,222	(25.4)%

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 experience 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.

We have determined that Free Subscribers provide less meaningful insight into the current or future state of our business as many of these Subscribers have limited engagement with our content. As discussed above, our Active Free Subscribers, with whom we've engaged during the most recent quarter, are most likely to continue to consume content and convert to a Paid Subscriber. We will continue to report Free and Active Free Subscribers throughout 2024. Beginning with first quarter 2025, we will discontinue reporting Free Subscribers and only report Active Free Subscribers.

Free Subscribers decreased by 0.7 million, or 4.4%, to 15.2 million as of June 30, 2024 as compared to 15.9 million at June 30, 2023. As of June 30, 2024, Active Free Subscribers increased by 0.9 million, or 22.1%, to 4.8 million, compared to 3.9 million as of June 30, 2023. The year over year decline in Free Subscribers is a result of more aggressive culling of the most passive Free Subscribers in the quarter as we move towards implementation of the change described above. The year over year increase in Active Free Subscribers is a result of reaching out to previously passive Legacy Research Free Subscribers to notify them that their subscriptions would transfer over to like subscriptions in other brands within MarketWise.

Free Subscribers decreased by 1.4 million, or 8.5% to 15.2 million as of June 30, 2024 as compared to 16.7 million as of March 31, 2024. As of June 30, 2024, Active Free Subscribers increased by 998 thousand, or 26.4% to 4.8 million, compared to 3.8 million as of March 31, 2024, again as a result of reaching out to previously passive Legacy Research Free Subscribers in the quarter to notify them that their subscriptions were transferred over to like subscriptions in other brands within MarketWise.

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 acquisitions. We grow our Paid Subscriber base through marketing directly to prospective and existing subscribers across a variety of media, channels, and platforms.

Total Paid Subscribers decreased by 105 thousand, or 14.0%, to 645 thousand as of June 30, 2024 as compared to 750 thousand at June 30, 2023, driven by continued soft consumer engagement as well as elevated churn due to expiring subscriptions in our Legacy Research Group which likely came as a result of the wind down of this business which began in February 2024.

Total Paid Subscribers decreased by 38 thousand, or 5.6%, to 645 thousand as of June 30, 2024 as compared to 683 thousand as of March 31, 2024. Gross new subscribers were down 20 thousand or 44% compared to first quarter 2024 as a result of decreased marketing spend as marketing to former Legacy Research Group subscribers was curtailed in the quarter. Churn levels within the quarter were in line with the historical average.

Subscriber count churn has ranged from approximately 2.3% to 2.7% per month between 2021 and 2023. As of June 30, 2024, the average monthly churn over the trailing twelve months was in the middle of this range. Almost all of the subscribers who churned in second quarter 2024 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 70% from 2021 to 2023, 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 $33, or 6.8%, to $456 as of June 30, 2024 as compared to $490 as of June 30, 2023. The year-over-year decrease was driven by a 19% decrease in trailing four quarter Billings, while trailing four quarter Paid Subscribers only decreased by 13%. The decrease in trailing four quarter Billings was largely driven by cessation of selling to our Legacy Research subscribers as further discussed in *Billings* below.

ARPU decreased by $36, or 7.3%, to $456 as of June 30, 2024 as compared to $492 as of March 31, 2024. The sequential decrease was driven by a 11% 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, 1.5 years, and 0.9 years for the years ended December 31, 2023, 2022 and 2021, respectively. Our payback period remains elevated primarily due to a combination of increased customer acquisition costs and the hesitancy of these subscribers to make additional purchases. The payback period was lower in 2021 with conversion rates still relatively high and, to a far lesser degree, lower costs for media spend as demand was somewhat constrained as the pandemic lingered.

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.

We break down our Billings into three sub-categories: New Marketing Billings, Net Renewal Billings, and Other Billings.

New Marketing Billings are Billings from all new subscription sales. New Marketing Billings decreased by $31.4 million, or 44.8%, to $38.7 million for second quarter 2024 as compared to $70.1 million for second quarter 2023. The decrease was primarily driven by ceasing new sales campaigns within our Legacy Research Group brands, which began winding down operations in mid-February 2024.

New Marketing Billings decreased by $16.1 million, or 29.4% to $38.7 million for second quarter 2024 as compared to $54.8 million in first quarter 2024. The decrease was primarily driven by ceasing new sales campaigns within our Legacy Research Group brands, which began winding down operations in mid-February 2024.

