

Thinkific Announces Third Quarter 2022 Financial Results and Provides Outlook for the Fourth Quarter

*Third quarter revenue up 34% to \$13.3 million on strong ARPU growth;
Adjusted EBITDA loss improves to \$5.7 million*

Thinkific Payments achieves 18% penetration in the third quarter, tracking ahead of plan

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

VANCOUVER, BC, Nov. 7, 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 digital learning products, today announced its financial results for the quarter ended September 30, 2022.

"At the heart of our business is our Creators, and we continue to advance our tools and technologies to amplify their success," said Greg Smith, Co-Founder and CEO of Thinkific. "The launch of Thinkific Communities in the third quarter is an excellent example of doing just that, and we expect it will be a long-term driver of customer success.

"We continue to have multiple growth levers in our business, including Thinkific Payments and customers selecting higher-priced plans to reflect the value we deliver," continued Mr. Smith. "One area where we are focused is the improvement of our customer acquisition, which has been relatively flat for the past few quarters. Steve Krenzer, our recently-appointed President, brings significant experience in this area, and under his leadership, I'm confident we'll see continued improvement in our go to market operations."

Third Quarter Financial Highlights

- Revenue increased 34% to \$13.3 million compared with the third quarter of 2021, driven by year-over-year growth in total Paying Customers and increasing ARPU⁽¹⁾.
- Gross margin was 76%, in line with the third quarter of 2021 driven by efficiencies within the Customer Support team, which were partially offset by lower margins on Thinkific Payments revenue.
- Net loss for the third quarter of 2022 was \$10.7 million, consistent with the net loss of \$10.7 million in the third quarter of 2021.
- Adjusted EBITDA⁽²⁾ has improved for the second consecutive quarter, a trend that is expected to continue, as Thinkific focuses on driving efficient growth, and achieving breakeven Adjusted EBITDA⁽²⁾. Adjusted EBITDA⁽²⁾ loss of \$5.7 million for the third quarter reflects efficiencies and the reduction in cost structure achieved by Thinkific over the last few quarters.
- Total Paying Customers⁽¹⁾ grew 9% to 33.3 thousand in the third quarter of 2022. Total Paying Customers were consistent with the second quarter of 2022, and in line with our expectations.
- ARPU⁽¹⁾ increased 20%, to \$133 per month compared with \$110 in the third quarter of 2021, primarily driven by customer upgrades, new Thinkific Plus customers, and increasing adoption of Thinkific Payments.
- ARR⁽¹⁾ grew 24% to \$50.9 million from \$41.0 million in the third 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, and Gross Payments Volume ("GPV"⁽¹⁾) was \$17.7 million for the third quarter. GPV is the total value of GMV⁽¹⁾ processed using Thinkific Payments, and represented 18% of the \$97.9 million of GMV processed during the third quarter.
- Cash and cash equivalents were \$95.4 million at the end of the third quarter of 2022.

"We continue to improve our Adjusted EBITDA. As we scale our business, we are focused on ensuring that we deliver operational excellence and efficiency throughout the business. We are a growth company, and expect to grow our top-line both in the short- and long-term. At the same time, we expect to consistently improve our Adjusted EBITDA, and place a high priority on achieving profitability," commented Corinne Hua, CFO of Thinkific.

(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.

Third Quarter Operational Highlights

- Launched Thinkific Communities to all Thinkific Creators on September 27th. This new Thinkific product enables Creators to own their community and foster relationships with their brand at the forefront. Thinkific Communities transform a traditional one-way learning experience into a collaborative exchange. With learning communities, Creators can drive engagement and generate sustainable income with diverse selling strategies including paid community memberships, bundles with courses, and upsells to exclusive, relevant content.
- Introduced Bulk Selling features to our Plus customers. The Bulk Selling feature is a game changer for Creators focused on B2B sales, empowering them to sell and manage volume licenses for their learning products.
- Held fourth annual 'Think in Color' Summit, in July, 2022. The summit had record-breaking registrations, drawing over 29,000 people from over 60 countries. With over 70% of registrants new to Thinkific, and 900 participants enrolled in the Think in Color accelerator program, Thinkific continues to seek ways to support under-represented communities and drive adoption of the platform.
- Recognized by *The Globe and Mail* publication, *Report on Business* as one of Canada's Top Growing Companies in 2022, our third year consecutive year on this prestigious list.

