

Thinkific Announces Second Quarter 2023 Financial Results and Provides Third Quarter 2023 Outlook

*ARPU⁽¹⁾ rises 12% year-over-year to \$141 per month, driving Revenue to \$14.4 million for the second quarter
Closing in on profitability: Adjusted EBITDA⁽²⁾ improves 83% year-over-year to a \$1.2 million loss
Thinkific Payments adoption reaches 30% for the quarter, recording \$31.4 million in GPV⁽¹⁾, a 120% year-over-year
increase*

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

VANCOUVER, BC, Aug 1, 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 June 30, 2023.

"Significant improvement in our Adjusted EBITDA⁽²⁾, continued success of Thinkific Payments, and increasing customer count were again key themes this quarter," said Greg Smith, CEO of Thinkific. "As we execute against our financial and operational priorities, enabling our Creators' success remains the foundation of everything we do. 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 customers achieve success on Thinkific Plus."

"Our continued innovation in our commerce tools, including our Sales Tax Solution and Buy Now, Pay Later; our customizable Branded Mobile; and the introduction of AI tools - just to name a few - create an environment for customers to achieve their dreams," concluded Mr. Smith.

Second Quarter Financial Highlights

- Revenue increased 14% to \$14.4 million compared with the second quarter of 2022, driven by ARPU⁽¹⁾. The increase in ARPU⁽¹⁾ was the result of the increasing adoption of Thinkific Payments, customers finding success on Thinkific Plus, as well as expansion revenue from features like our mobile apps.
- Gross margin was 75% in the second quarter of 2023, slightly lower than the 76% recorded for the second quarter last year, driven by the increase in Thinkific Payments revenue and non-recurring customer support costs.
- Net loss for the second quarter of 2023 was \$2.1 million, compared to a net loss of \$10.1 million in the second quarter of 2022, a 79% improvement.
- Adjusted EBITDA⁽²⁾ loss improved for the fifth consecutive quarter. This trend is expected to continue with the Company targeting to exit 2023 with a profitable Adjusted EBITDA⁽²⁾ run rate. Adjusted EBITDA⁽²⁾ loss of \$1.2 million improved 83% or \$5.8 million over the prior year driven by revenue growth and efficiency improvements.
- Total Paying Customers⁽¹⁾ grew 3% to 34.3 thousand in the second quarter of 2023 compared to the prior year.
- ARPU⁽¹⁾ increased 12% to \$141 per month compared with \$126 per month in the second quarter of 2022.
- ARR⁽¹⁾ grew 6% to \$53.3 million from \$50.3 million in the second quarter of 2022, due to improvement in ARPU⁽¹⁾ and customer count.
- Thinkific Payments continued to be well received by customers, and Gross Payments Volume ("GPV"⁽¹⁾) was \$31.4 million for the second quarter compared to \$14.3 million in the prior year, a 120% increase. GPV⁽¹⁾ is the total dollar value of transactions processed using Thinkific Payments, and represented 30% of GMV⁽¹⁾ processed during the quarter. GMV⁽¹⁾ in the second quarter was \$106 million.
- Cash and cash equivalents were \$85 million at the end of the second quarter of 2023.

"We continue to advance our business objectives, including closing in on our profitability target," said Corinne Hua, CFO of Thinkific. "At the same time, we are executing against our strategic priorities, delivering to our Creators valuable product features that support their success, including making it easy to get started, helping them earn more, and providing advanced tools and security for businesses on Thinkific Plus. It is product and technology features like these that put us in a very solid position to drive customer success and top-line growth."

Second Quarter Operational Highlights

- Launched "AI for Creators Report 2023", a comprehensive guide that explores the intersection of AI and creativity, and provides insights on how to craft effective AI prompts, using AI to streamline workflows and automate tasks, and gain insights into the various AI tools available for Creators.
- Introduced "Thinkific Analytics": New dashboards provide valuable insights to Creators helping them earn more, and help them provide more impactful learning experiences. The analytics tool offers superior performance and usability, including data on enrollments, orders, revenue, and course engagement.

- Completed the localization of pricing across the United Kingdom and European Union which removes a barrier to new Creators getting started in these territories.
- Obtained SOC2 Type 1 cybersecurity compliance certification through the successful completion of the Service Organization Control (SOC) 2 Type 1 audit with no findings. Maintaining a robust security and data privacy system are essential features for Thinkific's larger customers.
- 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.

Subsequent to Quarter End

- Announced, as part of Thinkific Payments growing suite of integrated business management and payment solutions, Buy Now, Pay Later (BNPL) credit options. Working with Stripe, a global financial infrastructure platform, and providers Affirm, Klarna and Afterpay, Thinkific's BNPL functionality allows Creators to sell higher-priced products, and provide their students with more flexible payment options.

Outlook

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

For the third quarter of 2023, the Company expects:

- Revenue of \$14.5 million - \$14.7 million; and
- Adjusted EBITDA⁽²⁾ loss in the range of \$0.6 million to \$1.2 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.

(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 August 1, 2023 to discuss Thinkific's second 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 August 1, 2023 by dialing 1.888.390.0541 (US/Canada toll-free) or 1.416.764.8677 (International/Toronto). The passcode is 458338#. The replay will expire at 8:59 PM PT (11:59 PM ET) on August 8, 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.