Net Renewal Billings are Billings from renewals and maintenance fee payments. Net Renewal Billings decreased by $8.2 million, or 32.4%, to $17.1 million for second quarter 2024 as compared to $25.3 million for second quarter 2023. This is primarily a function of a significant decrease (approximately 106 thousand) in average Paid Subscribers for the trailing twelve months ended June 30, 2024 versus the trailing twelve months ended June 30, 2023.

Net Renewal Billings decreased by $4.3 million, or 20.1%, to $17.1 million for second quarter 2024 as compared to $21.4 million for first quarter 2024. This decrease was a function of declining subscribers overall, with the heaviest decrease coming from our Legacy Research business which began winding down operations in mid-February 2024.

Other Billings are Billings from revenue share, advertising and conferences. Other Billings increased by $1.0 million, or 123.5% to $1.8 million for second quarter 2024 as compared to $0.8 million for second quarter 2023 as a result of increasing revenue share activity with a related party and increased advertising sales.

Other Billings increased by $0.8 million or 79.0% to $1.8 million for second quarter 2024 as compared to $1.0 million for first quarter 2024 as a result of increasing revenue share activity with external parties.

Total Billings decreased by $38.6 million, or 40.1%, to $57.6 million for the second quarter 2024 as compared to $96.2 million for second quarter 2023. While consumer engagement remains soft, we believe the decrease was primarily driven by our Legacy Research Group brands, which began winding down operations in mid-February 2024.

Total Billings decreased by $19.6 million, or 25.4%, to $57.6 million for second quarter 2024 as compared to $77.2 million for first quarter 2024. The decrease was primarily driven by our Legacy Research Group brands, which began winding down operations in mid-February 2024 with some additional decline seen in other brands as the overall subscriber base continues to decline.

Components of Our 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.

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. Stock-based compensation includes amounts related to our 2021 Incentive Award Plan, our ESPP, and profits interests.

Cost of Revenue

Cost of revenue consists primarily of employee compensation costs associated with producing and publishing our 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.

Sales and Marketing

Sales and marketing expenses consist primarily of employee compensation costs, 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.

Research and Development

Research and development expenses consist primarily of employee compensation costs, technical services, software expenses, and hosting expenses associated with maintaining and enhancing the functionality of our platforms, including our software and analytical tools. Research and development expenses are exclusive of depreciation and amortization shown as a separate line item.

General and Administrative

General and administrative expenses consist primarily of employee compensation costs 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.

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.

Related Party Expense

Related party expenses primarily consist of Board of Director compensation, revenue share expenses and expenses for certain corporate functions performed by a related party for certain historic periods.

Other Income (Expense), Net

Other income (expense), net primarily consists of the net gains or losses 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 related to the 2021 Credit Facility.

Net Income Attributable to Noncontrolling Interests

As of June 30, 2024, MarketWise, Inc.'s controlling interest in MarketWise, LLC was 12.1% and the noncontrolling interest was 87.9%. For the three and six months ended June 30, 2024, net income attributable to controlling interests included a $0.8 million tax provision and a $1.5 million tax provision, respectively, both of which were solely attributable to the controlling interest.

As of June 30, 2023, MarketWise, Inc.'s controlling interest in MarketWise, LLC was 10.0% and the noncontrolling interest was 90.0%. For the three and six months ended June 30, 2023, net income attributable to controlling interests included a $0.4 million tax provision and a $1.4 million tax provision, respectively, 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net revenue	$ 104,174	$ 103,363	$ 212,786	$ 228,978
Related party revenue	872	281	1,251	899
Total net revenue	105,046	103,644	214,037	229,877
Operating expenses:				
Cost of revenue[(1)]	13,379	14,635	26,747	29,925
Sales and marketing[(1)]	42,722	49,033	90,019	97,760
General and administrative[(1)]	24,514	27,629	48,316	55,662
Research and development[(1)]	2,171	2,230	4,320	4,693
Depreciation and amortization	669	994	1,362	1,978
Related party expense	257	204	384	332
Total operating expenses	83,712	94,725	171,148	190,350
Income from operations	21,334	8,919	42,889	39,527
Other (expense) income, net	(656)	238	(422)	625
Interest income, net	1,341	1,013	2,999	1,551
Income before income taxes	22,019	10,170	45,466	41,703
Income tax expense	779	427	1,514	1,355
Net income	21,240	9,743	43,952	40,348
Net income attributable to noncontrolling interests	19,696	9,707	40,751	38,845
Net income attributable to MarketWise, Inc.	$ 1,544	$ 36	$ 3,201	$ 1,503

