

Thinkific Announces First Quarter 2022 Financial Results and Provides Second Quarter 2022 Outlook

First quarter revenue up 42% to \$11.8 million on strong ARPU growth, and continued growth in Paying Customers, with adjusted EBITDA loss ahead of expectations

Previously announced reduction in workforce to realize efficiencies, with strong alignment of resources on areas of focus and growth

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

VANCOUVER, BC, May 5, 2022 /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 learning products, today announced its financial results for the quarter ended March 31, 2022.

THINKIFIC "The first quarter saw strong revenue growth, consistent with our expectations, as we continue to execute against our product-led growth strategy," said Mr. Greg Smith, Co-Founder and CEO of Thinkific. "The combination of our continued business expansion, and the workforce reduction, has increased our efficiency and enhanced alignment of our resources on growth.

"We remain firmly focused on Creator success within the knowledge economy," continued Mr. Smith. "As the market continues to evolve, so does our sales and marketing strategy, and we are seeing early signs of traction with this shift. Our ongoing development of innovative products and features lead the market, further strengthening our position as the platform of choice in the knowledge economy."

First Quarter Financial Highlights

- Revenue increased 42% to \$11.8 million compared with the first quarter of 2021, driven by the continued growth in total Paying Customers, and increasing ARPU⁽¹⁾.
- Gross margin was 73% versus 80% in the first quarter of 2021. The decline in gross margin reflects increased customer support costs and the adoption of Thinkific Payments, which carries a lower gross margin profile.
- Net loss for the first quarter of 2022 was \$12.0 million, compared to a net loss of \$1.0 million in the first quarter of 2021. The increase in net loss reflects an increase in expenditures across the Company to support our growth strategy, as well as costs associated with restructuring.
- Adjusted EBITDA⁽²⁾ loss of \$9.3 million was driven primarily by continued investments in Sales & Marketing (S&M), and Research & Development (R&D), as we continued to build our Platform, increase awareness in the market, and develop the team to deliver on our growth objectives. The adjusted EBITDA loss excludes the net restructuring charge of \$2.3 million.
- Total Paying Customers⁽¹⁾ grew 21% to 33.3 thousand in the first quarter of 2022.
- ARPU⁽¹⁾ increased 13%, to \$120 per month compared with \$106 in the first quarter of 2021, driven by the movement of existing customers to higher paid plans, new Thinkific Plus customers, and the adoption of Thinkific Payments.
- ARR⁽¹⁾ grew 33% to \$46.4 million from \$34.8 million in the first quarter of 2021, as we continued to attract new Creators to our Platform, and existing Creators upgraded to higher-tier plans.
- Thinkific Payments continued to be well received by Creators. Gross Payments Value⁽¹⁾ ("GPV"), which is the total value of GMV⁽¹⁾ processed using Thinkific Payments, for the quarter was \$11.9 million. This represented 11% of \$108 million in GMV processed during the first quarter of 2022.

"We expect our top line revenue growth in the near term to be driven by a significant increase in ARPU. The uptake of Thinkific Payments by an increasing percentage of our customers, as well as adopting refreshed pricing strategies that better reflect the value we deliver, are the key drivers of ARPU expansion," commented Corinne Hua, CFO of Thinkific. "With the restructuring that was announced in late March, we expect that the first quarter will be the peak of adjusted EBITDA loss for Thinkific. Our methodical approach to restructuring ensures that we have the appropriate cost structure for our business."

(1) Key Performance Indicators. See definition in "Key Performance Indicators".

(2) Non-IFRS measure. See "Non-IFRS Measures" and the reconciliation to the most directly comparable IFRS measure.

First Quarter Operational Highlights

- Continued to execute on the product-led growth strategy through the introduction of enhancements to our Platform's feature set, as well as advancements in Thinkific Payments during the quarter.
- Thinkific continues to lead the way in helping Creators sell more. Improvements to our Platform in the first quarter include new subscription tools, helping more Creators build sustainable subscription models, as well as further improvements to order bumps and to our high performance checkout.
- - We continue to make it easier for Creators to get started, with improvements to allow faster website builds, launching and managing live events, as well as new faster onboarding experiences.
 - Improved security measures as part of our focus of attracting businesses and scaling entrepreneurs. These improvements include multi-factor authentication.
 - Enhancements to Thinkific Payments to simplify administration so Creators can focus on creating and selling learning products. New features for reporting and refund management save Creators time on business administration.
- Rebalanced marketing spend to drive efficiency, while continuing to grow our brand awareness and attract new customers through our integrated marketing strategy, leading to an improved cost of customer acquisition.
- Amplify 2022, Thinkific's annual virtual event that brings together top Creator minds in the knowledge economy, was held in January, with over 25,000 registrants.
- Strengthened the Board with the appointment of Steve Krenzer to the Board of Directors.
- Following a rigorous review of the Company's organizational structure, we executed on a reduction in workforce to increase efficiency and lower costs, while investing for growth. The Company-wide workforce reduction reduced headcount by 20%.