Thinkific's unaudited consolidated financial statements and accompanying notes, and Management's Discussion and Analysis for the three months ended June 30, 2023 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 Creator Educators 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 learning products - from courses to communities - 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, membership and community 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, 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 including product-led growth strategy through the introduction of additional features to support the success of our Creators; addressable markets for our solutions; customer acquisition improvements; the achievement of advances in and expansion of our offered platform service (defined as "Thinkific Platform" and "Our Platform" in the 2022 Annual Information Form); the roll-out, development and success of new products, features, and services; the 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; and our competitive position in our industry.

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 and increasing competition 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, 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 Cash Flows (unaudited)
 (expressed in U.S. dollars)

	June 30, 2023	December 31, 2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	84,670,539	93,846,091
Trade and other receivables	3,747,197	2,712,671
Prepaid expenses and other assets	4,867,277	1,797,108
Contract acquisition assets	422,970	322,643
Total current assets	93,707,983	98,678,513
Property and equipment	1,166,272	1,507,600
Lease right-of-use assets	1,240,513	2,005,835
Contract acquisition assets	781,908	660,185
Intangible assets	113,902	118,275
Total assets	97,010,578	102,970,408
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	4,924,092	4,927,349
Lease liabilities	545,794	443,928
Deferred revenue	9,406,462	8,238,516
Total current liabilities	14,876,348	13,609,793
Lease liabilities	756,502	1,512,180
Total liabilities	15,632,850	15,121,973
Shareholders' equity		
Share capital	147,275,946	146,179,189
Contributed surplus	8,507,203	6,925,869
Accumulated other comprehensive loss	(38,113)	(38,113)
Accumulated deficit	(74,367,308)	(65,218,510)
Total shareholders' equity	81,377,728	87,848,435
Total liabilities and shareholders' equity	97,010,578	102,970,408

	Three months ended June		Six months ended June	
	30,		30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenue	14,436,206	12,619,987	28,529,081	24,405,119
Cost of revenue	3,638,061	2,991,716	7,126,553	6,144,356
Gross profit	10,798,145	9,628,271	21,402,528	18,260,763

Operating expenses				
Sales and marketing	5,505,108	6,513,131	11,030,409	12,703,033
Research and development	4,930,457	7,128,260	10,182,809	15,077,959
General and administrative	3,956,716	3,942,481	8,410,226	9,100,319
Restructuring	—	—	3,185,966	2,287,885
Total operating expenses	14,392,281	17,583,872	32,809,410	39,169,196
Operating loss	(3,594,136)	(7,955,601)	(11,406,882)	(20,908,433)
Other income (expenses)				
Foreign exchange gain (loss)	505,273	(2,408,017)	620,461	(1,516,058)
Finance income (expense)	947,186	252,914	1,637,623	326,878
Total other income (expenses)	1,452,459	(2,155,103)	2,258,084	(1,189,180)
Net loss and comprehensive loss				
	(2,141,677)	(10,110,704)	(9,148,798)	(22,097,613)
Weighted average number of common shares outstanding - basic and diluted	80,652,067	78,396,508	79,908,862	77,849,653
Loss per share				
Basic and diluted	\$ (0.03)	\$ (0.13)	\$ (0.11)	\$ (0.28)

	Six months ended	
	June 30,	
	2023	2022
	\$	\$
Cash from (used in):		
Operating activities		
Net loss	(9,148,798)	(22,097,613)
Items not affecting cash and cash equivalents:		
Depreciation and amortization	696,708	551,166
Stock-based compensation	2,725,605	1,166,701
Unrealized foreign exchange loss	(632,056)	1,553,736
Finance expense	74,051	42,926
Changes in non-cash working capital:		
Trade and other receivables	(1,034,526)	(723,151)
Prepaid expenses and other assets	(3,089,121)	(577,708)
Contract acquisition assets	(401,307)	(372,499)
Accounts payable and accrued liabilities	(274,777)	926,289
Deferred revenue	1,167,946	1,574,412
Cash used in operating activities	(9,916,275)	(17,955,741)
Investing activities		
Disposal of computer equipment	61,960	—
Investment in property and equipment	(3,075)	(1,110,398)
Investment in intangible assets	—	(11,986)

Cash from (used in) investing activities	58,885	(1,122,384)
Financing activities		
Operating lease payments	(245,434)	(266,017)
Exercise of stock options	207,602	240,332
Cash used in financing activities	(37,832)	(25,685)
Effect of foreign exchange on cash and cash equivalents	719,670	(1,644,131)
Decrease in cash and cash equivalents	(9,175,552)	(20,747,941)
Cash and cash equivalents, beginning of period	93,846,091	126,054,833
Cash and cash equivalents, end of period	84,670,539	105,306,892

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,	
	2023	2022	2023	2022
	\$	\$	\$	\$
	(In thousands of U.S. dollars)			
Net loss and comprehensive loss	(2,142)	(10,111)	(9,149)	(22,098)
Stock-based compensation	2,021	645	2,726	1,167
Depreciation and amortization	354	277	697	551
Foreign exchange (gain) loss	(505)	2,408	(620)	1,516
Finance income	(947)	(253)	(1,638)	(327)
Restructuring costs ⁽¹⁾	—	—	3,681	2,875
Adjusted EBITDA	(1,219)	(7,034)	(4,304)	(16,316)

(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/2023-08-01-Thinkific-Announces-Second-Quarter-2023-Financial-Results-and-Provides-Third-Quarter-2023-Outlook>