(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 consolidated statements of operations data expressed as a percentage of net revenue for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net revenue	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:				
Cost of revenue(1)	12.7 %	14.1 %	12.5 %	13.0 %
Sales and marketing(1)	40.7 %	47.3 %	42.1 %	42.5 %
General and administrative(1)	23.3 %	26.7 %	22.6 %	24.2 %
Research and development(1)	2.1 %	2.2 %	2.0 %	2.0 %
Depreciation and amortization	0.6 %	1.0 %	0.6 %	0.9 %
Related party expense	0.2 %	0.2 %	0.2 %	0.1 %
Total operating expenses	79.7 %	91.4 %	80.0 %	82.8 %
Income from operations	20.3 %	8.6 %	20.0 %	17.2 %
Other (expense) income, net	(0.6)%	0.2 %	(0.2)%	0.3 %
Interest income, net	1.3 %	1.0 %	1.4 %	0.7 %
Income before income taxes	21.0 %	9.8 %	21.2 %	18.1 %
Income tax expense	0.7 %	0.4 %	0.7 %	0.6 %
Net income	20.2 %	9.4 %	20.5 %	17.6 %
Net income attributable to noncontrolling interests	18.7 %	9.4 %	19.0 %	16.9 %
Net income attributable to MarketWise, Inc.	1.5 %	— %	1.5 %	0.7 %

(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 June 30, 2024 and Three Months Ended June 30, 2023

Net Revenue

(In thousands)	Three Months Ended June 30,			
	2024	2023	$ Change	% Change
Net revenue	$ 105,046	$ 103,644	$ 1,402	1.4 %

The increase in net revenue was primarily driven by a $7.2 million increase in membership subscription revenue, partially offset by a $6.6 million decrease in term subscription revenue.

Membership subscription revenue increased during the three months ended June 30, 2024 primarily driven by the runoff of deferred revenue from previous periods. Term subscription revenue decreased during the three months ended June 30, 2024 primarily due to lower Billings as compared to the 2023 period which was driven by reduced engagement of prospective and existing subscribers in the 2024 period.

Operating Expenses

(In thousands)	Three Months Ended June 30, 2024	2023	$ Change	% Change
Operating expenses:				
Cost of revenue	$ 13,379	$ 14,635	$ (1,256)	(8.6)%
Sales and marketing	42,722	49,033	(6,311)	(12.9)%
General and administrative	24,514	27,629	(3,115)	(11.3)%
Research and development	2,171	2,230	(59)	(2.6)%
Depreciation and amortization	669	994	(325)	(32.7)%
Related party expenses	257	204	53	26.0 %
Total operating expenses	$ 83,712	$ 94,725	$ (11,013)	(11.6)%

Cost of Revenue

Cost of revenue decreased primarily driven by a $1.1 million decrease in salaries, taxes and benefits, and a $1.0 million decrease in credit card fees. This was partially offset by a $0.9 million increase in incentive compensation.

Sales and Marketing

Sales and marketing expense decreased primarily driven by a $4.5 million decrease in marketing expense, as we have reduced our marketing spend as part of our cost reduction initiatives, a $0.9 decrease in salaries, taxes and benefits due to a reduction in workforce, and a $0.7 million decrease in amortization of deferred contract acquisition costs.

General and Administrative

General and administrative expense decreased primarily driven by a $1.7 million decrease in incentive compensation, and a $1.4 million decrease in stock-based compensation expense.

Comparison of Six Months Ended June 30, 2024 and Six Months Ended June 30, 2023

Net Revenue

(In thousands)	Six Months Ended June 30, 2024	2023	$ Change	% Change
Net revenue	$ 214,037	$ 229,877	$ (15,840)	(6.9)%

The decrease in net revenue was primarily driven by a $24.9 million decrease in term subscription revenue, partially offset by a $8.4 million increase in membership subscription revenue and a $0.7 million increase in non-subscription revenue.

