

## Thinkific Announces Strong Second Quarter 2021 Financial Results and Provides Third Quarter Outlook

*Revenue of \$9.1 Million, with ARR Growth of 81% to \$38.1 Million*

*Continuing to execute against strategy to be the platform of choice for Course Creators by broadening feature set and product offerings, including the Thinkific App Store*

*Thinkific reports in U.S. dollars and in accordance with IFRS*

VANCOUVER, BC, Aug. 10, 2021 /CNW/ - Thinkific Labs Inc. ("Thinkific" or "the Company") (TSX: THNC), a leading cloud-based software platform that enables entrepreneurs and established businesses of all sizes to create, market, and sell online courses, today announced its financial results for the three and six months ended June 30, 2021.

**THINKIFIC** "By delivering growth across all our key metrics in the second quarter, including an increase of over 80% in ARR, and 68% in Paying Customers, we continue to execute against our strategy," said Greg Smith, Co-Founder and CEO of Thinkific. "I am particularly pleased with this strong performance and outlook given the evolving behaviours of people as we see restrictions related to COVID lift.

"We believe the growth of Thinkific and our industry is in its early innings. Our large and growing addressable market combined with the strength of our platform as the core operating system for Course Creators continues to drive confidence in our significant long-term growth opportunities," continued Mr. Smith. "The introduction of the Thinkific App Store and Thinkific Payments enhance the functionality available to Course Creators to help their businesses succeed, as well as drive our growth through the expansion of Paying Customers and ARPU."

US \$ (unless otherwise noted)	Second Quarter 2021		Second Quarter 2020		% Change	
Paying Customers <sup>(1)</sup>	29.2 thousand		17.4 thousand		68	%
Average Revenue Per User ("ARPU") <sup>(2)</sup>	\$ 107		\$ 100		7	%
Annual Recurring Revenue ("ARR") <sup>(3)</sup>	\$ 38.1	million	\$ 21.1	million	81	%
Gross Merchandise Volume ("GMV") <sup>(4)</sup>	\$ 102.5	million	\$ 69.1	million	48	%
Revenue	\$ 9.1	million	\$ 4.5	million	101	%
Gross margin	76%		77%		(1)	%
Adjusted EBITDA <sup>(5)</sup>	\$(4.0)	million	\$(0.3)	million	1412	%
Net loss	\$(5.3)	million	\$(0.4)	million	1276	%

<sup>(1)</sup>"Paying Customers" is the count of unique Thinkific subscribers on paid plans as of period end, excluding all trial and free customers, and including both monthly and annual subscribers.

<sup>(2)</sup>"ARPU" is the average monthly Revenue per Paying Customer in the quarter. ARPU is calculated by taking the average Revenue for each month in the quarter and dividing this by the average number of Paying Customers for the same quarter.

<sup>(3)</sup>"ARR" is the annual value of all current Paying Customer subscriptions at the end of the period, with the number of Paying Customers multiplied by 12 times the average monthly subscription plan fee in effect on the last day of that period.

<sup>(4)</sup>"GMV" is the total dollar value of all transactions of course sales, membership subscriptions, or other products or services by Course Creators, facilitated through our platform during the period, net of refunds. GMV does not include transactions for course sales, membership subscriptions, or other products or services processed by APIs or certain apps where the Company does not record the transaction value.

<sup>(5)</sup>Non-IFRS measure. See "Non-IFRS Measures" and the reconciliation to the most directly comparable IFRS measure.

"Our second quarter results underscore the strength of our business," stated Corinne Hua, CFO of Thinkific. "Consistent with our outlook, we continue to increase investments in scaling our business, building our brand in the marketplace and delivering a market leading platform for Course Creators. We believe this will fuel our future growth, and enable us to achieve our mission to make it simple for entrepreneurs and established businesses to scale and generate revenue by teaching what they know."