Other Corporate Developments

- Appointed veteran technology executive and Thinkific Board Member, Steve Krenzer, to the role of President for a term of approximately 18 months. Reporting to CEO, Greg Smith, Mr. Krenzer will be responsible for driving operational excellence and further advancing an execution-focus across the organization. Mr. Krenzer will maintain his role and responsibilities on the Board of Directors during his tenure as President.

Outlook

Thinkific is at the centre of the knowledge economy, and gives businesses everything they need to build, market, and sell digital 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 fourth quarter of 2022, driven largely by ARPU expansion. Customer upgrades to higher-priced plans, new Thinkific Plus customers, higher penetration of Thinkific Payments, and our revised pricing strategies, all contribute to ARPU growth.

Our expectations for the fourth quarter of 2022 are:

- revenue of \$13.5 - \$13.7 million, representing year-over-year growth of 25% - 27%
- Adjusted EBITDA⁽²⁾ loss in the range of \$5.1 million to \$5.7 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 2:30 PM PT (5:30 PM ET) on November 7, 2022 to discuss Thinkific's third 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/Toronto). For those unable to participate, a replay will be available commencing at 4:30 PM PT (7:30 PM ET) on November 7, 2022 by dialing 1.888.390.0541 (US/Canada toll-free) or 1.416.764.8677 (International/Toronto). The passcode is 868415#. The replay will expire at 8:59 pm PT (11:59 pm ET) on November 11, 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 September 30, 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 digital 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 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 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 loss (gain), net finance (income) expense, restructuring costs and transaction-related costs. 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 Volume" 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, managements ability to effectively invest, increase business efficiencies necessary to build and maintain a sustainable cost structure; business strategy, budgets, operations, investments, financial results, plans and objectives around growth and profitability, expected improvements to and achieving breakeven Adjusted EBITDA, revenue growth; industry trends; growth in our industry; our growth rates and growth strategies; addressable markets for our solutions; expected effectiveness to our business resulting from changes to pricing tiers; customer acquisition improvements; advances in and expansion of our offered platform service; the development, success and effectiveness of new products, features, and services such as TCommerce, Thinkific Communities, Bulk Sell App and automated App recommendations; effectiveness of our marketing efforts including the 'Think In Color' Summit; expectations regarding our revenue and the revenue generation potential of our platform and other products, including Thinkific Payments, Thinkific App Store, and Thinkific Communities; revenue; Adjusted EBITDA; and Thinkific's commitment towards strong corporate governance, the expected benefits from the collective experience of the company's board directors, their experience and skill set as a member of the board of directors and the expected benefits that board directors may bring to position the company for greater success and value creation in the future.

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, Thinkific App Store and Thinkific Communities; 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 disclosed.

THINKIFIC LABS INC.

Condensed Interim Consolidated Statements of Financial Position (unaudited)

(expressed in U.S. dollars)

	September 30, 2022	December 31, 2021
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	95,358,332	126,054,833
Trade and other receivables	2,875,482	1,392,391
Prepaid expenses and other assets	2,464,498	2,769,924
Contract acquisition assets	223,793	159,326
Total current assets	100,922,105	130,376,474
Property and equipment	1,637,521	766,568
Lease right-of-use assets	2,124,551	754,320
Contract acquisition assets	676,941	407,659
Intangible assets	105,221	98,985
Total assets	105,466,339	132,404,006
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	4,029,370	3,286,321
Lease liabilities	430,183	515,348
Deferred revenue	8,456,595	6,628,749
Total current liabilities	12,916,148	10,430,418
Lease liabilities	1,593,059	359,917
Total liabilities	14,509,207	10,790,335
Shareholders' equity		
Share capital	146,131,771	145,583,011
Contributed surplus	6,415,726	4,865,646
Accumulated other comprehensive loss	(38,113)	(38,113)
Accumulated deficit	(61,552,252)	(28,796,873)
Total shareholders' equity	90,957,132	121,613,671
Total liabilities and shareholders' equity	105,466,339	132,404,006

THINKIFIC LABS INC.