Term subscription revenue decreased during the six months ended June 30, 2024 primarily due to lower Billings as compared to the 2023 period which was driven by reduced engagement of prospective and existing subscribers in the 2024 period. Membership subscription revenue increased during the six months ended June 30, 2024 primarily driven by the runoff of deferred revenue from previous periods.

Operating Expenses

(In thousands)	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	$ Change	% Change
Operating expenses:				
Cost of revenue	$ 26,747	$ 29,925	$ (3,178)	(10.6)%
Sales and marketing	90,019	97,760	(7,741)	(7.9)%
General and administrative	48,316	55,662	(7,346)	(13.2)%
Research and development	4,320	4,693	(373)	(7.9)%
Depreciation and amortization	1,362	1,978	(616)	(31.1)%
Related party expenses	384	332	52	15.7 %
Total operating expenses	$ 171,148	$ 190,350	$ (19,202)	(10.1)%

Cost of Revenue

Cost of revenue decreased primarily driven by a $2.1 million decrease in salaries, taxes and benefits, a $1.4 million decrease in credit card fees, a $0.5 million decrease in stock-based compensation expense, and a $0.2 million decrease in outside labor, primarily related to customer service. This was partially offset by a $0.9 million increase in incentive compensation.

Sales and Marketing

Sales and marketing expense decreased primarily driven by a $4.1 million decrease in marketing expense as we have reduced our marketing spend as part of our cost reduction initiatives and due to higher per unit subscriber acquisition costs, a $2.6 million decrease in salaries, taxes and benefits, and a $0.6 million decrease in stock-based compensation expense.

General and Administrative

General and administrative expense decreased primarily driven by a $4.2 million decrease in incentive compensation and profits interest expense, a $2.0 million decrease in stock-based compensation expense, a $1.1 million decrease in salaries, taxes and benefits, and a $0.5 million decrease in insurance expense. This was partially offset by a $1.3 million increase in professional fees.

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. 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 June 30,			Six Months Ended June 30,		
	2024	2023	% change	2024	2023	% change
Adjusted CFFO	$ (3,795)	$ 28,978	*(113.1)%*	$ (22,306)	$ 32,846	*(167.9)%*
Adjusted CFFO Margin	(6.6)%	30.1 %		(16.5)%	17.0 %	

Adjusted CFFO / Adjusted CFFO Margin

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, 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 June 30,			Six Months Ended June 30,		
	2024	2023	% change	2024	2023	% change
Net cash (used in) provided by operating activities	$ (3,795)	$ 28,978	*(113.1)%*	$ (22,306)	$ 32,846	*(167.9)%*
Non-recurring expenses	—	—	*N/M*	—	—	*N/M*
Adjusted CFFO	$ (3,795)	$ 28,978	*(113.1)%*	$ (22,306)	$ 32,846	*(167.9)%*

N/M: Not meaningful

The following table provides the calculation of net cash provided by operating activities 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 June 30,			Six Months Ended June 30,		
	2024	2023	% change	2024	2023	% change
Net cash (used in) provided by operating activities	$ (3,795)	$ 28,978	*(113.1)%*	$ (22,306)	$ 32,846	*(167.9)%*
Total net revenue	105,046	103,644	*1.4%*	214,037	229,877	*(6.9)%*
Net cash (used in) provided by operating activities margin	(3.6) %	28.0 %		(10.4) %	14.3 %	
Adjusted CFFO	$ (3,795)	$ 28,978	*(113.1)%*	$ (22,306)	$ 32,846	*(167.9)%*
Billings	57,577	96,170	*(40.1)%*	134,799	193,341	*(30.3)%*
Adjusted CFFO Margin	(6.6 %)	30.1 %		(16.5 %)	17.0 %	

CFFO and Adjusted CFFO was negative for the six months ended June 30, 2024 primarily driven by lower Billings during the period, partially due to the Legacy wind down, incentive compensation payouts during the first quarter, and payments related to renegotiated employment agreements.

Liquidity and Capital Resources

A substantial portion of our cash on hand is the result of the nature of our subscription business. We receive cash up front from our sales of annual, multi-year, and membership subscriptions. For tax and GAAP purposes, however, this revenue is deferred and recognized over the term of the subscription, or in the case of membership subscriptions, over four years for tax and five years for GAAP. Tax distributions are made to MarketWise Members to satisfy their tax obligations when revenue is recognized for tax purposes, not when cash is received. The timing difference between when cash is received and when tax distributions are made results in an accumulation of cash on our balance sheet.