## Second Quarter Financial Highlights

- Paying Customers grew by 68% to 29,200 compared to the second quarter of 2020. We believe that the growth is driven by the strength of the Thinkific platform and user experience, growing brand awareness, and increasing popularity of online learning.
- ARPU increased by 7% to \$107 per month, compared to the second quarter of 2020, primarily due to subscription plan upgrades from existing Paying Customers, as well as some new Paying Customers choosing to subscribe to higher-tier plans.
- ARR grew by 81% to \$38.1 million year-over-year, benefiting from ARPU and Paying Customers growth.
- GMV expanded by 48% to \$102.5 million year-over-year.
- Revenue was \$9.1 million, an increase of 101% compared to the second quarter of 2020, primarily due to an increase in the number of new Paying Customers, as well as subscription plan upgrades.
- Gross margin of 76% remained relatively stable compared to the second quarter of 2020.
- Adjusted EBITDA loss was \$4.0 million and net loss was \$5.3 million, driven by increased investments across all areas of the business, as we scale to support business growth and build the Thinkific brand in the marketplace.
- Completed a successful initial public offering on April 27, followed by the exercise of the over-allotment on May 5, with total gross proceeds of CAD \$184.0 million. Thinkific issued 14,156,500 Subordinate Voting Shares at a price of CAD \$13.00 per share. As at June 30, 2021, the Company's issued and outstanding share capital consisted of 76,705,247 shares.

## Second Quarter Operational Highlights

- Launched the Thinkific App Store on May 4 as a marketplace to support Course Creators, enabling powerful features and greater customization. The Thinkific App Store connects developers, who can create and sell custom applications, to Course Creators, who are looking to further optimize functionality beyond Thinkific's core platform. Initial response from Course Creators to this new offering has been consistent with conversion rates seen in other SaaS platform marketplaces.
- Ranked #2 on the 2021 list of Best Workplaces™ in Canada (100-999 employees). The annual list is compiled by the Great Place to Work® Institute, a global authority on workplace culture.
- Named as a finalist in the BC Tech Association's 2021 Technology Impact Awards (TIAs) for "Company of the Year – Scale". The winners are expected to be announced in the fourth quarter of 2021.
- Launched improvements to Thinkific product including: analytics and reporting; our student communities; enhancements to make it easier to build your own website around your Learning Products; our trust engineering teams delivered performance improvements to make Thinkific faster for all Course Creators and students; as well as continuous improvements to the Thinkific App Store, API gateway and developer documentation to better help partners build apps.

## Highlights Subsequent to the Second Quarter

- Initiated the rollout of Thinkific Payments in July, strengthening Thinkific's product offering and simplifying business management for Course Creators. As anticipated, Thinkific Payments is expected to contribute to revenue growth in 2022.
- Third Annual 'Think in Color' Summit, held on July 27-28, attracted thousands of entrepreneurs and SMB participants. A speaker lineup of 100% people of color delivered personal insights on all aspects of creating, marketing, and scaling online courses and digital product-based businesses.
- Launched in-app live chat - an additional support channel to provide customers with instant access to help when and where they need it.
- Thinkific has been nominated in Canadian HR Reporter's Best Places to Work. Results are expected to be released in October 2021.

## Outlook

Thinkific's business performance accelerated materially over the last two years, partly due to the industry's rapid evolution and driven by changes in demographics, working ideologies, and technology. These changes are propelling the shift towards digital consumption, including online learning, and have further been accelerated by the COVID-19 pandemic. While pandemic behaviours are currently evolving, we remain optimistic for the long-term.

We believe we are just getting started, and will continue to invest in our product, our people, and our platform, with the long-term in mind. Thinkific anticipates revenue and adjusted EBITDA to be in the following range for the third quarter of 2021:

- Revenue in the range of \$9.6 - \$9.8 million, representing year-over-year growth of 60% to 63%.
- Adjusted EBITDA loss in the range of \$7.6 - \$8.2 million.

Actual results may differ materially from Thinkific's financial outlook as a result of, among other things, the factors described under "Forward-Looking Statements" below.

## Quarterly Conference Call and Webcast Information

A conference call will be held at 2:00 PM PT (5:00 PM ET) on August 10, 2021 to discuss Thinkific's second quarter financial results. To participate in the call, please dial 1.888.664.6383 (US/Canada toll-free) or 1.416.764.8650 (International). For those unable to participate, playback will be available commencing at 4:00 PM PT (7:00 PM ET) on August 10, 2021 by dialing 416.764.8677 or toll free 1.888.390.0541. The passcode is 265523#. The replay will expire at 8:59 pm PT (11:59 pm ET) on August 17, 2021. The conference call will also be available via webcast on the Investor Relations section of Thinkific's website at [investors.thinkific.com/events-and-presentations](https://investors.thinkific.com/events-and-presentations).

