

## Thinkific Announces First Quarter 2023 Financial Results and Provides Second Quarter 2023 Outlook

*Paying Customer expansion continues, crossing 34,000*

*Thinkific Payments adoption reaches 26% for the quarter, recording \$29.0 million in GPV*

*Profitability in sight; first quarter Adjusted EBITDA loss improves by 67% year-over-year to \$3.1 million*

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

VANCOUVER, BC, May 4, 2023 /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 March 31, 2023.

"Thinkific has made progress on multiple fronts as a result of our focused and steady execution, including go to market and product development activities," said Greg Smith, CEO of Thinkific. "Total Paying Customers grew for the second consecutive quarter, and we saw improving Adjusted EBITDA as reductions in our cost structure took effect.

"As we execute against our financial and operational priorities, enabling our Creators' success remains the foundation of everything we do," continued Mr. Smith. "This includes making it easier for Creators to get started and earn their first dollar, providing tools that allow them to sell more, and supporting our larger Creators or businesses achieve success with features and support levels that can be found on Thinkific Plus. Our recent launch of "Branded Mobile" is a perfect example of helping Creators earn more and have a bigger impact."

### First Quarter Financial Highlights

- Revenue increased 20% to \$14.1 million compared with the first quarter of 2022, driven by year-over-year growth with Creators adopting higher-tier plans, as well as the continued success of Thinkific Payments.
- Gross margin was 75% in the first quarter of 2023, up from 73% in the first quarter last year, driven by revenue growth, infrastructure efficiency and improvement of customer support.
- Net loss for the first quarter of 2023 was \$7.0 million, compared to a net loss of \$12.0 million in the first quarter of 2022.
- Adjusted EBITDA<sup>(2)</sup> loss improved for the fourth consecutive quarter. This trend is expected to continue with the Company targeting to exit 2023 with a profitable Adjusted EBITDA<sup>(2)</sup> run rate. Adjusted EBITDA<sup>(2)</sup> loss of \$3.1 million improved 67% or \$6.2 million over the prior year driven by revenue growth and efficiency improvements.
- Total Paying Customers<sup>(1)</sup> grew 2% to 34.0 thousand in the first quarter of 2023 compared to the prior year.
- ARPU<sup>(1)</sup> increased 16% to \$139 per month compared with \$120 in the first quarter of 2022, primarily driven by the increasing adoption of Thinkific Payments and businesses finding success on Thinkific Plus.
- ARR<sup>(1)</sup> grew 13% to \$52.3 million from \$46.4 million in the first quarter of 2022, due to continuous improvements in ARPU<sup>(1)</sup>.
- Thinkific Payments continued to be well received by customers, and Gross Payments Volume ("GPV"<sup>(1)</sup>) was \$29.0 million for the first quarter compared to \$11.9 million in the prior year, a 144% increase. GPV<sup>(1)</sup> is the total dollar value of transactions processed using Thinkific Payments, and represented 26% of GMV<sup>(1)</sup> processed during the quarter. GMV<sup>(1)</sup> in the first quarter was \$113.3 million, which represents the highest GMV<sup>(1)</sup> recorded to date.
- Cash and cash equivalents were \$89 million at the end of the first quarter of 2023.

"We are at the beginning of a momentum shift in our business," said Corinne Hua, CFO of Thinkific. "This, combined with our cash balance and path to profitability exiting this year, puts us in a very solid position to stay focused on our strategic priorities, to drive growth and capitalize on opportunities as they present themselves."

### First Quarter Operational Highlights

- In January, 2023, Thinkific announced its intention to achieve a positive Adjusted EBITDA<sup>(2)</sup> run rate exiting 2023. A significant contributor to improved quarterly Adjusted EBITDA<sup>(2)</sup> throughout the year is the reduction in workforce that aligns the Company's talent with key growth initiatives, as well as reducing its expense structure combined with a growing top-line.
- Thinkific released its Digital Learning Trends Report, highlighting top industry trends that include: the shifting tide from creator entertainers to creator educators; the emergence of microlearning as a solution for life-on-the-go; the rise of community-first digital learning; and the diversification of income streams offering financial security in

uncertain economic times.