Highlights Subsequent to Quarter End

- Released first-of-its-kind online learning Trends Report revealing key trends in the knowledge economy from top Creators. The report highlighted that online content creation is the most popular type of business entrepreneurs aspire to launch. The full report is available [here](#).

Outlook

Thinkific is at the centre of the knowledge economy, and 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.

Thinkific expects continued growth in revenue in the second quarter of 2022, driven largely by ARPU expansion, as well as new Paying Customers. The adoption of Thinkific Payments, revised pricing strategies, and customers moving up the product pricing tiers, all contribute to ARPU growth.

Our expectations for the second quarter of 2022 are:

- revenue of \$12.4 - \$12.6 million, representing year-over-year growth of 36% - 38%
- adjusted EBITDA loss in the range of \$7.7 million to \$8.3 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 May 5, 2022 to discuss Thinkific's first quarter financial and operational 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, a replay will be available commencing at 4:00 PM PT (7:00 PM ET) on May 5, 2022 by dialing 1.888.390.0541 (US/Canada toll-free) or 1.416.764.8677 (International). The passcode is 619030#. The replay will expire at 8:59 pm PT (11:59 pm ET) on May 12, 2022. 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.

Thinkific's unaudited interim consolidated financial statements and accompanying notes, and Management's Discussion and Analysis for the three months ended March 31, 2022 are available on the Company's website at www.thinkific.com and on SEDAR at 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. Thinkific's 50,000+ active creators earn 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.

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", "Gross Merchandise Volume" and "Gross Payments Value". 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.

Key Performance Indicators

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", "Paying Customers" and "Gross Payments Value" or "GPV". Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

"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.

"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.

"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.

"GMV" is the total dollar value of all transactions of course sales, membership subscriptions, or other products or services by our 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.

"GPV" is the total dollar value of GMV processed through Thinkific Payments.

Forward Looking Statements

This press release includes forward-looking statements and forward-looking information within the meaning of applicable securities laws in Canada. Forward-looking statements and information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "trends", "directional indicator", "indicator", "future success", "expects", "is expected", "opportunity", "budget", "scheduled", "estimates",

"outlook", "forecasts", "projection", "scalability", "trajectory", "prospects", "strategy", "intends", "anticipates", "adoption", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or, "will", "occur" or "be achieved", and similar words or the negative of these terms and similar terminology. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances. Forward-looking statements in this press release include, but are not limited to statements regarding our financial position, business strategy, budgets, operations, financial results, plans and objective, industry trends; growth in our industry; our growth rates and growth strategies; addressable markets for our solutions; advances in and expansion of our offered platform service; the development and success of new products, features, and services; effectiveness of our marketing efforts; expectations regarding our revenue and the revenue generation potential of our platform and other products, including Thinkific Payments; revenue; and adjusted EBITDA.

Forward-looking statements and information are based on our opinions, estimates and assumptions that, while considered by the Company to be appropriate and reasonable as of the date of this press release, are subject to known and unknown risks, uncertainties, 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 Company's ability to execute on its growth strategies; the impact of changing conditions in the global e-learning market in which the Company operates; fluctuations in currency exchange rates and volatility in financial markets; changes in attitudes, financial condition and demand of our target market; developments and changes in applicable laws and regulations; and such other factors discussed in greater detail under the "Risk Factors" section of our Annual Information Form ("AIF").

Forward-looking statements and information are necessarily based upon estimates and assumptions, which are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control and many of which, regarding future business decisions, are subject to change. Assumptions or factors underlying the Company's expectations regarding forward-looking statements or information contained in this press release include, among others: our ability to continue investing in infrastructure to support our growth and brand recognition; our ability to continue maintaining, innovating, improving and enhancing our technological infrastructure and functionality, performance, reliability, design, security and scalability of our Platform (as defined in our AIF); our ability to maintain existing relationships with Creators (as defined in our AIF) and to continue to expand our Creators' use of our platform; our ability to acquire new 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 continued development, rollout, integration and success of new products, features, and services, including Thinkific Payments and Thinkific App Store; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to execute on our expansion and growth plans; our ability to obtain and maintain existing financing on acceptable terms; 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. The foregoing list of assumptions cannot be considered exhaustive.

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 provided herein. The opinions, estimates or assumptions referred to above and described in greater detail in "Summary of Factors Affecting our Performance" and in the "Risk Factors" section of our 2021 Annual Information Form, which are available under our profile on SEDAR at www.sedar.com, should be considered carefully by prospective investors. 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. No forward-looking statement is a guarantee of future results. 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 specified herein, 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.