Thinkific's unaudited condensed interim consolidated financial statements and accompanying notes, and Management's Discussion and Analysis for the three and six months ended June 30, 2021 are available on the Company's website at [www.thinkific.com](http://www.thinkific.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## About Thinkific

Thinkific (TSX:THNC) makes it simple for entrepreneurs and established businesses of any size to scale and generate revenue by teaching what they know. Our platform gives businesses everything they need to build, market, and sell online courses and other learning products, and to run their business seamlessly under their own brand, on their own site. In 2020 alone, Thinkific's 50,000 active Course Creators earned hundreds of millions of dollars in direct course sales while teaching tens of millions of students. Thinkific is headquartered in Vancouver, Canada, with a distributed and growing team.

For more information, please visit [www.thinkific.com](http://www.thinkific.com).

## Non-IFRS Measures

The information presented within this press release includes "Adjusted EBITDA" and certain industry metrics. The "Adjusted EBITDA" is not a recognized measure under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, does not have a standardized meaning prescribed by IFRS, and is therefore unlikely to be comparable to similar measures presented by other companies. Rather, this measure is provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, it should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We also use certain industry metrics: "Annual Recurring Revenue", "Paying Customers", "Average Revenue per User", and "Gross Merchandise Volume". These industry metrics are unaudited and are not directly derived from our financial statements. The non-IFRS measure and industry metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures and industry metrics in the evaluation of issuers. Our management also uses the non-IFRS measure and industry metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

"Adjusted EBITDA" is defined as net income (loss) excluding taxes, interest, depreciation and amortization (or EBITDA), as adjusted for stock-based compensation, foreign exchange gain (loss), net finance expense, and transaction-related expenses. Adjusted EBITDA does not have a standardized meaning under IFRS and is not a measure of operating income, operating performance or liquidity presented in accordance with IFRS and is subject to important limitations.

Please refer to "Reconciliation to IFRS from Non-IFRS measures" in this press release for more information.

## Industry Metrics

We monitor the following industry metrics to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions: "Annual Recurring Revenue" or "ARR", "Average Revenue per User" or "ARPU", "Gross Merchandise Volume" or "GMV" and "Paying Customers". See the footnotes in table above for the definitions of such industry metrics. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

## Forward Looking Statements

This press release includes forward-looking statements and forward-looking information within the meaning of Canadian securities laws. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "is expected", "expects", "scheduled", "intends", "contemplates", "anticipates", "believes", "proposes" or variations (including negative and grammatical variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements in this press release include statements regarding our financial position, business strategy, budgets, operations, financial results, plans and objective, industry trends; our growth and growth strategies; addressable markets for our solutions; capturing

market share; the impact of COVID-19 on our operations and industry; our competitive advantage; advances in and expansion of our offered platform service; expectations regarding our revenue and the revenue generation potential of our platform and other products, including Thinkific Payments; revenue; and adjusted EBITDA.

Such statements and information are based on the current expectations of Thinkific's management and are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances and are subject to risks and uncertainties. Although Thinkific's management believes that the assumptions underlying these statements and information are reasonable, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Such assumptions include assumptions in respect of the impact of the COVID-19 pandemic; our ability to continue investing in infrastructure to support our growth and brand recognition; our ability to continue maintaining and enhancing our technological infrastructure and functionality of our platform; our ability to maintain existing relationships with Course Creators and to continue to expand our Course Creators' use of our platform; our ability to acquire new Course Creators; our ability to maintain existing material relationships on similar terms with service providers, suppliers, Partners and other third parties; our ability to build our market share and enter new markets and industry verticals; the successful rollout and integration of features and products, including the Thinkific App Store and Thinkific Payments; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to execute on our expansion and growth plans; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management's expectations.