- Thinkific was named one of BC's Top Small & Medium Employers for the fourth consecutive year by "Canada's Top 100 Employers". Factors that supported the ranking included the formal hybrid model, open vacation policy, and the encouragement of ongoing employee development through in-house programs such as formal mentoring, leadership development and tuition subsidies.

### Subsequent to Quarter End

- Announced new Thinkific Payments features, at Stripe's Annual Conference, including upcoming products that will make checkouts faster and will help Creators sell higher ticket education by providing Creators with Buy Now, Pay Later credit options.
- Launched "Thinkific Analytics": This new dashboard provides insights to Creators helping them earn more, and provide more impactful learning experiences. The analytics tool offers superior performance and usability, with the new dashboard including data on enrollments, orders, revenue, and course engagement.
- Launched mobile app solutions that enable Creators to reach their audience anywhere, anytime.
  - "Thinkific Mobile" is a dedicated Thinkific app that makes course content and communities more easily available to students on the device they use the most.
  - "Branded Mobile" is a fully customizable mobile app development solution for Creators who want their own brand, on their own app. A full-service experience built for them by Thinkific, "Branded Mobile" is a solution that provides Creators with their own customizable app for their online courses and communities - all under the Creator's own brand. This enables Creators to deliver incredible educational and community experiences that meet their students exactly where and when they want to learn.

### Outlook

Thinkific expects to exit 2023 with a profitable Adjusted EBITDA<sup>(2)</sup> run rate, benefiting from both top-line growth, and a continued reduction in its cost structure.

For the second quarter of 2023, the Company expects:

- Revenue of \$14.1 million - \$14.3 million; and
- Adjusted EBITDA<sup>(2)</sup> loss in the range of \$2.0 million to \$2.6 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.

(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.

### Quarterly Conference Call and Webcast Information

A conference call will be held at 2:30 PM PT (5:30 PM ET) on May 4, 2023 to discuss Thinkific's fourth 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 from 4:30 PM PT (7:30 PM ET) on May 4, 2023 by dialing 1.888.390.0541 (US/Canada toll-free) or 1.416.764.8677 (International/Toronto). The passcode is 582823#. The replay will expire at 8:59 PM PT (11:59 PM ET) on May 11, 2023. 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 audited consolidated financial statements and accompanying notes, and Management's Discussion and Analysis for the year ended December 31, 2022 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 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](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", "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, and restructuring 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 transactions processed using Thinkific Payments in the period, net of refunds and inclusive of sales taxes where applicable. GPV does not represent revenue earned by us. We believe that growth in GPV is an indicator of success of our Creators in monetizing their learning products and of our Thinkific Payments offering and is a positive growth driver of revenue and ARPU.

## 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, management's ability to effectively invest, increase business efficiencies necessary to build and maintain a sustainable cost structure; business strategy, budgets, operations, investments, financial results, expected improvements to, and achieving breakeven Adjusted EBITDA, plans and objectives around growth and profitability; industry trends; growth in our industry; our growth rates and growth strategies; addressable markets for our solutions; customer acquisition improvements; advances in and expansion of our offered platform service; the development, success and effectiveness 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; 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; the Company's ability to keep pace with technological and marketplace changes including, but not limited to the ethical, legal and regulatory implications in the advancement and potential use of artificial intelligence; 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; 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 are described in greater detail in "Summary of Factors Affecting our Performance" and in the "Risk Factors" section of our 2022 Annual Information Form, which is available under our profile on SEDAR at [www.sedar.com](http://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)

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	88,765,936	93,846,091
Trade and other receivables	2,883,961	2,712,671
Prepaid expenses and other assets	1,723,645	1,797,108
Contract acquisition assets	373,975	322,643
Total current assets	93,747,517	98,678,513
Property and equipment	1,382,473	1,507,600
Lease right-of-use assets	1,372,974	2,005,835
Contract acquisition assets	729,585	660,185
Intangible assets	116,088	118,275
<b>Total assets</b>	<b>97,348,637</b>	<b>102,970,408</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	5,454,539	4,927,349
Lease liabilities	530,244	443,928
Deferred revenue	8,872,781	8,238,516
Total current liabilities	14,857,564	13,609,793
Lease liabilities	882,383	1,512,180
<b>Total liabilities</b>	<b>15,739,947</b>	<b>15,121,973</b>
<b>Shareholders' equity</b>		
Share capital	146,653,227	146,179,189
Contributed surplus	7,219,207	6,925,869
Accumulated other comprehensive loss	(38,113)	(38,113)
Accumulated deficit	(72,225,631)	(65,218,510)
<b>Total shareholders' equity</b>	<b>81,608,690</b>	<b>87,848,435</b>
<b>Total liabilities and shareholders' equity</b>	<b>97,348,637</b>	<b>102,970,408</b>