All of the forward-looking information contained in this press release is expressly qualified by the foregoing cautionary statements. Readers are cautioned that any such forward-looking information should not be used for purposes other than for which it is disclose

Condensed Interim Consolidated Statements of Financial Position (unaudited)
(expressed in U.S. dollars)

March 31, 2022 December 31, 2021

	\$	\$
Assets		
Current assets		
Cash and cash equivalents	115,104,078	126,054,833
Trade and other receivables	1,326,920	1,392,391
Prepaid expenses and other assets	2,390,871	2,769,924
Contract acquisition assets	215,164	159,326
Total current assets	119,037,033	130,376,474
Property and equipment	1,279,491	766,568
Lease right-of-use assets	2,361,983	754,320
Contract acquisition assets	542,760	407,659
Intangible assets	109,093	98,985
Total assets	123,330,360	132,404,006
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	3,833,188	3,286,321
Lease liabilities	464,697	515,348
Deferred revenue	6,940,220	6,628,749
Total current liabilities	11,238,105	10,430,418
Lease liabilities	2,001,780	359,917
Total liabilities	13,239,885	10,790,335
Shareholders' equity		
Share capital	145,668,127	145,583,011
Contributed surplus	5,244,243	4,865,646
Accumulated other comprehensive loss	(38,113)	(38,113)
Accumulated deficit	(40,783,782)	(28,796,873)
Total shareholders' equity	110,090,475	121,613,671
Total liabilities and shareholders' equity	123,330,360	132,404,006

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)
(expressed in U.S. dollars)

	Three months ended March 31,	
	2022	2021
	\$	\$
Revenue	11,785,132	8,303,274
Cost of revenue	3,152,640	1,668,787
Gross profit	8,632,492	6,634,487
Operating expenses		
Sales and marketing	6,189,902	3,099,154
Research and development	7,949,699	2,535,357
General and administrative	5,157,838	1,978,171
Restructuring	2,287,885	—
Total operating expenses	21,585,324	7,612,682
Operating loss	(12,952,832)	(978,195)
Other income (expenses)		
Foreign exchange gain (loss)	891,959	2,947
Finance income (expense)	73,964	(10,405)
Total other income (expenses)	965,923	(7,458)
Net loss and comprehensive loss	(11,986,909)	(985,653)

Loss per share		
Basic and diluted	\$ (0.16)	\$ (0.02)

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

Statement of Cash Flows	Three months ended March 31,	
	2022	2021
	\$	\$
Cash from (used in):		
Operating activities		
Net loss	(11,986,909)	(985,653)
Items not affecting cash and cash equivalents:		
Depreciation and amortization	274,637	140,682
Stock-based compensation	521,742	259,344
Unrealized foreign exchange loss	(884,918)	22,991
Finance expense	6,735	10,704
Changes in non-cash working capital:		
Trade and other receivables	65,471	12,510
Prepaid expenses and other assets	379,053	(376,432)
Investment tax credits, net	—	(371,338)
Contract acquisition assets	(235,661)	(158,007)
Accounts payable and accrued liabilities	482,378	(11,971)
Deferred revenue	311,471	375,672
Cash used in operating activities	(11,066,001)	(1,081,498)
Investing activities		
Investment in property and equipment	(637,547)	(18,266)
Investment in intangible assets	(11,986)	(79,626)
Cash used in investing activities	(649,533)	(97,892)
Financing activities		
Share issuance costs	—	(230,939)
Operating lease payments	(132,744)	(130,896)
Exercise of stock options	40,402	—
Cash used in financing activities	(92,342)	(361,835)
Effect of foreign exchange on cash and cash equivalents	857,121	(9,195)
Decrease in cash and cash equivalents	(10,950,755)	(1,550,420)
Cash and cash equivalents, beginning of period	126,054,833	9,066,016
Cash and cash equivalents, end of period	115,104,078	7,515,596

Reconciliation from IFRS to Non-IFRS Measures (unaudited)
(expressed in thousands of U.S. dollars)

	Three months ended March 31,	
	2022	2021
	\$	\$
Net loss and comprehensive loss	(11,987)	(986)
Stock-based compensation	522	259
Depreciation and amortization	275	141
Foreign exchange (gain) loss	(892)	(3)
Finance (income) expense	(74)	10

Restructuring costs ⁽¹⁾	2,875	—
Transaction-related costs ⁽²⁾	—	94
Adjusted EBITDA	(9,281)	(485)

- (1) Represents restructuring costs in the first quarter of 2022, including: employee severance, extended benefits costs, legal and other fees paid to consultants to support the restructuring process.
- (2) 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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