In addition, forward-looking financial information with respect to potential outlook and future financial results contained in this press release are based on assumptions about future events including economic conditions, the assumptions noted above and proposed courses of action, based on management's reasonable assessment of the relevant information available as at the date of such forward-looking information. Readers are cautioned that any such forward-looking financial information should be used for purposes other than for which it is disclosed.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to, the following: the sustainability of our growth and our ability to attract new customers, retain revenue from existing customers and increase revenue from existing high-volume customers; our history of operating losses and negative cash flows; managing our growth effectively; our limited operating history; our ability to keep pace with technological and marketplace change and trends; the accuracy of our estimates of market opportunity and growth forecasts; the consistency, security and functionality of our technological infrastructure; our dependence on the ability of our Course Creators to achieve commercial success; our strategic relationships with third parties; our reliance on a single cloud service provider; our reliance on a single supplier for video delivery; the impact of worldwide economic conditions; our ability to increase sales of subscriptions to our platform to Course Creators; our ability to promote our brand; our ability hire, retain and motivate qualified personnel; competition for top talent; our reliance on third-party hardware and licensed software; exchange rates; our ability to set optimal pricing; competition; risks relating to international sales and use of our platform in various countries; market adoption of cloud-based online course platform solutions and internet commerce; maintaining and protecting our intellectual property; litigation and regulatory compliance; the activities of customers or Partners; changes to technologies on which our platform is reliant; the success of our current research and development efforts; compatibility of our solutions with third-party applications and systems; our dependence on the continued services and performance of our senior management and other key employees; our liquidity and capital resources; our use of open-source software; changes in tax laws and their application; our ability to realize benefits from offering free and trial subscription plans; shifting our operations to "digital-by-default". The purpose of the forward-looking information is to provide the reader with a description of management's expectations regarding our financial performance and may not be appropriate for other purposes.

These risks are described in additional detail under "Risk Factors" in our Final Long Form Prospectus, which is available under our profile on SEDAR at [www.sedar.com](http://www.sedar.com). If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, you should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this press release represents our expectations as of the date of this press release (or as the date they are otherwise stated to be made), and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise,

except as required under applicable securities laws in Canada. All of the forward-looking information contained in this press release is expressly qualified by the foregoing cautionary statements.

**THINKIFIC LABS INC.**

**Condensed Interim Consolidated Statements of Financial Position (unaudited)**

(expressed in U.S. dollars)

	June 30,	December 31,
	2021	2020
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	141,527,324	9,066,016
Trade and other receivables	931,376	806,687
Prepaid expenses and other assets	2,238,961	572,684
Investment tax credits	1,138,932	915,413
Contract acquisition assets	77,152	—
<b>Total current assets</b>	<b>145,913,745</b>	<b>11,360,800</b>
Property and equipment	373,246	407,268
Lease right-of-use assets	961,144	1,167,969
Contract acquisition assets	216,644	—
Intangible assets	102,473	—
<b>Total assets</b>	<b>147,567,252</b>	<b>12,936,037</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,544,127	1,498,163
Lease liabilities	516,574	492,611
Deferred revenue	5,721,894	4,767,614
<b>Total current liabilities</b>	<b>7,782,595</b>	<b>6,758,388</b>
Lease liabilities	631,082	868,473
<b>Total liabilities</b>	<b>8,413,677</b>	<b>7,626,861</b>
<b>Shareholders' equity</b>		
Share capital	145,475,728	6,702,059
Contributed surplus	2,436,687	1,067,037
Accumulated other comprehensive loss	(38,113)	(38,113)
Accumulated deficit	(8,720,727)	(2,421,807)
<b>Total shareholders' equity</b>	<b>139,153,575</b>	<b>5,309,176</b>
<b>Total liabilities and shareholders' equity</b>	<b>147,567,252</b>	<b>12,936,037</b>