We refer to this accumulation of cash as our “float” which we view as a valuable resource that we may invest or use to expand our operations. We expect that as we grow our business, the amount of our float will increase. The Company estimates that the amount of float was approximately $124.4 million and $120.5 million as of June 30, 2024 and December 31, 2023, respectively. As part of the Company's broader capital allocation strategy, our consolidated cash balance may from time to time decline below our estimate of the long term float requirement.

The Company invests a portion of this cash in financial instruments to achieve reasonable returns on a risk-adjusted basis. The investment allocation decisions are based in part on the anticipated liquidity requirements of the Company including working capital, estimated tax related distributions, and broader capital allocation objectives.

For the three and six months ended June 30, 2024, the Company earned interest income of $1.5 million and $3.4 million, respectively, on our cash portfolio.

The Company may allocate a portion of our “float” to investments meeting pre-determined guidelines, including U.S.-listed equity securities, with the objective to provide an acceptable rate of return while complying with established risk tolerances and liquidity parameters. The Board of Directors is responsible for approving investment decisions. Gains and losses on marketable securities may fluctuate significantly from period to period in the future and could have a significant impact on the Company’s results of operations.

As of June 30, 2024, our principal sources of liquidity were cash and cash equivalents, and restricted cash of $109.3 million. Cash and cash equivalents are comprised of bank deposits, money market funds, and certificates of deposit. 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.

In 2023, we commenced paying quarterly dividends on shares of our Class A common stock and distributions on our LLC Units. There can be no assurance that we will continue to pay dividends in the future. The payment of any future dividends and distributions will be at the discretion of our Board of Directors and will depend on our results of operations, capital requirements, financial condition, prospects, contractual arrangements, any limitations on payment of dividends present in any debt agreements, and other factors that our Board of Directors may deem relevant.

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 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, which for the 2023 tax year the highest federal, state and local tax rate the Company used was 49.75%. While historically we have not been required to make tax distributions, we expect to begin making required tax distributions to MarketWise Members, along with a proportionate payment to MarketWise Inc., as early as the second half of 2024. Such amounts will be reflected in our statement of cash flows as cash used in financing activities, and will not decrease the amount of cash from operations or net income reflected in our financial statements. However, such distributions will decrease the amount of cash available for use in our business.

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.

Legacy Reorganization

On February 8, 2024, the Company reported that its Board of Directors had committed to a strategic realignment and Reorganization whereby the Company will wind-down the operations of its Legacy Research business in response to misconduct discovered at Legacy Research where certain managers violated the Company's policies.

At the time of the announcement, there were 104 employees at Legacy Research, which represented approximately 18% of the Company's total employees. During the second quarter 2024, we completed actions with respect to the employees, and approximately 48 of these employees had their positions eliminated and the remainder were offered a new role within the Company. Separation costs incurred in the three and six months ended June 30, 2024 totaled approximately $773 and $964, respectively. The annualized compensation cost savings associated with the terminated employees is approximately $13.1 million.

Following the commitment to the Reorganization, Legacy Research began to significantly curtail business activities including any marketing efforts to acquire new subscribers. As a result of the Reorganization, the Billings of Legacy Research declined from $30.1 million during the fourth quarter 2023, to $15.8 million and $4.9 million during the first and second quarters of 2024, respectively. Legacy Research continued to serve existing subscribers and fulfill existing subscriptions during the first quarter 2024. During second quarter 2024, we began the process of offering certain Legacy Research subscribers similar products published by other MarketWise brands, consistent with past Company practice when we cease a publication.

In August 2024, we expect to substantially complete our Reorganization and operational transition plans with respect to substantially all of the Legacy Research brands, which resulted in the transfer of the related assets to other businesses within MarketWise for fair consideration. The administrative transfer process is expected to be complete during the third quarter 2024. For the remaining Legacy Research assets that we do not intend to transfer to other businesses within MarketWise, we continue to evaluate a range of potential actions.

Legacy Research has leased office space and the current lease end date for this property is December 2028. As of June 30, 2024, the operating lease right-of-use asset and related leasehold improvements totaled approximately $2.8 million. The Company has ceased using this property in its operations and is evaluating various alternatives with respect to this property as of June 30, 2024.