**THINKIFIC LABS INC.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)**

(expressed in U.S. dollars)

	<b>Three months ended March 31 ,</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
Revenue	14,092,875	11,785,132
Cost of revenue	3,488,492	3,152,640

<b>Gross profit</b>	<b>10,604,383</b>	<b>8,632,492</b>
<b>Operating expenses</b>		
Sales and marketing	5,525,301	6,189,902
Research and development	5,252,352	7,949,699
General and administrative	4,453,510	5,157,838
Restructuring	3,185,966	2,287,885
Total operating expenses	18,417,129	21,585,324
<b>Operating loss</b>	<b>(7,812,746)</b>	<b>(12,952,832)</b>
<b>Other income (expenses)</b>		
Foreign exchange gain (loss)	115,188	891,959
Finance income (expense)	690,437	73,964
Total other income (expenses)	805,625	965,923
<b>Net loss and comprehensive loss</b>		
	<b>(7,007,121)</b>	<b>(11,986,909)</b>
Weighted average number of common shares outstanding - basic and diluted	79,157,399	77,296,722
<b>Loss per share</b>		
Basic and diluted	\$ (0.09)	\$ (0.16)

**THINKIFIC LABS INC.**

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

(expressed in U.S. dollars)

	<b>Years ended</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Cash from (used in):</b>		
<b>Operating activities</b>		
Net loss	(7,007,121)	(11,986,909)
Items not affecting cash and cash equivalents:		
Depreciation and amortization	342,862	274,637
Stock-based compensation	704,424	521,742
Unrealized foreign exchange loss	(118,537)	(884,918)
Finance expense	23,283	6,735
Changes in non-cash working capital:		
Trade and other receivables	(171,290)	65,471
Prepaid expenses and other assets	63,987	379,053
Contract acquisition assets	(205,326)	(235,661)
Accounts payable and accrued liabilities	389,986	482,378
Deferred revenue	634,265	311,471

<b>Cash used in operating activities</b>	<b>(5,343,467)</b>	<b>(11,066,001)</b>
<b>Investing activities</b>		
Investment in property and equipment	(3,075)	(637,547)
Investment in intangible assets	—	(11,986)
<b>Cash used in investing activities</b>	<b>(3,075)</b>	<b>(649,533)</b>
<b>Financing activities</b>		
Operating lease payments	(101,610)	(132,744)
Exercise of stock options	200,156	40,402
<b>Cash from (used in) financing activities</b>	<b>98,546</b>	<b>(92,342)</b>
Effect of foreign exchange on cash and cash equivalents	167,841	857,121
(Decrease) increase in cash and cash equivalents	(5,080,155)	(10,950,755)
Cash and cash equivalents, beginning of period	93,846,091	126,054,833
<b>Cash and cash equivalents, end of period</b>	<b>88,765,936</b>	<b>115,104,078</b>

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

(expressed in thousands of U.S. dollars)

	Three months ended	
	March 31,	
	2023	2022
	\$	\$
Net loss and comprehensive loss	(7,007)	(11,987)
Stock-based compensation	704	522
Depreciation and amortization	343	275
Foreign exchange (gain) loss	(115)	(892)
Finance income	(690)	(74)
Restructuring costs <sup>(1)</sup>	3,681	2,875
<b>Adjusted EBITDA</b>	<b>(3,085)</b>	<b>(9,281)</b>

(1) Represents employee compensation for severance amounts for Company wide restructurings in the first quarters of 2023 and 2022

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<https://investors.thinkific.com/2023-05-04-Thinkific-Announces-First-Quarter-2023-Financial-Results-and-Provides-Second-Quarter-2023-Outlook>