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

(expressed in U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenue	13,262,961	9,915,701	37,668,080	27,346,911
Cost of revenue	3,173,436	2,333,321	9,317,792	6,150,047
Gross profit	10,089,525	7,582,380	28,350,288	21,196,864
Operating expenses				

Sales and marketing	6,831,695	5,847,814	19,534,728	13,505,576
Research and development	6,434,427	5,550,703	21,512,386	12,651,625
General and administrative	3,771,793	3,835,173	12,872,112	8,973,777
Restructuring	—	—	2,287,885	—
Total operating expenses	17,037,915	15,233,690	56,207,111	35,130,978
Operating loss	(6,948,390)	(7,651,310)	(27,856,823)	(13,934,114)
Other income (expenses)				
Foreign exchange gain (loss)	(4,107,695)	(3,134,760)	(5,623,753)	(3,190,771)
Finance income (expense)	398,319	110,887	725,197	150,782
Total other income (expenses)	(3,709,376)	(3,023,873)	(4,898,556)	(3,039,989)
Net loss and comprehensive loss				
	(10,657,766)	(10,675,183)	(32,755,379)	(16,974,103)
Loss per share				
Basic and diluted	\$ (0.13)	\$ (0.14)	\$ (0.42)	\$ (0.28)

THINKIFIC LABS INC.

Condensed Interim Consolidated Statements of Cash Flows (unaudited)

(expressed in U.S. dollars)

	Nine months ended	
	September 30,	
	2022	2021
	\$	\$
Cash from (used in):		
Operating activities		
Net loss	(32,755,379)	(16,974,103)
Items not affecting cash and cash equivalents:		
Depreciation and amortization	867,961	430,173
Stock-based compensation	2,122,753	2,653,304
Unrealized foreign exchange loss	5,664,802	3,196,293
Finance expense	71,402	29,523
Changes in non-cash working capital:		
Trade and other receivables	(1,483,091)	(336,095)
Prepaid expenses and other assets	280,157	(2,682,727)
Investment tax credits, net	—	525,233
Contract acquisition assets	(496,498)	(441,996)
Accounts payable and accrued liabilities	496,949	816,325
Deferred revenue	1,827,846	1,483,123
Cash used in operating activities	(23,403,098)	(11,300,947)
Investing activities		
Investment in property and equipment	(1,229,571)	(252,481)
Investment in intangible assets	(11,984)	(104,660)
Cash used in investing activities	(1,241,555)	(357,141)
Financing activities		
Proceeds from issuance of shares upon IPO	—	148,616,696
Share issuance costs	—	(9,891,051)
Operating lease payments	(396,436)	(403,014)
Exercise of stock options	267,885	55,619
Cash from (used in) financing activities	(128,551)	138,378,250

Effect of foreign exchange on cash and cash equivalents	(5,923,297)	(3,198,875)
(Decrease) increase in cash and cash equivalents	(30,696,501)	123,521,287
Cash and cash equivalents, beginning of period	126,054,833	9,066,016
Cash and cash equivalents, end of period	95,358,332	132,587,303

Reconciliation from IFRS to Non-IFRS Measures (unaudited)

(expressed in thousands of U.S. dollars)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net loss and comprehensive loss	(10,658)	(10,675)	(32,755)	(16,974)
Stock-based compensation	956	1,248	2,123	2,653
Depreciation and amortization	317	146	868	430
Foreign exchange (gain) loss	4,108	3,135	5,624	3,191
Finance (income) expense	(398)	(111)	(725)	(151)
Restructuring costs ⁽¹⁾	—	—	2,875	—
Transaction-related costs ⁽²⁾	—	—	—	115
Adjusted EBITDA	(5,676)	(6,258)	(21,991)	(10,735)

(1) Represents restructuring costs in the first quarter of 2022, primarily relating to employee compensation.

(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.

SOURCE Thinkific Labs Inc.

<https://investors.thinkific.com/2022-11-07-Thinkific-Announces-Third-Quarter-2022-Financial-Results-and-Provides-Outlook-for-the-Fourth-Quarter>