**THINKIFIC LABS INC.**

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)**

(expressed in U.S. dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$

Revenue	9,127,936	4,546,640	17,431,210	7,844,833
Cost of revenue	2,147,939	1,028,552	3,816,726	1,714,252
<b>Gross profit</b>	<b>6,979,997</b>	<b>3,518,088</b>	<b>13,614,484</b>	<b>6,130,581</b>
<b>Operating expenses</b>				
Sales and marketing	4,558,608	1,691,323	7,657,762	2,840,370
Research and development	4,565,565	1,407,841	7,100,922	2,480,296
General and administrative	3,160,433	923,892	5,138,604	1,587,530
Total operating expenses	12,284,606	4,023,056	19,897,288	6,908,196
<b>Operating loss</b>	<b>(5,304,609)</b>	<b>(504,968)</b>	<b>(6,282,804)</b>	<b>(777,615)</b>
<b>Other income (expenses)</b>				
Foreign exchange gain (loss)	(58,958)	126,476	(56,011)	(19,302)
Finance income (expense)	50,300	(7,574)	39,895	(8,492)
Total other income (expenses)	(8,658)	118,902	(16,116)	(27,794)
<b>Net loss and comprehensive loss</b>	<b>(5,313,267)</b>	<b>(386,066)</b>	<b>(6,298,920)</b>	<b>(805,409)</b>
<b>Loss per share</b>				
Basic and diluted	\$ (0.11)	\$ (0.01)	\$ (0.14)	\$ (0.02)

#### THINKIFIC LABS INC.

#### Condensed Interim Consolidated Statements of Cash Flows (unaudited) (expressed in U.S. dollars)

	Six months ended	
	June 30,	
	2021	2020
	\$	\$
<b>Cash from (used in):</b>		
<b>Operating activities</b>		
Net loss	(6,298,920)	(805,409)
Items not affecting cash and cash equivalents:		
Depreciation	284,317	207,845
Stock-based compensation	1,405,659	205,450
Unrealized foreign exchange loss (gain)	81,958	(207,996)
Finance expense	20,738	21,297
Changes in non-cash working capital:		
Trade and other receivables	(124,689)	(276,195)
Prepaid expenses and other assets	(1,762,435)	(187,128)
Investment tax credits, net	(242,311)	245,959
Contract acquisition assets	(293,796)	—
Accounts payable and accrued liabilities	85,388	585,547
Deferred revenue	954,280	1,288,505
<b>Cash from (used in) operating activities</b>	<b>(5,889,811)</b>	<b>1,077,875</b>
<b>Investing activities</b>		
Investment in property and equipment	(41,283)	(163,908)
Investment in intangible assets	(104,660)	—
<b>Cash used in investing activities</b>	<b>(145,943)</b>	<b>(163,908)</b>

<b>Financing activities</b>		
Proceeds from issuance of shares upon IPO	148,616,696	—
Share issuance costs	(9,829,901)	—
Operating lease payments	(265,362)	(208,295)
<b>Exercise of equity compensation units</b>	7,599	5,152
<b>Cash from (used in) financing activities</b>	<b>138,529,032</b>	<b>(203,143)</b>
Effect of foreign exchange on cash and cash equivalents	(31,970)	129,832
Increase in cash and cash equivalents	132,461,308	840,656
Cash and cash equivalents, beginning of period	9,066,016	3,691,875
<b>Cash and cash equivalents, end of period</b>	<b>141,527,324</b>	<b>4,532,531</b>

## THINKIFIC LABS INC.

### Condensed Interim Consolidated Statements of Cash Flows (unaudited)

(expressed in U.S. dollars)

### Reconciliation from IFRS to Non-IFRS Measures (unaudited)

(expressed in thousands of U.S. dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net loss and comprehensive loss	(5,313)	(386)	(6,299)	(805)
Stock-based compensation <sup>(1)</sup>	1,146	124	1,406	205
Depreciation	144	117	284	208
Foreign exchange loss (gain) <sup>(2)</sup>	59	(126)	56	19
Finance (income) expense <sup>(3)</sup>	(50)	8	(40)	8
Transaction-related costs <sup>(4)</sup>	21	—	115	—
<b>Adjusted EBITDA</b>	<b>(3,994)</b>	<b>(264)</b>	<b>(4,478)</b>	<b>(364)</b>

(1) Represents non-cash expenditures recognized in connection with equity compensation units granted to our officers, employees, and consultants.

(2) Represents gains and losses due to foreign exchange translation.

(3) Represents interest income less finance expense on lease obligations.

(4) Represents costs related to our IPO, and consists of professional, legal, consulting, and accounting fees that are non-recurring, would otherwise not have been incurred, and are not indicative of continuing operations.

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