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. On May 2, 2023, MarketWise, LLC entered into the First Amendment to the Loan and Security Agreement, which provides, among other things, a transition away from LIBOR to SOFR as the basis for the interest rate.

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 June 30, 2024, 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 June 30, 2024, we were in compliance with these covenants. The Company is currently in discussions with lenders to amend or replace the Credit Facility. While we have no amounts borrowed on the existing Credit Facility, we intend to amend or replace it prior to the maturity date.

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)	**Six Months Ended June 30,**	
	2024	**2023**
Net cash (used in) provided by operating activities	$ (22,306)	$ 32,846
Net cash used in investing activities	(748)	(959)
Net cash used in financing activities	(22,723)	(3,426)

Operating Activities

For the six months ended June 30, 2024, net cash used in operating activities was $22.3 million, primarily due to net income of $44.0 million, adjusted for net non-cash addbacks of items of $9.8 million, and net changes in our operating assets and liabilities which reduced cash by $76.1 million, largely due to timing differences in the net receipt of cash. The non-cash items include stock-based compensation expense and depreciation and amortization of $5.5 million and $1.4 million, respectively. The changes in operating assets and liabilities were primarily driven by a decrease in deferred revenue, which reduced cash by $86.9 million due to lower Billings, and a decrease in accrued expenses, which decreased cash by $29.3 million, partially offset by a decrease in deferred contract acquisition costs, which increased cash by $32.9 million.

For the six months ended June 30, 2023, net cash provided by operating activities was $32.8 million, primarily due to net income of $40.3 million, adjusted for net non-cash items addbacks of $12.4 million, and net changes in our operating assets and liabilities which reduced cash by $19.9 million, largely due to timing differences in the net receipt of cash. The non-cash items include stock-based compensation expense and depreciation and amortization of $7.4 million and $2.0 million, respectively. The changes in operating assets and liabilities were primarily driven by a decrease in deferred revenue, which reduced cash by $35.1 million due to lower Billings, and a decrease in accrued expenses, which decreased cash by $7.6 million, partially offset by a decrease in deferred contract acquisition costs, which increased cash by $19.9 million.

Investing Activities

For the six months ended June 30, 2024, net cash used in investing activities was $0.7 million, primarily driven by $0.7 million of capitalized software development costs.

For the six months ended June 30, 2023, net cash used in investing activities was $1.0 million, primarily driven by $0.9 million of capitalized software development costs.

Financing Activities

For the six months ended June 30, 2024, net cash used in financing activities was $22.7 million, primarily due to $10.8 million in repurchases of stock, $10.2 million in distributions to noncontrolling interests, and $1.2 million in restricted stock units withheld to pay taxes.

For the six months ended June 30, 2023, net cash used in financing activities was $3.4 million, primarily due to $1.1 million in restricted stock units withheld to pay taxes and $2.7 million in distributions to noncontrolling interests.

Critical Accounting Estimates

Our financial statements have been prepared in accordance with GAAP. The preparation of these 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, 2023 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 2023 Annual Report on Form 10-K for further discussion of these two policies. During the three months ended June 30, 2024, 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 Chief Executive Officer and Chief 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, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2024, the 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.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, 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.

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.

Not applicable.

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

Not applicable.

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: August 14, 2024	By:	/s/ Erik Mickels
	Name:	Erik Mickels
	Title:	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, Dr. David Eifrig, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MarketWise, Inc. (the “registrant”) for the fiscal quarter ended June 30, 2024;

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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

MarketWise, Inc.

Date: August 14, 2024

By: /s/ Dr. David Eifrig

Name: Dr. David Eifrig

Title: Interim 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, Erik Mickels, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MarketWise, Inc. (the “registrant”) for the fiscal quarter ended June 30, 2024;

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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

MarketWise, Inc.

Date: August 14, 2024

By: /s/ Erik Mickels

Name: Erik Mickels

Title: 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, Dr. David Eifrig, 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 June 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that 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: August 14, 2024	By:	/s/ Dr. David Eifrig
	Name:	Dr. David Eifrig
	Title:	Interim 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, Erik Mickels, 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 June 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that 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: August 14, 2024

By: /s/ Erik Mickels

Name: Erik Mickels

Title: Chief Financial Officer